EXPLANATORY MEMORANDUM TO

THE PUBLIC SERVICE VEHICLES (OPERATORS' LICENCES) (AMENDMENT) REGULATIONS 2009

2009 No. 786

THE PUBLIC SERVICE VEHICLES (OPERATORS' LICENCES) (FEES) (AMENDMENT) REGULATIONS 2009

2009 No. 787

THE GOODS VEHICLES (LICENSING OF OPERATORS) (FEES) (AMENDMENT) REGULATIONS 2009

2009 No. 804

THE GOODS VEHICLES (PLATING AND TESTING) (AMENDMENT) REGULATIONS 2009
2009 No. 799

THE MOTOR VEHICLES (TESTS) (AMENDMENT) (No. 2) REGULATIONS 2009
2009 No. 802

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

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

2. Purpose of the instrument

2.1 Issuing of operator licences for those operating HGVs and PSVs is the responsibility of 7 regionally based Traffic Commissioners. However, they delegate some of the statutory responsibility to staff provided by VOSA, who charge a number of fees for the services provided.

2.2 These Regulations make changes to fees charged in respect of operator licensing and testing of Heavy Goods Vehicles (HGVs – lorries) and Public Service Vehicles (PSVs – buses and coaches). They implement the first stage of the Government policy for "Operator Licensing Fee Modernisation", announced in 2006, ("O licence fee reform"); reduce the supplements currently charged for vehicle testing at non-VOSA premises, in line with Government policy to move testing to encourage testing at non-VOSA locations such as those at which vehicles are repaired; and increase fees.

2.3 The 1st set of Regulations, (The Public Service Vehicles (Operators' Licences) (Amendment) Regulations 2009) amend the Public Service Vehicles (Operators' Licences) Regulations 1995. They change the expiry date for operator licence windscreen discs issued under section 18 of the Public Passenger Vehicles Act 1981 and remove the annual payment option for such discs. These amendments are necessary to enable the reform of fees currently payable for these discs which are covered by the 2nd set of Regulations.

2.4 The 2nd and 3rd set of Regulations (The Public Service Vehicles (Operators' Licences) (Fees) (Amendment) Regulations 2009 and The Goods Vehicles (Licensing Of Operators) (Fees) (Amendment) Regulations 2009), which amend the Public Service Vehicles (Operators' Licences) (Fees) Regulations 1995 and the Goods Vehicles (Licensing Of Operators) (Fees) Regulations 1995, respectively, alter the fees administered through the Vehicle and Operator Services Agency ("VOSA"), on behalf of the Traffic Commissioners, for operator licensing services. Fees not

subject to O licence fee reform are subject to a straightforward increase. Other fees, which are the subject of O licence fee reform, are reduced and most are abolished altogether, with effect from 1 April 2010.

2.5 The 4th and 5th set of Regulations (The Goods Vehicles (Plating and Testing) (Amendment) Regulations 2009 and the Motor Vehicles (Tests) (Amendment) (No.2) Regulations 2009) amend The Goods Vehicles (Plating and Testing) Regulations 1988 and the Motor Vehicles (Tests) Regulations 1981, and the fees for testing HGVs and PSVs, respectively. Fees for full tests of HGVs and PSVs are increased to replace the income lost by fee reductions made by the 2nd and 3rd sets of Regulations, as part of O licence fee reform. The additions to fees for testing at non-VOSA premises are reduced and the fees expressed as an integrated fee for such tests rather than as a supplement to the fee for tests at VOSA premises. A general increase is then applied to the resultant fees and to all other fees not affected by either change.

2.6 A further 12 sets of Regulations amending other VOSA statutory fees will be the subject of a separate Explanatory Memorandum.

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

3.1 VOSA was carrying an estimated £13.9m **accumulated deficit** in their income and expenditure account as at 31 March 2008. During the current financial year this deficit is likely to have risen further despite major efforts to reduce costs. The deficit is caused by the costs of delivering testing and operator licensing services outstripping fees in previous years and is likely to be exacerbated by a predicted reduction in demand during the 2009/10 financial year. Therefore fee increases in these Regulations are necessary to contain VOSA's deficit. Different rates of increase apply to testing and licensing services to reflect the changes in cost base of these service areas. Under Trading Fund rules, the deficit ultimately needs to be eliminated but trying to do this in a single year would have a very severe effect on fees. Fees have been set at a level to prevent the accumulated deficit from growing significantly larger before other policies should start progressively to reduce it.

