EXPLANATORY MEMORANDUM TO

THE MOTOR VEHICLES (TESTS) (AMENDMENT) (No. 2) REGULATIONS 2005

2005 No. 2341

THE PUBLIC SERVICE VEHICLES (CONDITIONS OF FITNESS, EQUIPMENT, USE AND CERTIFICATION) (AMENDMENT) (No.2) REGULATIONS 2005

2005 No. 2342

THE GOODS VEHICLES (PLATING AND TESTING) (AMENDMENT) REGULATIONS 2005

2005 No. 2343

THE INTERNATIONAL CARRIAGE OF DANGEROUS GOODS BY ROAD (FEES) (AMENDMENT) REGULATIONS 2005

2005 No. 2456

THE INTERNATIONAL TRANSPORT OF GOODS UNDER COVER OF TIR CARNETS (FEES) (AMENDMENT) REGULATIONS 2005

2005 No. 2457

THE PASSENGER AND GOODS VEHICLES (RECORDING EQUIPMENT) (APPROVAL OF FITTERS AND WORKSHOPS) (AMENDMENT) (FEES) REGULATIONS 2005

2005 No. 2458

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.

2. Description

2.1 The six sets of Regulations covered by this Explanatory Memorandum increase the fees for certain vehicle tests and inspections conducted by the Vehicle and Operator Services Agency ("VOSA") on behalf of the Secretary of State for Transport. The Regulations listed above respectively amend Regulations (a) - (f):

(a) The Motor Vehicles (Tests) Regulations 1981

(b) The Public Service Vehicles (Conditions of Fitness, Equipment, Use and Certification) Regulations 1981

(c) The Goods Vehicles (Plating and Testing) Regulations 1988

(d) The International Carriage of Dangerous Goods by Road (Fees) Regulations 1988

(e) The International Transport of Goods under Cover of TIR Carnets (Fees) Regulations 1988.

(f) The Passenger and Goods Vehicles (Recording Equipment) (Approval of Fitters and Workshops) (Fees) Regulations 1986.

2.2 The Regulations amending the Goods Vehicles (Plating and Testing) Regulations 1988 also amend item 8 in Schedule 2. Item 8 exempts from testing "Vehicles designed for fire fighting or fire salvage purposes". However, some ex-fire engines are now being used as passenger vehicles for private hire and therefore should be tested as for any normal passenger-carrying vehicle. The amendment to item 8 limits the exemption from testing for vehicles designed and used solely for fire fighting purposes.

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

3.1 The Secretary of State through his executive agency VOSA recovers the cost of carrying out his function of vehicle testing by charging fees.

3.2 The fees pay for the provision of examiners, together with management support plus technical and administrative services. They also provide funds to equip and maintain VOSA's vehicle testing stations. At the applicant's request, certain examinations can be carried out either outside normal working hours or on premises that are not owned or operated by the Secretary of State, or a combination of the two. In such cases, supplementary fees are payable to recover the additional cost of providing the service under non-standard conditions.

3.3 VOSA is required to break even on its costs, normally year on year. The aim is to ensure that the fee charged for a particular examination is, and continues to be, commensurate to the cost to VOSA of conducting the particular inspection. Separate accounts are maintained within VOSA for inspection fees under each set of Regulations.

3.4 This year it is necessary for VOSA to introduce fee increases 10% in excess of the rate of inflation. The revised fees are set at a level to recover to current costs of hgv and psv testing uplifted by 3% to allow for inflation. The remaining 10% is to enable the Agency to repay loans that will in turn be used to allow an early start to be made to an investment and modernisation programme and to improve services. In addition, we have raised the fees for tests and re-tests of larger heavy goods and public service vehicles to reflect the costs of providing this type of test and re-test.

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3.5 Further detail on the increases introduced by each set of Regulations is set out below and complements the information contained in the Explanatory Note to each instrument. Most of the information contained in the Explanatory Notes is not repeated in this Memorandum.

The Motor Vehicles (Tests) (Amendment) (No.2) Regulations 2005

3.6 These Regulations increase the average fee for an annual roadworthiness test (an "MOT" test) for a public service vehicle by an average of 13% (including inflation). The fees for MOT tests conducted "out of hours" and/or at designated premises are increased by a similar percentage.

3.7 The increases in re-test fees for public service vehicles are also increased by an average of 13% and apply whether or not the retest is carried out within 14 days of the previous test. The percentage increase for each fee is shown in the Explanatory Note and will vary depending on the size of the vehicle and whether the retest is conducted at a designated premises site.

3.8 A public service vehicle is a bus or coach used for the carriage of passengers for hire or reward. All such vehicles are tested by VOSA after the first year of operation and every year after.

The Public Service Vehicles (Conditions of Fitness, Equipment, Use and Certification) (Amendment) Regulations 2005

3.9 The fees prescribed by the Public Service Vehicles (Conditions of Fitness, Equipment, Use and Certification) Regulations 1981 for certificates of initial fitness on first and subsequent applications; various type approvals; and certificates of conformity and duplicates certificates are increased from a range of 11.5% to 13.2%. The fee for seat belt inspection was removed in response to comments received during the consultation in 2004. Full details of the percentage increase for each fee is contained in the Explanatory Note.

