

<b>Title:</b> Increasing Vehicle Test Fees	<b>Regulatory Impact Assessment (RIA)</b>		
	<b>Date:</b>		
	<b>Type of measure:</b> Secondary Legislation		
<b>Lead department or agency:</b> Department for Infrastructure, Driver and Vehicle Agency	<b>Stage:</b> Initial		
	<b>Source of intervention:</b> Domestic NI		
<b>Other departments or agencies:</b>	<b>Contact details:</b> Harry Fitzpatrick		
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## Summary Intervention and Options

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

The majority of vehicle test fees have not been increased since 2005. The rising cost of delivering vehicle testing services means the Driver & Vehicle Agency (DVA) is facing a shortfall in income. Staff costs, accommodation costs (including energy bills) and contracted services costs have all increased, which means fees no longer cover the costs.

DVA operates a Trading Fund, which is required to generate sufficient revenue to cover its outgoings, in line with the Financial Provisions (Northern Ireland) Order 1993. In addition, intervention is considered necessary to comply with the Department of Finance guidance on fees and charges within Managing Public Money Northern Ireland (MPMNI), vehicle test fees are no longer covering the costs for delivering the testing services.

### What are the policy objectives and the intended effects?

The policy objective is to increase vehicle test fees to cover the costs associated with delivering vehicle testing services which are considered essential to keeping the travelling public safe, while meeting our statutory obligations and the needs of our customers. The Permanent Secretary made a decision under the Northern Ireland (Executive Formation and Exercise of Functions) Act 2018 to consult on an increase to vehicle test fees to protect the future financial sustainability of the Driver & Vehicle Agency Trading Fund and that, subject to no major equality impacts being identified through the consultation, that the required amending Regulations would be made to implement the vehicle test fee increases from October 2023.

### What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 1: Do nothing

Option 2: Increase Vehicle Test Fees

Only Option 2 will address the shortfall in funding and move the DVA towards meeting the requirement to set fees to recover costs - a general increase to the vehicle test fees is required to recover the costs associated with delivering vehicle testing services. The DVA operates a Trading Fund, which is required to generate sufficient revenue to cover its outgoings, in line with the Financial Provisions (Northern Ireland) Order 1993 and in compliance with Department of Finance guidance on fees and charges within Managing Public Money Northern Ireland (MPMNI).

**Will the policy be reviewed?** Yes

**If applicable, set review date:** Oct 2025  
(DVA plan to review vehicle test fees biennially)

### Cost of Preferred (or more likely) Option

Total outlay cost for business £m	Total net cost to business per year £m	Annual cost for implementation by Regulator £m
c.£2.29 per annum	c.£2.29 per annum	N/A

<b>Does Implementation go beyond minimum EU requirements?</b>	N/A			
<b>Is this measure likely to impact on trade and investment?</b>	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>		
Are any of these organisations in scope?	<b>Micro</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<b>Small</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<b>Medium</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<b>Large</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

**The final RIA supporting legislation must be attached to the Explanatory Memorandum and published with it.**

Approved by: Jeremy Logan Date: 4 September 2023

# Summary: Analysis and Evidence

# Policy Option 2

## Description:

Increase Vehicle Test Fees charged by the DVA

### ECONOMIC ASSESSMENT (Option 2)

Costs (£m)	Total Transitional (Policy) (constant price)	Years	Average Annual (recurring) (excl. transitional) (constant price)	Total Cost (Present Value)
Low	Optional		Optional	Optional
High	Optional		Optional	Optional
<b>Best Estimate</b>	<b>0</b>		<b>c.£2.29m</b>	<b>c.£2.29m</b>

#### Description and scale of key monetised costs by 'main affected groups'

The DVA conducted 992,438 full vehicle tests and 163,125 retests during 2022-23, the majority (82%) of which were for private cars (819,523 full tests and 134,245 retests).

The main business groups affected by the proposed fee increases have been identified as Service Providers and Goods and Passenger Transport operators, who use light goods vehicles, heavy goods vehicles, trailers, buses, and taxis. The majority of these are micro businesses (c.71,000) and small businesses (c.7,200) which represent 89% and 9% of businesses respectively.

Vehicle tests for light goods vehicles, heavy goods vehicles, trailers, buses and taxis represented approx. 15% of total tests conducted in 2022-23.

