EXPLANATORY MEMORANDUM TO

THE SEVERN BRIDGES (AMENDMENT) REGULATIONS 2010

2010 No. 430

1. This explanatory memorandum has been prepared by the Department for Transport and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument, made under section 14(1)(b) of the Severn Bridges Act 1992 will amend the Severn Bridges Regulations 1996 ("the 1996 Regulations") to allow for the payment of the tolls at the Severn Crossings to be made by any means of payment recognised by the concessionaire (Severn River Crossings PLC) or the Secretary of State and removes the obligation to pay the toll in cash or pursuant to a pre-payment agreement only.

3. Matters of special interest to the Joint Committee on Statutory Instruments *or* the Select Committee on Statutory Instruments

3.1 None

4. Legislative Context

4.1 Section 14(1)(b) of the Severn Bridges Act enables the Secretary of State to make provision as to the persons by whom and the manner in which the tolls for the Severn Crossings are to be paid.

4.2 Regulation 5 of the 1996 Regulations currently restricts the concessionaire from accepting payment of the toll by any means other than cash or pursuant to a pre-paid agreement. These Regulations will amend the Severn Bridges Regulations 1996 to allow for payment of the tolls by any recognised means of payment.

4.3 These Regulations are subject to negative resolution procedure.

5. Territorial Extent and Application

5.1 This instrument applies to England and Wales.

6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- ***What is being done and why***

7.1 The Highways Agency recognise that it is now desirable to pay by debit or credit card for many public services and will deliver an improved service to customers by providing alternative payment options at the Severn Crossings.

7.2 All tolls leviable at the Severn Crossings in respect of a vehicle are currently accepted in cash or pursuant to a pre-payment agreement. These Regulations will amend the 1996 Regulations and allow the concessionaire or the Secretary of State to accept payment of the toll by a recognised means of payment. These recognised means of payment will be decided by the concessionaire during the period of the concession agreement when the power to levy tolls is exercisable by the concessionaire and by the Secretary of State when the power to levy tolls is exercisable by the Secretary of State.

7.3 It is intended that from the coming into force date of these Regulations that the recognised means of payment will continue to allow for the current cash and pre-payment agreement mechanisms to remain in place, but will also allow for debit and credit card payments to be accepted in due course. It is anticipated that facilities to enable acceptance of debit and credit card payments at the Severn Crossings will be in place later this year.

7.4 The introduction of debit and credit card payments at the Severn Crossings is part of a wider government initiative. The primary aim is to improve customer satisfaction by acting on feedback and meeting customer needs.

7.5 Introducing card payments will enable the network to operate more effectively and bring Severn Crossings in line with other tolling operators across Europe. It will also improve journey times, ease congestion at the tolls, reduce the number of non payment invoices issued and improve safety.

8. Consultation outcome

8.1 There is no statutory requirement to formally consult in these circumstances and public consultation was not carried out on this occasion. A working group was set up in October 2007 to look at the feasibility and options for accepting debit and credit card payments at the tolls following requests for these facilities from stakeholders and Ministers.

8.2 There has been no opposition to the prospect of accepting debit and credit card payments to date. Ministers are committed to changing legislation to progress this as soon as possible.

9. Guidance

9.1 A press notice will be issued by the Highways Agency Press Office when the regulations are laid and again when they come into force. Severn Rivers Crossings PLC will also issue their own press notice and publish details on their website.

10. Impact

10.1 There is no impact on business, charities or voluntary bodies.

10.2 There is no impact on the public sector.

10.3 An Impact Assessment is attached to this memorandum.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 No specific review is planned, but the costs of implementation and continuation of the new payment method will be calculated and reviewed every six months by the Highways Agency and the concessionaire.

13. Contact

Evette Johnson at the Department for Transport Tel: 020 7944 2041 or email: evette.johnson@dft.gsi.gov.uk who can answer any queries regarding the instrument.

Summary: Intervention & Options

Department /Agency:	Title:	
Department for Transport	**Impact Assessment of Amending the Severn Bridge Regulations 1996**	
Stage: Final	**Version:** 1	**Date: 19th February 2010**
Related Publications:		

Available to view or download at:

http://www.