The Goods Vehicles (Plating and Testing) (Amendment) Regulations 2005

3.10 The increases made to the cost of a standard annual inspection of a heavy goods vehicles ("HGV") or trailer by this instrument range from 4.5% (for a 2 axle trailer) to 26.5% (for a HGV with 4 or more axles). In monetary rather than percentage, terms the largest increase is to the annual test fee for a HGV with four or more axles. The fee for this test increases by £22 (from £68 to £86).

3.11 The most important fee for the majority of HGV operators is the one for tests for vehicles with 2 axles (71% of all lorries). This only increases by £3 (from £43 to £46).

3.12 In percentage terms the supplementary fees for requested 'out of hours' and 'designated premises' annual tests increase by 12.3% and 10% for a vehicle and 11.1% and 20% for trailers. However, in monetary terms the

additional fees only increase by £3.50 and £1 for a vehicle and £2 and £1 for a trailer.

3.13 These Regulations alter the fee structure for re-tests of HGVs and trailers carried out within 14 days of the previously failed test. Over the past two years increases have been applied to bring into effect a scale of fees linked to the size of the vehicle or trailer. The increase for this year completes this realignment exercise and subsequently the largest HGVs and trailers that take longer to test are subject to the largest increases. The re-test fee increases by 53.3% for a HGV with 4 or more axles and by 11.5% for a trailer with 3 or more axles.

3.14 Above inflation rate increases are made by these Regulations to the fees payable for an amendment to a plating certificate, related supplementary fees, and for the alteration of the plated weights of a vehicle (increases range from 10% to 50%, in monetary terms from £1.00 to £3.00). These small numerical increases reflect the fact that no increases were made to this fee last year.

3.15 Further detail of the increases of fees is contained in the Explanatory Note.

3.16 A heavy goods vehicle is either a motor vehicle that has a gross weight in excess of 3500 kg or a trailer with an unladen weight greater than 1020 kg. All such vehicles are tested by VOSA after the first year of operation and once a year after that.

<u>The International Carriage of Dangerous Goods by Road (Fees) (Amendment) Regulations 2005</u>

3.17 Certain vehicles used to carry dangerous goods require an additional test and certificate over and above the standard HGV roadworthiness examination. The test ensures that vehicles comply with the special construction requirements contained in Annex B to the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR). The specific requirements vary according to the exact nature of the dangerous goods carried.

3.18 The fee for a vehicle inspection following an application for an ADR certificate is increased by 12.3% (both where the inspection is carried out at the same time as an examination under the Goods Vehicles (Plating and Testing) Regulations 1988 and otherwise) and the fee for a re-examination within 14 days is increased by 13.5 %. The increase is necessary to ensure the fee charged is commensurate with the cost of carrying out the inspection as well as to provide funds for the repayment of loans to enable an early start to the modernisation and refurbishment programme to take place. Full details of the increases are contained in the Explanatory Note.

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<u>The International Transport of Goods under Cover of TIR Carnets (Fees) (Amendment) Regulations 2005</u>

3.19 The Transports Internationaux Routiers (TIR) agreement simplifies Customs requirements by permitting the contents of approved load compartments, sealed by customs authorities, to pass through customs control on international journeys without delay or payment of duty. Vehicles with load compartments meeting the required standards can obtain TIR approval by undergoing an individual inspection or through the vehicle design-type route. With the latter, VOSA examines an example vehicle and, if a design-type approval is issued, all vehicles built to the same design can be approved without further inspection.

3.20 These Regulations increase the fees payable in connection with the approval of a vehicle design-type and with the issue of a certificate of approval for a road vehicle following an inspection. The increases range from 9.1% to 13.7%. The increase is necessary to ensure the fee charged is commensurate with the cost of carrying out the inspection as well as to provide funds for the repayment of loans to enable an early start to be made to the modernisation and refurbishment programme to take place. Full details of the increases are contained in the Explanatory Note.

<u>The Passenger and Goods Vehicles (Recording Equipment) (Approval of Fitters and Workshops) (Amendment) Regulations 2005</u>

3.21 The fee for issue of a fitter or workshop approval for the installation or repair of recording equipment is increased by 13.1%. The renewal fee for approvals is increased by 13.4%. Full detail is contained in the Explanatory Note. The increase is necessary to ensure that the fee charged is commensurate with the cost of carrying out the inspection and visits to tachograph calibration centres in the coming year in preparation for the introduction of digital tachographs.

4. Legislative Background

4.1 The Motor Vehicles (Tests) (Amendment) (No. 2) Regulations 2005 are made under sections 45 and 46 of the Road Traffic Act 1988 and by virtue of the Department of Transport (Fees) Order 1988.

4.2 The Goods Vehicles (Plating and Testing) (Amendment) Regulations 2005 are made under sections 49 and 51(1) of the Road Traffic Act 1988 and by virtue of the Department of Transport (Fees) Order 1988.

4.3 The International Carriage of Dangerous Goods by Road (Fees) (Amendment) Regulations 2005; the International Transport of Goods under Cover of TIR Carnets (Fees) (Amendment) Regulations 2005 and the Passenger and Goods Vehicles (Recording Equipment) (Approval of Fitters and Workshops) (Fees) (Amendment) Regulations 2005 are made under section 56(1) and (2) of the Finance Act 1973 and by virtue of the Department of Transport (Fees) Order 1988.

4.4 The Public Service Vehicles (Conditions of Fitness, Equipment, Use and Certification) (Amendment) Regulations 2005 are made under sections

10(1), 52(1) and 60 of the Public Passenger Vehicles Act 1981 and by virtue of the Department of Transport (Fees) Order 1988.

