EXPLANATORY MEMORANDUM TO

THE MOTOR VEHICLES (TYPE APPROVAL & APPROVAL MARKS)(FEES) (AMENDMENT) REGULATIONS 2006

2006 No. 1638

1. This explanatory memorandum has been prepared by the Vehicle Certification Agency, an Executive Agency of the Department for Transport, and is laid before Parliament by Command of Her Majesty.

2. Description

These Regulations increase the fees prescribed by the Motor Vehicles (Type Approval & Approval Marks) (Fees) Regulations 1999 ("the 1999 Regulations") for the examination of vehicles and vehicle parts, the examination of complete vehicles and the issue of documents in connection with the requirements of the European and National type approval of vehicles and vehicle parts. They also update references to community instruments and ECE Regulations.

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

None.

4. Legislative Background

4.1 These Regulations are made under section 61(1) and (2) of the Road Traffic Act 1988; section 56(1) and (2) of the Finance Act 1973; the Department of Transport (Fees) Order 1988; and section 128 of the Finance Act 1990.

4.2 The principal purpose of the Regulations is to effect an increase in the fees payable under the 1999 Regulations by an average of 3.5%. The table attached to this explanatory memorandum shows the amount and size of each individual fee increase.

5. Extent

This instrument extends to all Great Britain.

6. European Convention on Human Rights

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

7. Policy background

7.1 The Secretary of State for Transport, through his executive agency the Vehicle Certification Agency (VCA), carries out the functions of testing and certification of vehicles in connection with European and National type approval schemes. VCA is expected to meet its costs in carrying out these functions by charging the various vehicle and component manufacturers and importers for whom tests are conducted.

7.2 The fees were last increased in October 2004 at a level that was broadly in line with inflation. The present level of fees charged by VCA is no longer sufficient to cover the costs incurred in carrying out its functions, which is due to rising costs. It is

therefore necessary to increase the fees charged by an average of 3.5%, which reflects the rate of inflation.

7.3 As part of VCA's consultation process all relevant type approval customers were contacted with the details of the proposed fee increases. The consultation letter was sent out with all the customers' statements of accounts. It was also mentioned in update news, VCA's quarterly newsletter for customers. VCA has not received any responses from customers contacted by these methods. The fee increase was discussed in the Type Approval Liaison Committee (comprising of representatives from SMMT, Landrover, TTS, Alexander Dennis, Volvo and Daimler Chrysler.) The Committee accepted the fees increase.

8. Impact

8.1 A Regulatory Impact Assessment is attached to this memorandum.

8.2 There should be no impact on the public sector.

Contact

Gus Gander of the Vehicle Certification Agency of the Department for Transport, 1 Eastgate Office Centre, Eastgate Road, Bristol BS5 6XX (Tel: 01179 524119; e-mail ggander@vca.gov.uk) can answer questions regarding this instrument.