3.2 The fees for the MOT testing of motorcycles, cars, and light goods vehicles, which were recently increased by SI 2009/643, are not being changed by The Motor Vehicles (Tests) (Amendment) (No. 2) Regulations 2009. Whilst the Department would have preferred to combine these two sets of Regulations, the fees they cover affect a largely different sector of vehicle users and service providers. The Department considered that the many small businesses that carry out this testing and which would benefit from increased car and light vehicle test fees, should have the benefit of the increases in the earlier Regulations as near to the beginning of the financial year as possible. It was also regarded as unfair to truncate consideration of the consultation responses on PSV test fees, to enable the Regulations affecting PSV test fees to be made earlier.

3.3 It has not proved possible to implement these fee changes on the Common Commencement Date (6 April). The cost to VOSA of delaying implementation till 1 October would be over £4m. This would be wholly disproportionate to the public purse. According to the published BERR guidance on Common Commencement Dates this is a legitimate ground for exclusion from the requirement.

4. Legislative Context

The Public Service Vehicles (Operator's Licences) (Amendment) Regulations 2009

4.1 Each vehicle operated under the operator's licence needs to display a windscreen disc to prove to the enforcement authorities at the roadside that it is being operated under a valid operator's licence. These Regulations make amendments to expiry dates and payment options for these vehicle discs – issued under section 18 of the Public Passenger Vehicles Act 1981. Disc

expiry dates will match the normal 5 year cycle for confirmation of continuation of licences, which will reduce administrative burdens on businesses.

4.2 O licence fee reform will result in the abolition of fees payable for discs with these costs added to the vehicle test fees. Although these Regulations contain no provision to alter or abolish disc fees, they enable such changes to be made in the second set of Regulations (The Public Service Vehicles (Operators' Licences) (Fees)(Amendment) Regulations 2009. In particular, they enable disc fee payments to cover a variable period up until the end of the transition period.

The Public Service Vehicles (Operators' Licences) (Fees) (Amendment) Regulations 2009

4.3 Those operating buses and coaches for hire and reward are generally required to obtain a public service vehicle (PSV– bus and coach) operator's licence. Licences are granted by Traffic Commissioners provided the operator meets the relevant standards. Administrative support (including fee collection) for this service is provided by VOSA.

4.4 These Regulations increase the fees payable on an application for a licence or a variation to an existing licence; and for the continuation of a "special" licence for taxi operators providing registered local bus services. Increases range from 4.7% (£7), for applications for a restricted licence, to 5.3% (£6), for an application to vary a licence. In monetary terms, the largest increase is £11 (£224 to £235) in making an application for a standard licence.

4.5 Fees are also payable on grant and continuation of "standard" and "restricted" licences and for each windscreen disc issued, which unlike HGVs, are not vehicle specific and can be swapped between vehicles. These fees can be paid every 5 years or in annual instalments. Under O licence fee reform, these fees are being reduced this year and abolished in 2010 (because they are being added to vehicle test fees). To ease the transition to their complete removal next year, the fees which fall due for payment from the effective date of these amendments will be for the number of months or part months between their due date and 31 March 2010.

4.6 The grant or continuation fee is currently £148 for 5 years or £29 annually. This is being reduced to £1 for each month or part thereof until 31 March 2010. The disc fees, currently £6 or £7 per month (for 5 yearly or annual payments respectively) are being reduced to £3 per month. In all cases, this at least halves the previous rate.

4.7 Where a fee is affected by O licence fee reform, a refund will be due, for advance payments made to cover a period beyond the date of abolition or made in excess of the reduced fee during the 2009/2010 transitional period. Due to the complexities caused by changes in fleet size during the transition year, it is not practical to calculate these refunds before April 2010. The method of refund calculations will be included in the fee amendment regulations for 2010/11 following consultation with relevant stakeholders.

