

EXPLANATORY MEMORANDUM TO

**(1) THE GOODS VEHICLES (PLATING AND TESTING) (AMENDMENT)
REGULATIONS 2010
2010 No. 448**

**(2) THE MOTOR VEHICLES (TESTS) (AMENDMENT) REGULATIONS 2010
2010 No. 449**

**(3) THE ROAD VEHICLES (REGISTRATION AND LICENSING) (AMENDMENT)
REGULATIONS 2010
2010 No. 451**

**(4) THE PUBLIC SERVICE VEHICLES (OPERATORS' LICENCES) (AMENDMENT)
REGULATIONS 2010
2010 No. 452**

**(5) THE GOODS VEHICLES (LICENSING OF OPERATORS) (AMENDMENT)
REGULATIONS 2010
2010 No. 455**

**(6) THE PUBLIC SERVICE VEHICLES (OPERATORS' LICENCES) (FEES)
(AMENDMENT) REGULATIONS 2010
2010 No. 457**

**(7) THE GOODS VEHICLES (LICENSING OF OPERATORS) (FEES) (AMENDMENT)
REGULATIONS 2010
2010 No. 464**

- 1.** This Explanatory Memorandum has been prepared by Department for Transport and is laid before Parliament by Command of Her Majesty.

This Memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instruments

2.1 Regulations 1, 2 and 3 above:

- make changes to fees charged by the Vehicle and Operator Services Agency (VOSA) for annual testing and issue of reduced pollution certificates for Heavy Goods Vehicles (HGVs – lorries) and Public Service Vehicles (PSVs – buses and coaches used for hire or reward);
- increase the fees for annual testing of motor vehicles other than HGVs and PSVs, which are mainly carried out in the private sector and are commonly known as “MOT tests” {Regulation 2 only};
- increase the charge that authorised MOT test stations pay to VOSA to enable it to cover its costs in supervising and administering the MOT scheme {Regulation 2 only}.

2.2 Regulations 4 and 5 above:

- amend the Public Service Vehicles (Operator's Licences) Regulations 1995 and the Goods Vehicles (Licensing of Operators) Regulations 1995 (S.I. 1995/2869):
 - to specify dates to be included on discs issued to vehicles operated under HGV and PSV operators' licences; and

- in consequence of changes to European Union (“EU”) legislation concerning “cabotage” operations, that is the use of a foreign vehicle to conduct purely national operations {Regulation 5 only}.
- 2.3 Regulations 6 and 7:
- enable refunds to be made of some operator licence fees paid in advance, where those fees have been reduced for 2009/10 and are being abolished in 2010/11 under operator licence fee reform; and
 - remove certain provisions made obsolete by the completion of operator licence fee reform.

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

HGV and PSV Fees and related changes

3.1 Some HGV and PSV testing fees have increased at rates significantly above the rate of inflation. However, these above inflation increases are offset by the abolition of certain fees previously payable by the holders of operators’ licences for HGVs and PSVs. This element of the change is cost neutral overall. The second element raising some fees is the equalisation of fees charged by the Vehicle and Operator Services Agency (VOSA) for testing at VOSA test stations and at other locations. This is part of a process to enable businesses to benefit from reduced vehicle down-time by having tests carried out at locations more convenient to their operators and maintainers. Again, this change is cost neutral overall.

3.2 These particular changes are being introduced on 1st April in preference to the Common Commencement Date of 6th April. As part of operator licence fee reform, the costs of fee funded activities to encourage and enforce compliance are being transferred from operator licence to test fee funding. The operator licence fee regulations which came into effect in April 2009 brought certain fees to an end on 31st March 2010, since those fees were charged per calendar month. The corresponding increase in test fees needs to take place on the 1st of April, rather than 6th, to ensure that those booking tests between those dates pay their share of the costs being transferred. The cost to VOSA of delaying implementation until 6th April would be of the order of £140k, which would have to be recovered from other fee payers.

MOT Fees

3.3 The MOT test fees cover vehicles ranging from motorcycles (including those with sidecars), through to cars, goods vehicles up to 3.5 tonnes gross weight and private passenger vehicles with 13 or more passenger seats, which are not PSVs. The increases in the fee maxima for all the vehicle classes covered by these Regulations are around 1.5% (although the final figures are rounded to the nearest 5 pence) as set out in the Impact Assessment. The fees increase is to take account of the HM Treasury forecast rate of inflation for the year from April 2010.

3.4 VOSA, acting on behalf of the Secretary of State, recovers the cost of administering and supervising the MOT scheme by charging a fee (referred to as the “slot fee”) to MOT test stations. The fee is the charge each test station will incur when entering a MOT pass result onto a central computer database (“entries in the electronic record”). The slot fee charge is only made when the vehicle passes the MOT test and the cost is passed on to motorists as part of the prescribed maximum MOT fee.

3.5 The increase to the slot fee covered by these Regulations is £0.05, an increase of around 2 %. Siemens, the external service provider, charge VOSA for each MOT test pass in order to cover its costs in providing the MOT computerised system. The increase is therefore

needed to allow VOSA to cover its MOT related costs including the payments made to Siemens.

3.6 The actual fee for an MOT test is a very small proportion of the general costs of running a vehicle which include fuel, vehicle excise duty and insurance. The next fee maxima revision is expected to be from April 2011.

4. Legislative Context

In the following paragraphs, reference to the “principal Regulations” means the Regulations which are being amended.

(1) **The Goods Vehicles (Plating and Testing) (Amendment) Regulations 2010**

4.1 The fees affected by these amendment Regulations are primarily in connection with the annual test of roadworthiness of HGV vehicles; but also include fees to approve ‘notifiable alterations’ which affect the permitted gross weight or key safety systems of an HGV or applications to amended vehicle plates.

4.2 These Regulations:

- increase fees for full tests to complete the phased transfer of funding for enforcement and compliance functions from operator licence vehicle fees to vehicle test fees to complete operator licence fee reform. The related abolition of fees paid for vehicles specified on operators’ licences was achieved by the Goods Vehicles (Licensing of Operators) (Fees) Regulations 2009 (2009/804), which abolished those fees from 31 March 2010;
- remove the additional charges for testing HGVs or inspecting them in connection with a notifiable alteration or application to amend a plating certificate, at non-VOSA premises (i.e. approved private sector maintenance and testing facilities); and
- extend the times on normal weekdays during which tests are carried out without charging “out of hours” supplements.

4.3 Separate columns for tests at premises provided by the Secretary of State and elsewhere have been retained in the tables inserted by regulations 4 and 5. Although the fees in both columns have been equalised this year, it is expected that they will diverge again in 2011 – with fees for testing at premises provided by the Secretary of State being greater than elsewhere.

(2) **The Motor Vehicles (Tests) (Amendment) Regulations 2010**

4.4 These Regulations change the fees for annual roadworthiness testing of vehicles other than HGVs. The arrangements for testing and structure of fees differ significantly between PSVs (buses and coaches used for hire or reward) and other vehicles covered by the Motor Vehicles (Tests) Regulations 1981 (1981/1694).

PSVs

4.5 These Regulations:

- increase fees for full tests to complete the phased transfer of funding for enforcement and compliance functions, and certain operator licensing administrative functions, from certain fees related to operator licences, to vehicle test fees. This completes operator licence fee reform –abolition of the relevant operator licence fees was included in the Public Service Vehicles (Operators’ Licences) (Fees) (Amendment) Regulations 2009 (2009/787), which phased out those fees by 31 March 2010;

- remove the additional charges for testing PSVs at non-VOSA premises; and
- extend the times on normal weekdays during which tests are carried out without charging “out of hours” supplements.

Other vehicles covered by these regulations

4.6 Under the Road Traffic Act 1988 it is an offence for certain motor vehicles to be used on the road unless they have been issued with a MOT test pass certificate within the previous 12 months or time period prescribed. The test certificate is only issued if the vehicle has been examined and found to meet specific requirements relating to its construction and condition, and to its accessories and equipment, and the general condition of the vehicle is not such that its use on the road poses a danger. As a result most motorists are required to submit vehicles over a prescribed age at least once a year for an MOT examination.

(3) The Road Vehicles (Registration and Licensing) (Amendment) Regulations 2010

4.7 The fees affected by these amendment Regulations cover 2 separate services carried out by VOSA – Reduced Pollution Certificates (RPC) and Vehicle Identity Checks (VIC).

4.8 These Regulations remove the additional charges for carrying out RPC and VIC checks at non-VOSA premises

(4) The Public Service Vehicles (Operators’ Licences) (Amendment) Regulations 2010

4.9 These Regulations amend the Public Service Vehicles (Operators’ Licences) Regulations 1995 (S.I. 1995/2908). They remove the need to include an “into force” date on future PSV vehicle discs. They also standardise the expiry date of a disc, linking it to the 5 year anniversary of a licence. Although fees for discs are no longer charged, specifying an expiry date on a disc is still necessary for enforcement purposes, to check whether a vehicle is being used under an operator’s licence.

(5) The Goods Vehicles (Licensing of Operators) (Amendment) Regulations 2010

4.10 The Goods Vehicles (Licensing of Operators) Regulations 1995 (S.I. 1995/2869) make provision for the identification of vehicles specified on HGV operators’ licences, by requiring vehicle identity discs to be issued. These Regulations amend that provision, in respect of the information to be contained on such discs. They prescribe that in most cases, the disc is to have an expiry date linked to the five year anniversary of a licence. However, discs issued under an interim licence or pursuant to an interim direction are instead required to show the date the interim licence was issued or the interim direction given. As for public service vehicles, the dates specified are no longer linked to a vehicle disc fee, but are still needed for enforcement purposes.

4.11 The principal Regulations prescribe various classes of vehicles for which an operator licence is not required. These include vehicles “permitted to carry out cabotage in the United Kingdom under Community Council Regulation (EEC) No 3118/93....”.

4.12 The European Union has adopted Regulation (EC) 1072/2009 which replaces the existing rules governing access to the international road haulage market, including rules in Regulation (EEC) 3118/93 on goods vehicle cabotage. While Regulation 1072/2009 generally comes into force on 4 December 2011, articles 8 and 9 concerning cabotage come into force on 14 May 2010. Articles 8 and 9 will exist alongside Regulation 3118/93 until that Regulation is

repealed on 4 December 2011. These Regulations amend the principal Regulations to reflect the changes made by the new EU Regulation.

(6) The Public Service Vehicles (Operators' Licences) (Fees) (Amendment) Regulations 2010

4.13 These Regulations amend the Public Service Vehicles (Operators' Licences) (Fees) Regulations 1995 (S.I. 1995/ 2909) to enable refunds to be made of certain vehicle related operator licence fees. These are fees which were paid before the Public Service Vehicles (Operators' Licences) (Fees) (Amendment) Regulations 2009 (S.I. 2009/787) came into effect, but which were to cover periods between 1st April 2009 (when the annual rate of those fees was halved) and beyond 1st April 2010 (when those fees are abolished).

4.14 Refunds of these fees for the period 1st April 2009 to 31st March 2010 ("the transitional period") are at half the monthly rate paid (creating parity with those who paid at the reduced transitional rate for that period) and refunds for the period on or after 1st April 2010 are at the full rate paid. Operators who only paid the transitional fee rate during the transitional period are not entitled to a refund for that period.

4.15 There is no entitlement to a refund for the period on or after 1st April 2010, where a licence has ceased to be in force, because in those circumstances, an operator would have been entitled to a refund under the existing regulation 4 of the principal Regulations ("earlier refund").

4.16 There is, however, an entitlement for an operator whose licence has ceased to be in force, to make a written application to a traffic commissioner for the half rate refund for any relevant part of the transitional period which is prior to the "effective date" of an earlier refund. This is because regulation 4 of the principal Regulations does not make an equivalent provision and to ensure those operators are not treated less favourably than those who are still operating. The requirement for operators, whose licence has ceased to be in force, to make a written application has been imposed because VOSA will no longer have a current address for such operators.

4.17 There will be circumstances where an earlier refund has been paid, even though the licence has not necessarily ceased to be in force (for instance in the case of fleet reductions). The refund scheme provided for by these Regulations reduces the monthly rate on which the refund calculation is based, to deal with this.

4.18 These Regulations remove the fee for replacement vehicle discs.

4.19 The Regulations also remove redundant refund provisions relating to fees that are abolished.

(7) The Goods Vehicles (Licensing Of Operators) (Fees) (Amendment) Regulations 2010

4.20 These Regulations amend the Goods Vehicles (Licensing Of Operators) (Fees) Regulations 1995 (S.I. 1995/3000) to enable refunds of fees paid before the Goods Vehicles (Licensing Of Operators) (Fees) (Amendment) (No. 2) Regulations 2009 (2009/804) came into effect, but which were to cover periods between 1st April 2009 (when the annual rate of those fees was halved) and beyond 1st April 2010 (when those fees are abolished). The refund scheme is based on similar principles applying to public service vehicles, as set out in paragraphs 4.13 to 4.17 above.

- 4.21 They abolish the fee for replacement discs.
- 4.22 These Regulations also remove redundant refund provisions relating to fees that are abolished.

5. Territorial Extent and Application

5.1 The Road Vehicles (Registration and Licensing) (Amendment) Regulations 2010 apply throughout the United Kingdom. The other instruments apply to Great Britain.

6. European Convention on Human Rights

6.1 As the instruments are subject to negative resolution procedure and do not amend primary legislation, no statement is required.

7. Policy background

- *What is being done and why*

HGV and PSV Fees and related changes

7.1.1 The Secretary of State, through his executive agency VOSA, recovers the cost of carrying out certain functions by charging fees. VOSA operates as a Government Trading Fund. The level of fees is normally reviewed annually.

7.1.2 For 2010/11 VOSA believes that, even with anticipated reductions in demand for services, its cost control measures will enable in-year costs of fee funded services to be fully covered by fees earned. VOSA is therefore not applying any general increase in fee levels.

7.1.3 However some fees are being adjusted as part of the implementation of policies previously announced and processes that have already begun. These adjustments are part of packages which overall, are cost neutral to customers, though there will be both winners and losers amongst customers. Changes covered by this Explanatory Memorandum, arise from two such packages:

- Testing Transformation is aimed at providing testing services at places and times which fit better into vehicle maintenance schedules to minimise vehicle downtime in line with the strategy announced in 2008 and affects Regulations numbered 1, 2 and 3 on page 1 of this memorandum. The specific changes are to:
 - location related charges: the supplement currently charged for testing at non-VOSA sites is being removed; and
 - out of hours charges: the weekday hours during which testing can be carried out without an additional out of hours charge are being extended.
- Operator Licensing Fee Reform reduces administrative costs to HGV and PSV operators by reducing the number of times operators have to make payments to VOSA – removing the cost of processing these payments. This is being achieved by abolishing some fees previously charged under the operator licence fee regime and recovering these costs from HGV and PSV test fees. The fees concerned were largely to cover the cost of activities to encourage and enforce compliance with laws relating to HGVs and PSVs in GB (referred to as enforcement). The change also leads to a fairer distribution of costs across all vehicles in the respective sectors. This is particularly the case for HGVs where, under the old regime, trailers, vehicles used for short periods by licensed operators and vehicles used by operators who did not need operator's licences made no contribution to enforcement costs. Under the new regime each HGV motor vehicle and

trailer makes a proportionate contribution to enforcement costs. Overall, the cost of operating HGVs and PSVs will be no more that would otherwise have been the case. The first phase of fee changes, and some elements of the 2nd phase of this reform, was implemented by regulations which came into effect in April 2009. These regulations complete that change and, in some cases, remove some provisions which become redundant on completion of the reform. These changes are effected by all but the Regulations number 3 on page 1 of this memorandum.

7.1.4 The fees for all HGV and PSV services are rounded to the nearest pound. For lower value fees this can mean some apparently high percentage changes; and for others low or no change. Fee rounding was introduced many years ago to speed over the counter cash payment processing, by reducing the need to give change, and to reduce the number of occasions when cheques were made out for incorrect amounts, which added to cost and slowed processing of payments for both customers and VOSA.

7.1.5 The Public Service Vehicles (Operators' Licences) (Fees) (Amendment) Regulations 2010 and The Goods Vehicles (Licensing Of Operators) (Fees) (Amendment) Regulations 2010 also include provisions to refund certain fees paid before the implementation of operator licence fee reform started in April 2009. Under the former fees regime, fees affected by the reforms were paid in advance to cover periods of up to 5 years ahead. The affected fees were halved during 2009/10 and are being abolished from 1 April 2010. To prevent some paying twice for the same service (i.e. by paying higher vehicle test fees, in relation to periods in respect of which they have already paid vehicle related operator licence fees), these Regulations include provision for pro rata refunds of certain operator licence fees paid under the former regime.

MOT Fees

7.1.6 The increased fee maxima introduced by these Regulations are intended to enable MOT test fees to cover the costs of vehicle test stations in providing an MOT testing service. Without such increases in the fee maxima a number of garages would be unable to meet the costs of their overheads and could decide to opt out of the MOT testing scheme. This might then lead to some motorists having to drive further to find a testing station.

7.1.7 The increased slot fee should enable VOSA to continue to cover its costs in supervising and administering the MOT testing scheme.

Cabotage

7.1.8 Cabotage operations by European hauliers are at present regulated by Council Regulation (EEC) No. 3118/93 of 25 October 1993 laying down conditions under which non-resident carriers may operate national road haulage services within a Member State ("Regulation 3118/93"). This legislation will be changed by:

(a) the coming into force on 14 May 2010 of articles 8 and 9 of Regulation (EC) No. 1072/2009 of the European Parliament and of the Council of 21 October 2009 on common rules for access to the international road haulage market ("Regulation 1072/2009") which impose new clearer rules on cabotage; and

(b) the complete replacement of Regulation 3118/93 by Regulation (EC) No. 1072/2009 on 4 December 2011.

Articles 8 and 9 of Regulation (EC) No. 1072/2009 introduce new clearer rules and evidence requirements as to when cabotage is allowed.

7.1.9 Most road hauliers conducting operations in Great Britain require an operator's licence but there are certain exceptions, including the use of various classes of vehicles specified in the 1995 Regulations. These include vehicles permitted to carry out cabotage in the UK under Council Regulation (EEC) No. 3118/93. If operations are not covered by this exception, the haulier will need a UK operator's licence and can be acted against for failure to have one.

7.1.10 It follows that the 1995 Regulations require amendment in consequence of Regulation (EC) No.1072/2009 both to deal with the period from 14 May 2010 to 4 December 2011 when both Regulation (EEC) No. 3118/93 and articles 8 and 9 of Regulation (EC)No. 1072/2009 are in force and the period after this, when Regulation (EC) No.1072/93 alone will be in force.

7.1.11 The Goods Vehicles (Licensing of Operators) (Amendment) Regulations 2010 make consequential amendments to schedule 3 to the Goods Vehicles (Licensing of Operators) Regulations 1995 as a result of the adoption of Regulation (EC) No.1072/2009.

7.1.12 That statutory instrument makes a transitional provision (in regulation 2(4)) to reflect the fact that Articles 8 and 9 will co-exist with Regulation (EEC) 3118/93 until the latter is repealed on the coming into force of the whole of Regulation 1972/2009 on 4 December 2010.

- **Consolidation**

7.2 Work to consolidate the Motor Vehicles (Tests) Regulations 1981 is in progress. Consolidation of other instruments will be programmed when resources become available. Commercial consolidations are available from various sources.

8. Consultation outcome

HGV and PSV Fees and related changes

8.1 In respect of fees and associated matters, a formal consultation on the proposed amendments took place between 19 August and 14 October 2009. A shortened consultation period was allowed because these proposals largely continue or conclude two policies which were consulted on 2008/9. Indeed, operator licensing fee reform was also consulted on in 2005/6.