TABLE

COMPARISION OF CURRENT AND NEW FEES

S.I. 1999/2149	Existing fee	New fee	% Increase
Regulation 4(1)	£86.00	£89.00	3.48%
Regulation 9(5)	£51.00	£53.00	3.92%
Regulation10 (3)	£11.00	£11.00	0.00%
Regulation 10(4,5,6)	£36.00	£37.00	2.77%
Regulation 11(1b)	£58.00	£60.00	3.44%
Regulation 13(2a)	£117.00	£121.00	3.41%
Regulation 13(2b)	£257.00	£266.00	3.50%
Regulation 13(4a)	£114.00	£118.00	3.50%
Regulation 13(4b)	£336.00	£348.00	3.57%
Schedule 1 PT1	£1,771.00	£1,833.00	3.50%
Schedule 1 PT1	£1,771.00	£1,833.00	3.50%
Schedule 1 PT1	£1,730.00	£1,791.00	3.52%
Schedule 1 PT2	£1,769.00	£1,831.00	3.50%
Schedule 1,PT2	£616.00	£638.00	3.57%
Schedule 1, PT3	£293.00	£303.00	3.41%
Schedule 1, PT3	£1,876.00	£1,942.00	3.51%
Schedule 1, PT3	£411.00	£425.00	3.40%
Schedule 1, PT3	£49.00	£51.00	4.08%
Schedule 1, PT3	£99.00	£102.00	3.03%
Schedule 1, PT3	£204.00	£211.00	3.43%
Schedule 1, PT3	£25.00	£26.00	4.00%
Schedule 1, PT3	£49.00	£51.00	4.08%
Schedule 2- 70000	£866.00	£896.00	3.46%
Schedule 2 -70001	£1,586.00	£1,642.00	3.53%
Schedule 2 -70002	£2,496.00	£2,583.00	3.48%
Schedule 2 -70003	£2,751.00	£2,847.00	3.49%
Schedule 2 -70004	£2,751.00	£2,847.00	3.49%
Schedule 2 - 70005	£868.00	£896.00	3.46%
Schedule 2 - 70006	£1,586.00	£1,642.00	3.53%
Schedule 2 - 70007	£3,051.00	£3,158.00	3.50%
Schedule 2 - 70008	£3,639.00	£3,766.00	3.49%
Schedule 2 - 70009	£3,639.00	£3,766.00	3.49%
Schedule 2 - 70010	£866.00	£896.00	3.46%
Schedule 2 - 70011	£1,165.00	£1,206.00	3.51%
Schedule 2 - 70012	£1,420.00	£1,470.00	3.52%
Schedule 2 - 70013	£1,453.00	£1,504.00	3.51%
Schedule 2 - 70014	£1,453.00	£1,504.00	3.51%
Schedule 2 - 70015	£832.00	£861.00	3.48%
Schedule 2 - 70016	£1,131.00	£1,171.00	3.53%
Schedule 2 - 70017	£1,386.00	£1,435.00	3.53%
Schedule 2 - 70018	£1,386.00	£1,435.00	3.53%
Schedule 2 - 70019	£1,386.00	£1,435.00	3.53%
Schedule 3(80000)	£36.00	£37.00	2.77%
Schedule 3(80001)	£75.00	£78.00	4.00%
Schedule 3(80002)	£36.00	£37.00	2.77%

Schedule 3(80003)	£36.00	£37.00	2.77%
Schedule 3(80004)	£75.00	£78.00	4.00%
Schedule 3(80005)	£36.00	£37.00	2.77%
Schedule 3(80006)	£36.00	£37.00	2.77%
Schedule 3(80007)	£47.00	£49.00	4.25%
Schedule 3(80008)	£36.00	£37.00	2.77%
Schedule 4(80011)	£527.00	£545.00	3.41%
Schedule 4(80012)	£78.00	£81.00	3.84%
Schedule 3(80013)	£47.00	£49.00	4.25%
Schedule 3(80014)	£300.00	£311.00	3.66%
Schedule 3(80015)	£0.33	£0.34	3.03%
Schedule 3(80016)	£47.00	£49.00	4.25%
Schedule 3(80017)	£300.00	£311.00	3.66%
Schedule 3(80018)	£1.11	£1.15	3.60%
Schedule 3(80019)	£47.00	£49.00	4.25%
Schedule 4(80030)	£191.00	£198.00	3.66%
Schedule 4(80031)	£227.00	£235.00	3.52%
Schedule 4(80032)	£78.00	£81.00	3.84%
Schedule 4(80033)	£78.00	£81.00	3.84%
Schedule 4(80034)	£47.00	£49.00	4.25%
Schedule 4(80035)	£114.00	£118.00	3.50%
Schedule 4(80036)	£78.00	£81.00	3.84%
Schedule 4(80037)	£0.65	£0.67	3.07%
Schedule 4(80038)	£47.00	£49.00	4.25%
Schedule 4(80050)	£71.00	£73.00	2.81%
Schedule 4(80051)	£47.00	£49.00	4.25%
Schedule 4(80052)	£36.00	£37.00	2.77%
Schedule 4(80053)	£71.00	£73.00	2.81%

REGULATORY IMPACT ASSESSMENT

1 Title of Proposal

Implementation of fee increases in line with the rate of inflation (an average of 3.5%) relating to type approval of vehicles and vehicle parts and the issue of documents by amending the Motor Vehicles (Type Approval and Approval Marks) (Fees) Regulations 1999 ("the 1999 Regulations).

2 Purpose and intended Effect

Objectives

To ensure the cost of providing type approval services and the issue of type approval documents is matched by the income from fees and charges.

