EXPLANATORY MEMORANDUM TO

THE MOTOR VEHICLES (TESTS) (AMENDMENT) (NO. 2) REGULATIONS 2006

2006 No 2680

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

This memorandum contains information for the Joint Committee on Statutory Instruments (paragraphs 3.2 to 3.5).

2. Description

2.1 These Regulations increase the fees prescribed by regulation 20 of the Motor Vehicles (Tests) Regulations 1981 for the mandatory annual examination of certain motor vehicles to ensure that they are roadworthy at the time they are presented for examination. Such examinations are commonly known as "MOT tests".

2.2 The Regulations also increase the charge that MOT test stations pay to the Vehicle and Operator Services Agency (VOSA) to enable it to cover its costs in supervising and administering the MOT scheme.

3. Matters of Special Interest to the Joint Committee on Statutory Instruments

MOT Test Fee

3.1 The increases to the MOT test fees mostly affect light vehicles tested at privately owned MOT test stations. These vehicles range from motorcycles, including those with sidecars through to cars, taxis and goods carrying vans up to 3.5 tonnes in weight. However the test fees also cover private passenger vehicles with more than 13 seats which are actually tested at VOSA test stations. The classes of tested vehicles that are excluded from these regulations are goods vehicles in excess of 3.5 tonnes and public service vehicles (buses). Both of these vehicle classes are tested exclusively by the Vehicle and Operator Services Agency (VOSA). Fee increases for the testing of these vehicles will be implemented by separate Regulations.

3.2 The proposed fees increases for all the vehicle classes covered by these regulations are 14% as set out in the annex to the Regulatory Impact Assessment. The reason for this level of increase in the fees is due to the fact that the MOT test has not been subject to a comprehensive timing study since 2000. This has meant that the previous maximum fee levels were out of step with actual test timings.

3.3 The 2006 timing exercise found that, on average, it now takes just over 58 minutes for MOT test stations (MOT garages) to carry out a test on a class IV vehicle (mostly cars) compared to the 2000 timing of around 52 minutes. The recording of the test results - for example the brake performance and emission tests - on the computer has added some time to the average time that

an MOT test takes. However at least part of this additional time would have been offset by doing away with the need to complete paper based forms in the test. It is not clear exactly what has caused the increase in the average test times since 2000 but statisticians have checked and validated the data that has been used. The proposed increases in the fee maxima reflect the current average time taken by test stations in carrying out the MOT test.

Slot Fee

3.4 The Secretary of State (in practice VOSA acting on behalf of the Secretary of State) recovers the cost of administering and supervising the MOT scheme by charging a fee ("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 in respect of vehicles that pass the MOT test and is passed on to motorists as part of the prescribed maximum MOT fee.

3.5 The proposed increase to the slot fee covered by these regulations is £0.27, an increase of 18.75%. This increase is necessary as Siemens Business Services (SBS), the external service provider, charge VOSA £1.11 per MOT test pass to cover their costs in providing the MOT computerised system. To date, however, VOSA have only increased the slot fee by £0.84 and so a further £0.27 is needed now to allow VOSA to make up the difference and cover SBS's charges.

3.6 Although the percentage increases in the fees appear significant, the actual fee for an MOT test is a very small proportion of the general costs of running a vehicle such as fuel, vehicle excise duty and insurance. The next scheduled fee revision is not expected to be until April 2008.

4. Legislative Background

4.1 These Regulations are made under sections 45 and 46 of the Road Traffic Act 1988 and by virtue of the Department for Transport (Fees) Order 1988.

4.2 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 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 certain requirements relating to its construction and condition, and to its accessories and equipment, and the 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 examination.

5. Extent

These Regulations extend only to Great Britain. They do not apply in Northern Ireland.

6. European Convention on Human Rights

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

7. Policy Background

7.1 The increased fees introduced by these Regulations help to enable the MOT test fees to cover the cost to private garages of providing an MOT testing service. Without such increases 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 which might then lead to many motorists having to drive further to find a testing station.