8.2 Letters or Emails announcing the consultation were sent out to over 300 individuals and organisations who use or may be affected by VOSA's services; or who had asked to be told of any such consultations. The consultation was also posted on the internet and can now be found at <http://www.dft.gov.uk/consultations/closed/vosafees1>. Eleven responses were received, though a number of those who were sent information about the consultation indicated that whilst they had no comments on this occasion, they welcomed the opportunity to consider future consultations. A summary of the responses received and VOSA's consideration of these responses is attached at Annex A.

8.3 The majority of those who commented either supported or supported with reservations all the proposals which were the subject of the consultation.

8.4 Some of the reservations were in connection with the process of encouraging more testing at non-VOSA premises and the effect which that would have on the availability of VOSA premises. The closure of four VOSA test stations during 2009/10 was to remove surplus capacity and not as a result of this policy. VOSA is committed to maintaining adequate testing coverage in a cost-effective manner with a combination of VOSA and non-VOSA premises. There were also reservations about the proposals that VOSA charge the same fees regardless of test location. Some thought that the VOSA fees charged at non-VOSA premises should be less than those at VOSA premises. Since 1997, VOSA has charged a supplement for tests at non-VOSA premises to cover additional travelling and other costs incurred. These supplements were halved in April 2009 and are removed in these Regulations. Thus the change to the differential from these Regulations is the 2nd stage of re-balancing fees. It was considered imprudent to move too quickly in the transition period during which more tests at non-VOSA premises are encouraged until it has become clearer how the market develops to enable VOSA to reduce the costs of its own estate.

8.5 Three bodies whose members are not subject to operator licensing (and therefore had previously not contributed to enforcement activities but who will now contribute to this funding via their test fees) objected to this reform.

- These, or similar, views were taken fully into account following consultations on the principles of the change in 2005/6 and on the details of the implementation in 2008/9;
- they offered no new arguments in support of their views;
- a halt in implementation or reversal of policy would mean that £1.5m in savings to business from the reduced number of payments made could not be delivered; and
- a halt in implementation or reversal part way through the transition would create confusion and added costs for businesses and VOSA, not least because payments in 2009/10 of those fees being abolished only cover the period to the end of 2009/10.

MOT Fees

8.6 A summary of the consultation responses received to these proposals is attached at Annex B.

8.7 Broadly 7 of the 10 responses were content with the proposals. Of the remaining three, one was opposed on the basis that during a recession the objective should be to reduce the fees. Another respondent noted that as the increases are in percentages, in money terms the gap between the cheapest and most expensive class of test will increase. The third correspondent did not offer any endorsement of the proposed increases, instead focussing on challenging the fact that the consultation period was for less than 12 weeks.

8.8 The remaining seven responses offered reserved support for the proposals - most stating that it was on the expectation that the increases would take effect in April and not be delayed. The responses to the detailed points raised are available in an *excel* spreadsheet.

Cabotage

8.9 Industry representatives participate actively in the development of European legislation through lobbying, and close contact has been maintained with industry bodies throughout the decision making process which led to the adoption of Regulation (EC) No. 1972/2009. A formal 12 week consultation exercise on the new cabotage rules was undertaken by the Department for Transport in December 2007. Over 200 organisations and people were consulted, and 25 responses were received with the majority being broadly supportive of the Government's position.

8.10 Due to the limited time before the new cabotage rules enter into force, a short, targeted consultation on the draft Regulations in respect of the cabotage-related changes was undertaken in January 2010. Industry fully supports the proposed amendments.

9. Guidance

HGV & PSV fees and related changes

9.1 These Regulations do not create any new obligations but amend the level of fees to be paid under existing obligations and reduce the number of occasions on which fees have to be paid. Therefore, no detailed guidance is necessary. To publicise the changes, VOSA will:

- put out a press release on the new fees;
- post the new fees on the VOSA and Business Link websites;
- display posters publicising the fee changes at relevant test stations and offices;
- use other appropriate media, including direct contacts; and
- inform customers of the correct amount to pay when a fee payment is due.

MOT fees

9.2 Businesses conducting MOT tests are supplied with posters showing the maximum test fees, which they are required to display where it can be seen by customers. Information on Business Link and Direct Gov websites will also be updated

Cabotage

9.3 Guidance for road transport hauliers on the new cabotage rules will be available on the Business Link website.

10. Impact

HGV and PSV Fees and related changes

10.1 The impact on business, charities or voluntary bodies of the overall 2010/11 fee changes, including the changes being brought into effect by earlier Regulations, is cost neutral. The changes do, however, enable annual administrative savings estimated at £1.5m which will benefit those who require operators' licences. The effects on individual businesses, charities and voluntary bodies will vary. For businesses operating HGVs specified on their operator's licences the estimated effects range from reductions of 0.021% to increases of 0.001% of overall vehicle costs, depending on where the tests are carried out and the mix of vehicles in their fleet. The rental and leasing sub-sector will face increased costs estimated as between 0.067% and 0.108% of vehicle ownership and maintenance costs. This, however, will be balanced by savings to vehicle operators.

10.2 The impact on the public sector is neutral in terms of fee revenue, though those operating HGVs and PSVs will be affected to a similar extent as businesses with equivalent operations.

10.3 An Impact Assessment is attached to this memorandum at Annex C. A separate Impact Assessment, published in March 2009, showing the overall effect of the operator licence fee reform is also attached at Annex D for information.

MOT fees

- 10.4 The impact on business, charities or voluntary bodies is minimal.
- 10.5 The impact on the public sector is minimal.
- 10.6 The impact on the public sector will be in relation to businesses, charities and voluntary organisations that run or hire out motor vehicles.
- 10.7 An Impact Assessment to provide further detail is attached at Annex E.

Cabotage

- 10.8 An impact assessment has not been produced in respect of the cabotage related changes as no impact on the private and voluntary sectors is foreseen. The effect of regulations 2 (4) and 2 (5) of the Goods Vehicles (Licensing of Operators) (Amendment) Regulations 2010 are cost neutral as vehicles permitted to undertake cabotage in the United Kingdom are currently exempted from the requirement to hold an operator's licence.

11. Regulating small business

HGV & PSV fees and related changes

- 11.1 The legislation applies to small business.
- 11.2 In respect of fees and related matters, to minimise the impact of the requirements on firms employing up to 20 people, the approach taken is not to differentiate between different categories of customer (i.e. VOSA does not offer discounted rates for bulk test bookings). It should also be noted that the changes affect the fees paid for particular services; they do not change the frequency at which businesses are required to use those services.
- 11.3 A number of small businesses were asked for their views in the consultation either directly or through their membership of Trade and Business Associations such as the Road Haulage Association, the Freight Transport Association, the Confederation of Passenger Transport, the Retail Motor Industry Federation and the Federation of Small Businesses. Not all of these bodies responded, but no issues were raised by respondents on the relative treatment of large and small operators. It should be noted that 86% of HGV operators and 73% of PSV operators have 5 or fewer vehicles.

MOT fees

- 11.4 The legislation does not apply to small business in that it does not require them to do anything they are not doing already but it does affect them in that they may need to pay extra fees in having vehicles tested (as described in section 10 above).
- 11.5 One issue in the decision on what action to take was that an increase in the test fee maxima, to allow for the effects of anticipated inflation, should help small businesses that operate vehicle testing stations to cover the increased costs they may experience over the next year.

Cabotage

11.6 This instrument applies to small business but only those coming from other EU member states to the UK. The legislation does not set out to minimise the impact of the requirements on UK firms employing up to 20 people as the instrument will have no effect on them. However, generally the new harmonised EU rules on cabotage and evidence requirements will provide greater certainty for small road haulage businesses who undertake cabotage activities in other EU member states.

12. Monitoring & review

12.1 As the fee maxima setting process is an annual one this will be ongoing.

12.2 The cabotage related changes only make consequential changes the effect of which will not be kept under review.

13. Contact

13.1 In respect of the cabotage related changes in Regulation 5: Fran Queen in FLD Division, Department for Transport Tel: 0207 944 2774 or email: fran.queen@dft.gsi.gov.uk

13.2 In respect of MOT fee related changes in Regulation 2: Rob Haggard, in the LRI Division, Department for Transport, Zone 2/09, 76 Marsham Street, London, SW1P 4DR; email rob.haggard@dft.gsi.gov.uk

13.3 In respect of other changes: John MacLellan at VOSA, email john.maclellan@vosa.gov.uk or telephone number 0117 954 2531.

Introduction

Purpose of consultation

VOSA was seeking views on proposals to revise a number of fees for 2010/11 as summarised below:

- 0% general fees increase for 2010/11
- HGV and PSV test fees are affected by:
 - the removal of supplements paid for testing at non-VOSA premises leading to small increase in fees for tests at VOSA premises
 - the final transfer of enforcement costs from operator licence fees to test fees – the operator licence fees affected are being abolished by the end of 2009/10
 - increasing weekday core hours in which no out of hours supplements are payable

Removal of supplements paid for reduced pollution certificate at non-VOSA premises

Executive summary of responses

1. In total 11 respondents provided comments in response to the consultation. The breakdown of respondents was as follows:

Businesses	small to medium	3
	large	0
Trade Associations		6
Voluntary, Community and Charitable Organisations		1
Government and other Agencies		1
Individuals		0
Others		0

NOTE:

- Respondents who offered no comments on the proposals but wished to record their wish to continue to receive such consultations are not included in the above numbers above.

2. Overall, the majority of respondents supported the proposals. The main concerns expressed in relation to the questions asked were about VOSA's ability to move as rapidly as planned towards testing at non-VOSA sites but maintaining adequate availability of testing services. VOSA has a programme which is working actively with stakeholders to manage these transition processes to achieve the best overall outcome. Although not within the scope of the consultation, three respondents expressed opposition to the fee reform process which started with VOSA's 2009 fee changes and which these proposals complete. These, or similar objections, had been fully considered in deciding to proceed with the fee reform.

Annex A to Explanatory Memorandum – summary of responses to VOSA fees consultation

Detailed responses received and chosen solutions

<p>Q1. Do you agree with VOSA’s proposal not to seek an across the board increase in statutory fees for 2010/11?</p>
<p>Agree: 4 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex</p>
<p>Agree with reservations: 2 Freight Transport Association: “FTA welcomes the proposal for no general increase in fees for 2010/11. The Association supports VOSA’s intention to absorb any increase in costs through greater efficiency and to reduce its cost base. However before any further closure of HGVTS or decommissioning of lanes VOSA must clearly demonstrate that Ministers’ commitment to deliver significant benefits and cost savings for operators, primarily from reduced downtime, is fulfilled.” Confederation of Passenger Transport UK: “Recent years have seen increases in VOSA fees in excess of RPI and this proposal goes some way to reflect the current economic circumstances”.</p>
<p>Disagree: 0</p>
<p>Consideration: The FTA comment on test station closure and lane decommissioning highlights a difficult balance between VOSA's costs and their ability to provide customer services as the move to ATF testing develops. Some of VOSA’s costs will increase as a result of more tests being carried out at ATFs, particularly where the throughput of tests is lower or cannot justify full time relocation of staff. If, to meet customer’s service aspirations, VOSA is unable to reduce its cost base by decommissioning test lanes and/or disposing of test facilities then some of these extra costs will have to be passed on to fee payers.</p> <p>Action to pursue: Adopt the proposal not to apply a general fee increase for 2010/11 as stated in the consultation document.</p>
<p>Q2. Do you agree with VOSA’s proposed basis for calculating refunds of operator licence fees paid before the start of the transition period to cover periods during the transition period and after abolition?</p>
<p>Agree: 5 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex; British Vehicle Rental and Leasing Association</p> <p>British Vehicle Rental and Leasing Association: “... sensible and fair as they help to ensure vehicle operators do not end up paying twice for their O-licence vehicle fees”.</p>
<p>Agree with reservations: 2 Freight Transport Association: VOSA must make relevant refunds to operators as quickly as possible. Confederation of Passenger Transport UK: “Given the alterations to combining the O licence and test fees into one was introduced in 2009 it would have helped those Operators who had already paid their O licence fees for this year if they could have received refunds prior to April 2010.”</p>
<p>Disagree: 0</p>
<p>Consideration: Unfortunately it is not possible to calculate refunds till the end of the transition year because changes during 2009/10 could affect the sums to be refunded and the legislation needed to make the refunds will not be in place.</p> <p>Action to pursue: Adopt refund the calculation method described in the consultation and strive to dispatch cheques as soon as possible after calculations can be finalised.</p>

Annex A to Explanatory Memorandum – summary of responses to VOSA fees consultation

<p>Q3. Do you agree with the proposal to offer additional refunds, on request, to the former holders of licences which ceased during 2009/10 for the effects of transition up till the date on which their licence ceases?</p>
<p>Agree: 4 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Confederation of Passenger Transport UK Confederation of Passenger Transport UK: “Good business practice”</p>
<p>Agree with reservations: 0</p>
<p>Disagree: 1 Institute of Transport Administration, Sussex: “Businesses may be subject to winding up orders or suchlike. The fees have been paid and unless there is a solid reason for any such claim, let them stand.”</p>
<p>Consideration: Whilst it would be less expensive for VOSA to ignore the fact that those who paid fees before April 2009 and whose licence ceased during 2009/10 had paid twice for the period from April 2009 till the end of their licence, it would be unfair. VOSA does, however believe that many such businesses will have ceased or moved and the costs of dealing with cheques returned as undeliverable would be disproportionate to the small sums likely to be involved. We therefore proposed to make such refunds, but only on application. This is the same basis as that on which refunds are currently made on premature termination of licences. On balance this still seems the fairest course of action.</p>
<p>Action to pursue: Make these refunds on application as proposed.</p>

<p>Q4. Do you agree that the expiry date of vehicle discs should be clarified in regulations as proposed?</p>
<p>Agree: 5 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex; Confederation of Passenger Transport UK Confederation of Passenger Transport UK: “Should be a publicity campaign to ensure all operators are aware of the change”.</p>
<p>Agree with reservations: 0</p>
<p>Disagree: 0</p>
<p>Consideration: Since writing the consultation it has been realised that the inclusion of an expiry date on discs issued for HGV interim licences, which have no pre-determined life, could mislead operators and enforcement agencies. We therefore intend to put an issue date on these discs. This is seen as less misleading to operators and should encourage non-VOSA enforcement agencies to check with VOSA the continuing validity of discs only where the issue date seems abnormally old or there are other circumstances which arouse their suspicion. This was been discussed with the main HGV operator trade associations after consultation closure and they are generally supportive.</p>
<p>Action to pursue:</p> <ul style="list-style-type: none">• specify in regulations expiry date of most discs as proposed in the consultation – but show issue date for discs issued for GV interim licences.• VOSA will seek to publicise the changes in available media and explore the practicality of including advice on the changes with discs despatched to operators.

Annex A to Explanatory Memorandum – summary of responses to VOSA fees consultation

<p>Q5. Do you agree that VOSA should remove the remaining supplements for testing HGVs and PSVs at non-VOSA sites as proposed?</p>
<p>Agree: 6 Thomas Hardie Commercials; Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex</p>
<p>Agree with reservations: 2 Confederation of Passenger Transport UK: “Consideration should be given to encourage the creation of more ATF’s by introducing a supplement for testing being carried out at VOSA test stations where there are ATF alternatives in the area. Additionally consideration should be given to a system of cheaper tests conducted in rural areas where the overhead costs of the test stations are cheaper than urban areas.”</p> <p>British Vehicle Rental and Leasing Association: “ ... the BVRLA has been in principle supportive of moving testing closer to the point of inspection, especially as this could lead to the opportunity to reduce costs for our members and their customers. However, given the low level of interest shown with Authorised Testing Facilities (ATF) perhaps largely driven by the unattractive commercial terms and the economic downturn, we remain concerned that these benefits may not be available.</p> <p>The general feedback from our members has been that the investment needed is not possible at the current time. We are concerned that this could leave the larger operators who can invest in ATFs for their own fleets in a far better position than a smaller operator who now has to travel further for his annual test as there are no ATFs in the area willing to take third party work.”</p>
<p>Disagree: 1 Trailer-care.com: “ ... fees still weighted in favour of testing at VOSA – no financial incentive to invest in providing facilities – DPs treated appallingly in terms of service and conditions applied – total charge to end customer should be the same regardless of location.”</p>
<p>Consideration: The consultation explained that the removal of supplements for testing at non-VOSA premises was the 2nd step to reflect costs more fairly. It is probable that in 2011/12 VOSA fees for testing at non-VOSA sites will be lower than at VOSA sites.</p> <p>Action to pursue: remove supplements for 2010/11 as proposed.</p>

Annex A to Explanatory Memorandum – summary of responses to VOSA fees consultation

<p>Q6. Do you agree that VOSA should extend its weekday core hours for HGV and PSV testing without “out of hours” supplements as proposed?</p>
<p>Agree: 6 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex; Confederation of Passenger Transport UK; British Vehicle Rental and Leasing Association</p> <p>Confederation of Passenger Transport UK: “Will provide an improved service for smaller operators who struggle to get tests during current core hours.” Institute of Transport Administration, Sussex: “... can this proposal be maintained?” British Vehicle Rental and Leasing Association: “... pleased that our members will be provided with increased flexibility at no cost. We hope that VOSA will be in a position to publish information on those sites with extended opening hours to help operators plan their maintenance and testing efficiently.”</p>
<p>Agree with reservations: 1 Freight Transport Association: “It is important that availability of testing during “core hours” is not treated in the same manner as ad-hoc out of ours testing therefore VOSA must publish a list of all locations where the extended core hours are available to enable operators to efficiently align testing with maintenance”.</p>
<p>Disagree: 0</p>
<p>Consideration: Whilst sympathetic to the comments on publicity of extended hours, the availability at any particular location will be dependent on local demand and VOSA’s ability to provide the service in a cost effective manner. VOSA is investigating the best method of making information available to customers and will work with ATF providers to do so.</p> <p>Action to pursue: implement the legislation changes needed to expand core hours and consider how best to meet customer needs in a viable manner and make customers aware of the service on offer</p>
<p>Q7. Do you agree with VOSA’s proposal to remove location related supplements and change core hours during which “out of hours” supplements are not chargeable in respect of Reduced Pollution Certificates?</p>
<p>Agree: 6 Thomas Hardie Commercials; Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex; Confederation of Passenger Transport UK Confederation of Passenger Transport UK: “Should provide an improved service to operators”</p>
<p>Agree with reservations: 0</p>
<p>Disagree: 0</p>
<p>Action to pursue: implement proposed changes.</p>
<p>Q8. Do you agree that VOSA should remove the provision for a supplement for carrying out VICs at non-VOSA premises as proposed?</p>
<p>Agree: 4 ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex; Confederation of Passenger Transport UK</p>
<p>Agree with reservations: 0</p>
<p>Disagree: 0</p>
<p>Action to pursue: remove provision.</p>

Annex A to Explanatory Memorandum – summary of responses to VOSA fees consultation