To enable VCA to meet targets set by DfT and the Secretary of State.

To operate successfully and to succeed in a commercially competitive environment.

Background

VCA have a global presence with global competition. The majority of type approval work is carried out overseas. Our type approval schemes span all categories of vehicles. There have only been two fee increases regulations in 2003 and 2004 since the 1999 Regulations came into force on 1st September 1999. This will allow the VCA to recover its current costs and to ensure that the deficit is not increased.

Rationale for intervention

During the period between 1999 and 2003 the actual cost to VCA of the Type Approval work carried out was not reflected in the level of fees charged, resulting in a deficit. The revised fees are set at a level to recover the current costs of type approval examination.

Consultation

Public consultation

The consultation included all major stakeholders, representing the vehicle and component manufacturing and consumer interests. The options consulted on March 2006 via customer account statements. Representatives gave feedback in May 2006. The responses received were positive.

3 Options

Option 1: Take no action.

Risk – If increases in fees and charges cannot be made, there would be cost implications for the Agency as it would not be able to cover its full costs as required by the Treasury fees and charges guidelines. In addition failure to

secure additional income to cover its current operating costs will result in a corresponding increase in VCA's deficit.

There is a further risk that VCA might not be in a position to provide a full type approval service, thereby a risk that customers might seek type approval from overseas competition to VCA.

Option 2: Full adoption of the proposed fee increases.

Risk– The customer has the right to use any European type approval authority and if VCA does not provide a good quality service and is not competitive it will lose business.

4 Costs and Benefits

Sectors and groups affected

The main group is the Vehicle manufacturers who require whole vehicle type approval. It is viewed in this sector that the overall cost of type approval is negligible compared to the overall cost of production of the vehicle.

Vehicle importers will only be affected if they make changes or enhancements to the vehicles specifically for importing into the UK market.

Component manufacturers will only be affected by new legislation that alters the approval specification for the components that currently exists or they manufacture a new component as a replacement. Usually the components approval will last for the lifespan of the component. The fees increase will have little or no effect on existing customers

A race equality impact assessment of this policy shows that there is no race equality impact.

Benefits

Social

Option 1 – There are no perceived benefits.

Option 2 – There are no perceived benefits

Economic

Option 1 – The benefit to vehicle manufacturers, vehicle importers and component manufacturers by retaining the same level of type approval fees that will not increase their cost.

Option 2 –The benefit to VCA by ensuring that the fees reflect the cost of the type approval work carried out and that VCA's deficit is not increased and can continue to provide a quality and comprehensive Type approval service to customers.

Cost

Social

Option 1 – Is estimated to have no quantifiable costs.

Option 2 – Is estimated to have no quantifiable costs.

Economic

Option 1 – There would be an increase (by approximately £104,000) in VCA's deficit because the current level of fee does not cover the cost of type approval work undertaken. This could result in streamlining VCA's activities and not providing a quality and comprehensive type approval service for customers.

Option 2 – There would be a marginally small increased cost for vehicle manufacturers, vehicle importers and component manufacturers. The level of the increased cost will be dependant on the manufacturer and the volume of vehicles they are producing to the specification.

VCA will not be less competitive approval authority due to the fees increase and does not envisage any loss of customer**s**

4.1 Business Sectors affected

Option 2 – Would affect vehicle manufacturers, vehicle importers and component manufacturers. Ultimately the manufacturers will pass on the cost resulting from the increased fees to the consumer. It is viewed in these business sectors that the overall cost of type approval is negligible compared to the overall cost of production of the vehicle.

Compliance Costs for a typical business

Vehicle manufacturer: Costs for type approval fees will increase by approximately 3.5%. For a whole vehicle approval this represents an increase of approximately (depending on manufacturer and production costs) 0.002% of the overall development cost.

The Vehicle importer and the component manufacturer can not be quantified as a cost without knowing what future UK legislation will be changed to require such modifications or extra type approval needs. It is dependent on which component requires changing.

4.2 Compliance cost for vehicle users

Compliance cost for vehicle users will not be affected.

4.3 Vehicle purchase cost

It is anticipated that the increased type approval cost of new vehicles will be negligible on the price of a new vehicle.