4.5 Regulations such as these to amend the various fees collected by VOSA are typically made on an annual basis. Each year the fees are reviewed and, if necessary, adjusted in accordance with the cost of providing the particular examination.

5. Extent

The provisions in these six instruments apply to Great Britain.

6. European Convention on Human Rights

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

7. Policy background

7.1 The refurbishment of VOSA's test station network (which consists of 92 full and part-time vehicle testing stations in England, Wales and Scotland) is necessary because almost all of the stations were built in the late 1960s and they are now increasingly costly to maintain to an acceptable standard. Many of the structures are at the end of their useful lives and are unable to cope with the demands imposed by modern vehicle designs and weights. Indeed, the ability of VOSA to carry out its inspection functions and the operational serviceability of many sites is threatened by the risk of significant unplanned downtime. The refurbishment programme is expected to take 10 years to complete. Since 2003 three stations have been fully refurbished: Kidderminster, Aberdeen and Gillingham. Two stations (Weedon (Northampton) and Leeds) are currently closed while refurbishment takes place. The planned programme for the remainder of 2005 includes stations at Exeter and Leighton Buzzard. The proposed programme for 2006 includes Chelmsford, Newcastle, Royston, Bicester and Peterborough. Comprehensive local publicity is distributed in advance of each site closure explaining the contingencies available during the time of closure.

7.2 As part of VOSA's consultation process all relevant trade associations and account holders were contacted with the details of the proposed fee increases and invited to respond. There was also an article in the May edition of VOSA's newsletter for HGV and PSV operators, 'Moving On'. One Trade Association asked for a separate meeting that was hosted by one of the VOSA Directors. The written consultation process produced fewer responses this year than last year (7 as opposed to 15). There is broad acceptance for the need to increase fees to deliver improvements to testing facilities and services although respondents wished to be kept up to date with changes and developments. There is also concern from some parties that fees are still not equitable and that there is more work to be done to ensure fees more accurately reflect the cost of providing the test or service.

7.3 Following the consultation process last year, VOSA signed a Service Level Agreement with the three main operator trade associations. This set out general principles shared by the Agency and the operators to ensure the highest levels of road safety. In it VOSA made a commitment to maintaining good levels of communication and customer service that included sharing information about new developments and plans such as the test station refurbishment programme. A progress report has recently been produced demonstrating the positive changes which have been made. A copy of the report is attached.

Additional amendment to the Goods Vehicles (Plating and Testing) Regulations 1988

7.4 Schedule 2 to the Goods Vehicles (Plating and Testing) Regulations 1988 provides for exemptions from the testing requirements set out in the Regulations. Item 8 exempts "Vehicles designed for fire fighting or fire salvage purposes" on account of the rigorous maintenance standards applied to such vehicles when they are used by fire and rescue services. Some ex-fire engines were being used as passenger vehicles for private hire and thus should be tested as a normal passenger-carrying vehicle. The amendment to item 8 ensures that the exemption from testing will only apply to fire engines designed and used solely for fire fighting purposes.

8. Impact

8.1 A full Regulatory Impact Assessment of the effect that this instrument will have on the costs of business is attached to this memorandum

8.2 There is no impact on the public sector.

9. Contact

The official within the Department for Transport who can be contacted with any queries on the Regulations is Roger Trubridge, Vehicle Operator Services Agency Product Policy Schemes Office, Berkeley House, Croydon Street, Bristol, BS5 0DA; Tel 0117 9543272, e-mail Roger.Trubridge@vosa.gov.uk.

REGULATORY IMPACT ASSESSMENT

TITLE

Increases, averaging 10% plus inflation, for testing and operator licensing of Heavy Goods Vehicles (HGV) and Public Service Vehicles (PSV), registration of local bus services and fees for permits from 30th September 2005, and on one ancillary issue. The proposed increases are given in Annex 1.

PURPOSE AND INTENDED EFFECT OF THE MEASURES

Objective

To ensure the cost of providing the services listed below is matched by the income from fees and charges:

- Annual roadworthiness inspections of heavy goods and public service vehicles
- Approvals of specialised goods and public service vehicles
- Authorisation and re-authorisation of tachograph calibration centres
- Goods and public service vehicle operators' licenses and associated enforcement
- Registration of local bus services
- Permits issued to operators of community bus and section 19 bus services

To ensure that fire engines modified to carry passengers are subject to annual roadworthiness testing.

Background

Finance

The VOSA test station network consists of 92 full and part-time goods vehicle testing stations (gvts) in England, Wales and Scotland. Almost all of these were built in the late 1960s when annual testing of heavy goods vehicles (HGVs) was introduced. Around 85% of HGV motor vehicles are tested at VOSA sites, as are 80% of trailers and 60% of buses and coaches, the remaining vehicles being tested by our staff at operators' own premises. Our test stations are increasingly costly to maintain to an acceptable standard. Many structures are at the end of their useful lives and are unable to cope with the demands imposed by modern vehicle designs and weights. The operational serviceability of many sites is threatened with the risk of significant unplanned downtime. A long-term programme of major refurbishment to the goods vehicles testing (gvts) network is now well under way.