The Goods Vehicles (Licensing Of Operators) (Fees) (Amendment) Regulations 2009

4.8 Those operating Heavy Goods Vehicles (HGVs – lorries) for hire or reward (i.e. carrying other people's goods for payment) or in the course of a trade or business are generally required to obtain an operator's licence. Licences are granted by Traffic Commissioners provided the operator meets the relevant standards determined by European and domestic legislation. Administrative support (including fee collection) is provided by VOSA.

4.9 These Regulations increase some of the fees payable when an application is made for a licence or a variation to an existing licence; or when such a licence is granted or extended (in both cases for a period of 5 years). Increases range from 4.8% (£3), for the issue of an interim licence, to 5.1% (£19), for the grant of a licence or the continuation of an existing licence. In

monetary terms, the largest increase is £19 (£372 to £391) for the grant or continuation of a licence for 5 years.

4.10 Operators of HGVs are also required to specify the registration marks of each vehicle they operate for more than 1 month on their operators' licence. In return, they are issued with a vehicle specific windscreen disc – which proves to enforcement authorities at the roadside that the vehicle belongs to a licensed operator. VOSA charge a fee for each disc issued. Currently, for full licences, these fees may be paid annually or five yearly at £12 or £10 respectively for each 3 month period or part thereof for which vehicles are specified. Under fee reform, these fees are being reduced in 2009/2010 and abolished from 1st April 2010 (i.e. the 'disc' fee will be added to the vehicle test fees and discs will be issued free of charge). The reduced rate is £2 for each month or part thereof (half of the present annual payment rate), such sum being payable from the date the payment falls due until 31 March 2010.

4.11 For similar reasons to those explained in paragraph 4.7, for PSVs, where a fee is affected by fee reform, a refund will be due for many operators, but, it is not practical to calculate these refunds before April 2010. As for PSVs, the method of refund calculations will be included in the fee amendment regulations for 2010/11 following consultation with relevant stakeholders.

4.12 The fee for vehicles specified on an interim licence (i.e. a temporary licence issued by the traffic commissioner pending further inquiries) is reduced by 50% (£12 to £6).

<u>The Goods Vehicles (Plating and Testing) (Amendment) Regulations 2009</u>

4.1 In technical terms, a Heavy Goods Vehicle (HGV – lorry) is either a motor vehicle that has a gross weight over 3500 kg or a goods trailer with an unladen weight greater than 1020 kg. All such vehicles must be tested by VOSA to ensure that they meet certain minimum roadworthiness requirements after the first year of operation and annually after that. The fees under these Regulations are primarily in connection with the annual test of roadworthiness of such vehicles but also include fees to approve 'notifiable alterations' which affect the permitted gross weight or key safety systems of an HGV.

4.2 As explained in more detail in paragraph 7.6 below, there are 3 factors affecting the fee changes in these Regulations:

- Increases in fees for full tests from the phased transfer of funding for enforcement and compliance functions from windscreen disc fees to vehicle test fees as part of operator licence fee reform;
- Reductions in the additional charges for testing at non-VOSA premises (i.e. private sector maintenance and testing facilities); and
- A general increase of 9% (before rounding) applied after the above changes have been made.

4.3 The increases to the cost of a full test of a heavy goods vehicle by these Regulations (including the effects of operator licence fee reform) range from 25% (£12) for a 3 axle trailer to 47.1% (£24) for a 2 axle motor vehicle tested at VOSA testing stations. However, because of the reduced supplements, tests at non-VOSA testing stations increase by between 16.4% (£9) for a 3 axle trailer and 28.1% (£18) for a 2 axle motor vehicle. In monetary terms the largest increase is for a 4 axle motor vehicle - £28 (£96 to £124) at VOSA premises and £22 (£109 to £131) at non-VOSA premises.