For financial illustration purposes only, a micro business with three light goods vehicles would attract additional full test fee costs of £22.50 per annum (p.a). whilst a small business with ten 2-axle heavy goods vehicles would attract additional full test fee costs of £250 p.a. A summary of the main full test fees is included at Annex A.

Overall, it has been estimated that the additional cost to business per annum will be approx. £2.29m. This has been calculated by taking the volumes of tests conducted for light goods vehicles, heavy goods vehicles, trailers, buses, and taxis during 2022 multiplied by the increase in fee for each of these categories.

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

N/A

Benefits (£m)	Total Transitional (Policy) (Constant price)	Years	Average Annual (recurring) (excl. transitional) (constant price)	Total Benefit (Present Value)
Low	Optional		Optional	Optional
High	Optional		Optional	Optional
<b>Best Estimate</b>	<b>0</b>		<b>0</b>	<b>0</b>

#### Description and scale of key monetised benefits by 'main affected groups'

N/A

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

The main business groups affected by the fees increase will benefit from an improved customer experience as a consequence of enhanced communications and the continued modernisation of digital and booking services. In addition, the proposed fee increases will enable the DVA to continue to meet its statutory vehicle testing obligations whilst providing an effective and efficient vehicle testing service and make a positive contribution to road safety in Northern Ireland.

#### Key Assumptions, Sensitivities, Risks

It is assumed that the proposed fee increases will provide the necessary funding to ensure the DVA meets its statutory financial obligations by generating sufficient revenue to cover its outgoings in compliance with the Financial Provisions (Northern Ireland) Order 1993 and the Department of Finance guidance on fees and charges within "Managing Public Money Northern Ireland" regarding full cost recovery. This will also enable the DVA to continue to meet its statutory vehicle testing obligations, positively impacting on road safety. In the absence of a fee increase the DVA would fail to meet its statutory financial obligations, and its ability to deliver and improve vehicle booking and testing services would be impacted and could ultimately put at risk its positive contribution to road safety. It is recognised that any fee increase may act as a disincentive to some of DVA's customers, but this is unlikely to affect future test demand.

## BUSINESS ASSESSMENT (Option 2)

<b>Direct Impact on business (Equivalent Annual) c.£2.29m</b>				
<b>Costs: c.£2.29m</b>	<b>Benefits:0</b>	<b>Net: c.£2.29m</b>		

## Cross Border Issues (Option 2)

### How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland)

The proposed increases to Northern Ireland vehicle full test fees will in general remain significantly less than those charged in GB and Ireland e.g., Light goods vehicle: NI = £38.00, GB = £58.60, ROI = €111  
HGV 2 axle vehicle: NI = £101.00, GB = £112.00, ROI = €168 - €198

## Evidence Base

### Problem under consideration

The DVA has a statutory obligation to recover in full the costs associated with delivering its vehicle testing services. The majority of vehicle test fees have not been increased since 2005. The rising cost of delivering vehicle testing services means the DVA is facing a shortfall in income. Staff costs, accommodation costs (including energy bills) and contracted services costs have all increased, which means fees no longer cover the costs.

### Rationale for intervention

The DVA's vehicle test fees no longer cover the cost of delivering the testing services. The DVA fees for conducting annual roadworthiness tests on cars, motorcycles, private buses and light goods vehicles have not been increased since October 2005, whilst the fees for conducting PSV Bus & Taxi Licensing tests and heavy goods vehicle tests have not increased since April 2009 and October 2012 respectively. Other specialist test fees affecting Enforcement Acquittal tests and PSV/Bus Accessibility tests have also not increased for more than 15 years. Fees for taximeter tests have not increased since their introduction in May 2016.

The deficit on the vehicle testing fee account was £1.1m in 2022-23 and it is projected that this deficit will increase further for the 2023-24 financial year if no fee increases are made.

### Policy objective

The objective of the fee increases is to ensure the DVA meets its statutory obligation to recover in full the costs associated with delivering vehicle testing services, whilst providing an effective, efficient and improved vehicle testing service that makes a positive contribution to road safety. This is in line with the Financial Provisions (Northern Ireland) Order 1993 and the Department of Finance guidance on fees and charges within "Managing Public Money Northern Ireland".

## Description of options

### Option 1: Do nothing

The majority of vehicle test fees have not been increased since 2005. The rising cost of delivering vehicle testing services means the DVA is facing a shortfall in income. Staff costs, accommodation

costs (including energy bills) and contracted services costs have all increased, which means fees no longer cover the costs.