Contact for enquiries: Evette Johnson **Telephone:** 020 7944 2041

What is the problem under consideration? Why is government intervention necessary?

To improve efficiency of operation and increase the choice of payment options for users a change in the regulations is required. At present, the legislation for the Severn Crossings, The Severn Bridge Regulations 1996, stipulates that all payments at the tolls shall be paid in cash (or by prepaid electronic payments, TAG). There are frequent calls from stakeholders for credit & debit card payments to be accepted at the tolls. In order to allow this change to take place the regulations need to be amended by secondary legislation.

What are the policy objectives and the intended effects?

The aim of implementing card payments is to improve customer service by acting on feedback and meeting customer needs. The Government recognises that it is now possible to pay by card for many public services and that the introduction of an alternative payment method at the tolls will provide an improved service for all customers and may help to reduce transaction time for users, improve safety and reduce non-payment of tolls. This change will also provide greater consistency with other European tolling regimes.

What policy options have been considered? Please justify any preferred option.

There are two options that have been considered.

1. No change in the means of payment
2. Make the necessary changes to allow credit and debit card payments

The preferred option achieves the objective, will be funded by the user rather than the taxpayer and the concession period is not extended.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? The usage of card payments will be monitored. It is unlikely that a review of the benefits will be carried out as there is no realistic option of reverting back to cash only payments. The costs of implementation and continuation of the new payment method will be calculated and reviewed every six months by the Highways Agency and the Concessionaire.

Ministerial Sign-off For final proposal/implementation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

Sadiq Khan .....Date: 22nd February 2010

Summary: Analysis & Evidence

Policy Option:	Description: **To allow credit and debit card payments on the Severn Bridge tolls.**
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COSTS

ANNUAL COSTS		Description and scale of **key monetised costs** by 'main affected groups'
One-off (Transition)	**Yrs**	One-off implementation costs and transaction costs: ♦ £300k one off HA costs – Software charges ♦ £200k - £600k other one off costs ♦ £800k - £1.400k average annual costs
£500k-£900k (set-up)	1	
Average Annual Cost (excluding one-off)		
£ 0.8m - £1.4m		**Total Cost** (PV) **£ 6m-£10m**

Other **key non-monetised costs** by 'main affected groups'

BENEFITS

ANNUAL BENEFITS		Description and scale of **key monetised benefits** by 'main affected groups'
One-off	**Yrs**	Benefits could not be quantified in monetary terms.
£ not quantified		
Average Annual Benefit (excluding one-off)		
£ not quantified		**Total Benefit** (PV) **£ not quantified**

Other **key non-monetised benefits** by 'main affected groups'

Improved customer satisfaction. Improved safety (by reducing dangerous manoeuvres at the tolls). Reduced number of non-payments at the tolls. Journey times should be improved if there is reduced transaction time compared to cash payment.

Key Assumptions/Sensitivities/Risks

Experience of other schemes suggest between 40-70% of cash payments switch to card payment.

Price Base Year: 2010	Time Period Years 6.5	**Net Benefit Range** (NPV) **- £6m to - £10m**	**NET BENEFIT** (NPV Best estimate) **- £ 7.5m**

What is the geographic coverage of the policy/option?			England & Wales	
On what date will the policy be implemented?			2010	
Which organisation(s) will enforce the policy?			Highways Agency	
What is the total annual cost of enforcement for these organisations?			£ N/A	
Does enforcement comply with Hampton principles?			N/A	
Will implementation go beyond minimum EU requirements?			N/A	
What is the value of the proposed offsetting measure per year?			£ 0	
What is the value of changes in greenhouse gas emissions?			£ N/A	
Will the proposal have a significant impact on competition?			No	
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices) (Increase - Decrease)

Increase of £ 0 Decrease of £ 0 **Net Impact** **£** 0

Key: **Annual costs and benefits: Constant Prices** **(Net) Present Value**

Evidence Base (for summary sh

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

1. This Impact Assessment considers the impact of amending the Severn Bridge Regulations to allow for card payments to be accepted at the tolls.

