EXPLANATORY MEMORANDUM TO

THE MOTOR VEHICLES (TYPE APPROVAL AND APPROVAL MARKS) (FEES) (AMENDMENT) REGULATIONS 2026

2026 No. 992

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Vehicle Certification Agency (VCA), an Executive Agency of the Department for Transport and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Justin Madders, Parliamentary Under-Secretary of State (Minister for Roads) at the Department for Transport confirms that this Explanatory Memorandum meets the required standard.

2.2 Phil Earl, Deputy Director for International Vehicle Standards Division at the Department for Transport confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Paul Cooke at the VCA or Mike Lowe at the Department for Transport can be contacted by email at the following addresses with any queries regarding the instrument: paul.cooke@vca.gov.uk or mike.lowe@dft.gov.uk. Alternatively, they can be contacted by telephone at 0117 952 4126 or 07769 243345 respectively.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument amends the Motor Vehicles (Type Approval and Approval Marks) (Fees) Regulations 1999 ("the 1999 Regulations") to increase the hourly rate that the VCA can charge vehicle manufacturers. In respect of technical staff from the VCA conducting examinations of vehicles during the type approval[1] process, the hourly rate charged will increase from £89 to £134. This instrument also introduces a new higher hourly rate (£192) where an examination requires a specialist, for example experts in cyber security, and introduces new fees applicable when the VCA use its own equipment for an examination.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales, Scotland and Northern Ireland.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales, Scotland and Northern Ireland.

[1] Type approval is the process whereby manufacturers of a new model of vehicle or vehicle part are required to test it against international and domestic safety and environmental standards and obtain approval from a government body prior to placing it on the market.

5. Policy Context

What is being done and why?

5.1 Manufacturers of a new model of road vehicle are required to submit it for approval against international and domestic safety and environmental standards before it can be registered, and many vehicle parts such as tyres require an approval before they can be placed on the market. The VCA is the UK's type approval authority, acting on behalf of the Secretary of State. The VCA is the sole source of GB certification and can also issue certification to international regulations. In most cases the manufacturer has a choice between using VCA staff to carry out testing or opting to use a testing company authorised by the VCA.

5.2 The principal effect of the instrument is to increase the standard hourly rate that the VCA can charge from £89 to £134. This fee is charged to vehicle and vehicle part manufacturers in respect of technical staff from the VCA carrying out examinations (i.e. testing) of new vehicles or vehicle parts or assessing data during the type approval process. This rate has not increased since 2006 and has not kept pace with year-on-year inflation; the VCA is therefore currently operating at a deficit.

5.3 In addition to these inflationary pressures, costs have continued to increase. The VCA originally found efficiencies to prevent an annual deficit but due to increasingly complex testing as a result technological developments, this is no longer sustainable. Instead, the Department is providing a subsidy to ensure that industry demand is met, and the testing continues to be appropriately robust. Nevertheless, industry is experiencing longer wait times.

5.4 Therefore, a substantial fee increase is proposed to ensure the costs of testing can be fully covered, in line with HM Treasury's Managing Public Money (MPM) guidance. Nevertheless, this is not designed to eliminate the annual deficit: the VCA has recently implemented an online portal for type approval applications, which should result in reduced costs for both the VCA and applicants. Together with other planned efficiencies, this should enable the VCA to return to breakeven by 2028.

5.5 In addition, the instrument makes two other changes. Firstly, a new higher hourly rate of £192 (for both examinations under regulation 4(1) or inspections of data under regulation 7(1) of the 1999 Regulations) will be charged where the examination or inspection of data is carried out by a specialist. A specialist is an individual who carries out technical analysis as part of an examination to determine what is required of a vehicle or vehicle part in order to demonstrate it achieves regulatory compliance as regards its safety, security or environmental performance. This is in certain work areas: emissions and environmental performance, cyber security and software updates, and advanced driver assistance systems and automated driving systems. Such individuals are in higher demand and command higher salaries. It is therefore considered appropriate to differentiate the hourly rates charged for standard and specialist testing to ensure fairness to applicants and proper cost recovery by the VCA.

5.6 Secondly, some new fees are set out, to be charged when the VCA uses its own test equipment of various kinds. This fee will support the purchase, maintenance and replacement of that equipment. Currently these costs are spread across the entire VCA client base, but it is considered more equitable to charge only those clients (a minority) who make use of this equipment. The latter will see an increase in costs, but there are ways to avoid or minimise this, such as hiring equipment from another source or purchasing it for their own use.

What was the previous policy, how is this different?

5.7 The previous hourly rate was £89 and was set in 2006. There was no ability to charge a higher rate for test work requiring highly specialised knowledge and no possibility to charge extra when the VCA's own equipment was used. Previously it was considered equitable to charge a flat hourly rate, whereas the increasing complexity of vehicle control technology and the need to assess manufacturer's internal processes in some areas (e.g. cyber security) means that it is considered more equitable and efficient to take into account the additional costs of some examinations, where specialist skills or where equipment owned by the VCA is being used.

6. Legislative and Legal Context

How has the law changed?

6.1 This instrument amends the 1999 Regulations. These regulations set the fees for various aspects of examination and inspection of data required for type approval. The regulations have been amended several times, including to cater for new approval schemes. The fee of £89 in regulation 4 has not been amended since 2006.[2]

6.2 The instrument makes three main amendments to regulation 4 of the 1999 Regulations:

(a) Increasing the fee charged in paragraph (1) for an officer of the Department for Transport (in practice, one of VCA's technical staff), who is not a specialist, carrying out an examination of a vehicle or vehicle part from an hourly rate of £89 to £134.