<p>Q9. Do you have any comments on the Impact Assessment?</p>
<p>Agree (i.e. No comments): 5 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex; Confederation of Passenger Transport UK</p>
<p>Agree with reservations: 0</p>
<p>Disagree (i.e. comments): 1 British Vehicle Rental and Leasing Association: “Having reviewed the impact assessment we would like to correct the assumptions made on the operating costs of the rental and leasing industry. Given that our members do not use their vehicles to deliver goods or services, but are letting the customer use the vehicle for a predetermined period of time, it would be incorrect to include the same mileage parameter costs as part of their operating costs.”</p> <p>BVRLA provided an amended table for the per vehicle operating cost of the rental and leasing industry which differed from that included in the consultation stage Impact Assessment by multiplying the mileage related costs by between 350 and 600.</p> <p>“We believe the assessment should show increased costs of between 0.11% for ATF testing and 0.18% for VOSA site testing for our members. This translates to an additional £3 million of new costs onto the rental and leasing sector for 2010/11. Whilst we recognise and appreciate that there is no general increase for the fees this has little benefit to us when we are incurring another £3 million in new fees”</p>
<p>Consideration: In the IA circulated with the consultation, VOSA used mileage related costs for maintenance and tyres only, in the belief that the costs of repairing vehicles and maintaining tyres is generally met by the rental or leasing company and recovered via the hire/lease rate they charge to their customer. As such it seems wholly appropriate to calculate these costs over the total mileage covered. Whilst using the alternative mileage would alter the percentage increase in costs to the rental and leasing sector, it would not alter the total cost to the sector which is dependent on the number of vehicles rather than their mileage. We also note that the BVRLA puts the additional cost to their business sector as around £3m; VOSA’s original calculations show cost increases of between £3.7 and £6m, depending on the ratio of tests between VOSA and ATFs. On balance we do not feel that a case has been made to alter our original calculations of the total effect on the sector</p> <p>Action to pursue: finalise Impact Assessment with no significant change.</p>
<p>Q10. Can you offer any data which can be used publicly to enable the impact assessment to model the effects on other sectors of VOSA’s customers?</p>
<p>No: 4 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Confederation of Passenger Transport UK; Institute of Transport Administration, Sussex</p>
<p>Yes: 0</p>
<p>Consideration: Ideally VOSA would like to be able to model the relative effects on other business sectors in a meaningful way.</p> <p>Action to pursue: model effect on road freight transport sector only, whilst continuing to explore meaningful data for other sectors.</p>

Annex A to Explanatory Memorandum – summary of responses to VOSA fees consultation

<p>General comments</p>
<p>Historic Commercial Vehicle Society: “Consider it extremely unfair to put operator licence fees onto tests for heritage vehicles which do not have operators’ licences, note that their vehicles are privately owned and state that they are not aware of any cases of enforcement amongst their members.”</p> <p>VOSA Comment: For HGVs, the costs being transferred from operator licensing to testing are <u>not</u> for the administration or operation of the operator licensing system but for activities to encourage compliance with and enforce a wide range of laws applying to all GB HGVs and their trailers, whether or not they are specified on an operator’s licence. Spreading them out over the entire HGV fleet, rather than only those vehicles specified on operators’ licences leads to a fairer distribution of costs. Historic HGVs and trailers first used or manufactured before 1/1/1960 and which are used unladen, are exempt from HGV testing and therefore will not contribute to these costs. Targeting of many activities to encourage and enforce compliance aims to minimise the effect on those perceived to present the highest risk so a low perceived risk for heritage vehicles may account for the lack of reported enforcement.</p>
<p>Road Haulage Association: “The RHA still has considerable concern that the ATF run out will occur by the advised deadlines and that fee’s will stabilise over the next 4/5 years.”</p> <p>VOSA Comment: VOSA will continue to work with DfT and stakeholders to enable testing services to be provided in a way that best meets overall customer needs. Future fee stability is dependent not only on the success of that programme but on general economic circumstances and on VOSA’s ability to address historic deficits and align its future cost base to demand for services.</p>
<p>Road Rescue Recovery Association: “Totally unfair. Some people do not need an ‘O’ Licence but are having to pay more for M.O.T’s. Recovery Vehicles are not under an ‘O’ Licence but have to subsidise those who are on ‘O’ licences.”</p> <p>VOSA Comment: The reverse is true. For HGVs, the costs being transferred from operator licensing to testing are <u>not</u> for the administration or operation of the operator licensing system but for activities to encourage compliance with and enforce a wide range of laws applying to all GB HGVs and their trailers, whether or not they are specified on an operator’s licence. Spreading them out over the entire HGV fleet, rather than only those vehicles specified on operators’ licences leads to a fairer distribution of costs and removes a subsidy which had previously existed, removing unfairness.</p>
<p>Institute of Transport Administration, Sussex: “ ... agree with all the proposals put forward by VOSA – progressive and not too extreme, and, doesn’t appear to be non-customer friendly, well done.”</p>
<p>British Vehicle Rental and Leasing Association: “While we note this consultation document is not intended to examine the principle of the fee structure, we wish to register our ongoing concern with the inequity of merging the O-licence vehicle fee with the annual test fee and refer you to our detailed comments outlined previously.”</p> <p>VOSA Comment: These views were expressed and considered following consultations in 2005/6 and 2008/9. The regime being phased in by April 2010 gives a fairer distribution of costs across the entire HGV sector compared to the previous system where all fee funded enforcement costs were loaded onto specified motor vehicles only.</p>

DfT Consultation on proposals to increase maximum MOT test fees

Closing date: 21 December 2009

Summary of consultation responses

1. The consultation documents sought comments on proposals to increase the fee maxima for each class of MOT test within the range of classes I to VII (excluding class VI). The proposals do not cover the test classes for heavy goods vehicles or public service vehicles.
2. The consultation was launched on 13 October 2009 with written copies sent to the known stakeholders. The documents were published on the DfT website on 20 October so that the general public could also read the proposals and comment. The consultation period closed on 21st December 2009.
3. There were just 10 responses, and these can be categorised as follows:

Vehicle testing related associations	3
Small & medium sized businesses	3
Large businesses	1
Vehicle owners clubs	1
Private individuals	2
4. The consultation asked just one question:
Do you agree with the proposal to increase the maximum fees for each class of MOT test by approximately 1.5%?
5. The responses from the vehicle testing organisations accepted the proposals but two of them commented that the increases should take effect from the stated date of 6th April 2010. The DfT reply is that this is the objective but there is a lengthy legal process involved in signing off the documents (including the amending Statutory Instrument) and presenting them before Parliament. It is therefore possible that the announcement of a general election might cause this date to slip.
6. The vehicle owners club agreed with the proposals as did two of the three business responses. One of the small businesses queried why vehicle test stations would only see a 1.5% increase in the fee maxima while VOSA would receive a 2.5 % increase in the part of the fee that they retain. The DfT response is that the increase in the fee retained by the test stations is based only on Treasury forecasts for inflation. Meanwhile the increase in the part of the fee retained by VOSA also takes account of VOSA's forecasted income and costs which are closely scrutinised by DfT's finance team.
7. One individual opposed the proposals stating that in the current economic climate the aim should be to reduce the fee. The DfT response is that the proposal is for fee maxima for a *future* period - i.e. from April 2010 and is based on a Treasury forecast for inflation from that period going forward - not the actual rate of inflation that existed in autumn 2009 when the consultation began. There will be plenty of test stations that don't charge the maximum so the advice is to shop around, if price rather than location is the main factor for the motorist when choosing an MOT test station.
8. The other private individual that responded to the consultation challenged the legality of the consultation process on the basis that it was for less than 12 weeks and that a typing error within one of the documents gave the impression that the consultation exercise would continue for more than a year (until 21 December 2010).
9. The title text on the DfT website contained the correct dates and no other respondent has queried the typing error within the text of the document (that had given an incorrect date of 21 December 2010). The Roads Minister approved a shorter consultation period on the basis that the MOT fee increase proposals are a regular annual event and there were no suggested changes apart from the proposed increases in the fee maxima of 1.5%. The DfT response is that the minimum 12 weeks for consultation is a best practice target and not a legal requirement.
10. Ministers have decided to proceed with the increases in the MOT test fee maxima as consulted.

Department /Agency: Vehicle and Operator Services Agency	Title: Impact Assessment VOSA Statutory fee changes for 2010/11	
Stage: Implementation Stage	Version: 1.0	Date: 16 February 2010
Related Publications: Consultation on VOSA Statutory Fees for 2010/11		

Available to view or download at: Annexed to Explanatory Memorandum at

http://www.opsi.gov.uk/si/si2010/em/uksiem_20100448_en.pdf

Contact for enquiries: John MacLellan

Telephone: 0117 954 2531

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

To implement previously announced policies VOSA needs to adjust some elements of statutory fees charged for some of its services as follows:

- a) remove supplements charged for testing at non-VOSA premises; and
- b) complete the transfer to HGV and PSV test fees of the cost of fee funded elements of HGV enforcement and compliance; and PSV enforcement, compliance and operator licence maintenance

What are the policy objectives and the intended effects?

- a) To revise location related fees for testing at facilities provided by 3rd parties to ensure a fairer balance between the fees which VOSA charges for testing at its own and 3rd party test facilities and to encourage more tests at locations where vehicles are based or maintained.
- b) To maintain existing funding levels for activities the funding of which are being moved to test fees.

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

On location related fees: L1) do nothing; or L2) remove existing supplements, recovering lost income across all testing fees - L2 preferred to encourage testing nearer to vehicle maintenance or operating bases.

On transfer of funding of activities to encourage and enforce legal operation of commercial vehicles. to test fees: E1) do nothing; or E2) complete process - E2 preferred because of unacceptable funding gap and/or service reduction if process not completed.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? Reviews will be integrated with normal annual cycle of fee reviews.

Ministerial Sign-off For 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:

Paul ClarkDate: 23rd February 2010

Summary: Analysis & Evidence

Policy Option: L2 + E2	Description: Remove DP supplements and complete operator licence fee modernisation
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COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups' Effect on the charges paid varies with the nature of the individual businesses. The hire and leasing industry as a whole will pay more (in total between £3.7m and £6m depending on where vehicles are tested). This is no more than 0.108% of estimated operating costs (41p per vehicle per week) but offset by savings elsewhere in transport industry to vehicle operators.
	One-off (Transition) Yrs	
	£ Nil	
	Average Annual Cost (excluding one-off)	
	£ Nil	
Total Cost (PV)		£
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	
	£ Nil	
	Average Annual Benefit (excluding one-off)	
	£ Nil	
Total Benefit (PV)		£
Other key non-monetised benefits by 'main affected groups' Costs will be spread more fairly across all vehicles in proportion to the services they receive. There are also potential savings to operators from reduced vehicle downtime because of the scope for tests to be carried out at more convenient times and locations.		

Key Assumptions/Sensitivities/Risks Calculations are based on constant volumes. Reducing volumes will reduce total costs to businesses and cost transfer between sectors but not affect unit costs for any given fleet size. The effects of reducing volumes on VOSA is to be dealt with as part of normal management processes of the Agency.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £ Nil	NET BENEFIT (NPV Best estimate) £ Nil
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What is the geographic coverage of the policy/option?	Mainly GB			
On what date will the policy be implemented?	April 2010			
Which organisation(s) will enforce the policy?	N/A			
What is the total annual cost of enforcement for these organisations?	£ nil			
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?	£ N/A			
What is the value of changes in greenhouse gas emissions?	£ minimal			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro -3 to -11	Small +2 to -37	Medium -2 to -96	Large +240 to +2.3k
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)		
Increase of £	Decrease of £	Net Impact		£ Nil

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

Evidence Base (for summary sh

Geographic coverage: Reduced Pollution Certificate Fees UK – all others GB.

THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE “IMPACT ASSESSMENT OF ASSESSMENT OF OPERATOR LICENSING FEE MODERNISATION SIGNED ON 25 March 2009.

1. This Impact Assessment covers

1.1 Fees payable to VOSA covered by this Impact Assessment are those for:

- Heavy Goods Vehicle (HGV) plating and testing for motor vehicles and trailers
- Public Service Vehicle (PSV – i.e. buses and coaches used for hire and reward) testing
- Reduced Pollution Certificate

1.2 Fees payable to the Driver and Vehicle Agency in Northern Ireland for reduced pollution certificates are also within the scope of this Impact Assessment.

2 General Background

2.1 VOSA (the Vehicle and Operator Services Agency) is a Government Trading Fund and an Executive Agency of the Department for Transport. The majority of income (approximately 82%) comes from its statutory fee earning services, for example, motor vehicle and trailer test fees. The principles governing VOSA’s financial management and how the Secretary of State sets fees payable to VOSA are contained in legislation and in the HM Treasury document ‘Managing Public Money’.

2.2 VOSA operations cover Great Britain (i.e. England, Scotland and Wales). As mentioned above, this Impact Assessment includes fees for 1 activity which is carried out in Great Britain by VOSA and in Northern Ireland by the Driver and Vehicle Agency.

2.3 VOSA carries out a wide range of activities on behalf of the Secretary of State for Transport and also the Traffic Commissioners. These activities include:

- testing vehicles at VOSA and third party premises;
- checks and examinations at roadside enforcement sites, operators’ premises and other locations at which vehicles are kept or operate, to ensure that goods vehicles, buses and coaches are operated in a safe and legal manner and to offer advice and guidance and initiate sanctions to encourage such operation (collectively referred to as “enforcement”);
- providing support to Traffic Commissioners to carry out their statutory functions, concerned primarily with the licensing of operators of heavy goods vehicles (HGVs) and public service vehicles (PSVs).and the registration of local bus services.

2.4 Funding of enforcement activities is split between general taxation via DfT and fees.

2.5 In addition, VOSA is responsible for supervising the MOT testing of vehicles other than HGVs and PSVs, which is largely carried out by private sector organisations.

2.6 This Impact Assessment covers only activities for which VOSA proposes to change fees in 2010 – i.e. plating and periodic testing of HGVs, periodic testing of PSVs and applications for Reduced Pollution Certificates for HGVs and PSVs.

2.7 The proposed changes covered by this Impact Assessment are:

- removal of the supplement currently charged when HGVs or PSVs are tested at non-VOSA premises.
- increasing the fees for full tests of HGVs and PSVs to complete the transfer of funding of fee funded enforcement activities started in the 2009 fee round.

2.8 It should be noted that VOSA does not propose to apply any general fee increase in 2010/11 since it believes that it will be able to deliver sufficient efficiency savings to absorb any increases in the cost base. Thus the scope of this Impact Assessment is limited to those fee areas affected by the restructuring mentioned above.

3 Options Considered

1. 3.1 Location Related Fees

3.1.1 Do Nothing (L1): Under this option, supplements for carrying out tests at non-VOSA premises would be held at 2009 levels. The do nothing option would break faith with statements made by Ministers in summer of 2008. The halving of supplements in 2009 was the first step in delivering testing services, which can be better integrated with vehicle maintenance processes whilst maintaining the independence and integrity of the testing regime. This change in delivery is being achieved by encouraging a higher proportion of tests to be carried out at premises where vehicles are based or maintained. It moves towards a fairer allocation of costs, under which the cost of providing VOSA test facilities is borne by those using the facilities. The do nothing option was therefore rejected.

3.1.2 Remove supplements whilst maintaining fee income (L2): Under this option, VOSA proposes to carry out its intention of removing completely the supplement charged for carrying out tests at non-VOSA premises. This is a further step in delivering on the policies mentioned above. In the short to medium term, it is not possible for VOSA to reduce the costs associated with providing its own test facilities quickly enough to enable the supplements to be removed without compensating increases to the base level of test fees. A significant element in achieving such cost reductions is to reduce the size of VOSA's present testing estate and disposing of the surplus assets. Our customers have made it clear that such a closure and disposal programme must lag behind the transfer of testing to non-VOSA facilities. It is therefore necessary to increase the level of fees for tests at VOSA premises to compensate for the removal of the supplements for testing at non-VOSA premises. The level of increase needed for each of the affected test schemes varies with the level of scheme income which the supplements generate. The percentage increases needed for each scheme are as follows:

HGV testing	1.98%	
PSV testing	0.9%	
RPC testing	2.7%	Because fees are rounded to the nearest pound, applying this increase does not increase any current RPC fees.
Vehicle Identity Checks	0%	No VIC checks carried out at non-VOSA premises

3.1.3 In considering the effect of the move from testing at VOSA premises to testing at non-VOSA premises, modelling of the costs and benefits is extremely complex. For vehicles maintained by maintainers (whether operators' in-house, contracted out by operators or provided via leasing companies or vehicle suppliers) with their own on-site test facilities, there are expected to be financial benefits from reduced vehicle down time. Maintainers who do not currently have their own test facilities are expected to invest in such facilities if they believe they have a viable business case to do so. Maintainers who do not have a viable business case to

invest in their own facilities will be able to choose whether to send their vehicles to a VOSA site or a non-VOSA site, in the latter case paying the market rate to the site operator for the use of the facilities. Removal of the supplements for testing at non-VOSA premises is a further step towards charging the cost of provision of VOSA facilities to those who use them, thus removing a factor which could otherwise distort the market. The cost of testing at VOSA sites will, however, increase which will in turn alter the business case for those considering establishing their own test facilities.

3.1.4 As the market changes and more tests take place at non-VOSA sites, the size and location of VOSA sites will need to be rationalised to minimise the increases in cost of testing at VOSA sites due to lower volumes. As part of this process, some current VOSA sites will have to be disposed of. This will reduce the costs which would otherwise have to be met from fees for tests at VOSA sites. In current market conditions, even if it were possible to predict how demand at each VOSA site and availability of alternative facilities would develop over the next 2 years, the timing of disposal would also be critical in optimising benefit to customers. The rationalisation will have to take account of how the market develops, since there may be some areas where commercial provision of test facilities is inadequate. A further factor in future costs is that investment to upgrade and/or replace VOSA sites will not be needed because of the expansion of testing at non-VOSA sites. Thus, determining the impact on those maintainers who do not have their own facilities is virtually impossible because of the great number of speculative variables.

3.1.5 There are obvious environmental benefits from reduced numbers of vehicles travelling for test. We have information on vehicle operating centres, but this does not tell us which particular vehicle is at which centre or where the particular vehicle is maintained. Equally, even if vehicle specific maintenance locations were known, it is not uncommon for vehicles to be sent for test at premises other than those nearest to the maintenance location. It is therefore not practicable to quantify the environmental impact.

2. 3.2 *Transfer of enforcement funding*

3.2.1 *Do nothing (E1)*: Under this option the income available to VOSA to carry out enforcement activities would decrease significantly because the 2009 fee changes abolished the income stream from certain operator licensing fees from the end of March 2010 – reductions would be about 34% for HGV enforcement and 82% for PSVs. Such reductions are incompatible with VOSA's Ministerial target to increase the number of dangerous vehicles removed from the roads by 75% compared with 2007/8. Meeting this target already demands major improvements in VOSA's operating effectiveness and targeting and would be impossible if the income available was reduced by the levels described above. This option was therefore dismissed.

3.2.2 *Increase fees for full tests to replace the lost income stream*: Under this option the fees for full tests would be increased as stated in the Impact Assessment for Operator Licensing Fee Modernisation. That impact assessment considered the overall costs and benefits of the full fee modernisation package, which are therefore not included here to prevent double counting. That impact assessment used 2008/9 fee levels as the base. The actual fee changes applied in 2009/10 was increased at the same rate as other fees within the relevant business sector (testing or licensing). Since there are no general fee changes in 2010/11 the remaining increase to test fees is the cash value at 2009/10 levels which remained in the licensing sector that year.

4. Rounding

4.1.1 Concern has been expressed in response to consultation in earlier years that rounding of fees to the nearest pound may lead to distortion of the relative fee levels for different activities because some fees may be rounded up more often than rounded down, or vice versa. The original rationale for fee rounding was to ease queues at test station counters, by reducing the amount of small change to be handled; and to reduce the administrative burden created for

payment by cheque, because of the number of occasions on which cheques were made out for incorrect amounts. Whilst this problem is being reduced as more customers move to self service booking and electronic payment, which calculates the fee due automatically, VOSA considers that the advantages of rounding still outweigh the disadvantages.