4.4 Changes to fees for partial retests (i.e. within 14 days of a failure) range from an increase of 11.8% (£2) for a single axle trailer retested at VOSA premises to a reduction of 2.4% (£1) for a 2 axle motor vehicle retested at non-VOSA premises. In monetary terms the maximum increase is £6 (£63 to £69) for a 4 axle motor vehicle retested at VOSA premises.

4.5 The supplementary fees where the applicant wishes an annual test 'out of hours' are increased by 8.6% (£3) for a motor vehicle and 9.1% (£2) for a trailer.

4.6 The fees payable for an amendment (notifiable alteration) to a plating certificate (i.e. a certificate which specifies the permitted maximum weights, etc. of an HGV) is increased by 8.3% (£2) for examinations carried out at VOSA testing stations; but decreased by 6.3% (£2) for a motor vehicle and is unchanged for trailers examined at a non-VOSA testing facility.

The Motor Vehicles (Tests) (Amendment) (No. 2) Regulations 2009

4.7 Public service vehicles (PSVs - buses and coaches) used for hire and reward (i.e. carrying fare paying passengers) must be tested by VOSA to ensure that they meet certain minimum roadworthiness requirements after the first year of operation and annually after that. Those tests can take place either at testing stations provided by VOSA or by a VOSA inspection at a private sector maintenance or testing facility.

4.8 As explained in more detail in paragraph 7.6 below, there are 3 factors affecting the fee changes in these Regulations:

- Increases in fees for full tests from the phased transfer from abolition of windscreen disc fees to vehicle test fees (as part of operator licence fee reform) of funding for ongoing administration and review of operator licences; and enforcement and compliance functions;
- Reductions in the additional charges for testing at non-VOSA premises; and
- A general increase of 9% (before rounding) applied after the above changes have been made.

4.9 The increases made to the cost of a full test of a PSV by these Regulations (including the effects of operator licence fee reform) are 34.5% (£29) for a vehicle with more than 22 seats and 45.8% (£27) for a vehicle with 9 to 22 seats tested at VOSA test stations. However, because of the reduced supplement, tests at non-VOSA (private sector) premises increase by 25% (£24) for a vehicle with more than 22 seats tested and 31% (£22) for a vehicle with 9 to 22 seats.

4.10 Changes to fees for partial retests (i.e. within 14 days of a failure) and supplements not affected by operator licence reform range from an increase of 11.8% (£2), for out of hours supplement for the retest of a vehicle with more 9 to 22 seats, to a reduction of 2.2% (£1) for a vehicle with 9 to 22 seats retested at non-VOSA premises. In monetary terms the maximum increase is £5 (£55 to £60) for a retest of vehicles with more than 22 seats at VOSA premises.

5. Territorial Extent and Application

5.1 These instruments apply to Great Britain.

6. European Convention on Human Rights

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

7. Policy background

7.1 The Secretary of State, through his executive agency VOSA, recovers the cost of carrying out his functions in respect of testing and inspecting vehicles by charging fees. The agency operates as a Government Trading Fund.

7.2 The fees pay for the provision of examiners and enforcement officers, together with management, technical and administrative support services. They provide funds to pay for:

- the development and operation of the IT systems used to support VOSA staff and, increasingly, customer self service;
- updating, equipping and maintaining VOSA's vehicle testing stations and offices used by staff; and
- servicing and repaying loans used to pay for capital expenditure funded by loans from DfT.

7.3 The VOSA trading fund is required to at least cover its costs, normally year on year. The aim is to ensure that the fee charged for a particular service is, and continues to be, commensurate to the cost to VOSA of conducting the particular service. Separate accounts are maintained within VOSA for the fees under each service area.

7.4 VOSA derives most of its income from fees and charges for the services it provides. As a Government Trading Fund, VOSA is required to balance its books. The services it provides and which are covered by this Memorandum, include:

- providing funding, staffing and administrative support for the Traffic Commissioners to perform their statutory functions in relation to operator licensing for HGVs and PSVs;
- the enforcement of laws relating to vehicles and vehicle operators;
- testing of trucks and buses both for annual roadworthiness compliance and for certain specialised uses; and
- inspections of some individual vehicles to enable them to be licensed or relicensed or obtain benefits from being less polluting.