The additional income provided by the proposed increases has three main purposes. The first is to ensure that the fee charged for a particular examination or service is, and continues to be, commensurate to the cost incurred to VOSA of conducting or providing the particular examination or service. The revised fees are set at a level to recover to current costs of hgv and psv testing uplifted by 3% to allow for inflation. A further increase of 10% is to enable the Agency to repay loans that will in turn be used to allow an early start to be made to an investment and modernisation programme and to improve services. Within this total average increase of 13%, we have also raised the fees for tests and re-tests of larger heavy goods and public service vehicles to reflect the costs of providing this type of test and re-test

Technical

Schedule 2 of the Goods Vehicles (Plating and Testing) Regulations 1988 exempts "Vehicles designed for fire fighting or fire salvage purposes". However, some ex-fire engines are now being used as passenger vehicles for private hire. In these circumstances the vehicle is no longer designed for fire

fighting purposes and instead should be treated as a normal passenger-carrying vehicle and tested as such. An amendment is proposed to the reference to fire engines in Schedule 2 of the Goods Vehicles (Plating and Testing) Regulations 1988 to only allow an exemption from testing for vehicles designed and used for fire fighting purposes.

Risks

Financial
If increases in fees and charges cannot be made, the Agency will not be able to break even on its costs as required by Treasury fees and charges guidelines. In addition failure to secure sufficient funds and increases in operating costs will mean the accounts risk falling into deficit. In the case of HGV and PSV testing, the network modernisation programme will stop and improvements to services will not be introduced because of a failure to secure sufficient financial resources.

There is a small risk that higher test and licensing fees will tempt operators to skip the annual test or to operate goods or passenger vehicles without a licence. But, in the case of testing, the link between the test certificate and the payment of excise duty means that operators will not want to take the chance of being caught without a valid vehicle excise duty disc for the sake of a few pounds. Operators without a test certificate for their vehicles can risk disciplinary action by the Traffic Commissioner. Operators without a licence stand a significant chance of having their vehicles impounded.

Technical
If the definition of a fire engine is not defined more closely, then vehicles modified for use as passenger-carrying vehicles for private hire could evade the need for annual roadworthiness testing.

OPTIONS

Efficiency Savings

Since the early 1990s, VOSA has reduced its cost base for testing by 40%. We have a further 3-year rolling programme incorporating the ideas from the "Gershon" Review Team on transactional services. The plan is designed to deliver at least a 2.5% reduction in our cost base during the first year. We believe this is especially relevant to licensing fees where realisation of some of the benefits of the TAN/VI merger on 1st April 2003 have reduced the scale of the proposed increases.

Other Sources of Funding
The pattern of future fee increases (beyond 2005) will depend very much on how we are able to finance our investment programme. Our aim is to fund the programme over the next 5 to 7 years by a series of loans that will be repaid through increases in fees.

COSTS & BENEFITS

Business Sectors Affected
The following business sectors and the number of businesses will be affected directly by the increases in fees and charges:

Operators of goods vehicles	110,000 approx
Operators of public service vehicles	8,000 approx
Operators of designated premises	300 approx
Operators of calibration centres	515
Operators of vehicles approved to the requirements of the TIR Agreement	Not more than about 200.
Constructors of public service vehicles	Not more than about 100.

Constructors of vehicles (motor vehicles and trailers) to TIR requirements. Not more than a couple of dozen.

Local bus service registrations	23,377*
Special restricted licenses issued to voluntary organisations	128*
Community bus permits issued	1715*

* denotes data taken from the 2004 Traffic Commissioners Report. It does not include permits issued by local authorities.

Total Costs

The modernisation and refurbishment programme will require substantial VOSA investment over the next 10 years in buildings, equipment (principally new roller brake testers) and IT services. This will be aimed at meeting improvements that both the Agency and the Trade Associations have identified in the discussions and contacts held regularly between the parties and VOSA.

Recurring Costs

The amount of additional cost for an average heavy goods or public service vehicle operator because of these increases is minimal.

For a typical HGV operator with a fleet of 5 four-axle vehicles with an average fail rate at annual test of 40%, paying vehicle licence fees annually, the extra cost will be around £126. With estimated total operating costs in the order of £120K per year, the percentage increase will be around 0.1%.

For a typical PSV operator with a fleet of 6 vehicles with 22+ seats, with an average fail rate of 33%, paying fees annually, the extra cost will be about £66. With estimated operating costs of £120K, the percentage increase in costs is around 0.05%.

These figures are largely proportionate. The larger the vehicle fleet, the higher the cost in cash terms. However, the percentage rises will be approximately the same, or possibly lower as statistics show that the larger the fleet, the lower the fail rate.

One-Off Costs

For a large proportion of owners, operators and presenters there will be no one-off costs. However, in some cases for operators of public service vehicles, there will be an additional charge on account of the higher certification fees when they buy a new bus, coach or goods vehicle. The maximum one-off cost is for the certification of a bus or coach where the increase is £28 or 50% higher than the current fee.

Total Compliance Costs

The total compliance costs for all businesses will be £5.9m.