4.1.2 Last year VOSA did not apply normal arithmetic rounding rules to a few fees which had obviously suffered from this compound rounding effect in recent years. For those schemes for which fees are being revised in 2010, VOSA has used as a starting point, the 2009 fees before rounding; used values rounded to the nearest penny for each element of adjustment and applied rounding to the nearest pound only when all the elements have been applied.

5. Proposed fees

5.1 For each of the schemes for which VOSA proposes to make fee changes in 2010, the tables at **Annex IA1** show old and new fees and the effect of each element of the proposed changes. Fees within these schemes which we do not propose to change, either because they are unaffected by the individual restructuring elements, or because of the effects of rounding are included for completeness.

6. Overall effect of the proposals.

6.1 The effects on costs to the HGV sector of the road freight industry and on the rental and leasing sector of that industry are modelled in **Annex IA2**. The model uses vehicle cost information published in the Road Haulage Association Cost Tables for 2009. These costs are averages based on an annual survey by the RHA and other research – the actual costs for individual operators or operating circumstances may differ.

6.2 For the rental and leasing industry, costs use the same RHA data but exclude elements which would be paid directly by the user of the vehicle, mainly fuel and driver costs. The costs are modelled for the industry as a whole using data on vehicle numbers published by the British Vehicle Rental and Leasing Association, mainly from their annual survey of members.

6.3 We were unable to locate published data on operating costs for PSVs. Were such data available we have no reason to believe that the effect of proposed changes in VOSA fees as a proportion of total operating costs would be of a different order of magnitude to that for HGVs.

6.4 Overall, the model shows that the effect on total costs for HGV vehicle operators with stable fleets (i.e. all vehicles specified on their operator licence) ranges from a decrease of 0.007% (seven thousandths of a percent) to an increase of 0.001% (one thousandth of a percent) for tests carried out at VOSA premises. For tests carried out at non-VOSA premises, the effect of the changes is an overall reduction in costs ranging from 0.021% (two hundredths of a percent) to 0.011% (one hundredth of a percent). The actual effect on individual operators will vary depending on the mix of vehicle configurations within their fleets and their individual cost bases.

6.5 For the rental and leasing sector of the industry, the model shows increases in estimated overall industry costs of between 0.076% (seven hundredths of a percent) if all vehicles were tested at non-VOSA sites to 0.108% (just over one tenth of a percent) if all vehicles were tested at VOSA sites.

7 Consultation

7.1 In total 11 respondents provided comments in response to the consultation. The breakdown of respondents was as follows:

Businesses	small to medium	3
	large	0
Trade Associations		6
Voluntary, Community and Charitable Organisations		1
Government and other Agencies		1
Individuals		0
Others		0

7.2. Overall, the majority of respondents supported the proposals. The main concerns expressed in relation to the questions asked were about VOSA's ability to move as rapidly as planned towards testing at non-VOSA sites but maintaining adequate availability of testing services. VOSA has a programme which is working actively with stakeholders to manage these transition processes to achieve the best overall outcome. Although not within the scope of the consultation, three respondents expressed opposition to the fee reform process which started with VOSA's 2009 fee changes and which these proposals complete. These, or similar objections, had been fully considered in deciding to proceed with the fee reform.

7.3 A report summarising the responses and consideration thereof is at Annex IA3 to this Impact Assessment.

8 Competition Assessment

8.1 The removal of supplements for tests away from VOSA premises will help those who currently use such facilities and moves towards a fairer distribution of costs. The additional fees to fund fee-funded enforcement activities from test fees also leads to a fairer distribution of costs over all affected vehicles.

8.2 In overall terms, the proposed change to fees remains marginal compared to other costs of vehicle ownership and operation and will not affect the balance within the relevant transport and support industries in Great Britain. The changes in fees will apply to all operators and presenters equally whether large or small, largely in proportion to the number and type of vehicles in the fleet operated or supported. The knock-on effect on the users of transport services will be proportional to the use made of such services and have no effect on competition.

9 Other Environment Impact Test

9.1 The proposed fee changes are not believed to have any measurable effect on the environment. However, the increasing integration of testing and maintenance, which elements of these proposals encourage, will have minor environmental benefits.

10 Small Firms Impact Test

10.1 Over half of all licensed operators operate between 1 and 5 vehicles, so a large proportion of the businesses affected by the changes are small businesses. VOSA's fees are set on the basis of the service required, with no discounting for bulk purchase of services, so do not discriminate either for or against small businesses. The effect of fees will vary depending on the business sector in which companies operate.

10.2 We have been able to find public domain information to model the effect of fees on the operating costs of small businesses operating in the road freight industry. The Road Haulage Association has carried out surveys involving a range of hauliers and published figures on operating costs. These vary according to the nature, cost base and policies of individual

businesses. Nonetheless, overall, the total fee burden for a licensed operator of one 7.5 tonne truck represents about 0.388% of operating costs and the proposed changes covered by this Impact Assessment decrease estimated overall operating cost by between 0.007% and 0.021% (seven and twenty-one thousandths of a percent).

11 Race, Disability and Gender Equality; Human Rights; and Rural impact

11.1 Equality screening, using the equality screening proforma, shows that the proposed fee changes do not require a full equality impact assessment since they are not believed to have any specific effect in the areas of race equality, disability equality or gender equality. Neither will there be any impact on human rights or rural affairs.

12 Specific Impact tests not carried out

12.1 Other specific impact tests were not carried out since the proposed fee changes do not impact on these areas.

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	■ <i>Results in Evidence Base?</i>	■ <i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	Yes	No
Health Impact Assessment	No	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

Annexes

HGV Test Fees under the Goods Vehicle (Plating and Testing) Regulations 1988 (SI 1988/1478)

Fee Description	2009 fee		enforcement element of fee				testing element of fee					2010 fee		
	Rounded	change in 2010 before rounding	2009 before rounding	change in 2010	2010 before rounding (1)	2009 before rounding	Location change in 2010	Recover location change in 2010	2010 before rounding (2)	2010 general increase	2010 before rounding (1 + 2)	2010 Rounded	Overall % change	Change from rounded fee in 2009
Motor Vehicles	Test & Retest beyond 14 days	£75	£19.62	£18.90	£38.52	£55.59	£0.00	£1.10	£56.69	£0.00	£95.21	£95	26.7%	£20.00
	2 Axle at VOSA	£99	£19.62	£18.90	£38.52	£79.57	£0.00	£1.58	£81.15	£0.00	£119.67	£120	21.2%	£21.00
	3 Axle at VOSA	£124	£19.62	£18.90	£38.52	£104.64	£0.00	£2.07	£106.71	£0.00	£145.23	£145	16.9%	£21.00
	4 Axle at VOSA	£82	£19.62	£18.90	£38.52	£62.13	£6.54	£1.10	£56.69	£0.00	£95.21	£95	15.9%	£13.00
Trailers	2 Axle DP/ATF	£106	£19.62	£18.90	£38.52	£86.11	£6.54	£1.58	£81.15	£0.00	£119.67	£120	13.2%	£14.00
	3 Axle DP/ATF	£131	£19.62	£18.90	£38.52	£111.18	£6.54	£2.07	£106.71	£0.00	£145.23	£145	10.7%	£14.00
	4 Axle DP/ATF	£38	£0.00	£0.00	£0.00	£38.15	£0.00	£0.00	£38.15	£0.00	£38.15	£38	0.0%	£0.00
	OOH Sup	£35	£7.63	£7.35	£14.98	£27.25	£0.00	£0.54	£27.79	£0.00	£42.77	£43	22.9%	£8.00
Motor Vehicles	Retest (14 Day)	£37	£0.00	£0.00	£0.00	£37.06	£0.00	£0.73	£37.79	£0.00	£37.79	£38	2.7%	£1.00
	2 Axle at VOSA	£52	£0.00	£0.00	£0.00	£52.32	£0.00	£1.04	£53.36	£0.00	£53.36	£53	1.9%	£1.00
	3 Axle at VOSA	£69	£0.00	£0.00	£0.00	£68.67	£0.00	£1.36	£70.03	£0.00	£70.03	£70	1.4%	£1.00
	4 Axle at VOSA	£41	£0.00	£0.00	£0.00	£41.42	£4.36	£0.73	£37.79	£0.00	£37.79	£38	-7.3%	£3.00
Trailers	2 Axle DP/ATF	£57	£0.00	£0.00	£0.00	£56.68	£4.36	£1.04	£53.36	£0.00	£53.36	£53	-7.0%	£4.00
	3 Axle DP/ATF	£73	£0.00	£0.00	£0.00	£73.03	£4.36	£1.36	£70.03	£0.00	£70.03	£70	-4.1%	£3.00
	4 Axle DP/ATF	£20	£0.00	£0.00	£0.00	£19.62	£0.00	£0.00	£19.62	£0.00	£19.62	£20	0.0%	£0.00
	OOH Sup	£19	£0.00	£0.00	£0.00	£18.53	£0.00	£0.37	£18.90	£0.00	£18.90	£19	0.0%	£0.00
Motor Vehicles	2 Axle at VOSA	£26	£0.00	£0.00	£0.00	£26.16	£0.00	£0.52	£26.68	£0.00	£26.68	£27	3.8%	£1.00
	3 Axle at VOSA	£35	£0.00	£0.00	£0.00	£34.88	£0.00	£0.69	£35.57	£0.00	£35.57	£36	2.9%	£1.00
	4 Axle at VOSA	£21	£0.00	£0.00	£0.00	£20.71	£2.18	£0.37	£18.90	£0.00	£18.90	£19	-9.5%	£2.00
	OOH Sup	£28	£0.00	£0.00	£0.00	£28.34	£2.18	£0.52	£26.68	£0.00	£26.68	£27	-3.6%	£1.00
Trailers	2 Axle DP/ATF	£37	£0.00	£0.00	£0.00	£37.06	£2.18	£0.69	£36.57	£0.00	£36.57	£36	-2.7%	£1.00
	3 Axle DP/ATF	£13	£0.00	£0.00	£0.00	£13.08	£0.00	£0.00	£13.08	£0.00	£13.08	£13	0.0%	£0.00
	4 Axle DP/ATF	£37	£0.00	£0.00	£0.00	£37.06	£2.18	£0.69	£36.57	£0.00	£36.57	£36	-2.7%	£1.00
	OOH Sup	£13	£0.00	£0.00	£0.00	£13.08	£0.00	£0.00	£13.08	£0.00	£13.08	£13	0.0%	£0.00

HGV Test Fees under the Goods Vehicle (Plating and Testing) Regulations 1988 (SI 1988/1478) {continued}

Fee Description		2009 fee				enforcement element of fee				testing element of fee				2010 fee		
		Rounded	2009 before rounding	change in 2010	2010 before rounding (1)	2009 before rounding	Location change in 2010	Recover location change in 2010	2010 before rounding (2)	2010 general increase	2010 before rounding (1 + 2)	2010 Rounded	Overall % change	Change from rounded fee in 2009		
Motor Vehicles Trailers	Retest (next day - minor)	£13	£0.00	£0.00	£0.00	£13.08	£0.00	£0.26	£13.34	£0.00	£13.34	£13	0.0%	£0.00		
	Retest (next day - minor)	£7	£0.00	£0.00	£0.00	£6.54	£0.00	£0.13	£6.67	£0.00	£6.67	£7	0.0%	£0.00		
Motor Vehicles	Notifiable Alteration	with exam at VOSA	£26	£0.00	£0.00	£0.00	£26.16	£0.00	£0.52	£26.68	£0.00	£26.68	£27	3.8%	£1.00	
		with exam DP/ATF	£31	£0.00	£0.00	£0.00	£30.52	£-4.36	£0.52	£26.68	£0.00	£26.68	£27	-12.9%	£-4.00	
	Trailers	Notifiable Alteration	with exam at VOSA	£26	£0.00	£0.00	£0.00	£26.16	£0.00	£0.52	£26.68	£0.00	£26.68	£27	3.8%	£1.00
			with exam DP/ATF	£13	£0.00	£0.00	£0.00	£13.08	£0.00	£0.00	£13.08	£0.00	£13.08	£13	0.0%	£0.00
Motor Vehicle or Trailer	Appeal Duplicate document	with exam at VOSA	£26	£0.00	£0.00	£0.00	£26.16	£0.00	£0.52	£26.68	£0.00	£26.68	£27	3.8%	£1.00	
		without exam	£13	£0.00	£0.00	£0.00	£13.08	£0.00	£0.00	£13.08	£0.00	£13.08	£13	0.0%	£0.00	
	Appeal Duplicate document	with exam at VOSA	£29	£0.00	£0.00	£0.00	£29.43	£0.00	£0.00	£29.43	£0.00	£29.43	£29	0.0%	£0.00	
		without exam	£13	£0.00	£0.00	£0.00	£13.08	£0.00	£0.00	£13.08	£0.00	£13.08	£13	0.0%	£0.00	

PSV Test Fees under the Motor Vehicles (Tests) Regulations 1981 (SI 1981/1694)

PSV Test Fees under the Motor Vehicles (Tests) Regulations 1981 (SI 1981/1694)

Fee Description	2009 fee				enforcement element of fee				testing element of fee				2010 fee			
	Rounded	2009 before rounding	change in 2010	2010 before rounding (1)	2009 before rounding	Location change in 2010	Recover location change in 2010	2010 before rounding (2)	2010 general increase	2010 before rounding (1 + 2)	Rounded	Overall % change	Change from rounded fee in 2009			
PSV Test Test and retest 23 + seats at over 14 days VOSA	£113	£21.80	£21.00	£42.80	£91.56	£0.00	£0.82	£92.38	£0.00	£135.18	£135	19.5%	£22.00			
	£86	£21.80	£21.00	£42.80	£64.31	£0.00	£0.58	£64.89	£0.00	£107.69	£108	25.6%	£22.00			
	£120	£21.80	£21.00	£42.80	£98.10	£0.82	£0.82	£92.38	£0.00	£135.18	£135	12.5%	£15.00			
	£93	£21.00	£21.00	£42.80	£70.85	£0.58	£0.58	£64.89	£0.00	£107.69	£108	16.1%	£15.00			
	£52	£0.00	£0.00	£0.00	£52.32	£0.00	£0.00	£52.32	£0.00	£52.32	£52	0.0%	£0.00			
	£38	£0.00	£0.00	£0.00	£38.15	£0.00	£0.00	£38.15	£0.00	£38.15	£38	0.0%	£0.00			
PSV Retest Retest within 14 days VOSA	£60	£0.00	£0.00	£0.00	£59.95	£0.00	£0.54	£60.49	£0.00	£60.49	£60	0.0%	£0.00			
	£41	£0.00	£0.00	£0.00	£41.42	£0.00	£0.37	£41.79	£0.00	£41.79	£42	2.4%	£1.00			
	£64	£0.00	£0.00	£0.00	£64.31	£0.54	£0.54	£60.49	£0.00	£60.49	£60	-6.3%	£4.00			
	£45	£0.00	£0.00	£0.00	£45.78	£0.37	£0.37	£41.79	£0.00	£41.79	£42	-6.7%	£3.00			
	£25	£0.00	£0.00	£0.00	£25.07	£0.00	£0.00	£25.07	£0.00	£25.07	£25	0.0%	£0.00			
	£19	£0.00	£0.00	£0.00	£18.55	£0.00	£0.00	£18.55	£0.00	£18.55	£19	0.0%	£0.00			
	£12	£0.00	£0.00	£0.00	£11.99	£0.00	£0.11	£12.10	£0.00	£12.10	£12	0.0%	£0.00			
	£10	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£10.00	£10	0.0%	£0.00			

Reduced Pollution Certificate Fees under the Road Vehicles (Registration and Licensing) Regulations 2002 (SI 2002/2742)

NB: These fees also apply to Northern Ireland

Fee Description	2009 fee Rounded	Makeup of fee				2010 fee			
		2009 before rounding (1)	Location change in 2010 (2)	Recover location change in 2010 (3)	2010 general increase	2010 before rounding (1 + 2 + 3)	2010 fee Rounded	% change	Change from rounded fee in 2009
With Annual Test / ColF	£19	£18.53	£0.00	£0.50	£0.00	£19.03	£19	0.0%	£0.00
At other times	£32	£31.61	£0.00	£0.85	£0.00	£32.46	£32	0.0%	£0.00
With Annual Test / ColF	£22	£21.80	-£3.27	£0.50	£0.00	£19.03	£19	-13.6%	-£3.00
At other times	£35	£34.88	-£3.27	£0.85	£0.00	£32.46	£32	-8.6%	-£3.00
Out of Hours supplement	£12	£11.99	£0.00	£0.00	£0.00	£11.99	£12	0.0%	£0.00
DP Supplement	£3	£3.27	-£3.27	£0.00	£0.00	£0.00	£0	-100.0%	-£3.00

Notes on fee tables

Column	Notes
Fee Description	Identifies the particular service for which the fee applies.

Notes on fee tables

Column	Notes
	<p>“at VOSA” – fees for examinations carried out at premises provided by VOSA or, for RPC, DVA in Northern Ireland.</p> <p>“at DP/ATF” – fees for examinations carried out at Designated Premises or Approved Testing Facilities – these examinations are carried out by VOSA staff at premises designated or approved, but not provided, by VOSA. The operator of the premises may levy an additional non-statutory charge for the use of the facilities.</p> <p>“OOH Sup” – a supplement which is to be paid for examinations carried out outside “core hours” at the request of the applicant. Core hours are currently 08:00 to 17:00 Monday to Thursday and 08:00 to 16:30 on Fridays, excluding Good Friday, Christmas Day and statutory Bank Holidays. There are no core hours on Saturdays or Sundays. For 2010/11 VOSA proposes to extend the core hours on normal weekdays to cover 06:00 to 20:00. However availability of tests during the extended hours will depend on local demand and VOSA’s ability to provide a cost effective service.</p>
2009 fee Rounded	The rounded fee actually charged in 2009/10
Enforcement element of fee (HGV and PSV tests)	<p>HGVs: These columns show element of the test fee which goes toward activities to encourage compliance and enforce safe and legal operation of the vehicles concerned (referred to as enforcement). The element is applied only when a full test of the vehicle is required – it is not applied to partial retests, out of hours supplements, appeals of duplicate certificates. The fee contribution to enforcement activities formerly came from operator licence vehicle fees.</p> <p>PSVs: In addition to PSV enforcement activities, this element also pays for activities formerly paid for through fees on grant and continuation of operator licences for standard or restricted PSV operator licences.</p> <p>ALL: Elements under this heading are not rounded to the nearest pound – rounding is applied to the total calculated fee only.</p>
2009 before rounding	This is the enforcement element included in the 2009/10 fee. It is the transfer from operator licence funding to test fee funding in 2009. It represents half of the total increase in test fees needed to maintain funding of activities to be transferred at 2008 level. The part transferred to test fees in 2009 was then subject to the same 9% increase as other test fees for 2009/10.
Change in 2010	This is the 2 nd half of the transfer from operator licence to test fee funding. The part retained in operator licence funding in 2009/10 was subject to the same 5% increase as other licensing fees for 2009/10.
2010 before rounding	This is the sum of the 2 previous columns.