7.2 The increased slot fee will enable VOSA to continue to cover its costs in supervising and administering the MOT fee.

7.3 There were only 11 responses to the consultation that offered comments on the fee increase proposals. The consultation paper was posted to over 50 organisations. From the 11 responses, 7 responses were from those organisations and the other 5 responses were from members of the public. All of the 11 respondees expressed opposition to certain elements of the proposals - for example some agreed with the proposed increases but opposed the idea of leaving the next review until April 2008 as until this year the fee review had always been an annual process. 5 of the responses were from people who had either read the consultation information on the Department's website or newspaper articles that featured the proposed increases.

7.4 However the decision has been taken for MOT fees to be revised in April rather than August in future to keep them in line with other fee changes that are linked to the financial year end date. There is no time to carry out a further timing exercise and fee revision to be implemented on 1 April 2007, therefore the next fee review is not expected to be scheduled until April 2008. However, the current fee increases are being implemented now rather than being deferred until April 2007 because the test stations carrying out the tests are already incurring the higher costs associated with a longer average test duration.

8. Impact

8.1 A regulatory impact assessment on the effect that these Regulations may have on the costs of business has been prepared and a copy is attached. The regulatory impact assessment document has now been prepared so as to assist interested parties in understanding the policy objective for the increased testing fees.

8.2 The impact on the public sector will be in relation to businesses, charities and voluntary organisations that run or hire out motor vehicles.

9. Contact

The official within the Department for Transport who can be contacted with any queries on the Regulations is Rob Haggar, in the Driver & Vehicle Operator Policy Division, Department for Transport, Southside, 105 Victoria Street, London, SW1E 6DT; telephone 020 7944 2457; e-mail rob.haggar@dft.gsi.gov.uk.

FULL REGULATORY IMPACT ASSESSMENT

1. TITLE OF PROPOSED MEASURE

MOT Test Fee: Increases in Maximum Fee level for 6 vehicle classes – The Motor Vehicles (Tests) (Amendment) (No. 2) Regulations 2006

2. ISSUE AND OBJECTIVE

Issue

2.1 Motorists are under a statutory obligation to submit their vehicles for periodic roadworthiness tests. The purpose of the test is to ensure that all motor vehicles from motorcycles to coaches are checked at least once a year to ensure that they are in a roadworthy condition. In other words, that they comply with the key performance requirements in the Road Vehicles (Construction and Use) Regulations 1986 and the Road Vehicles Lighting Regulations 1989. A fee is paid by the person presenting the vehicle for the test. The test also covers a number of other items related to traffic enforcement, environmental performance and the prevention of vehicle crime.

2.2 This Regulatory Impact Assessment has been carried out in relation to the proposed amendments to the Motor Vehicles (Tests) Regulations 1981. The amendments are to increase the maximum chargeable MOT test fee for each class of vehicle as shown in the attached Annex A. Changes to the retest procedures were introduced in September under a separate SI.

Objective

2.3 To set the maximum level of test fees payable by the motoring public ensuring these fee levels strike the right balance between the costs to industry, the burden on the customers and the desire to maintain the highest possible standards of road safety and vehicle roadworthiness.

3. BREAKDOWN OF CHANGES

Factors Affecting the Fee Increase

3.1 It is now necessary to amend the levels of maximum MOT fees for vehicle classes I and II (motorcycles), III (3-wheeled vehicles), IV (mainly cars), V (passenger vehicles with 13 or more seats) and class VII (goods vehicles between 3 and 3.5 tonnes). The new maximum rates take account of the MOT "pad fee", the test timing exercise and a notional element for inflation.

'MOT pad fee or slot fee'

3.2 There is a small increase (£0.27) in the MOT 'pad fee' which is also now known as a slot fee as the fee is levied when a test station records the pass result on the computer system. The slot fee is to enable VOSA to cover its costs in supervising and administering the MOT scheme and to allow it to pay Siemens Business Systems (the external service provider) for the supply and maintenance of the computerised administration system. This system now links all 18,300 testing stations with a central MOT database. Some of the cost of introducing computerisation has been included in pad fee increases in earlier years. The further £0.27 increase to the pad fee is needed so as to cover fully the charges of the external service provider. This increase will bring the level of this element of the pad fee to the level of the original forecast of what was needed when the computer system was fully rolled out, which is now the position.