Benefits

- Refurbishment/modernisation of a further 1/3 of the test station network in the next 3 to 5 years;
- Replacement of ageing test equipment (principally load simulator and roller brake testers);
- Maintenance of the current test station network, and in some instances improved locations;
- Fewer instances where testing is disrupted due to problems with the building (where a longer journey might be required to an alternative test site)
- Improvement in service delivery for HGV and PSV testing users. We plan to extend opening hours at some of our sites and to maintain the improvement in forward booking time performance
- Introduction of new brake test equipment on all VOSA-owned test lanes (including removal of all the first generation machines in our part-time test stations)
- Credit card payments*
- On-line access to test results*

- On-line test bookings as part of the Commercial Vehicle Portal and DVO Common Customer Interface proposals*
- Extension of the operator self-service arrangements for vehicles already under licence
- Roll-out of the TransXchange system for registration of bus services

* from 2006 onwards

EQUITY OR FAIRNESS

The proposed measure would impact proportionally across all operators whatever their size or vehicle type. The fees are set in way that reflects the average time taken to conduct a test or inspection on a goods vehicle, a trailer a bus or a coach. Buses and coaches take longer to test than a goods vehicle or trailer with the same number of axles and their operators or presenters are therefore charged a higher amount for the test. Fees for Certificate of Initial Fitness Inspections, tests of large multi-axle goods vehicles and trailers and re-tests are not covering the full costs of these services. They were, in effect, being subsidised by other work, operators and presenters of smaller vehicles and in the case of re-tests, by those whose vehicles usually passed first time.

The race equality impact of the proposed fee increases and amendments has been considered.

Value for Money

Since 1992, the cost of HGV and PSV testing has kept pace with the rise in prices of goods and services generally. The price of a test of a 2-axle vehicle has risen by 32.7% (from £32.40 to £43) in the last 10 years compared to a change in the GDP deflator of 31.7%. The test fee represents good value for money when compared with the other statutory fees and charges. Examples include:

- fees for a small MoT Class V bus (13 – 16 seats) and a small public service vehicle (less than 22 passengers) are £47.93* and £53 respectively;

- fees for an MoT Class VII light goods vehicle (between 3000 and 3,500kg gvw) and a 2-axle goods vehicle are £47.20* and £46 respectively.

* from 1st August 2005.

In absolute terms, the cost of testing and licensing is very small by comparison with the purchase price of a new vehicle and the costs of operating it. The cost of a new 7.5 tonne vehicle fitted with a box body would cost in the order of £25 -£30,000. Typical costs of operations are in the order of £1.50/mile which for an average mileage of 20,000/year is £30,000.

SMALL FIRMS IMPACT TEST

Consultation with Small Businesses

The burden of the increases will fall mainly on small businesses. Over half of licensed operators own between one and five vehicles. The type of operator can vary between own account haulier (fuel supplier, farmer or shop owner), specialist haulage and distribution companies or vehicle hirers. Usually the latter operate larger fleets of vehicles.

Small businesses consulted

A significant number of small businesses have been consulted though their membership of one of the Trade Associations and through a Press Notice, copies of which was sent to Account Holders. The latter reaches around 8,500 operators and presenters.

Small Business Litmus Test
The impact of higher fees is proportionate, not unduly penalising one business more than another as the burden will increase in direct proportion to the number of vehicles being operated. The likely burden on a small business will not be any more onerous, in relation to its size than it would be for a larger business. Small businesses will not therefore be unduly disadvantaged.

RESULTS OF CONSULTATION

A summary of responses can be found at the end of this document at Annex 3.

COMPETITION ASSESSMENT

In terms of competition, the introduction of higher fees and charges for tests and inspections of heavy goods and public service vehicles will not affect the balance of the haulage industry in Great Britain. The increases in fees will apply to all operators and presenters equally whether large or small. The increases would have minimal impact on the competitiveness of vehicle operators with those operators based overseas.

SECURING COMPLIANCE, MONITORING AND REVIEW

VOSA enforces increases in test etc fees by requiring the new fee either before or at the time of test or inspection of the vehicle. The tachograph authorisation fee will be collected before authorisation is granted; the re-authorisation fee on the other hand is collected at the beginning of each year. Centres that do not pay up will ultimately have their authorisation withdrawn, after a period of warning. The effect of the proposed amendments will be monitored and reviewed by the Chief Executive (as Accounting Officer for the Agency) and by the National Audit Office when signing off the Agency's annual accounts.

SUMMARY

The proposals are necessary to keep the accounts for commercial vehicle testing, licensing, registration of local bus services and issue of international and community bus permits in financial balance. They are also necessary to fund the refurbishment and modernisation programme for the facilities and services needed to ensure that heavy goods and public service vehicles continue to meet minimum road safety and environmental protection standards. The increases are small in cash amounts but large in percentage terms, up to 27% in some cases. But they must be seen in context and compared to the costs of buying and operating a commercial vehicle. When this comparison is made, the fees for annual roadworthiness testing etc is very good value for money and will continue to represent a very small proportion of the annual costs of vehicle operation.

To ensure that passenger vehicles converted from a fire engine and used for private hire are subject to annual roadworthiness testing, amendments to the Goods Vehicle (Plating and Testing) Regulations are required.

CONTACT POINT

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DECLARATION

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

Signed by the responsible Minister……

Date……...