Notes on fee tables

Column	Notes
Testing element of fee (HGV and PSV tests)	This is the element of the fee to fund the examination and services necessary to support that examination. For services delivered without examination (e.g. some notifiable alterations) it funds the necessary technical and administrative work to consider and approve or reject the application. Elements under this heading are not rounded to the nearest pound – rounding is applied to the total calculated fee only.
	2009 before rounding This is the testing element calculated for 2009/10.
	Location change in 2010 This removes the remaining supplement for tests carried out at DPs. It is the unrounded amount necessary to bring the fees at all locations to the same levels.
	Recover location change in 2010 This is the amount which has to be added to test fees to enable DP supplements to be removed with no adverse effect on VOSA's income. It is split amongst all relevant fees in proportion to the testing element of the fees concerned which approximates to the average time for each test type.
	2010 before rounding This is the sum of the 3 previous columns
Makeup of fee (RPC)	Shows the elements which make up the proposed fee. Elements under this heading are not rounded to the nearest pound – rounding is applied to the total calculated fee only.
	2009 before rounding This is the fee calculated for 2009/10.
	Location change in 2010 This removes the remaining supplement for tests carried out at DPs. It is the unrounded amount necessary to bring the fees at all locations to the same levels.
	Recover location change in 2010 This is the amount which has to be added to test fees to enable DP supplements to be removed with no adverse effect on VOSA's income. It is split amongst all relevant fees in proportion to the testing element of the fees concerned which approximates to the average time for each test type.
	2010 before rounding This is the sum of the 3 previous columns
2010 Fee	Shows the proposed fee for 2010/11.

Key to tables at end of Annex

Notes on fee tables

Column	Notes
	The 0% general increase proposed for 2010/11
	The sum of the elements making up the total proposed fee
	Rounding uses normal arithmetic rounding rules – i.e. below 50p rounded down 50p and over rounded up.
	Percentage increase/decrease of 2010/11 rounded fee from 2009/10 rounded fee – decreases shown as “ - “
	Increase/decrease from 2009/10 rounded fee of 2010/11 proposed fee.

Vehicle operating costs

per vehicle, vehicle operating costs		Total Operating Costs				Rental and Leasing Industry (RLI) Costs				
Source: RHA "Cost tables 2009".		Time PA	Mileage costs	Miles PA	Total PA	Type	Time PA	Mileage costs	Miles PA	Total PA
		£	p	Miles	£		£	p	Miles	£
7.5t 2 axle rigid		£40,180	33.4	45,000	£55,210	7.5t 2 axle rigid	£9,995	9.1	45,000	£14,090
13t 2 axle rigid		£45,080	38.7	45,000	£62,495	13t 2 axle rigid	£11,020	10.9	45,000	£15,925
18t 2 axle rigid		£50,600	44.5	50,000	£72,850	18t 2 axle rigid	£13,040	12.0	50,000	£19,040
26t 3 axle rigid		£58,220	56.5	50,000	£86,470	26t 3 axle rigid	£17,140	15.5	50,000	£24,890
32t 4 axle rigid tipper		£63,560	68.3	50,000	£97,710	32t 4 axle rigid tipper	£8,010	19.6	50,000	£17,810
32 - 33t 2 + 2 axle artic		£62,487	57.8	60,000	£97,167	32 - 33t 2 axle tractor	£13,720	9.2	60,000	£19,240
38t 2 + 3 axle artic		£69,639	64.1	70,000	£114,509	38t 2 axle tractor	£15,740	9.7	70,000	£22,530
44t 3 + 3 axle artic		£75,869	71.2	70,000	£125,709	44t 3 axle tractor	£18,680	11.0	70,000	£26,380
						3 Axle curtain trailer	£2,470	5.7	35,000	£4,465

VOSA charges

O licence per licence fees

	Licences in issue		New applications PA		Continuations PA		Volumes from 2009/10 Business Plan	
	89,600	7,600	5,125	12,350	Grant / Cont (5 years)	Variation	Variation	Average
2009			New App £250.00		£391.00	£250.00		£113.71
2010			£250.00		£391.00	£250.00		£113.71
Change			£0.00		£0.00	£0.00		£0.00

O licence vehicle related fees

	per month	per year
O Licence per vehicle (paid 5 yearly)	2009 £2.00	£24.00
	2010 £0.00	£0.00
Op cost Change		–£24.00

VOSA charges

Test fees by vehicle type

Failure rates
15.2% Trailers 16.5%

Motor
vehicles

At VOSA premises

Vehicle	2 axle motor vehicle		3 axle motor vehicle		4 axle motor vehicle	
	retest	average veh	Test	retest	Test	retest
2009	£37.00	£80.62	£99.00	£52.00	£124.00	£69.00
2010	£38.00	£100.78	£120.00	£53.00	£145.00	£70.00
Op cost Change	£1.00	£20.15	£21.00	£1.00	£21.00	£1.00
Trailer	2 axle trailer		3 axle trailer		4 axle trailer	
	retest	average veh	Test	retest	Test	retest
2009	£26.00	£53.29	£60.00	£35.00	£65.78	£65.78
2010	£27.00	£61.46	£68.00	£36.00	£73.94	£73.94
Op cost Change	£1.00	£8.17	£8.00	£1.00	£8.16	£8.16

At VOSA non-VOSA premises (DP/ATF)

Vehicle	2 axle motor vehicle		3 axle motor vehicle		4 axle motor vehicle	
	retest	average veh	Test	retest	Test	retest
2009	£41.00	£88.23	£106.00	£57.00	£131.00	£73.00
2010	£38.00	£100.78	£120.00	£53.00	£145.00	£70.00
Op cost Change	£3.00	£12.54	£14.00	£4.00	£14.00	£3.00
Trailer	2 axle trailer		3 axle trailer		4 axle trailer	
	retest	average veh	Test	retest	Test	retest
2009	£28.00	£57.62	£64.00	£37.00	£70.11	£70.11
2010	£27.00	£61.46	£68.00	£36.00	£73.94	£73.94
Op cost Change	£1.00	£3.84	£4.00	£1.00	£3.83	£3.83

Total VOSA per vehicle charges by vehicle type

Vehicle	Tests at VOSA premises			Tests at DP/ATF		
	2009	2010	Change	2009	2010	Change
7.5t 2 axle rigid	£104.62	£100.78	-£3.85	£112.23	£100.78	-£11.46
13t 2 axle rigid	£104.62	£100.78	-£3.85	£112.23	£100.78	-£11.46
18t 2 axle rigid	£104.62	£100.78	-£3.85	£112.23	£100.78	-£11.46
26t 3 axle rigid	£130.90	£128.06	-£2.85	£138.66	£128.06	-£10.61
32t 4 axle rigid tipper	£158.49	£155.64	-£2.85	£166.10	£155.64	-£10.46
32 - 33t 2 + 2 axle artic	£209.68	£221.92	£12.25	£225.82	£221.92	-£3.90
38t 2 + 3 axle artic	£234.29	£246.53	£12.25	£250.43	£246.53	-£3.90
44t 3 + 3 axle artic	£260.57	£273.81	£13.25	£276.86	£273.81	-£3.05

VOSA charges**Total VOSA charges and changes per operating business (tests at VOSA premises)**

Vehicle	Micro			Small			Medium			Large		
	No	VOSA 2010	Change from 2009	No	VOSA 2010	Change from 2009	No	VOSA 2010	Change from 2009	No	VOSA 2010	Change from 2009
7.5t 2 axle rigid	1	£100.78	-£3.85	2	£201.55	-£7.70	4	£403.10	-£15.39	85	£8,565.96	-£327.08
13t 2 axle rigid	0	£0.00	£0.00	0	£0.00	£0.00	1	£100.78	-£3.85	17	£1,713.19	-£65.42
18t 2 axle rigid	0	£0.00	£0.00	1	£100.78	-£3.85	1	£100.78	-£3.85	36	£3,627.94	-£138.53
26t 3 axle rigid	0	£0.00	£0.00	0	£0.00	£0.00	1	£128.06	-£2.85	27	£3,457.51	-£76.90
32t 4 axle rigid tipper	0	£0.00	£0.00	0	£0.00	£0.00	1	£155.64	-£2.85	16	£2,490.24	-£45.57
		£0.00			£0.00			£0.00			£0.00	
32 - 33t 2 + 2 axle artic	0	£0.00	£0.00	0	£0.00	£0.00	0	£0.00	£0.00	8	£1,775.38	£97.98
38t 2 + 3 axle artic	0	£0.00	£0.00	0	£0.00	£0.00	0	£0.00	£0.00	12	£2,958.42	£146.97
44t 3 + 3 axle artic	0	£0.00	£0.00	1	£273.81	£13.25	2	£547.63	£26.50	49	£13,416.92	£649.14
Total vehicles	1			4			10			250		
per licence		£113.71	£0.00		£113.71	£0.00		£113.71	£0.00		£113.71	£0.00
VOSA charges		£214.48	-£3.85		£689.85	£1.70		£1,549.69	-£2.29		£38,119.27	£240.61

Total VOSA charges and changes per operating business (tests at DP/ATF)

Vehicle	Micro			Small			Medium			Large		
	No	VOSA 2010	Change from 2009	No	VOSA 2010	Change from 2009	No	VOSA 2010	Change from 2009	No	VOSA 2010	Change from 2009
7.5t 2 axle rigid	1	£100.78	-£11.46	2	£201.55	-£22.91	4	£403.10	-£45.82	85	£8,565.96	-£973.76
13t 2 axle rigid	0	£0.00	£0.00	0	£0.00	£0.00	1	£100.78	-£11.46	17	£1,713.19	-£194.75
18t 2 axle rigid	0	£0.00	£0.00	1	£100.78	-£11.46	1	£100.78	-£11.46	36	£3,627.94	-£412.42
26t 3 axle rigid	0	£0.00	£0.00	0	£0.00	£0.00	1	£128.06	-£10.61	27	£3,457.51	-£286.42
32t 4 axle rigid tipper	0	£0.00	£0.00	0	£0.00	£0.00	1	£155.64	-£10.46	16	£2,490.24	-£167.30
32 - 33t 2 + 2 axle artic	0	£0.00	£0.00	0	£0.00	£0.00	0	£0.00	£0.00	8	£1,775.38	-£31.17
38t 2 + 3 axle artic	0	£0.00	£0.00	0	£0.00	£0.00	0	£0.00	£0.00	12	£2,958.42	-£46.75
44t 3 + 3 axle artic	0	£0.00	£0.00	1	£273.81	-£3.05	2	£547.63	-£6.10	49	£13,416.92	-£149.35
Total vehicles	1			4			10			250		
per licence		£113.71	£0.00		£113.71	£0.00		£113.71	£0.00		£113.71	£0.00
VOSA charges		£214.48	-£11.46		£689.85	-£37.42		£1,549.69	-£95.90		£38,119.27	-£2,261.91

VOSA charges**Total VOSA charges and changes affecting the Rental and Leasing Industry**

Vehicle	No.	Tests at VOSA		Tests at DP/ATF	
		VOSA 2010	Change from 2009	VOSA 2010	Change from 2009
7.5t 2 axle rigid	93,963	£9,469,188	£1,893,537	£9,469,188	£1,178,669
13t 2 axle rigid	18,668	£1,881,296	£376,199	£1,881,296	£234,173
18t 2 axle rigid	39,825	£4,013,431	£802,559	£4,013,431	£499,568
26t 3 axle rigid	30,491	£3,904,583	£644,950	£3,904,583	£408,338
32t 4 axle rigid tipper	17,424	£2,711,802	£368,543	£2,711,802	£235,985
32 - 33t 2 axle tractor	8,712	£877,938	£175,560	£877,938	£109,281
38t 2 axle tractor	13,690	£1,379,617	£275,880	£1,379,617	£171,727
44t 3 axle tractor	54,760	£7,012,313	£1,158,278	£5,518,467	£733,342
3 Axle curtain trailer	35,178	£2,601,095	£287,232	£2,601,095	£134,909
Total	312,711	£33,851,263	£5,982,738	£32,357,418	£3,705,991

VOSA charges and proposed changes in charges as a proportion of operator business costs

	Operator business size (assuming all vehicles specified on licence)											
	Micro		Small		Medium		Large		Medium		Large	
	VOSA Charges 2010	Change from 2009	VOSA Charges 2010	Change from 2009	VOSA Charges 2010	Change from 2009	VOSA Charges 2010	Change from 2009	VOSA Charges 2010	Change from 2009	VOSA Charges 2010	Change from 2009
Tests at VOSA	0.388%	-0.007%	0.223%	0.001%	0.196%	0.000%	0.185%	0.001%	0.196%	-0.012%	0.185%	0.001%
Tests at DP/ATF	0.388%	-0.021%	0.223%	-0.012%	0.196%	-0.012%	0.185%	-0.011%	0.196%	-0.012%	0.185%	-0.011%

VOSA charges and proposed changes in charges as a proportion of rental and leasing industry costs

	VOSA Charges 2010	Change from 2009
Tests at VOSA	0.613%	0.108%
Tests at DP/ATF	0.586%	0.067%

Introduction

Purpose of consultation

VOSA was seeking views on proposals to revise a number of fees for 2010/11 as summarised below:

- 0% general fees increase for 2010/11
- HGV and PSV test fees are affected by:
 - the removal of supplements paid for testing at non-VOSA premises leading to small increase in fees for tests at VOSA premises
 - the final transfer of enforcement costs from operator licence fees to test fees – the operator licence fees affected are being abolished by the end of 2009/10
 - increasing weekday core hours in which no out of hours supplements are payable

Removal of supplements paid for reduced pollution certificate at non-VOSA premises

Executive summary of responses

1. In total 11 respondents provided comments in response to the consultation. The breakdown of respondents was as follows:

Businesses	small to medium	3
	large	0
Trade Associations		6
Voluntary, Community and Charitable Organisations		1
Government and other Agencies		1
Individuals		0
Others		0

NOTE:

- Respondents who offered no comments on the proposals but wished to record their wish to continue to receive such consultations are not included in the above numbers above.

2. Overall, the majority of respondents supported the proposals. The main concerns expressed in relation to the questions asked were about VOSA's ability to move as rapidly as planned towards testing at non-VOSA sites but maintaining adequate availability of testing services. VOSA has a programme which is working actively with stakeholders to manage these transition processes to achieve the best overall outcome. Although not within the scope of the consultation, three respondents expressed opposition to the fee reform process which started with VOSA's 2009 fee changes and which these proposals complete. These, or similar objections, had been fully considered in deciding to proceed with the fee reform.

Detailed responses received and chosen solutions

Q1. Do you agree with VOSA's proposal not to seek an across the board increase in statutory fees for 2010/11?
Agree: 4 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex
Agree with reservations: 2 Freight Transport Association: "FTA welcomes the proposal for no general increase in fees for 2010/11. The Association supports VOSA's intention to absorb any increase in costs through greater efficiency and to reduce its cost base. However before any further closure of HGVTS or decommissioning of lanes VOSA must clearly demonstrate that Ministers' commitment to deliver significant benefits and cost savings for operators, primarily from reduced downtime, is fulfilled." Confederation of Passenger Transport UK: "Recent years have seen increases in VOSA fees in excess

of RPI and this proposal goes some way to reflect the current economic circumstances”.
Disagree: 0
<p>Consideration: The FTA comment on test station closure and lane decommissioning highlights a difficult balance between VOSA's costs and their ability to provide customer services as the move to ATF testing develops. Some of VOSA's costs will increase as a result of more tests being carried out at ATFs, particularly where the throughput of tests is lower or cannot justify full time relocation of staff. If, to meet customer's service aspirations, VOSA is unable to reduce its cost base by decommissioning test lanes and/or disposing of test facilities then some of these extra costs will have to be passed on to fee payers.</p> <p>Action to pursue: Adopt the proposal not to apply a general fee increase for 2010/11 as stated in the consultation document.</p>

<p>Q2. Do you agree with VOSA's proposed basis for calculating refunds of operator licence fees paid before the start of the transition period to cover periods during the transition period and after abolition?</p>
<p>Agree: 5 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex; British Vehicle Rental and Leasing Association</p> <p>British Vehicle Rental and Leasing Association: "... sensible and fair as they help to ensure vehicle operators do not end up paying twice for their O-licence vehicle fees".</p>
<p>Agree with reservations: 2 Freight Transport Association: VOSA must make relevant refunds to operators as quickly as possible. Confederation of Passenger Transport UK: "Given the alterations to combining the O licence and test fees into one was introduced in 2009 it would have helped those Operators who had already paid their O licence fees for this year if they could have received refunds prior to April 2010."</p>
Disagree: 0
<p>Consideration: Unfortunately it is not possible to calculate refunds till the end of the transition year because changes during 2009/10 could affect the sums to be refunded and the legislation needed to make the refunds will not be in place.</p> <p>Action to pursue: Adopt refund the calculation method described in the consultation and strive to dispatch cheques as soon as possible after calculations can be finalised.</p>

<p>Q3. Do you agree with the proposal to offer additional refunds, on request, to the former holders of licences which ceased during 2009/10 for the effects of transition up till the date on which their licence ceases?</p>
<p>Agree: 4 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Confederation of Passenger Transport UK Confederation of Passenger Transport UK: "Good business practice"</p>
Agree with reservations: 0
<p>Disagree: 1 Institute of Transport Administration, Sussex: "Businesses may be subject to winding up orders or suchlike. The fees have been paid and unless there is a solid reason for any such claim, let them stand."</p>
<p>Consideration: Whilst it would be less expensive for VOSA to ignore the fact that those who paid fees before April 2009 and whose licence ceased during 2009/10 had paid twice for the period from April 2009 till the end of their licence, it would be unfair. VOSA does, however believe that many such businesses will have ceased or moved and the costs of dealing with cheques returned as undeliverable would be disproportionate to the small sums likely to be involved. We therefore proposed to make such refunds, but only on application. This is the same basis as that on which refunds are currently made on premature termination of licences. On balance this still seems the fairest course of action.</p>

Action to pursue: Make these refunds on application as proposed.

Q4. Do you agree that the expiry date of vehicle discs should be clarified in regulations as proposed?

Agree: 5
 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex; Confederation of Passenger Transport UK
Confederation of Passenger Transport UK: “Should be a publicity campaign to ensure all operators are aware of the change”.

Agree with reservations: 0

Disagree: 0

Consideration: Since writing the consultation it has been realised that the inclusion of an expiry date on discs issued for HGV interim licences, which have no pre-determined life, could mislead operators and enforcement agencies. We therefore intend to put an issue date on these discs. This is seen as less misleading to operators and should encourage non-VOSA enforcement agencies to check with VOSA the continuing validity of discs only where the issue date seems abnormally old or there are other circumstances which arouse their suspicion. This was been discussed with the main HGV operator trade associations after consultation closure and they are generally supportive.

Action to pursue:

- specify in regulations expiry date of most discs as proposed in the consultation – but show issue date for discs issued for GV interim licences.
- VOSA will seek to publicise the changes in available media and explore the practicality of including advice on the changes with discs despatched to operators.

Q5. Do you agree that VOSA should remove the remaining supplements for testing HGVs and PSVs at non-VOSA sites as proposed?

Agree: 6
 Thomas Hardie Commercials; Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex

Agree with reservations: 2
Confederation of Passenger Transport UK: “Consideration should be given to encourage the creation of more ATF’s by introducing a supplement for testing being carried out at VOSA test stations where there are ATF alternatives in the area. Additionally consideration should be given to a system of cheaper tests conducted in rural areas where the overhead costs of the test stations are cheaper than urban areas.”

British Vehicle Rental and Leasing Association: “ ... the BVRLA has been in principle supportive of moving testing closer to the point of inspection, especially as this could lead to the opportunity to reduce costs for our members and their customers. However, given the low level of interest shown with Authorised Testing Facilities (ATF) perhaps largely driven by the unattractive commercial terms and the economic downturn, we remain concerned that these benefits may not be available.

The general feedback from our members has been that the investment needed is not possible at the current time. We are concerned that this could leave the larger operators who can invest in ATFs for their own fleets in a far better position than a smaller operator who now has to travel further for his annual test as there are no ATFs in the area willing to take third party work.”