Test Timing Exercise

3.3 A timing exercise was recently carried out by the Vehicle and Operator Services Agency (VOSA) to determine the average time it takes an MOT test station (a garage) to conduct a MOT test for each vehicle class. The additional time taken to carry out these tests has been factored into the fee increases for these classes of vehicles.

3.4 The last full test timing exercise for all these vehicle classes was undertaken in 1999-2000. Since then, computerisation of the administrative elements of the test has been introduced whereby vehicle test stations now need to record the results of each MOT test on the computerised system.

3.5 For this reason a further test timing exercise was undertaken by VOSA in early 2006. The exercise showed that it takes around 58 minutes, on average, to conduct all the elements of a class IV test.

3.6 To calculate the impact of the additional time on the test fee for class IV vehicles, we took the existing test class fee minus the current pad fee (£44.15 - £1.44 = £42.71) and divided this by the time it was previously assumed to take to conduct an average class IV test (52.2 minutes) to give a rate of 82p per minute. We then multiplied this by the new test time observed from the timing exercise (58.37 minutes). After adding a notional allowance for inflation, adding the new pad fee, and rounding to the nearest 5p, the proposed new maximum class IV test fee stands at £50.35 – an increase of £6.20 or 14%.

3.7 The test timing exercise recorded too few vehicles in the other classes of vehicles to give a valid sample of test times. As the main changes in carrying out the test are the same for all classes of vehicles - recording the vehicle details and the test results onto the computerised system - we have increased the fees for the other tested classes of vehicles by 14% in line with the class IV increase. A full list of the increases for all vehicles can be found at Annex A.

Other factors

3.8 A notional allowance has been included for inflation (1.67% in the case of MOT class IV vehicles). The next fee revisions are scheduled to take place in April 2008.

4. RISK ASSESSMENT

4.1 In the context of these Regulations, there is no perceived detriment to any organisation or individual. The MOT fee increases have until now been implemented annually. The fee increases help the MOT test stations to cover the costs of undertaking the MOT testing of vehicles. Businesses and individuals are well used to planning for the increase in fee maximums and in any case many test stations do not charge the maximum fee for a test.

4.2 If we did not amend the current fees, they would not adequately cover the cost of providing a test particularly in some of the more remote rural locations and in areas where it is quite difficult to attract sufficiently trained staff. This could lead to a number of garages opting out of MOT testing and mean that members of the public would have to travel further to find a suitable testing station with the costs in time, fuel etc that this would entail.

5. OTHER OPTIONS

5.1 Only one realistic option has been identified for amending the regulations (given the risk identified in paragraph 4.2)

- to increase the 2006/07 fee levels from November 2006 to take account of the additional time it takes to conduct an MOT test.

6. IDENTIFY THE BENEFITS

6.1 The proposed increases to the fee maximums should enable the vast majority of MOT garages to continue to provide MOT tests on a cost-recovery basis.

7. ISSUES OF EQUITY OR FAIRNESS

7.1 The proposed measures would impact proportionally across the whole industry and the motoring public. The fees are set in a way that reflects the average amount of time taken to conduct a MOT test for each vehicle class.

7.2 The likely burden on small businesses is not considered to be any more onerous, in relation to size, than it would be for larger businesses; although it is recognised that small operators are unable to avail

themselves of the opportunities for economies of scale from which larger operators can benefit.

8. COMPLIANCE COSTS FOR BUSINESS, CHARITIES AND VOLUNTARY ORGANISATIONS

Business Sectors Affected

8.1 These regulatory changes may affect charities and voluntary organisations but no more so than anyone else who runs a motor vehicle.

8.2 The main business sectors affected will be those that:

- run motor vehicles, or
- hire out motor vehicles

of MOT testable age - that is vehicles over 3 years old.