ANNEX 1

ANNUAL TESTING

HGVs

	axles	04/05	05/06	% fee increase
Motor Vehicles				
Annual test	2	43	46	7.0%
	3	57	66	15.8%
	4	68	86	26.5%
Retest				
	2	28	30	7.1%
	3	38	44	15.8%
	4	45	57	26.7%
Partial paid retest		10	11	10.0%
DP Annual (supplemental)		10	11	10.0%
DP Retest (supplemental)		6	7	16.7%
Out of hours suppplement (annual test)		28.50	32	12.3%
Out of hours suppplement (retests)		14	16	14.3%
Trailers				
Annual test	1	22	23	4.5%
	2	32	34	6.3%
	3	39	44	12.8%
Retest				
	1	15	15	0.0%
	2	21	22	4.8%
	3	26	29	11.5%
Partial paid retest		5	6	20.0%
DP Annual (supplemental)		5	6	20.0%
DP Retest (supplemental)		2.50	3	20.0%
Out of hours supplement (annual test)		18	20	11.1%
Out of hours supplement (retests)		10	11	10.0%
Notifiable Alterations				
Motor Vehicles and trailers		19	22	15.8%
DP Supplement		6	7	16.7%

for motor vehicles			
DP Supplement for trailers	2	3	50.0%
Out of hours supplement	10	11	10.0%

PSVs

	seats	**04/05**	**05/06**	**% fee increase**
Annual test	9 to 22	47	53	12.7%
	23+	67	76	13.4%
Retest	9 to 22	31	35	12.9%
	23+	44	50	13.6%
DP Annual		10	11	10.0%
DP Retest		6	7	16.7%
Out of hours supplement	9-22	28	32	14.3%
	23+	39	44	12.8%

The average increase in HGV/PSV annual test is 13%

SPECIALIST SCHEMES

PSV Type Certificate

	04/05	**05/06**	**% fee increase**
Reg 50 (c)	2,664	3010	13.0%
Reg 50 (a)	1,245	1407	13.0%
Reg 50 (b)	615	695	13.0%
Reg 50 (a) minor changes	114	129	13.2%
Certificate of Conformity	24	27	12.5%
Duplicate Certificate	17	19	11.8%

Certificate of Initial Fitness

	04/05	**05/06**	**% fee increase**
Initial Inspection	215	243	13.0%
Re-inspection	26	29	11.5%
Tilt re-test	215	243	13.0%
COIF with seatbelt	215	243	13.0%
Duplicate certificate	17	19	11.8%

TIR (Transport Internationaux Routiers) convention simplifying customs requirements by permitting sealed loads to pass through international customs controls unhindered

	04/05	**05/06**	**% fee increase**
Initial Inspection	77	87	13.0%
Re-inspection	51	58	13.7%

Type Approval	473	534	12.9%
Type Variation	77	87	13.0%
Certificate of Conformity	11	12	9.1%
Duplicate certificate	11	12	9.1%

ADR (Excluding Statutory Test Fee) International arrangement for the carriage of dangerous goods

	04/05	**05/06**	**% fee increase**
Initial Inspection	73	82	12.3%
Re-inspection	37	42	13.5%
Duplicate certificate	11	12	9.1%

Tachograph Calibration Centres

	04/05	**05/06**	**% fee increase**
Approvals	275	311	13.1%
Annual Renewal	112	127	13.4%

LICENSING FEES

	04/05	05/06	% fee increase
HGV fees			
Application for a licence	190	215	13.2%
Grant of 5-year licence	297	336	13.1%
Application for a variation of existing licence	190	215	13.2%
Issue of an interim licence	50	57	14.0%
Continuation in force of an existing licence for further 5 years	297	336	13.1%
Additional fee for vehicles specified on licence:			
If paid 5 years in advance (quarterly)	8.20	9.20	12.1%
If paid 5 years in advance (annually)	10	11	10.0%
PSV Fees			
Application for standard (national or international) licence	179	202	12.8%
Application for restricted licence	119	134	12.6%
Grant of a standard or restricted licence:			
If paid 5 years in advance	119	134	12.6%
If paid annually in advance	24	27	12.5%
Continuation in force of an existing or restricted licence:			
If paid 5 years in advance	119	135	13.4%
If paid annually in advance	24	27	12.5%
Application to vary an existing standard or restricted licence	90	102	13.3%
Vehicle disc fee:			
If paid 5 years in advance	5.10	5.75	13.3%
If paid annually in advance	5.90	6.50	12.4%
Application for a special licence (holder of taxi licence)	47	53	12.8%
Continuation in force of an existing special licence	47	53	12.8%
Issue of a duplicate disc to replace a lost one	12.50	14	12.0%
Bus Service Registration			
Application to register a bus service	45	51	13.3%
Application to vary a registered bus service	45	51	13.3%
Permit fees			
Small bus permit	9	10	11.1%
Large bus permit	17	19	11.8%
Community bus permit	44	50	13.6%

ANNEX 2

Further Amendments to the Goods Vehicles (Plating & Testing)

An amendment will be required to Schedule 2 of the Goods Vehicles (Plating and Testing) Regulation to clarify the definition of fire engines used by Fire Authorities.

ANNEX 3

TEST FEE CONSULTATION 2005– SUMMARY OF RESPONSES

There have been 15 responses to the consultation on fees for tests, specialised inspections, operator licenses and permits for commercial vehicles:

NAME OF COMPANY	OPERATOR TYPE
• David Hurley Federation of British Historic Vehicle Clubs	Historic vehicle preservation organisation
• Retail Motor Industry Federation (RMIF)	Trade Association representing main dealers
• Sheepbridge Commercials	
• Anthony Robson	Commercial sales and repair company
• W Robinson	
• Freight Transport Association (FTA)	Trade Association representing goods vehicle operators
• Confederation of Passenger Transport (CPT)	Trade Association representing operators of public service vehicles

Generally, the responses relating to the proposed increases for 2005 have been generally accepting of the need for increases in exchange for demonstrable improvements in service.