(b) Introducing a new fee in paragraph (1), charged at an hourly rate of £192 for technical analysis carried out by a specialist as part of an examination of a vehicle or vehicle part.

(c) Introducing new fees (at rates specified in new paragraph (2A) and new Schedule 6 to the instrument) where equipment owned by the Secretary of State (in practice the VCA) is used for examination of a vehicle or vehicle part.

6.3 The instrument makes consequential amendments to regulations 7, 16 and 17 of the 1999 Regulations so that the new fees introduced in regulation 4(1)(a) and (b) apply. It also inserts new definitions into regulation 3 of the 1999 Regulations.

6.4 It is not permitted for the instrument to have retrospective effect, and therefore the amendments made by these Regulations will apply only to new applications made on or after 1 November 2026.

Why was this approach taken to change the law?

6.5 This is the only possible approach to make the necessary changes, as the VCA's ability to charge fees for testing is set in the 1999 Regulations.

7. Consultation

Summary of consultation outcome and methodology

7.1 A consultation on the proposed new fees was conducted from 16th February 2026 to 16th March 2026 in accordance with section 195(2) of the Road Traffic Act 1988. The main sectoral trade associations including the Society of Motor Manufacturers and Traders (SMMT), the Motorcycle Industry Association (MCIA) and the Agricultural Engineers Association (AEA) were consulted directly via email. Collectively they

[2] The Motor Vehicles (Type Approval and Approval Marks)(Fees)(Amendment) Regulations 2006 (2006/1638).

have several hundred members, many of which will be VCA clients. In addition, a representative sample of VCA clients[3] (254) were contacted directly, including a number of SMEs.

7.2 Twelve individual companies responded, as well as two trade associations representing multiple companies, the SMMT and the Wheelchair Accessible Vehicle Association (WAVCA).

7.3 In general, it was agreed that fees needed to increase, but there was no consensus on whether they should be increased by the amount proposed, which was seen as a large increase. The point was frequently made that very little notice of the fee increase was being given, leading to difficulties in budgeting, and in recognition of this, introduction of the new fees will be postponed to 1 November 2026 to enable VCA customers to adjust their budgets and prepare accordingly.

7.4 Given the size of the VCA deficit and obligations to cover costs under HMT's MPM guidance, we are proceeding to make the fees at the levels proposed, rather than phase them in with two or more stepped increases as some responses requested, but we plan to make every effort to make regular fee increases in future, broadly in line with inflation, to avoid repeating the situation of such a large increase after a long period without change.

7.5 The government response to the consultation[4] has been placed on the VCA website.

8. Applicable Guidance

8.1 Guidance on approval fees[5] is available on the VCA website. This has been updated to take account of the new hourly rates. The VCA have also emailed all GB approval clients with details of the new fees.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because the increase in Equivalent Annual Net Direct Cost to Business (EANDCB) has been assessed by the Department as below the £10m per year De Minimis threshold. This instrument will result in increased costs for vehicle manufacturers who are customers of the VCA, balanced against potential benefits such as reduced waiting times and improved access to skilled resource. In mitigation, the cost of type approval testing provided by the VCA is a small fraction of the overall cost of developing a vehicle. It is also possible for manufacturers to use a technical service other than the VCA, either in the UK or internationally, which may prove cheaper. The overall monetised impact on business is negative, with an estimated Business Net Present Value (NPV) of approximately –£34 million (2023 prices) over the ten-year appraisal period. This represents a direct transfer from business to government but should be viewed as a

[3] VCA clients are companies who hold one or more GB vehicle approvals, which is an approval issued by the VCA that is necessary before a vehicle can be registered for use on GB roads.

[4] https://www.vehicle-certification-agency.gov.uk/download-publication/25370/VCA%20Fees%20Consultation%20Response/
Hard copies may be obtained from the Department for Transport, Great Minster House, 33 Horseferry Road, London, SW1P 4DR.

[5] https://www.vehicle-certification-agency.gov.uk/vehicle-type-approval/approval-fees/ Hard copies may be obtained from the Department for Transport, Great Minster House, 33 Horseferry Road, London, SW1P 4DR.

necessary part of facilitating manufacturers' access to markets, in order to make profits.

Impact on businesses, charities and voluntary bodies

9.2 The impact on business is an increase in the cost of utilising technical staff from the VCA when obtaining GB type approval, affecting businesses that are manufacturers involved in approving new vehicles or vehicle parts and that are using VCA technical staff to carry out testing. The overall monetised impact on business is provided above. Charities and voluntary bodies are generally not involved in obtaining vehicle approval and are thus unaffected.

9.3 The legislation does impact small or micro businesses.

9.4 Small or micro business (employing up to 50 people) are not being exempted from the fee increase as this would be difficult to administer and is discouraged in HMT's MPM guidance. However, there are existing alternative routes to approve vehicles built in low volumes which are designed for use by small and micro businesses, which can reduce the costs of approval for these businesses.

9.5 The impact on the public sector is estimated by the Department as a +34 million NPV benefit. This represents full cost recovery by the VCA, in line with the expectations outlined in HMT's MPM guidance.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring and reviewing the legislation is that the VCA will work with the Department and HMT to keep their fee levels under regular review, examining their annual accounts as part of that process.

10.2 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015 Justin Madders has made the following statement:

"The Department has assessed the net costs to industry of this instrument as amounting to less than the £10 million De Minimis threshold. To carry out a statutory review would be unnecessary as VCA publish accounts and review their financial situation annually, including fees, in order to align with HMT guidance on Managing Public Money. Given this, a statutory review clause has not been included."

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

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

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").