Compliance costs for a typical business

8.4 The requirement to meet prescribed roadworthiness standards has been in force since 1961 and should feature in businesses' projected costs.

8.5 A small business with, for example, ten vans under 3,500kg can expect to pay a maximum £ 66.60 per annum extra in testing fees; i.e. the cost of having one of its vans tested will rise from £47.20 to £53.80 – an increase of £6.60 per test.

8.6 The actual fee for the MOT tests is in fact an extremely small proportion of the annual cost of running a motor vehicle. Insurance, tax, maintenance, fuelling costs and depreciation in value with age are far more significant factors in the motoring related costs of businesses.

8.7 Many MOT garages offer discounted test fees and it is likely that some will choose not to pass the full increases onto the customer.

9. CONSULTATION WITH SMALL BUSINESS: "THE LITMUS TEST"

9.1 The Department holds liaison meetings with all of the main MOT trade associations in addition to a number of trade and business members. The Small Business Service (SBS) has been informed of the proposals set out in this document and a copy of the consultation has been sent to them.

10. COMPETITION ASSESSMENT

10.1 We have considered the market for MOT services and assessed that the proposed changes would have a neutral impact on competition as it is maintaining the current structure.

10.2 Many garages charge less than the statutory maximum fee in order to undercut competitors. This is good for consumers. However, in rural and other areas where there are a limited number of MOT stations, there will be little competition for custom. It is more likely, therefore that the maximum fees will be charged in these areas.

11. IDENTIFY ANY OTHER COSTS

11.1 No other costs have been identified.

12. CONSULATION

12.1 The Department has carried out a consultation exercise with interested parties, including motoring organisations, representatives of the garage trade and consumer groups. Only 11 responses to the proposals to raise the maximum fee levels were received. A summary of the responses and the DfT comment on these in attached in the document labelled Annex A.

13. SUMMARY AND RECOMMENDATION

13.1 There are significant benefits that continue to accrue from MOT testing, against relatively low compliance costs for the motoring public and businesses. It is recommended that the proposals are adopted, and that legislative backing is given to the proposed increases in the fee maximums.

14. ARRANGEMENTS FOR MONITORING AND REVIEW

14.1 Monitoring and review of costs are being undertaken through feedback during the consultation process and through the regular liaison meetings that the Department and VOSA hold with the vehicle trade representative bodies.

15. CONTACT POINT

Rob Haggar
Roadworthiness team DVOP Division
Zone 20, 5th Floor
Southside
105 Victoria Street
LONDON
SW1E 6DT

Tel: 020 7944 2457
Fax: 020 7944 2459
e-mail: rob.haggar@dft.gsi.gov.uk

DECLARATION

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Signed by the responsible Minister: S.J Ladyman
Date: 7th October 2006

Dr Stephen Ladyman
Minister of State
Department for Transport

ANNEX A

PROPOSED INCREASE IN FEE MAXIMA FOR EACH MOT TEST CLASS

Class	Current Fee	Revised Fee	Increase @ 14 %
I/II (solo motorbikes)	£23.80	£ 27.15	**£3.35**
II (and motorbikes with sidecar)	£30.40	£ 34.65	**£4.25**
III (3-wheel vehicles)	£30.40	£ 34.65	**£ 4.25**
IV (cars)	£44.15	£ 50.35	**£ 6.20**
IV (passenger vehicles with 9-12 passenger seats)	£46.15	£ 52.60	**£ 6.45**
IVA (includes seat belt installation check)	£51.55	£ 58.75	**£ 7.20**
V (buses with 13-16 passenger seats)	£47.95	£ 54.65	**£ 6.70**
V (buses with 17+ passenger seats)	£65.00	£ 74.10	**£ 9.10**
VA (13-16 seats with seat belt installation check)	£64.85	£ 73.95	**£ 9.10**
VA (17+ seats with seat belt installation check	£100.40	£ 114.45	**£ 14.05**
VII (goods vehicles between 3 – 3.5 tonnes)	£47.20	£53.80	**£ 6.60**

Note figures rounded to nearest 5 pence