7.5 Provision of these services involves a sustained capital investment programme to upgrade facilities and equipment and to provide improved IT systems to better support our front line staff, to target enforcement activities on those more likely to be operating unsafely and to expand the range of services our customers can access on-line.

7.6 This year there are three factors in the fee changes covered by this explanatory memorandum, though not all factors apply to all fees. The three factors are:

- Testing transformation – reducing by 50% the supplement currently charged for testing at non-VOSA sites in line with the strategy announced last summer to shift testing to non-VOSA test sites including operators' and maintenance providers' premises. This applies to the 4th and 5th sets of Regulations.

- Implementation, over 2 years, of O Licensing fee reform to reduce the number of operator licence fees charged. The costs covered by fees to be abolished will be transferred to vehicle test fees – so operators will not pay any more overall than they would without the reform. This will reduce the administrative burden on businesses and spread the costs more fairly across the GB vehicle fleet.

- Introduction of fee increases averaging 9% for test fees and 5% for operator licence fees to cover predicted costs from April 2009 to March 2010. The fees now being revised were generally last increased on 13th July 2008 for test fees and 1 August 2008 for operator licence fees. That implementation date had been delayed from the planned date of 1 April 2008.

7.7 For all services, the increase rate of individual fees varies from the average because the fees are normally rounded to the nearest pound. For lower value fees this can mean some apparently high percentage increases. Normal arithmetical rounding rules have been adjusted to counter longer term effects, where particular fees have been rounded persistently in the same direction. Fee rounding was introduced many years ago to speed over the counter cash payment processing, by reducing the need to give change, and to reduce the number of occasions when cheques were made out for incorrect amounts.

7.8 Further detail on the changes introduced by each instrument is set out in section 4 above, to complement the information contained in the Explanatory Notes. Most of the information contained in the Explanatory Notes is not repeated in this Memorandum. The detail of the level of fee increase or decrease is contained in the Explanatory Note to each instrument.

7.9 Alongside the O licence fee reform in these Regulations VOSA are also making it easier for operators to test their vehicles at private sector run facilities, rather than at testing stations run by VOSA – to provide the industry with further flexibility.

8. Consultation outcome

8.1 A formal consultation on the proposed amendments took place between 6 November 2008 and 29 January 2009. Consultation packs were sent out to some 346 individuals and organisations. The consultation was also posted on the internet. Thirteen responses were received. A summary of the responses received and VOSA's consideration of these responses is attached at Annex A.

8.2 A majority of those who commented either supported or supported with reservations the proposals on to reduce the additional charges for testing at non-VOSA premises.

8.3 Opinions on the principle of the costs being transferred from operator licence fees to vehicle fees were more split. Those who currently make no contribution to the cost of enforcement functions (paid by operators paying for O licence discs which must be displayed), such as the British Vehicle Rental and Leasing Association and historic vehicle groups, were opposed to the changes. Others agreed that it was fairer to spread enforcement costs between all relevant vehicles on the road. On the detail of operator licence fee reform, the majority of those who commented either supported or supported with reservations, the staged implementation of the changes. Most respondents were strongly opposed to the proposed general increases to fee levels.

8.4 Favourable comments on O licence fee reform included – *"consider this is a fair way to ensure all operators subject to enforcement activity contribute to the cost burden"*, and *"support the principle of proportionality"*. The more negative comments, included – *"consider the proposed changes unfair due to current exemption"*. Comments on the levels of the proposed general fee increase included "*In the current economic climate a 9% increase in overall costs would be excessive*", *"Strongly oppose above inflation increases designed to compensate for VOSA's escalating costs"* and *"cost of proposals increases fees paid by £80k per annum which is not acceptable in the current climate"*.

8.5 Following consultation we have reviewed the calculations used to support the proposals upon which we consulted. In particular, thanks to data provided during the consultation period, we have been able to add to the Impact Assessment the effects on the rental and leasing sub-sector. There have been no significant changes which would allow scope to reduce the proposed 9% increase for tests provided at VOSA premises without reduction in both current service levels and planned service enhancements, neither of which was supported by respondents.