<p>Q5. Do you agree that VOSA should remove the remaining supplements for testing HGVs and PSVs at non-VOSA sites as proposed?</p>
<p>Disagree: 1 Trailer-care.com: “...fees still weighted in favour of testing at VOSA – no financial incentive to invest in providing facilities – DPs treated appallingly in terms of service and conditions applied – total charge to end customer should be the same regardless of location.”</p>
<p>Consideration: The consultation explained that the removal of supplements for testing at non-VOSA premises was the 2nd step to reflect costs more fairly. It is probable that in 2011/12 VOSA fees for testing at non-VOSA sites will be lower than at VOSA sites.</p>
<p>Action to pursue: remove supplements for 2010/11 as proposed.</p>

<p>Q6. Do you agree that VOSA should extend its weekday core hours for HGV and PSV testing without “out of hours” supplements as proposed?</p>
<p>Agree: 6 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex; Confederation of Passenger Transport UK; British Vehicle Rental and Leasing Association</p> <p>Confederation of Passenger Transport UK: “Will provide an improved service for smaller operators who struggle to get tests during current core hours.” Institute of Transport Administration, Sussex: “... can this proposal be maintained?” British Vehicle Rental and Leasing Association: “... pleased that our members will be provided with increased flexibility at no cost. We hope that VOSA will be in a position to publish information on those sites with extended opening hours to help operators plan their maintenance and testing efficiently.”</p>
<p>Agree with reservations: 1 Freight Transport Association: “It is important that availability of testing during “core hours” is not treated in the same manner as ad-hoc out of ours testing therefore VOSA must publish a list of all locations where the extended core hours are available to enable operators to efficiently align testing with maintenance”.</p>
<p>Disagree: 0</p>
<p>Consideration: Whilst sympathetic to the comments on publicity of extended hours, the availability at any particular location will be dependent on local demand and VOSA’s ability to provide the service in a cost effective manner. VOSA is investigating the best method of making information available to customers and will work with ATF providers to do so.</p> <p>Action to pursue: implement the legislation changes needed to expand core hours and consider how best to meet customer needs in a viable manner and make customers aware of the service on offer</p>

<p>Q7. Do you agree with VOSA’s proposal to remove location related supplements and change core hours during which “out of hours” supplements are not chargeable in respect of Reduced Pollution Certificates?</p>
<p>Agree: 6 Thomas Hardie Commercials; Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex; Confederation of Passenger Transport UK Confederation of Passenger Transport UK: “Should provide an improved service to operators”</p>
<p>Agree with reservations: 0</p>
<p>Disagree: 0</p>
<p>Action to pursue: implement proposed changes.</p>

<p>Q8. Do you agree that VOSA should remove the provision for a supplement for carrying out VICs at non-VOSA premises as proposed?</p>
<p>Agree: 4 ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex; Confederation of Passenger Transport UK</p>
<p>Agree with reservations: 0</p>
<p>Disagree: 0</p>
<p>Action to pursue: remove provision.</p>

<p>Q9. Do you have any comments on the Impact Assessment?</p>
<p>Agree (i.e. No comments): 5 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Institute of Transport Administration, Sussex; Confederation of Passenger Transport UK</p>
<p>Agree with reservations: 0</p>
<p>Disagree (i.e. comments): 1 British Vehicle Rental and Leasing Association: “Having reviewed the impact assessment we would like to correct the assumptions made on the operating costs of the rental and leasing industry. Given that our members do not use their vehicles to deliver goods or services, but are letting the customer use the vehicle for a predetermined period of time, it would be incorrect to include the same mileage parameter costs as part of their operating costs.”</p> <p>BVRLA provided an amended table for the per vehicle operating cost of the rental and leasing industry which differed from that included in the consultation stage Impact Assessment by multiplying the mileage related costs by between 350 and 600.</p> <p>“We believe the assessment should show increased costs of between 0.11% for ATF testing and 0.18% for VOSA site testing for our members. This translates to an additional £3 million of new costs onto the rental and leasing sector for 2010/11. Whilst we recognise and appreciate that there is no general increase for the fees this has little benefit to us when we are incurring another £3 million in new fees”</p>
<p>Consideration: In the IA circulated with the consultation, VOSA used mileage related costs for maintenance and tyres only, in the belief that the costs of repairing vehicles and maintaining tyres is generally met by the rental or leasing company and recovered via the hire/lease rate they charge to their customer. As such it seems wholly appropriate to calculate these costs over the total mileage covered. Whilst using the alternative mileage would alter the percentage increase in costs to the rental and leasing sector, it would not alter the total cost to the sector which is dependent on the number of vehicles rather than their mileage. We also note that the BVRLA puts the additional cost to their business sector as around £3m; VOSA’s original calculations show cost increases of between £3.7 and £6m, depending on the ratio of tests between VOSA and ATFs. On balance we do not feel that a case has been made to alter our original calculations of the total effect on the sector</p> <p>Action to pursue: finalise Impact Assessment with no significant change.</p>

<p>Q10. Can you offer any data which can be used publicly to enable the impact assessment to model the effects on other sectors of VOSA’s customers?</p>
<p>No: 4 Hillwood Auto Engineering; ACPOS; Road Haulage Association; Confederation of Passenger Transport UK; Institute of Transport Administration, Sussex</p>

Yes: 0

Consideration: Ideally VOSA would like to be able to model the relative effects on other business sectors in a meaningful way.

Action to pursue: model effect on road freight transport sector only, whilst continuing to explore meaningful data for other sectors.

General comments
<p>Historic Commercial Vehicle Society: “Consider it extremely unfair to put operator licence fees onto tests for heritage vehicles which do not have operators’ licences, note that their vehicles are privately owned and state that they are not aware of any cases of enforcement amongst their members.”</p> <p>VOSA Comment: For HGVs, the costs being transferred from operator licensing to testing are <u>not</u> for the administration or operation of the operator licensing system but for activities to encourage compliance with and enforce a wide range of laws applying to all GB HGVs and their trailers, whether or not they are specified on an operator’s licence. Spreading them out over the entire HGV fleet, rather than only those vehicles specified on operators’ licences leads to a fairer distribution of costs. Historic HGVs and trailers first used or manufactured before 1/1/1960 and which are used unladen, are exempt from HGV testing and therefore will not contribute to these costs. Targeting of many activities to encourage and enforce compliance aims to minimise the effect on those perceived to present the highest risk so a low perceived risk for heritage vehicles may account for the lack of reported enforcement.</p>
<p>Road Haulage Association: “The RHA still has considerable concern that the ATF run out will occur by the advised deadlines and that fee’s will stabilise over the next 4/5 years.”</p> <p>VOSA Comment: VOSA will continue to work with DfT and stakeholders to enable testing services to be provided in a way that best meets overall customer needs. Future fee stability is dependent not only on the success of that programme but on general economic circumstances and on VOSA’s ability to address historic deficits and align its future cost base to demand for services.</p>
<p>Road Rescue Recovery Association: “Totally unfair. Some people do not need an ‘O’ Licence but are having to pay more for M.O.T’s. Recovery Vehicles are not under an ‘O’ Licence but have to subsidise those who are on ‘O’ licences.”</p> <p>VOSA Comment: The reverse is true. For HGVs, the costs being transferred from operator licensing to testing are <u>not</u> for the administration or operation of the operator licensing system but for activities to encourage compliance with and enforce a wide range of laws applying to all GB HGVs and their trailers, whether or not they are specified on an operator’s licence. Spreading them out over the entire HGV fleet, rather than only those vehicles specified on operators’ licences leads to a fairer distribution of costs and removes a subsidy which had previously existed, removing unfairness.</p>
<p>Institute of Transport Administration, Sussex: “... agree with all the proposals put forward by VOSA – progressive and not too extreme, and, doesn’t appear to be non-customer friendly, well done.”</p>
<p>British Vehicle Rental and Leasing Association: “While we note this consultation document is not intended to examine the principle of the fee structure, we wish to register our ongoing concern with the inequity of merging the O-licence vehicle fee with the annual test fee and refer you to our detailed comments outlined previously.”</p> <p>VOSA Comment: These views were expressed and considered following consultations in 2005/6 and 2008/9. The regime being phased in by April 2010 gives a fairer distribution of costs across the entire HGV sector compared to the previous system where all fee funded enforcement costs were loaded onto specified motor vehicles only.</p>

Summary: Intervention & Options		
Department /Agency: Department for Transport, Vehicle & Operator Services Agency	Title: Impact Assessment of Operator Licensing Fee Modernisation	
Stage: Implementation	Version: 1.0	Date: 25 March 2009
Related Publications:		

Available to view or download at: Annexed to Explanatory memorandum at

http://www.opsi.gov.uk/si/si2009/em/uksiem_20090787_en.pdf

Contact for enquiries: John MacLellan

Telephone: 0117 954 2531

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

VOSA need to revise a number of fees as part of the implementation of a package of measures to modernise certain aspects of the operator licensing system for both heavy goods vehicles (HGVs) and public service vehicles (PSVs). This impact assessment covers full implementation and explains why a phased approach is being taken to implementation.

What are the policy objectives and the intended effects?

The objectives are to reduce costs for both customers and VOSA by reducing the number of separate payments that customers must make to VOSA; and to spread the costs of VOSA's enforcement activity across all operators and vehicles. This is to be achieved by transferring certain costs currently funded via operator licensing related fees to annual vehicle test fees. This change is being implemented over 2 years.

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

1. Fee levels: HGV – apply fees to (a) motor vehicles only; or (b) both motor vehicles and trailers.
2. Implementation in a) April 2009, b) phased with half of the costs to be transferred in April 2009 and and completion of costs transfer to testing, in April 2010

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? Reviews will be integrated with future fee reviews which normally occur on an annual cycle.

Ministerial Sign-off For 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:

Jim FitzpatrickDate: 25 March 2009

Summary: Analysis & Evidence

Policy Option: 1(b) & 2(b)	Description: Apply fees to motor vehicles and trailers; Return fees paid for services by cheque
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COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' Transitional costs of making refund payments of £150k will fall on VOSA in 2010/11. Transitional costs of £274k will fall in 09/10 to industry in terms of lost interest on 'vehicle fees paid in advance' that are not refunded until full implementation.
	One-off (Transition)	Yrs	
	£ 424k	1	
	Average Annual Cost (excluding one-off)		
	£ Nil		Total Cost (PV) £ 405k
Other key non-monetised costs by 'main affected groups' None identified			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' Benefits are the savings made by the reduced numbers of financial transactions and fairer spread of recovery of costs, across all affected groups from 2010/11. The estimated £1.6m per year (at 2008 prices) of benefit will rise in 10/11 onwards following full abolition of the separate operator licensing fees. Interest revenue of £274k will accrue to VOSA from payments not refunded until full implementation. Within the overall transport sector, £10.5 m of costs will transfer from the vehicle operating sector to the rental and leasing sector (less than 0.2% of their estimated vehicle costs).
	One-off	Yrs	
	£ 274k		
	Average Annual Benefit (excluding one-off)		
	£ 1625k		Total Benefit (PV) £ 1782k
Other key non-monetised benefits by 'main affected groups' Those currently electing to pay vehicle related fees annually will have to change windscreen discs less often.			

Key Assumptions/Sensitivities/Risks Main assumptions are that volumes of vehicles operated and tested will not change dramatically.

Price Base Year 2008	Time Period Years 2	Net Benefit Range (NPV) £ N/A	NET BENEFIT (NPV Best estimate) £ 1377k
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What is the geographic coverage of the policy/option?		Great Britain	
On what date will the policy be implemented?		April 2009 & April 2010	
Which organisation(s) will enforce the policy?		VOSA	
What is the total annual cost of enforcement for these organisations?		£ Nil	
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?		£ N/A	
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 £1.5m	Net Impact	£ 1.5 m

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

[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.]

General Background

1. Following a Departmental consultation with industry in 2005/06, the then Transport Minister announced in December 2006 that certain operator licensing fees would be removed and the income to VOSA would instead be gathered as part of the annual test fee. A key aim is to reduce the number of financial transactions between operators and VOSA and the associated costs of processing payments. The change is also being made to spread the costs of VOSA's enforcement activity across all operators and vehicles.

2. The affected fees are:

- Heavy Goods Vehicles (HGVs):
 - fees to be abolished - all vehicle related operator licensing fees (which include those paid for vehicles on interim licences);
 - fees to which the costs will be transferred - HGV test fees for motor vehicles and trailers except fees for 'partial' retest up to 14 days after refusal of a test certificate and supplements for testing out of hours or at designated premises.
- Public Service Vehicles (PSVs):
 - fees to be abolished - all operator licensing fees except:
 - those charged for applications for new licences or to vary existing licences; and
 - those charged for continuation of special licences for operators providing local services with licensed taxis;
 - fees to which the costs will be transferred - all PSV test fees except fees for retest up to 14 days after refusal of a test certificate and supplements for testing out of hours or at designated premises.

Customer benefits

Reduced operator costs because of fewer operator licence fee transactions

3. The main customer benefit from this fee reform is that fewer individual payments have to be made to VOSA. HGV operators will still have to notify changes of vehicles specified on their licences on grant, continuation and when vehicles change, but will no longer have to make a payment related to the number of vehicles specified. PSV operators will still have to communicate with VOSA, when their licences are granted or continued and when discs are issued, but those transactions will no longer have to be accompanied by a payment. Operators will therefore save costs in internal financial administration and transaction charges from banks associated with making these payments. The estimated savings from the reduction in these transactions were estimated at £1.5 million at the time that the DfT Simplification Plan was published (representing 150k transactions @ £10¹). .

4. There will be additional benefits to businesses which pay vehicle related operator licence fees annually. Currently they are issued with windscreen discs valid for up to 1 year. In future, they will be issued with windscreen discs valid for up to 5 years. They will therefore not need to fix new windscreen discs to their vehicles so often, saving the cost of this operation. We have not been able to monetise this saving because of lack of reliable data on the frequency of the need to replace discs due to fading and other wear and tear factors.

5. The impact of these benefits will be realised from the point of full implementation of the change, ie the removal of the relevant operator licensing fees. None of the benefits above will be achieved mid-way through a phased approach. However, transaction minimisation is not the only benefit to industry overall as explained below.

Fairer distribution of costs of compliance monitoring and enforcement.

6. A significant element of the work carried out by VOSA is to monitor compliance with legal requirements relating to the use of commercial vehicles in GB and, where appropriate, initiating enforcement action (generally referred to as "enforcement"). This activity is currently funded from 2 sources: by DfT from general taxation; and by vehicle related fees charged to licensed operators.

¹ Transaction costs modelled at 2005 prices and as included in DfT Simplification plan following stakeholder consultation.

Annex D to Explanatory Memorandum – Impact Assessment – Operator Licence Fee Reform

7. In the case of HGVs, this means that trailers and motor vehicles which are not specified on operator licences, either because they are used for short periods and do not have to be specified (“on the margin”); or are outside the scope of operator licensing, make no contribution towards the costs of enforcement.

8. In the case of PSVs, where fees are charged for operator licence discs, which are not vehicle specific, most operators have more discs than vehicles to aid operational efficiency. Arguably they are meeting enforcement costs disproportionately.

9. There will therefore be financial 'winners and losers' through moving largely enforcement costs recovery from relevant operator licensing fees to the annual test fee, but the industry overall will benefit from a fairer spread of these costs. Vehicles which do not attract operator licensing vehicle fees now, will pay more because they do not currently contribute to enforcement costs. Operators running vehicles which do currently pay vehicle fees, will pay less overall because enforcement costs are spread more widely.

10. Amongst the “losers” will be the rental and leasing sector. More detail on this sector is at paragraph 28. Other losers include the owners of “private” HGVs and PSVs, such as horse boxes and preserved vehicles; and of specialist vehicles, such those used by fairground proprietors. Whilst many of these users may be exempt from some requirements such as drivers’ hours, they still need to maintain their vehicles and not overload them. Whilst it has been argued that they pose a low risk because of the low mileages they operate, the same argument can be used between operators whose compliance standards differ. The costs of setting up and maintaining a separate test fee for this small proportion of the vehicle population would be high, and if split among the beneficiaries of the reduced fee, could well negate any saving. There would also be the potential for abuse by some seeking to claim the exemption falsely.

11. If this change were to be imposed in a single year, the average additional cost per vehicle to the annual test would be up to about £40, which is a very significant test fee increase, for those outside the operator licensing fee regime. We do not consider this would be an acceptable annual fee increase to those affected even if the benefits from reduced transactions were being realised at the same time. We have therefore considered the impacts of a phased approach, with a transfer of costs over two years. This will modify the effect of the change for operators of vehicles which will be contributing to the cost of enforcement for the first time, yet not delay implementation so that the overall benefits cannot be realised in a reasonable timeframe. We therefore propose that half of the change will take place in 2009 and the remainder in 2010. Annex 1 sets out the costs and benefits of proceeding in phases and the overall effect of full implementation.

Fee levels & VOSA costs

11. The elements to be taken into account in setting the revised fee levels for full implementation are:

- transfer of the income from fees being abolished to appropriate test fees, taking into account any shift in the balance of enforcement activities between HGVs and PSVs and, for HGVs between motor vehicles and trailers;
- costs of the fee refund process;
- loss of interest on 'fees paid in advance'; and
- reduced VOSA costs because of fewer operator licensing fee transactions.

12. The elements to be taken into account in setting the revised fee levels for phase one (half) implementation are:

- transfer of the income from fees being abolished to appropriate test fees, taking into account any shift in the balance of enforcement activities between HGVs and PSVs and, for HGVs between motor vehicles and trailers.

Transfer of income from fees to be abolished

13. Details of VOSA income to be transferred through full implementation is approximately £23.3 million and is set out in Annex 2. The estimated amount to be transferred for phase one implementation is half of this total amount, approximately £12 million.

Costs of refund process

Annex D to Explanatory Memorandum – Impact Assessment – Operator Licence Fee Reform

14. £150k - see paragraph 34 below for more detail. VOSA would not recover these costs until 2010/11 under the proposed phased approach.

Loss of interest on “fees in advance”

15. VOSA currently earns interest on the operator licensing vehicle fees paid in advance. Loss of this interest, estimated as £1.5m² per year, will have to be reflected in the fee levels set in the future. As a consequence of the planned 2010/11 refund of fees paid in advance, this money will become available for operators at the point of full implementation (2010/11). They will then be able to earn interest on this recouped finance. The overall impact on operating costs should therefore be neutral in 2010/11. It is therefore not shown as either a cost or benefit in the Summary: Analysis & Evidence.

Reduced VOSA costs because of fewer operator licensing fee transactions

16. One of the main aims of the proposed fee restructure is to reduce the number of financial transactions between VOSA and its customers. This will reduce costs for both. We estimate a cost reduction for VOSA of approximately £50,000 pa from 2010/11 which will be reflected in future fees. There will be no reduction of VOSA costs, during the process of phased implementation .

Transitional cost associated with phased implementation

17. Phased introduction will result in a one off cost for those vehicles whose operator licence fees have been paid in advance. This is around £20 per vehicle. The estimated total is £273,800. This is based on the £20 cost and associated interest. Refunds will be made in 2010/11 once abolition has taken effect. This means that in 2009/10 there will be a £1 per vehicle cost in lost interest .Our assessment is that this will be around £0.3m. This is based on an assessment of the proportion of HGV and PSV operators pre paying (74,000³); the average number of vehicles per HGV licence (we cannot estimate average number of PSVs per licence because of discs are not issued for specific vehicles) and the interest on the additional £20 an operator will pay per vehicle in 2009/10 (£1). This is based on the best data we have. The cost to operators with more pre paid vehicles than average will be more; and for those with fewer less.

Apportionment of increases by vehicle type

18. Costs have been split between HGV and PSV fleets in proportion to the time spent by VOSA on enforcement activities on each fleet. There has been a shift in the balance of enforcement activities from PSVs to HGVs. This is reflected in the apportionment, between the two, of the income to be transferred.