Fee Structure

VOSA should split the fee so that only tests performed at public testing stations bear the costs of VOSA estate modernisation. Designated premises have to invest heavily to meet VOSA conditions of approval and fees for tests at these premises should only reflect the visiting examiners costs.

❖ CPT

VOSA Response

It is the choice of a DP operator whether to allow their premises to be used for annual testing. There is no formal contract arrangement and the facility could therefore be closed for statutory testing at any time and VOSA has statutory duty to provide test facilities. Most DP operators levy a pit fee to third party operators and presenters as a way of covering some of their costs. All vehicle operators and presenters have over last ten years benefited from little or no fee increases that resulted in an under-investment in the VOSA estate.

Retest fees for trailers do not appear to be levied at the same rate as for motor vehicles

- FTA

VOSA Response

The proposed fees have been calculated to reflect the amount of time required to test each vehicle type.

The fee for retests should be on a sliding scale; in some cases inspections are only needed at one stage.

- W Robinson

VOSA Response
The main aim of the current level of re-test fees is to ensure that the cost of the inspection involved is covered by the amount of income received. Under the previous fee structure this was not the case and operators and presenters whose vehicles passed first time were in effect subsidising those whose vehicles did not. Higher re-test fees will mean a slightly lower increase overall in the basic test fee than would otherwise be possible. An improvement in test fail rate was not a primary aim of the proposed increases, although any fall in fail rates as a result of the higher fees would be most welcome by VOSA and by compliant operators and presenters alike. In fact, there is a sliding scale as many repaired defects are re-inspected for £10 in the case of a goods vehicle and £5 for a trailer.

In addition, in many cases it is not just the repaired area that has to be checked. Often other items affected by the repair have to be examined as well. To ensure that as many minor repairs or adjustments as possible are made whilst the vehicle is still on the test lane, we have re-launched our defect rectification policy. This is beginning to have an effect as the percentage of vehicles that passed the test after rectification has increased from 13.2% to 14% for HGVs and from 9.9 to 10.5% for PSVs from 2003/4 to 2004/5.

Pre-funded accounts

1) The change to pre-funded accounts to be paid 30 days in advance is unreasonable. As a retail vehicle repairer I often have to wait up to 30 days for my customers to pay.
2) There should be a discount for paying in advance.

- Anthony Robson – Commercial Sales and Repair
- Sheepbridge Commercials

VOSA Response
We recognise that, in the month following the change from our current booking policy to the new policy there will be more fees being taken from the account - and that is an inevitable effect of changing our policy. However from then on this policy change will, assuming you have an approximately constant number of vehicles tested each month, make no difference to the amount of money taken from your account. When reviewing the various options for how we can move to clear payment policies that are broadly consistent across the different payment methods but still provide some benefit to customer account holders we did consider the effect on our customers. We recognise that the change will have some impact, but we have developed our transition plan to ensure that the problem is at least spread over the month post go-live (ie. tests booked prior to the new system go live, for times in the month after go live will not be subtracted from the account until the day of test rather than on the date of go-live).

A discount for bulk inspections cannot be given as we set fees on the basis of the time taken for each inspection. If we offered such discounts then fees for other customers would have to rise to compensate for the fall in income that would result.

Test Stations

There is insufficient information about the test station refurbishment programme and other service improvements, regular updates were promised about closures but have not been forthcoming. VOSA could do more to keep the trade informed.

- CPT
- RMIF
- FTA

VOSA Response
In the Update to the Service Level Agreement we have published our draft closure programme and given a commitment to keep the main trade associations regularly informed of the latest situation by way of e mails that will enable them to inform their members via regular newssheets. The magazine Moving On will also contain regular articles about the closure programme to ensure that operators and presenters have the latest information about the programme nationally and locally.

Value for Money

Fees should be reviewed to ensure they deliver value for money and whether road safety benefits could be delivered in a cheaper or more efficient manner.

- CPT

VOSA Response
We believe our fees do offer value for money. They are a very low percentage of the overall operating costs of an average HGV or PSV, the test fee is extremely low, much less than 1% of those costs. In addition, they compare well with those for the MoT test, whether of a private car or a bus or coach.

In addition this is not what operators and presenters are telling us about the test we are providing. When asked whether vehicle tests focussed on roadworthiness/safety, 89% said that they were either very satisfied or satisfied that it did.

The time taken to test the type of vehicle my company regularly presents at the proposed fee works out at best at £64 an hour, at worst £132 an hour. This does not represent value for money when an independent repairer in our area struggles to achieve £30 an hour.

- Anthony Robson

VOSA Response
Again this is about value for money. Some of the difference could be accounted for by the specialist equipment required in our test stations and to maintain them so that they provide accurate and consistent results for all sizes and types of vehicle. As an organisation we do not make a profit and our accounts are audited by the National Audit Office who has not found any reason to qualify them in any way.

SERVICE DELIVERY

Levels of service have not improved despite the recent increases and examiners have a negative attitude towards vehicle presented.

- CPT

VOSA Response
This is not the message we are getting from the surveys of operators and presenters. Again the result of the MORI work paints a different picture. When asked whether the station the company most often uses has helpful, skilled or friendly staff, over 70% said that it did.