As fees no longer cover the costs the do-nothing option would not address the current and future funding shortfall.

## **Option 2: Increase vehicle test fees**

As the vehicle test fees no longer cover the DVA's costs of delivering this service, increasing these fees is the preferred option as it is the only option that will ensure that the DVA meets its statutory obligation to recover in full the costs associated with delivering vehicle testing services. Increasing these fees will ensure the DVA continues to provide an effective, efficient and improved vehicle testing service that makes a positive contribution to road safety.

The preferred Option 2 provides for a general increase to vehicle test fees via amendments to the following Regulations:

- Motor Vehicle Testing Regulations (Northern Ireland) 2003
- Goods Vehicle (Testing) Regulations (Northern Ireland) 2003
- The Taxi Licencing Regulations (Northern Ireland) 2015
- The Taxis (Taximeter, Devices and Maximum Fares) Regulations (Northern Ireland) 2015
- Public Service Vehicle Regulations (Northern Ireland) 1985
- Public Service Vehicles Accessibility Regulations (Northern Ireland) 2003

## **Risks and assumptions**

The Department is required to deliver its statutory vehicle testing obligations. If the vehicle test fees stay at their present levels, the DVA will not be able to continue to provide services to their current standards or improve these services in the future. It is projected that the proposed fee increases will provide the necessary funding to cover in full the costs of continuing to deliver an effective and efficient vehicle testing service. In the absence of a fee increase the DVA would fail to meet its statutory financial obligations, and its ability to deliver and improve vehicle booking and testing services would be impacted and could ultimately put at risk its positive contribution to road safety. It is recognised that any fee increase may act as a disincentive to some of the DVA's customers, but this is unlikely to affect future test demand.

## **Direct costs and benefits to business**

The main business groups affected by the proposed fee increases have been identified as Service Providers and Goods and Passenger Transport operators, who use light goods vehicles, heavy goods vehicles, trailers, buses, and taxis. The majority of these are micro businesses (71,000) and small businesses (7,200) which represent 89% and 9% of businesses respectively.

The direct cost of the vehicle test fee increase on businesses in Northern Ireland is estimated to be c.£2.29m. This has been calculated by taking the volumes of tests conducted for light goods vehicles, heavy goods vehicles, trailers, buses, and taxis during 2022 multiplied by the increase in fee for each of these categories.

For financial illustration purposes only, a micro business with three light goods vehicles would attract additional full test fee costs of £22.50 per annum (p.a). whilst a small business with ten 2-axle heavy

goods vehicles would attract additional full test fee costs of £250 p.a. A summary of the main full test fees is included at Annex A.

The vast majority of vehicles will pass their initial test, however an estimated 18% of vehicles will be subject to a retest. Retest fee increases range from £11.00 (light goods) to £18.50 for (heavy goods vehicles) although the majority of customers, whose vehicles pass first time, will not be affected by these retest charges.

In calculating the cost to business, it is assumed that all light and heavy goods vehicles, trailers, buses and taxis are used for business purposes only, and that all private cars used for business purposes are less than 4 years old and are therefore not affected by the proposed fee increases. In reality it is likely that a small percentage of goods vehicles will be used for private purposes whilst a small percentage of private cars more than 4 years old will be used for business purposes. However, it is assumed that this will have no significant effect on business costs.

Ongoing improvements to the DVA's testing services will enhance the commercial vehicle customer's experience and confidence, through the provision of modern digital communication and booking systems that provide readily accessible information and direct access to the vehicle test appointment management system, whilst enhancing road safety for the benefit of all road users including business users.

### **Wider impacts**

An equality screening exercise has been carried out which concluded no section 75 grouping will be disproportionately affected by the proposed fee increases. In addition, no human rights implications have been identified. A rural impact screening assessment has also been carried which concluded there is no differential impact on rural areas.

**Annex A**

<b>Summary of main commercial vehicle test fees</b>	<b>Current fee</b>	<b>Proposed fee</b>
Light goods vehicle	£30.50	£38.00
HGV 2 axle	£76.00	£101.00
HGV 3 axle	£87.00	£109.00
HGV 4 axle	£98.50	£117.50
HGV Articulated 2 axle	£80.50	£101.00
HGV Articulated 3 axle	£93.50	£109.00
HGV Trailer 3 axle	£52.00	£86.50
Taxi	£138.50	£147.00
PSV bus	£90.50	£102.50