19. Within the HGV fleet, three options of how to apportion the additional test fees have been considered:

- fee addition only to motor vehicle regardless of size;
- fee additions for both motor vehicles and trailers, in proportion to identified effort on each, but regardless of number of axles; and
- fee additions for both motor vehicles and trailers, in proportion to identified effort on each, but varying also by number of axles.

We are able to identify the time spent on activities directly related to motor vehicles; that on trailers; and that not specifically attributable to particular vehicle types – e.g. a vehicle examination is specific to a motor vehicle or a trailer; a driver’s hours check is specific to a motor vehicle; a weight check is not specific to either. We therefore propose to split these costs between motor vehicles and trailers in proportion to the enforcement effort associated specifically with each type of vehicle. We also considered whether we had evidence that the time taken for enforcement activities differed significantly by size of vehicle. Whilst it may be expected that the time for some activities, such as vehicle examinations or weighing, will vary with the number of axles - other activities, such as drivers’ hours checks, are independent of vehicle size. We have no evidence to enable us to quantify such differences and therefore propose to apply the same level of increase to all sizes of motor vehicle. Similarly, we propose to raise the proportion of overall cost apportioned to trailers equally from each trailer regardless of size or weight.

20. Within the PSV fleet, the issue of splitting between motor vehicles and trailers does not arise and similar considerations apply to different sizes of PSV. We therefore propose to apply the same fee increase regardless of vehicle size.

² This figure is based on interest rates received in September 2008. Whilst this will reduce if interest rates fall, income lost will still have to be replaced from fee income.

³ Some 72% of 98,000 HGV operators pre-pay; and some 38% of 9,000 PSV operators pre-pay

Annex D to Explanatory Memorandum – Impact Assessment – Operator Licence Fee Reform

21. Annex 3 shows the calculations to apportion the income to be replaced between HGVs and PSVs; and for HGVs between motor vehicles and trailers; with the resulting test fee increases for full and, separately, phased implementation.

Treatment of retests

22. We considered how retests following test failure should be treated. There are 3 levels of retest. For retests within 14 days of a failure, a partial test is carried out at reduced fee, to reflect the shorter retest time. Beyond 14 days a full test is carried out and a full test fee charged. The vast majority of retests (over 98%) are partial retests. Full retests represent around 0.35% of all full tests. The original thinking, when fee reform was announced, was that retests should not contribute to the costs being transferred. However to differentiate in fee between a full test and a full retest would mean creating 6 additional fees with added cost and complexity. If that cost were to be recovered from the full retests, there is a possibility that the fee for a full retest would be little different from that for a full test which was not a retest. On balance therefore, we propose to spread the costs of enforcement across all full tests including retests which require a full test.

Proposed fees

23. See Annex 1.i

Costs of refund process

24. £150k - see paragraph 34 below for more detail.

Loss of interest on “fees in advance”

25. VOSA currently earns interest on the fees paid in advance. Loss of this interest, currently estimated as £1.5m per year, will have to be reflected in the fee levels set in future. However, since this money will now be available for operators to earn interest the overall impact on operating costs should be neutral. It is therefore not shown as either a cost or benefit in the Summary: Analysis & Evidence. This figure reflects the interest rate achieved when the IA was being prepared. Any reduction in the interest rate obtained would be reflected in a shortfall in income received. VOSA would have to replace that income from fees. Regardless of whether the shortfall arose from loss of interest from advance fees paid, or from a reduction in the interest rates available in the market, costs to be covered would remain the same and would have to be met from fees.

Reduced VOSA costs because of fewer operator licensing fee transactions

26. One of the main aims of the proposed fee restructure is to reduce the number of financial transactions between VOSA and its customers. This will reduce costs for both. We estimate a cost reduction for VOSA of approximately £50,000 pa.

Modelling the effects on businesses

27. The effects on costs to the HGV business sector as a whole are modelled in Annex 4 for full and, separately, phased implementation, and include transitional costs. We were unable to locate published data on operating costs for PSVs. Were such data available we have no reason to believe that the effect of the proposed changes in VOSA fees, as a proportion of total operating costs, would be of a different order of magnitude to that for HGVs.

28. Within the HGV sector there will be winners and losers. One particular sub-sector who will have to bear additional costs is the rental and leasing sector. This was recognised when the decision was taken in 2006 to implement these fee reforms. Using figures published by British Vehicle Rental and Leasing Association (BVRLA) on the number of vehicles supplied by their members and in the sector as a whole, the fee changes will increase the costs to the leasing sector by just under £10.5 million. Their prime concern was that in a competitive market they would be unable to pass on this cost increase to their customers, particularly where vehicles were covered by long term hire contracts. However, using RHA published figures the vehicle ownership costs (excluding fuel and drivers) of the sector are around £5.5 billion. Thus the change will add just under 0.2% to operating costs. To put this in context, a test fee increase averaging 73p per week will need to be added to an average rental charge of £500 per week. This tends to validate the view taken in 2006 that absorbing or passing on these costs to customers, most of whom will benefit from the reduced operator licensing fees, is not unreasonable. There has also been a lead time of over 2 years between announcement that fee reforms were to go ahead and the first stage of implementation. The implementation of the change is also to be phased over 2 years to further ease the impact on businesses.

Transition arrangements

Background to transition arrangements

29. The relevant operator licensing fees can be paid in advance to cover services delivered over a period of one or five years after the fee is paid. Operators gain an advantage in terms of having a set pre paid cost. Thus, at any time, VOSA is holding a balance of fees paid in advance for services yet to be delivered. When the funding for these services shifts from the operator licensing fee to the test fee, the amount held by VOSA for services yet to be delivered has to be returned to the operators, otherwise they would be paying twice for the same service.

30. There are approximately 98,000 GV and 9,000 PSV licences in existence. The holders of the vast majority of these licences will have paid for services beyond the changeover date. The total sum held as “fees in advance” for the fees to be abolished varies from month to month, but is of the order of £30 million. Individual operator entitlements vary according to the number of vehicles paid for and the length of time until the next fee due date. The refund calculation will also take into account the effects of the staging of the change over 2 years. The refund entitlement cannot be calculated until the 2nd stage has been completed.

Dealing with 'fees paid in advance'

31. Early consideration was given to how money should be returned to operators. Options considered were:

- a) do not attempt to return the money;
- b) provide a credit which could be used against future test fees; or
- c) refund the money to operators.

32. Option a) was dismissed as being unfair since some users would have to pay twice for the same services.

33. In considering option b) we know that a very significant proportion of test fees is paid by maintenance contractors or rental / leasing companies, rather than operators and that some operators use several contractors. If any form of credit were to be adopted, arrangements would need to be made to enable operators to transfer credits to contractors. Credits may also need to be split amongst several contractors or in-house maintenance units. This would create a significant administrative burden for operators, contractors and VOSA, which could negate the benefits of reduced administrative burdens and add significant cost to the refund process.

34. Option c) is therefore seen as the only practical option. We have considered two methods of repayment – cheque or credit transfer. VOSA does not maintain, nor does it wish to maintain, bank account details of the majority of operator licence holders. Whilst it would be possible to use credit transfer for those operators whose account details we hold, this would add to the complexity of the process - making it slower, more costly and higher risk. This method was therefore rejected.

35. We therefore propose to refund the money by cheque to operators.

Reducing the value and number of refunds

36. As mentioned in paragraph 9 above, we intend to stage the introduction of the changes in this impact assessment over 2 years. To reduce the value and number of refunds needed, we also wish to change the basis for payment for those fees which are due to be phased out and which fall due for payment in 2009/10. We propose that any such payments which fall due from the introduction of 2009/10 fees should cover only the period until the end of March 2010 and be calculated on a pro-rata basis for each month or part month. Currently PSV disc fees are per month but HGV vehicle related fees are per quarter. We propose to apply the most generous of the 2 current approaches. This is the same basis that we propose for calculating refunds. The aim will be to ensure parity between different fee payers, regardless of when payment dates fall due..

Costs of calculating and making refunds

37. The main one-off costs of the refund process are:

- the bespoke program required to calculate the refunds;
- the cost of outsourced⁴ cheque production and its supervision; and
- bank charges per cheque issued.

The overall cost of the above is estimated at £150k.

⁴ Using in-house resources would mean that payments would have to be staggered over many months which we regarded as unacceptable.

38. We considered whether this should be deducted from the money to be refunded or taken into account in setting future fee levels. The main beneficiaries of the change are future fee payers because of savings from fewer individual transactions. We therefore propose to include the net cost of the repayment in the calculation of the revised fees for 2010/11.

Specific impact tests

Competition assessment

39. The change in funding will affect HGV and PSV industries in slightly different ways.

40. In the case of HGVs, there will be a difference in impact between operators:

- those who operate only vehicles “specified” on their licences will see their overall fees reduced, whereas those who operate vehicles on short term “hires” which are not “specified” on their licences will experience increased costs for these vehicles, reflecting the increased test costs;
- those operating trailers will see their costs increase for the same reason.

The change to fee costs for individual businesses will vary according to the mix of specified and unspecified motor vehicles and trailers in the individual fleet. Moving to payment via test fees will ensure more proportionate balance across the full vehicle fleet. It is also noted that vehicle rental and leasing companies will see their costs increase, however the effect be in proportion to fleet size so should not affect competition between such companies.

41. The situation is different for PSVs, where the relationship between the number of vehicles “in possession” and the number of vehicle discs issued is less clear. Some operators have more vehicles than discs because of “spare” vehicles – others have more discs than vehicles to enable them to cover short term and seasonal peaks or to take new vehicles into their fleet without having to immediately remove another vehicle. Industry wide, there are about 10% more discs on issue than vehicle tests each year. Thus those with more discs than vehicles will save money, whereas those with more vehicles than discs will pay more.

42. In either case, the changes represent such a small proportion of the overall cost of owning and operating a vehicle that they will not affect competition.

Small firms impact test

43. Over half of all licensed goods vehicle operators operate between one and five vehicles, so a large proportion of the businesses affected by these changes could be small businesses.

44. A number of small businesses were asked for their views in the consultation either directly or through their membership of trade and business associations, such as the Road Haulage Association, the Freight Transport Association, the Confederation of Passenger Transport, the Retail Motor Industry Federation and the Federation of Small Businesses. No issues were raised by respondents on the relative treatment of large and small licensed operators.

45. Almost all fees subject to fee reform are dependent on the number and type of vehicles involved. The exception is for operator licensing fees which apply per licence. The effect of the changes on a one vehicle HGV business is estimated to be a reduction of 0.017% on total costs. The effect on a four vehicle business is estimated to be a reduction of 0.003% on total costs, which represents an extremely small proportion of such costs. Therefore small businesses will benefit from the changes and none should be unduly disadvantaged.

46. It is not possible to model the effect of the changes on PSV operators as we have no details of their costs. However, as a larger number of PSV fees are to be abolished and PSV operators carry out transactions more frequently than HGV operators it is expected that their operating costs will also fall as a result of these changes.

Race, disability and gender equality; and human rights

47. The proposed fee changes are not believed to have any effect in the areas of race equality, disability equality, gender equality or human rights.

Specific impact tests not carried out

48. Other specific impact tests were not carried out since the proposed fee changes do not impact on these areas.

+

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	■ <i>Results in Evidence Base?</i>	■ <i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	Yes	No
Health Impact Assessment	No	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

Annexes

NOTE: all fees shown at 2008/9 levels. Changes actually applied in 2009/10 and 2010/11 will be affected by general fee changes in those years, the impact of which will be considered in the Impact Assessment for VOSA fee revisions 2009/2010.

HGV Test Fees affected by merger							
Fee Description			Current Fee	O licence vehicle fee merger changes		Fees before effect of general fee changes	
				Phase 1 2009/10	Phase 2 2010/11	Phase 1 2009/10	Phase 2 2010/11
Motor Vehicle							
Test & retest beyond 14 days	2 Axle	At VOSA Site	£51	£18	£18	£69	£87
		At DP/ATF	£64	£18	£18	£82	£100
	3 Axle	At VOSA Site	£73	£18	£18	£91	£109
		At DP/ATF	£86	£18	£18	£104	£122
	4 Axle	At VOSA Site	£96	£18	£18	£114	£132
		At DP/ATF	£109	£18	£18	£127	£145
Trailer							
Test & retest beyond 14 days	1 Axle	At VOSA Site	£25	£7	£7	£31	£39
		At DP/ATF	£32	£7	£7	£39	£46
	2 Axle	At VOSA Site	£38	£7	£7	£45	£52
		At DP/ATF	£45	£7	£7	£52	£59
	3 Axle	At VOSA Site	£48	£7	£7	£55	£62
		At DP/ATF	£55	£7	£7	£62	£69

HGV O Licence Fees affected by merger					
Fee Description			Current fee 2008/09(2009/10 fee (before effects of general fee changes)	2010/11 fee
Vehicle fees (per specified motor vehicle)	Per quarter (or part thereof)	5 years in advance	£10 (£40 pa)	N/A Fee abolished – refunds made following 2010/11 fee changes for payments made before phase 1 of transition process	
		1 year in advance	£12 (£48 pa)		
	Per month (or part thereof)	For period till 31/3/10 (Note 1)	N/A	£2 (annual equivalent between £24 and £2 depending on due date)	N/A
			N/A	N/A	Nil

Note 1: Fee payable only if payment of fee would have been made during 2009/10

PSV Test Fees affected by merger							
Fee Description			Current Fee	O licence vehicle fee merger changes		Fees before effect of general fee changes	
				Phase 1 2009/10	Phase 2 2010/11	Phase 1 2009/10	Phase 2 2010/11
PSV Test + retest beyond 14 days	23 + seats	At VOSA Site	£84	£20	£20	£104	£124
		At DP/ATF	£96	£20	£20	£116	£136
	9 - 22 seats	At VOSA Site	£59	£20	£20	£79	£99
		At DP/ATF	£71	£20	£20	£91	£111

PSV O Licence Fees affected by merger							
Fee Description			Current Fee 2008/9	Phase 1 2009/10	Phase 2 2010/11		
Grant or continuation - standard or restricted	2008/9	5 years in advance	£148 (£29.60 pa)	N/A Fee abolished – refunds made following 2010/11 fee changes for payments made before phase 1 of transition process.			
		1 year in advance	£29				
	2009/10	Per month (or part thereof) till 31/3/10 (Note 1)	N/A			£1 (annual equivalent between £12 and £1 depending on due date)	N/A
	2010/11		N/A			N/A	Nil
Vehicle disc (per month or part thereof)	2008/9	5 years in advance	£6 (£72 pa)	N/A Fee abolished – refunds made following 2010/11 fee changes for payments made before phase 1 of transition process.			
		1 year in advance	£7				
	2009/10	For period till 31/3/10 (Note 1)	N/A			£3 (annual equivalent between £36 and £3 depending on due date)	N/A
	2010/11		N/A			N/A	Nil
Duplicate disc fee			£15	£7.50	Nil		

Note 1: Fee payable only if payment of fee would have been made during 2009/10

Table of Headline Impacts

The Impact Assessment summary table presents the costs and benefits over the two year period in which the fee change is to be phased in, showing the overall costs and benefits of the full change. Overall the table shows that the fee change has a net benefit to society of around £1.4m. The estimates are replicated in the first table below:

Impacts Assessed Over Two Year Period 2009/10 – 2010/11:

2008 Prices £ k	One off Impact	Annual Impact	Present Impact	Value
Costs	424	0	405	
Benefits	274	1625	1782	
Net Benefit	N/A	N/A	1377	

The following table shows the costs and benefits that would occur in the first of the two years for which the fee change is phased in. Interest payments of £274k would occur in 09/10. They feature in both costs and benefits to users and VOSA - thus they are zero in net terms.

Impacts in 2009/10:

2008 Prices £ k	One off Impact	Annual Impact	Present Impact	Value
Costs	274	0	274	
Benefits	274	0	274	
Net Benefit	N/A	N/A	0	

The table below shows the costs and benefits that would occur in the second of the two years for which the fee change is phased. The table shows the benefits made by the reduced numbers of financial transactions and fairer spread of recovery of enforcement costs, spread across affected groups. The estimated £1.6m per year (in 2008 prices), arises from 2010/11 following full abolition of the relevant operator licensing fees. The table also shows the transitional costs of £150k which fall on VOSA in 2010/2011. These represent the administrative costs of making refund payments for 'vehicle fees paid in advance'. The net present value does not discount costs and benefits because these estimates show a one year 'snap shot' of impacts in 2010/2011.

Impacts in 2010/11:

2008 Prices £ k	One off Impact	Annual Impact	Present Impact	Value
Costs	150	0	150	
Benefits	0	1625	1625	
Net Benefit	N/A	N/A	1475	

ANNEX 3: Income to be transferred and apportionment between vehicle types

Modelling of OLR fee proposals

Current vehicle related fee income	£21,720,000							
Other costs of change								
Lost interest (£30m @ 5%)	£1,500,000							
VOSA cost reductions	-£50,000							
Cost of refund process	£150,000							
Total to be recovered across schemes.	£23,320,000							
		PSV	HGV	Motor vehicles	Trailers	Non-specific		
Enforcement hours on GB vehicles	298,758	39,424	259,334	69,245	14,277	175,812		
Income due split by enforcement hours		£3,077,299	£20,242,701	£16,782,579	£3,460,122			
Additional services to be merged								
Income from additional PSV fees (9,000 @ £29 pa)		£261,000						
Total recovery needed		£3,338,299						
Recovery of lost income								
No of tests		82,600		472,950	243,950			
Recovery per test - full implementation (2010/11)		£40		£36	£14			
Recovery per test - phase one implementation (2009/10)		£20		£18	£7			

Vehicle operating costsPer vehicle costs

Source: RHA "Goods Vehicle Operating Costs 2008".				
Type	Time PA	Mileage costs	Miles PA	Total PA
	£	p	Miles	£
7.5t 2 axle rigid	39,115	38.7	45,000	56,530
12 - 14t 2axle rigid	43,930	44.7	45,000	64,045
17 - 18t 2 axle rigid	49,400	51.4	50,000	75,100
24 - 26t 3 axle rigid	56,970	65.3	50,000	89,620
32t 4 axle rigid tipper	61,830	78.7	50,000	101,180
32 - 33t 2 + 2 axle artic	61,563	67.2	60,000	101,883
38t 2 + 3 axle artic	68,358	74.5	70,000	120,508
44t 3 + 3 axle artic	74,538	82.4	70,000	132,218

Per business costs

No of artic tractors 121,600 No of trailers 240,350 Trailer ratio 1.98

	Business Size							
	Micro		Small		Medium		Large	
	No	Cost PA	No	Cost PA	No	Cost PA	No	Cost PA
		£		£		£		£
7.5t 2 axle rigid	1	56,530	2	113,060	4	226,120	90	5,087,700
12 – 14t 2axle rigid							18	1,152,810
17 – 18t 2 axle rigid			1	75,100	2	150,200	36	2,703,600
24 – 26t 3 axle rigid					1	89,620	31	2,778,220
32t 4 axle rigid tipper					1	101,180	16	1,618,880
32 – 33t 2 + 2 axle artic							2	203,766
38t 2 + 3 axle artic							12	1,446,098
44t 3 + 3 axle artic			1	132,218	2	264,436	45	5,949,816
Total	1	56,530	4	320,378	10	831,556	250	20,940,889

NOTE 1: Fleet mix for medium and large derived from DfT publication "Transport Statistics Great Britain 2007 Edition" – Table 9.6

NOTE 2: Trailer ratio for artics divided trailers tested by VOSA for 2006/7 (VOSA Business Plan 2008/9) with licensed MVs 2006 (DfT statistics table 9.6 – see above). This knowingly ignores the effect of drawbar trailers since no figures readily available from which to derive numbers.

