

**COST BENEFIT ANALYSIS OF PROPOSED CHANGES TO THE SCOPE OF SAFETY VERIFICATION FOLLOWING FURTHER CONSULTATION IN 2005**

1. Following the development of the final Regulatory Impact Assessment (RIA) for Railways and Other Guided Transport Systems (Safety) Regulations (ROGS) and Department for Transport proposals to implement interoperability in September 2006, the extent to which interoperability will apply to the mainline railway cannot yet be accurately forecast. HSE has proposed that those parts of the mainline railway that will not fall within the interoperability framework should be subject to requirements for safety verification under ROGS. This note takes the final RIA for ROGS as a baseline and estimates what effect the proposed change will have on the cost to industry of the complete package.
2. The exact extent to which safety verification will apply instead of interoperability has not been established; so five scenarios are presented below to illustrate potential cost benefit. Each scenario considers safety verification as covering a different proportion of the main line railway.<sup>1</sup> It is assumed that interoperability will impose equivalent costs on industry to the existing regime and that safety verification is cheaper for industry and the competent authority than the existing regime.<sup>2</sup> In particular, safety verification (as part of the Safety Management System) is assumed to present cost savings to industry of up to 10% over safety verification (as originally envisaged in the RIA).
3. The costs associated with extending safety verification to the main line railway are given in table 1. Negative costs indicate cost savings.

Percentage of interoperable railway covered by Safety Verification	Minimum cost over existing proposal	Maximum cost over existing proposal
0%	-£60,000.00	£0.00
10%	-£970,000.00	-£470,000.00
50%	-£4,580,000.00	-£2,350,000.00
90%	-£8,190,000.00	-£4,240,000.00
100%	-£9,090,000.00	-£4,710,000.00

Table 1: Costs imposed by an extension of safety verification

4. The final RIA estimates that the introduction of safety verification on the non-mainline railway will generate a cost saving of between £1.5 million and £0.8 million.<sup>3</sup> The figures in table 1 above are in addition to this estimate and have not been included in the headline figures quoted in the final RIA.

<sup>1</sup> "Railway" here includes the Train Operating Companies, the Freight Operating Companies, the Infrastructure Controller and the Infrastructure Maintenance Companies.

<sup>2</sup> This note follows the methodology of the existing RIA (p. 34).

<sup>3</sup> See table 8a on p35 of the existing RIA.