That does not mean we are resting on our laurels. Service improvements planned for the current year include

- HGV and PSV test appointments offered on or within 15 days of the requested date, 95% of the time (this represents a tightening of the previous target)
- 85% of unopposed operator licence applications determined within 9 weeks from the date of receipt
- simplified and quicker licence application processes implemented by 31st March 2006
- an on-line test booking system available to the public by the end of December 2005
- on-line payments by credit debit card available to the public by the end of December 2005
- delivery of on-line licence applications in 2006/07
- increased take up of vehicle operator self service to 55% of vehicle transactions in 2005/6
- completion of refurbishment of four more test stations by 31st March 2006
- to have started roll-out of the modernisation programme of test hall equipment by 31st March 2006

Some times during busy periods I have to wait at the test station for anything up to two hours. This is not good customer service.

- Anthony Robson

VOSA Response
Clearly this shouldn't be happening, and we have referred the letter to the Regional Manager for action. There is a clear complaints procedure that should be followed. Account Manager trial described in the SLA update seeks to tackle such unacceptable standards.

VOSA has a monopoly on the statutory services it provides. Operators must pay these fees - irrespective of how good (or bad) the service is. VOSA is exploiting this position.

- Anthony Robson

VOSA Response
Although VOSA is the sole provider of tests for commercial vehicles, there are some benchmarks against which the level of fees charged by VOSA can be judged. The fees for vehicle condition tests conducted by the Driver and Vehicle Testing Agency in Northern Ireland are comparable to those in Great Britain. Similarly, those charged by the private sector for tests of cars, light goods vehicles and large passenger vehicles are of broadly the same level as those for a HGV or PSV. Examples include:

- fees for a large MoT Class V bus (17+ seats) and a large public service vehicles are £65 and £76 respectively;

- fees for an MoT Class VII light goods vehicle (between 3000 and 3,500kg gvw) and a 2-axle goods vehicle are £47.20 and £46 respectively.

In addition, a number of improvements have been made in the last year in the delivery of tests of HGVs and PSVs. In particular, in recent months there has been a significant improvement in forward booking times. The improvement will be maintained when the examiners recruited recently from Germany are fully trained and productive.

Self-regulation

VOSA should introduce an operator rating scheme and allow 'good operators' to perform their own annual test inspections.

- CPT

VOSA Response
This is a complex issue involving legal considerations, road safety interests and environmental protection. The Department of Transport will be exploring this, assessing its feasibility and costs.

Testing Content

VOSA should be subject to continuing review to ensure all its activities are necessary.

- CPT

VOSA Response

VOSA is committed as is the Department for Transport to ensure that all aspects of the current test are worthwhile in terms of improved levels of road safety and protection of the environment. The meeting between the trade bodies, the Department and VOSA was held at the end of last summer to review a number of areas identified by those bodies and their members. A report was published that was sent to the trade bodies. One of the outcomes of the discussion was a much lighter touch with regard to the positioning of side guards, lighting and reflectors, spray suppression and rear underrun.

VOSA is not progressing research into headlamp aim as promised

- CPT

VOSA Response
We are progressing with ways to improve the fail rate due to misaligned headlamps. We have published a new leaflet on the subject together with a video. We have also reviewed and re-launched our policy on the rectification of defects that was intended to assist those operators and presenters with vehicles with headlamps out of adjustment. Fail rates are coming down but not by as much as we would like. We are about to work with a large PSV operator to see what the cause of his high headlamp aim fail rate is. But in the past we have found that where a vehicle fails the standards set, it is due to the alignment of one lamp. In addition, we have conducted an extensive amount of research into whether the high fail rate was due to excessively tight standards. The results of that work showed that the fail rate would only drop by between 1 and 2% if the lower limits were relaxed.

OPERATOR LICENSING & PERMIT FEES

Why is there a disparity in HGV/PSV operator licensing fees? This was raised last year and has still not been addressed. How can you justify charging more for goods vehicle operator licensing?

- FTA

VOSA Response
The Agency is aware of the apparent disparity between the charges for licences and their renewal for operators of HGVs and PSVs where the PSV disc system allows flexibility as discs can used for a range of vehicles in the operators fleet. However when licence, vehicle and disc fees are added together the difference is not so great. There are differences in the 2 systems (ie the need to specify vehicles on goods vehicle licences and environmental provisions for their operating centres) which results in increased costs for VOSA as compared with the issue of licenses for PSVs. VOSA is undertaking work to review the processes involved in each transaction to help verify the weighting applied to the costs of each process. In the meantime the cost of development of new ICT systems to deliver Operator self service and to cover the costs of the licensing system, including the essential role of the traffic commissioners, must be recovered from licence fees.

Our Internal Audit Team is investigating the processes in individual offices to ensure that common work practices are observed and that best practice is identified and spread to all. A further driver for change is the targets for delivery of the operator licence service as indicated above.

PRESERVED VEHICLES

The fee for a Class V test on a preserved vehicle is unfairly high compared to that for a PSV.

- **Federation of British Historic Vehicle Clubs**

VOSA Response
The time taken to test a Class V passenger vehicle is not a matter for VOSA. This and the other fees for MoT testing is determined by negotiation between the garage trade and the Department for Transport.

The original draft of the amendment to exempt vehicles used solely for fire-fighting purposes from the vehicle test implies that the exemption will only apply to fire authorities when many other organisations legitimately operate fire-fighting appliances solely for the purpose.

- **Federation of British Historic Vehicle Clubs**

VOSA Response
Reference to fire authorities has been removed from the latest drafts. The exemption is for fire fighting appliances used solely for the purpose, regardless of ownership.