VOSA charges at 2008/09 levels

O licence per licence fees

	Licences in issue New applications PA	99,600 8,000	Variations per year	8,000 13,000
	New App	Grant / Cont (5 years)	Variation	Average
Before restructure	£238.00	£372.00	£238.00	£112.63
After restructure	£238.00	£372.00	£238.00	£112.63
Op cost Change	£0.00	£0.00	£0.00	£0.00

O licence vehicle related charges

	per quarter	per year
Before restructure	£10.00	£40.00
After restructure	£0.00	£0.00
Op cost Change	-£10.00	-£40.00

O Licence per vehicle (paid 5 yearly)

Test fees by vehicle type

Vehicle	2 axle motor vehicle		3 axle motor vehicle		4 axle motor vehicle	
	Test	retest	Test	retest	Test	retest
Before restructure	£51.00	£34.00	£73.00	£48.00	£96.00	£63.00
After restructure	£87.00	£34.00	£109.00	£48.00	£132.00	£63.00
Op cost Change	£36.00	£0.00	£36.00	£0.00	£36.00	£0.00
Trailer	2 axle trailer		3 axle trailer		Trailers	
	Test	retest	Test	retest	Test	retest
		average veh		average veh		average veh
Before restructure	£38.00	£24.00	£48.00	£32.00	£54.50	£108.29
After restructure	£52.00	£24.00	£62.00	£32.00	£68.50	£144.29
Op cost Change	£14.00	£0.00	£14.00	£0.00	£14.00	£36.00

Total per vehicle charges by vehicle type

Type	Before restructure	After restructure	Change
7.5t 2 axle rigid	£97.63	£93.63	-£4.00
12 - 14t 2axle rigid	£97.63	£93.63	-£4.00
17 - 18t 2 axle rigid	£97.63	£93.63	-£4.00
24 - 26t 3 axle rigid	£122.36	£118.36	-£4.00
32t 4 axle rigid tipper	£148.29	£144.29	-£4.00
32 - 33t 2 + 2 axle artic	£182.37	£206.04	£23.67
38t 2 + 3 axle artic	£205.34	£229.02	£23.67
44t 3 + 3 axle artic	£230.07	£253.75	£23.67

Other changes to operator costs

Interest earned on money not paid to VOSA as fees in advance

Average VOSA Fees in advance holding for HGV vehicle £26,400,025
 related fees (i.e. money which will be available to operators)

Assumed interest rate	5%
Potential interest earned	£1,320,001
Interest per motor vehicle tested	£2.80

Before restructure	£0.00
After restructure	£2.80
Op cost Change	£2.80

Cost saved by operators of making payments to VOSA

No of transactions abolished 134,553
 Cost per abolished transaction £10.00
 Total cost of abolished transactions £1,345,533
 Average cost per motor vehicle tested £2.86

Before restructure	-£2.86
After restructure	£0.00
Op cost Change	£2.86

Annex D to Explanatory Memorandum – Impact Assessment – Operator Licence Fee Reform

Annex 4 – Effect on HGV sector operating costs

Total cost changes per business

Vehicles	Business size											
	Micro			Small			Medium			Large		
	No	Cost before restructure	Change	No	Cost before restructure	Change	No	Cost before restructure	Change	No	Cost before restructure	Change
7.5t 2 axle rigid	1	£97.63	£4.00	2	£195.26	£8.00	4	£390.52	£16.00	90	£8,786.70	£360.00
12 - 14t 2axle rigid	0	£0.00	£0.00	0	£0.00	£0.00	0	£0.00	£0.00	18	£1,757.34	£72.00
17 - 18t 2 axle rigid	0	£0.00	£0.00	1	£97.63	£4.00	2	£195.26	£8.00	36	£3,514.68	£144.00
			£0.00			£0.00			£0.00			£0.00
24 - 26t 3 axle rigid	0	£0.00	£0.00	0	£0.00	£0.00	1	£122.36	£4.00	31	£3,793.16	£124.00
			£0.00			£0.00			£0.00			£0.00
32t 4 axle rigid tipper	0	£0.00	£0.00	0	£0.00	£0.00	1	£148.29	£4.00	16	£2,372.56	£64.00
			£0.00			£0.00			£0.00			£0.00
32 - 33t 2 + 2 axle artic	0	£0.00	£0.00	0	£0.00	£0.00	0	£0.00	£0.00	2	£364.74	£47.34
38t 2 + 3 axle artic	0	£0.00	£0.00	0	£0.00	£0.00	0	£0.00	£0.00	12	£2,464.14	£284.06
44t 3 + 3 axle artic	0	£0.00	£0.00	1	£230.07	£23.67	2	£460.15	£47.34	45	£10,353.36	£1,065.23
Total vehicles	1			4			10			25		
										0		
per licence		£112.63	£0.00		£112.63	£0.00		£112.63	£0.00		£112.63	£0.00
VOSA charges		£210.26	£4.00		£635.60	£11.67		£1,429.21	£15.34		£33,519.31	£632.64
Other cost changes			£5.66			£22.66			£56.64			£1416.03
Net change in cost			£9.66			£10.98			£41.30			£783.39

Proportion of total business costs from VOSA charges and change to costs from fee simplification by business size

Business size							
Micro		Small		Medium		Large	
VOSA Charges	Business cost change	VOSA Charges	Business cost change	VOSA Charges	Business cost change	VOSA Charges	Business cost change
0.372%	-0.017%	0.198%	-0.003%	0.172%	-0.005%	0.160%	-0.004%

Financial effect of operator licensing fee reform on rental and leasing sector

Vehicle operating costs

per vehicle costs

NOTE: These costs are derived from cost tables for 2008 published by the RHA. They include depreciation, insurance, interest on capital, tyre and maintenance costs for motor vehicles from the RHA tables but exclude any element of overhead. Mileages per annum are as used in RHA tables for motor vehicles but halved for trailers to take account of trailer to vehicle ration of just under 2:1.

Type	Source: "RHA Cost tables 2008" (see NOTE)			
	Time PA	Mileage costs	Miles PA	Total PA
	£	p	Miles	£
7.5t 2 axle rigid	£9,930	8.7	45,000	£13,845
12 - 14t 2axle rigid	£10,930	10.4	45,000	£15,610
17 - 18t 2 axle rigid	£12,600	11.4	50,000	£18,300
24 - 26t 3 axle rigid	£16,790	14.8	50,000	£24,190
32t 4 axle rigid tipper	£19,960	18.7	50,000	£29,310
32 - 33t 2 axle tractor	£12,740	8.8	60,000	£18,020
38t 2 axle tractor	£14,720	9.0	70,000	£21,020
44t 3 axle tractor	£17,720	9.9	70,000	£24,650
3 Axle curtain sided trailer	£2,640	5.5	35,000	£4,565

Rental & leasing fleet operating costs

Proportion of commercial vehicle rental and leasing fleet provided by BVRLA members (source BVRLA website)	65%
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	BVRLA members	Total fleet
Fleet size		
Motor vehicles	180,396	277,532
Trailers	22,866	35,178

NOTE 1: motor vehicle figures from BVRLA website for fleet at 31/12/08 - trailers figures supplied separately by BVRLA are at 31/12/2007

NOTE 2: Fleet mix for motor vehicles derived from DfT publication “Transport Statistics Great Britain 2007 Edition” – Table 9.6

	BVRLA Fleet		Total fleet	
	No	Cost PA	No	Cost PA
7.5t 2 axle rigid	64,943	£899,129,743	99,912	£1,383,276,528
12 - 14t 2axle rigid	12,989	£202,750,672	19,982	£311,924,111
17 - 18t 2 axle rigid	25,977	£475,379,539	39,965	£731,353,137
24 - 26t 3 axle rigid	22,369	£541,108,626	34,414	£832,474,809
32t 4 axle rigid tipper	11,545	£338,394,033	17,762	£520,606,204
32 - 33t 2 axle tractor	1,443	£26,005,887	2,220	£40,009,057
38t 2 axle tractor	8,659	£182,012,348	13,322	£280,018,997
44t 3 axle tractor	32,471	£800,417,052	49,956	£1,231,410,849
Total motor vehicles	180,396	£3,465,197,901	277,532	£5,331,073,693
Total trailers	22,866	£104,383,290	35,178	£160,589,677
FLEET TOTAL	203,262	£3,569,581,191	312,711	£5,491,663,370

Test fee increases from fee reforms

NOTE: figures are for both phases of implementation reform at 2008/9 fee levels.

Vehicle type	Fee increase	BVRLA Fleet		Total fleet	
		Fleet affected	Cost		
Motor Vehicle	£36	180,396	£6,494,256	£277,532.31	£9,991,163
Trailer	£14	22,866	£320,124	£35,178.46	£492,498
		TOTAL	£6,814,380		£10,483,662
		Proportion of operating costs	0.19%		0.19%

Summary: Intervention & Options

Department /Agency: Transport	Title: Impact Assessment of MOT fee increases	
Stage: post consultation	Version: 3	Date: 22 January 2010
Related Publications: None		

Available to view or download at: <http://www.dft.gsi.gov.uk>

Contact for enquiries: Rob Haggar

Telephone: 020-7944-2457

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

Prescribed MOT test fee maxima need to be increased in order to take account of the increased costs which MOT testing stations are likely to face over a 12 month period (from April 2010 to end March 2011) in providing an MOT test service to the public.

A small part of each fee collected by MOT test stations (around 4% of the total for most test classes) is passed to the Department's Vehicle and Operator Services Agency (VOSA) in order to cover VOSA's costs in supervising the scheme – these costs include payments to VOSA's contractor for providing and maintaining computerised support for the administrative aspects of the MOT scheme.

Government intervention is necessary because MOT testing fees are prescribed in regulations and the convention followed has been to allow an increase for the anticipated effects of inflation each year.

What are the policy objectives and the intended effects?

The main purpose of the statutory requirements for vehicle testing is to help ensure that motorists maintain their vehicles in a reasonable way such that they are less of a risk to other road users and that pollution from vehicle emissions is minimised.

The main objective in relation to fees is to ensure that the maximum fee levels strike the right balance between costs to the vehicle testing industry, financial burdens on motorists and the desire to maintain high standards of road safety and vehicle roadworthiness.

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

The option to leave fee maxima at their current levels is not pursued in this document. It could be argued as unfair to testing station operators in ignoring anticipated inflationary increases and might result in some withdrawing from the vehicle testing business. A failure to provide any increase is also likely to leave VOSA unable adequately to administer and enforce what is an expanding MOT test scheme.

Only the preferred option of increasing VOSA's element of the fee by £0.05 (5 pence) and the net fee (ie: that part retained by the testing stations) by the forecast GDP deflator rate for the year from April 2010 (currently 1.5%) has been pursued.

This option should help to cover the effects of inflation and VOSAs estimated cost increases.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? Fee maxima are generally reviewed every year, to cater for the effect of inflation and also to allow for any changes to MOT test content and average test durations.

Ministerial Sign-off For consultation 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:

Paul ClarkDate: 23rd February 2010

Summary: Analysis & Evidence

Policy Option: 1	Description: Increase the fee maxima to allow for inflationary increases in costs to VTS and VOSA
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COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' The average monetised cost is indicated by the fee increase table in the evidence base. The average extra cost to most private motorists should not exceed £0.85 pence. The most affected group should be private motorists, although many businesses own vehicles of MOT- testable age. Of the 34 million registered vehicles around 28 million are old enough to need MOT testing.
	One-off (Transition)	Yrs	
	£ n/a	0	
	Average Annual Cost (excluding one-off)		
	£ see text	1	
Total Cost (PV)			£ see text
Other key non-monetised costs by 'main affected groups' There should be no other additional costs to any group (though testing station operators will face increased operating costs over the next year due to the effects of inflation).			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' The review of the MOT scheme test frequencies published in December 2008 indicated that the average net value of the MOT testing scheme to society could be around £4448M per annum. The increases in test fee maxima proposed should help ensure that the scheme benefits are preserved.
	One-off	Yrs	
	£ n/a	0	
	Average Annual Benefit (excluding one-off)		
	£ see text	1	
Total Benefit (PV)			£ see text
Other key non-monetised benefits by 'main affected groups' MOT testing stations would see an increase in revenue to help offset increased operating costs. Motorists should continue to enjoy a broadly similar availability of conveniently-located vehicle testing stations.			

Key Assumptions/Sensitivities/Risks One risk is that the proposed increases in fee maxima of 1.5 % are not substantial enough. This could result in some testing stations leaving the MOT scheme. If that case some motorists, in more remote areas, could face increased travel costs to testing stations - which would also lead to a loss of personal time and extra environmental emissions. Conversely, if the proposed fee ceiling increase were to be too generous, some testing stations could choose to increase prices unnecessarily.

Price Base Year 2008	Time Period Years 1	Net Benefit Range (NPV) £ n/a	NET BENEFIT (NPV Best estimate) £ none
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What is the geographic coverage of the policy/option?		GB	
On what date will the policy be implemented?		6 April 2010	
Which organisation(s) will enforce the policy?		VOSA	
What is the total annual cost of enforcement for these organisations?		£ n/a	
Does enforcement comply with Hampton principles?		Yes	
Will implementation go beyond minimum EU requirements?		No fees not covered	
What is the value of the proposed offsetting measure per year?		£ n/a	
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 n/a	Small n/a	Medium n/a
Are any of these organisations exempt?	No	No	N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)	
Increase of	£ n/a	Decrease of	£ n/a
		Net Impact	£ n/a

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

Evidence Base (for summary sh

Background

1. Section 46 of the Road Traffic Act 1988 empowers the Secretary of State to make regulations which – amongst other things – make provision as to the maximum fees to be paid for MOT tests.
2. MOT test fees are intended to cover two major cost elements:
 - The cost to testing station operators of providing an MOT-testing service to motorists; and,
 - The cost to the Department’s Vehicle and Operator Services Agency (VOSA) in supervising and enforcing compliance with the scheme requirements (including the costs VOSA pay to their computer-service provider).
3. There is no prescribed time for reviewing MOT fees, but the Department’s longstanding policy has been to set MOT fee maxima so that:
 - Fee maxima enable MOT testing stations to cover their reasonable costs (and safeguard motorists from excessive charges for statutory tests);
 - prospective new testing stations are encouraged to join the MOT Scheme;
 - motorists have plenty of choice in deciding which testing stations to use;
 - motorists do not need to travel excessively long distances to testing stations; and,
 - VOSA have the necessary income to enable them properly to supervise and administer the MOT Scheme.

Costs

4. Inflation has been one of the main factors that influences the operating costs of vehicle testing stations and also of VOSA. Consequently test fees tend to be reviewed annually.
5. Given that the Department is not proposing any changes to the content of MOT tests this year the only factor to be taken into account in this ‘fee round’ is the impact of inflation. The ‘inflation index’ suggested for the purposes of calculating MOT fee increases is the Treasury’s GDP deflator forecast for 2010/11 - this is currently 1.5%. It is this figure that the Department is proposing to use in the 2010/11 MOT fee calculation.
6. A 5p increase in VOSAs slot fee part of the test fee is necessary for:
 - supervision costs (mainly VOSA staff) due to increases in the numbers of authorised examiners and vehicle test stations and,
 - forecast cost increases in the computer supported elements of the scheme.

VOSAs share of a test fee would increase by 5p (around 2%) whereas the MOT trade element of the fee for a car class test would increase by 80p (1.5%). However, VOSA’s operating costs during 2010 /11 are expected to be affected by inflation and other factors, including fixed contract commitments to their computer services provider. In recent years the VOSA element has been kept at a level that would consume accrued surpluses by keeping income from the

MOT Scheme lower than costs. The increase in the slot fee now proposed will contribute towards VOSA's costs in running the scheme in 2010 / 11. The accrued surpluses have virtually been used up but the increase in the slot fee will put VOSA on a path to covering its costs in administering the scheme from the slot fee revenue.

7. Many MOT garages offer discounted test fees and it is likely that many will continue to choose not to pass the full increases onto their customers.

Cost increases proposed

8. The proposed new fee maxima for each class of fee are set out in the table below. The fees are rounded to the nearest 5p

Test class	current fee max	Proposed new max. fee
Class I & II m/c without sidecar	£29.20	£29.65
Class I & II motorcycle & sidecar	£37.20	£37.80
Class III 3 wheelers	£37.20	£37.80
Class IV minibus	£56.45	£57.30
Class IV - cars	£54.00	£54.85
Class IV A	£63.05	£64.00
Class V > 16 seats	£79.45	£80.65
Class V up to 16 seats	£58.65	£59.55
Class V A (i)	£122.65	£124.50
Class V A (ii)	£79.30	£80.50
Class VII vans	£57.70	£58.60

9. The increases in each fee class are comprised of the 5p increase in payments to VOSA and an approximate 1.5% increase in the fee retained by the test station (as fees for each test class are rounded to the nearest 5 pence the % increases can vary slightly between each class).

Benefits

10. The main benefit of increasing the fee maxima at the level proposed is that it is intended to enable the MOT scheme to continue much as it does at present, safeguarding motorists from excessive charges for statutory tests whilst helping to ensure they do not have to travel long distances to testing stations.

11. It is impossible to predict with any certainty what the impact would be if a fee increase of less than what has been proposed were to be made. In principle, the impacts could, for example, include:

- Fewer testing stations for motorists to choose from;
- Increased costs to motorists in more remote areas due to longer journey times to fewer testing stations;
- Fewer testing stations offering discounted test fees (because of a reduction in competition); and,
- Testing stations feeling under pressure to complete more tests in less time in order to safeguard profits (which could result in pressures on testing standards).

Any combination of these factors would tend to detract from the current overall net benefits – which might therefore be an undesirable change.

12. Although the fees are going up in nominal terms they are staying broadly the same in real terms given that the increases are in line with current forecasted inflation rates. It should also be borne in mind that the Secretary of State is constrained to set what he believes to be 'fair fees' – and we believe that these are the fee levels proposed.

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	■ <i>Results in Evidence Base?</i>	■ <i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	Yes
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	Yes
Disability Equality	No	Yes
Gender Equality	No	Yes
Human Rights	No	Yes
Rural Proofing	No	No

Annexes

Race Equality Impact/Human Rights Impact

1. The underlying principle of the MOT scheme is to ensure that all in-scope vehicles registered in GB are in a roadworthy condition irrespective of the ethnic origin of the registered keeper of the vehicle.
2. The Department does not consider the scheme would be in conflict with EU Law or the European Convention on Human Rights. EU law requires vehicles throughout the EU to be subject to periodical roadworthiness (MOT) inspection in the Member State in which they are registered.

Consultation with small business: the small firms' impact test

3. The requirement to meet prescribed roadworthiness standards has been in force since the 1960s and should feature in businesses' projected costs. We have calculated that a small business with, for example, ten vans under 3,500kg can expect to pay a maximum £0.90 x 10 or £9 per annum extra in vehicle testing fees; i.e. the cost of having one of its vans tested could rise by 90 pence from £57.70 to £58.60
4. The actual fee for the MOT tests is in fact a very small proportion of the annual cost of running a motor vehicle: Insurance, vehicle excise duty, maintenance, fuelling costs and depreciation in value with age are all more significant factors in the motoring related costs of businesses.

Gender Equality

5. These provisions will be applied equally to any person, irrespective of gender.

Disability Equality

6. These provisions will be applied equally to any person, irrespective of whether or not they have any disability. A person with reduced mobility who owns a car of MOT testable age – i.e. over 3 years since first registration – can expect to pay £0.85 per annum more for their vehicle test fee if the vehicle testing station charges the maximum fee for that class of MOT test. People with disabilities may be more reliant on their cars for their personal mobility but given the low increases that are being proposed the impact should be minimal.