4.4 Vehicle operating costs

Vehicle operating costs will not be affected.

4.5 Maintenance

Maintenance for the vehicle will not be affected.

4.6 Total costs

Option 1 – The cost will be a higher deficit for VCA by £104,000.

Option 2 – For VCA's worldwide type approval business, based on a 12-month total turnover of £3,457,000 (2004-5), the estimated annual increase globally would be £104,000.

These figures are all calculated on the assumption that the proposed fee increases have been fully implemented for type approval work carried out in the UK and abroad.

For the manufacturer (based on type approval cost of £100,000.and sale of vehicles being 1,000,000.) the additional cost of type approval per vehicle produced is 0.0035p

5 Small firms impact Test

The fee increases will affect some producers of vehicles and vehicle components only in direct relationship to the number of vehicles produced that require type approval for the vehicles and components Where this is the case the impact of the fee increases is proportionate and as such will not penalise one business more than another. As with any business expense type approval is a cost to the business. The fee increases will not have a disproportionately high impact on small businesses and they will not therefore be unduly disadvantaged.

6 Competition Assessment

A competition assessment has been carried out, which has indicated no significant competition implications. Details in Annex 2.

7 Enforcement, sanctions and monitoring

VCA invoices the customer after the type approval project for the customer is complete. The project could be completed in several stages. When the overall project is complete an invoice is raised and forwarded to the customer and either taken from the customers pre-funded account or remittance is received from the customer

VCA finance team have audited measures in place for determining the status for both prefunding accounts and credit control. These procedures are to ensure that payment is received for the invoice.

8 Implementation and delivery plan

The increase in fees will take effect when the Regulations amending the 1999 Regulations come into force

9 Summary and recommendation

Option 1 - Is considered to have no significant costs or benefits.

Option 2 - Is estimated to yield VCA an extra contribution to cover costs of £104,000 per annum based on an annual global turnover of £3,457,000.

The proposals for the fee increases are necessary to ensure the Additional income needed to cover VCA's operating costs for its type Approval services.

For the manufacturer (based on type approval cost of £100000.approximate value and sale of vehicles being 1000000.) the additional cost of type approval per vehicle produced is 0.0035p. Compared to the manufacturing costs of a vehicle the fees for type approval represent a very small proportion of the overall manufacturing costs.

Contact point details

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DECLARATION

I have read the Regulatory Impact Assessment and I am satisfied that the balance between the cost and the benefit if the right one in the circumstances.

Signed by the responsible Minister…**S. J. Ladyman**……..
Date……13th June 2006…….

Annex 1

Current Fees and Proposed New Fees

Fees Reference (place in 1999/2149)	Rounded new fee for draft SI	Actual Change (from 2004)
p3, Regulation 4 - (1)	£89.00	£3.00
p6, Regulation 9(5)	£53.00	£2.00
p7, Regulation10(3)	£11.00	£0.00
p7, Regulation 10(4,5,6)	£37.00	£1.00
p7, Regulation 11(1b)	£60.00	£2.00
p9, Regulation 13(2a)	£121.00	£4.00
p9, Regulation 13(2b)	£266.00	£9.00
p9, Regulation 13(4a)	£118.00	£4.00
p9, Regulation 13(4b)	£348.00	£12.00
p12, Schedule 1 PT1	£1,833.00	£62.00
p12, Schedule 1 PT1	£1,833.00	£62.00
p12, Schedule 1 PT1	£1,791.00	£61.00
p12, Schedule 1 PT2	£1,831.00	£62.00
p12, Schedule 1,PT2	£638.00	£22.00
p12, Schedule 1, PT3	£303.00	£10.00
p12, Schedule 1, PT3	£1,942.00	£66.00
p12, Schedule 1, PT3	£425.00	£14.00
p12, Schedule 1, PT3	£51.00	£2.00
p12, Schedule 1, PT3	£102.00	£3.00
p13, Schedule 1, PT3	£211.00	£7.00
p13, Schedule 1, PT3	£26.00	£1.00
p13, Schedule 1, PT3	£51.00	£2.00
p14, Schedule 2 - (70000)	£896.00	£30.00
p14, Schedule 2 - (70001)	£1,642.00	£56.00
p14, Schedule 2 - (70002)	£2,583.00	£87.00
p14, Schedule 2 - (70003)	£2,847.00	£96.00
p14, Schedule 2 - (70004)	£2,847.00	£96.00
p14, Schedule 2 - (70005)	£896.00	£30.00
p14, Schedule 2 - (70006)	£1,642.00	£56.00
p14, Schedule 2 - (70007)	£3,158.00	£107.00
p14, Schedule 2 - (70008)	£3,766.00	£127.00
p14, Schedule 2 - (70009)	£3,766.00	£127.00
p14, Schedule 2 - (70010)	£896.00	£30.00
p14, Schedule 2 - (70011)	£1,206.00	£41.00
p14, Schedule 2 - (70012)	£1,470.00	£50.00
p14, Schedule 2 - (70013)	£1,504.00	£51.00
p14, Schedule 2 - (70014)	£1,504.00	£51.00
p14, Schedule 2 - (70015)	£861.00	£29.00
p14, Schedule 2 - (70016)	£1,171.00	£40.00
p14, Schedule 2 - (70017)	£1,435.00	£49.00
p14, Schedule 2 - (70018)	£1,435.00	£49.00
p14, Schedule 2 - (70019)	£1,435.00	£49.00
p15, Schedule 3 - (80000)	£37.00	£1.00
p15, Schedule 3 - (80001)	£78.00	£3.00
p15, Schedule 3 - (80002)	£37.00	£1.00
p15, Schedule 3 - (80003)	£37.00	£1.00