Background

2. The requirement to pay the tolls in cash is set out in secondary legislation - The Severn Bridges Regulations 1996 - as this was the favoured option at the time. This leads to a number of problems:

   - Inefficiency of operations: as times have changed paying by electronic means has become a more popular and convenient means of payment.
   - Non-compliance as users who have insufficient cash to pay the toll (perhaps because they expected a card payment option) are issued with non-payment tickets at the toll plaza.
   - Safety: current procedures lead to some dangerous manoeuvres at the toll plaza.

3. At present The Severn Bridge Regulations 1996 stipulates that all payments at the Severn Bridge tolls shall be paid in cash or by prepaid electronic payments (TAG). There are frequent calls from users of the bridge, Minister's, MPs and other stakeholders for card payments to be accepted at the tolls by way of letters and Freedom of Information requests from the public, ministerial correspondence, parliamentary questions and a campaign to 'ditch cash only'.

4. Amending Secondary Legislation to allow for card payments will bring benefits of

   - enabling the network to operate more effectively by potentially reducing transaction time for some bridge users. Whilst we believe that card payments should reduce processing times at the tolls, we have no evidence for this and it is more than likely that initially as people get used to the new regime, there could be an increase in congestion.
   - improving safety by reducing dangerous manoeuvres at the tolls. While there is no data on collisions resulting from the queues at the tolls, dangerous manoeuvres are often observed on the toll plaza. This is especially the case if there is a significant delay of several minutes in one of the toll lanes whilst someone is issued with a non payment ticket.
   - Reducing non-payment at the tolls caused by drivers with insufficient cash.
   - Offer improved service to customers.
   - Bringing the Severn Crossings in line with other tolling operators across Europe.

   We have been unable to quantify these impacts.

5. The best approach to deal with this issue is to make a minor amendment to Secondary Legislation to allow payment by other means. The additional costs within concession for handling card payments depends on the card usage. Experience from the M6 Toll and Cofiroute in France suggests card usage will be approximately 40% - 70% of non-TAG traffic (all vehicle classes). Given the uncertainty in forecasting card usage a cost range has been estimated. The additional costs are recovered from bridge users with the exception of £300k of HA costs for software changes.

Assumed range of additional costs from card payments			
Case	**High**	**Base**	**Low**
Assumed card usage	**70%**	**50%**	**40%**
Forecast number of annual card transactions	7.5m	5.4m	4.2m
Transaction Costs	£1,230k	£885k	£675k
Other additional costs	£170k	£160k	£150k
Annual Costs	**£1,400k**	**£1,045k**	**£825k**
Likely total cost to end of concession (x6.5years)	£9.1m	£6.8m	£5.4m
Implementation cost	£0.9m	£0.7m	£0.5m
Total forecast until end of concession period (in 2009 prices)	**£10m**	**£7.5m**	**£5.9m**

6. The key provision reflected in the amended draft regulations is that the tolls shall be "paid by the driver of the vehicle by a recognised means of payment accepted by the concessionaire or the Secretary of State".

Scope

7. The legislation only applies to Severn Crossings and does not affect any other toll crossings.

8. The proposed amendment to the legislation does not define credit or debit cards as the only means of electronic payment. The new regulations will allow the Concessionaire to accept 'any recognised means of payment', which also allows for any alternative means of payment to be accepted in the future.

Options

9. The regulations can remain the same and continue to accept cash only payments at the tolls although Ministers and Stakeholders have deemed this option unsuitable in this current day and age.

10. The regulations can be amended by Secondary Legislation to allow the Concessionaire to accept card payments at the tolls. This is viewed as the most cost effective approach.

Conclusion

11. The Department's conclusion is that the impact of amending these regulations will be minimal. The changes will aid users by giving them more flexibility in terms of payment which will result in an improved service for users.

12. It is anticipated that the facilities to enable acceptance of debit and credit card payments at the crossings will be in place later this year.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	***Results in Evidence Base?***	***Results annexed?***
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No

Annexes