p15, Schedule 3 - (80004)	£78.00	£3.00
p15, Schedule 3 - (80005)	£37.00	£1.00
p15, Schedule 3 - (80006)	£37.00	£1.00
p15, Schedule 3 - (80007)	£49.00	£2.00
p15, Schedule 3 - (80008)	£37.00	£1.00
p16, Schedule 4 - (80011)	£545.00	£18.00
p16, Schedule 4 - (80012)	£81.00	£3.00
p16, Schedule 3 - (80013)	£49.00	£2.00
p16, Schedule 3 - (80014)	£311.00	£11.00
p16, Schedule 3 - (80015)	£0.34	£0.01
p16, Schedule 3 - (80016)	£49.00	£2.00
p16, Schedule 3 - (80017)	£311.00	£11.00
p16, Schedule 3 - (80018)	£1.15	£0.04
p16, Schedule 3 - (80019)	£49.00	£2.00
p17, Schedule 4 - (80030)	£198.00	£7.00
p17, Schedule 4 - (80031)	£235.00	£8.00
p17, Schedule 4 - (80032)	£81.00	£3.00
p17, Schedule 4 - (80033)	£81.00	£3.00
p17, Schedule 4 - (80034)	£49.00	£2.00
p17, Schedule 4 - (80035)	£118.00	£4.00
p17, Schedule 4 - (80036)	£81.00	£3.00
p17, Schedule 4 - (80037)	£0.67	£0.02
p17, Schedule 4 - (80038)	£49.00	£2.00
p17, Schedule 4 - (80050)	£73.00	£2.00
p17, Schedule 4 - (80051)	£49.00	£2.00
p17, Schedule 4 - (80052)	£37.00	£1.00
p17, Schedule 4 - (80053)	£73.00	£2.00

Annex 2
Competition Assessment

Q1. In the market(s) affected by the new regulation, does any firm have more than a 10% share?	YES
Q2. In the market(s) affected by the new regulation, does any firm have more than a 20% market share?	NO
Q3. In the market(s) affected by the new regulation, do the largest 3 firms have more than a 50% market share?	NO
Q4. Would the cost of the regulation affect any firms substantially more than others?	NO
Q5. Is the regulation likely to affect market structure, changing the number or size of firms?	NO
Q6. Would the regulation lead to higher set up costs, for new potential firms, that existing firms do not have to meet?	NO
Q7. Would the regulation lead to higher on going costs, for new potential firms, that existing firms do not have to meet?	NO
Q8. Is the market characterised by rapid technological change?	NO
Q9. Would the regulation restrict the ability of firms to choose the price, quality, range or location of their products?	NO

It is concluded from the above that there is unlikely to be a negative competition impact from the regulation.