9. Guidance

9.1 These Regulations do not create any new obligations but amend the amount of fees to be paid under existing obligations. Therefore, no detailed guidance is necessary. VOSA will inform customers of the correct amount to pay at the relevant point a fee payment is due. Details of the fee changes will be published on the websites of VOSA, Transport Portal and DirectGov. VOSA will also display posters publicising the fee changes at relevant offices and send flyers to account holders.

10. Impact

10.1 These five sets of Regulations form part of a package of seventeen sets of fee Regulations, which are covered by two Impact Assessments.

10.2 The two Impact Assessments describing the effect that these instruments will have on business, charities or voluntary bodies can be found at Annexes B and C to this Memorandum. The first Impact Assessment, headed "Impact Assessment of Operator Licensing Fee Modernisation", deals with the impact of the implementation of O licence fee reform over a 2 year period. The first phase of this reform is effected by the instruments covered by this Explanatory Memorandum. The second Impact Assessment, headed "Impact Assessment of VOSA Fee Revisions 2009/2010", deals with the combined effect of all changes to fees for 2009/10.

10.3 The effect of the overall fee package on HGV operating businesses is estimated at no more than one fortieth of one percent (0.025%) of overall vehicle costs, although this is reduced to 0.013% if vehicles are tested at 3rd party inspection facilities. The fee reform element of the changes is intended to be cost neutral overall, although some businesses will pay more and others less, for reasons explained in more detail in the Annex B Impact Assessment. Therefore, the overall costs increase is largely accounted for by the fee revision uplift overall.

10.4 It is, however, estimated that the effect of the first phase of operator licence fee reform will increase costs to the HGV rental and leasing sub-sector by almost £10.5 million. Since the turnover of this sub-sector of the HGV industry is estimated as almost £5.5 billion, this represents an increase in costs of about 0.19% but delivers fairer distribution of enforcement and compliance costs across the HGV fleet as a whole by spreading the cost across all lorries and trailers rather than just those lorries which pay windscreen disc fees.

10.5 It has not proved possible to model the effect of the changes on PSV operators as we have no details of their costs to enable the effects to be put into context. However, as a larger number of PSV licensing fees are to be abolished and PSV operators carry out such transactions more frequently than HGV operators it is expected that their administrative costs will also fall as a result of these changes.

10.6 For the same reasons, we have been unable to model the effect on others affected by the fee changes.

11. Regulating small business

11.1 The legislation applies to small business. There are also a much larger number of goods vehicle operators (nearly 100k) and vehicles (around 470k motor vehicles) compared to bus operators (around 9k) and vehicles (around 80k). However, over half of all licensed goods vehicle operators operate between one and five vehicles, so a large proportion of the businesses affected by these changes could be small businesses.

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

11.3 Almost all fees are dependent on the number and type of vehicles involved. The exception is those elements of operator licensing fees which apply per licence. The overall effect of the 2009/10 fee changes on a one vehicle HGV business is estimated to be an increase of 0.025% on total costs, which reduces to 0.013% if vehicles are tested at non-VOSA premises. The effect on an average sized four vehicle business is estimated to be an increase of 0.021% on total costs

(0.010% for non-VOSA testing). The effect on a large (250 vehicle) business is estimated at 0.018% of total costs (0.008% for non-VOSA testing). In all cases these represent an extremely small proportion of total costs; therefore small businesses should not be unduly disadvantaged.

12. Monitoring & review

12.1 Reviews will be integrated with future fees reviews which normally occur on an annual cycle.

13. Contact

13.1 John Maclellan at VOSA, telephone number 0117 954 2531, can answer any queries regarding the instrument.

Delivering better services and fairer fees

Purpose of consultation and key proposals.

1. The Vehicle and Operator Services Agency (VOSA), an Executive Agency of the Department for Transport, provides a range of licensing, testing and enforcement services with the aim of improving the roadworthiness standards of vehicles; ensuring the compliance of operators and drivers with road traffic legislation; and supporting the independent Traffic Commissioners.

2. The consultation document 'Delivering Better Services and Fairer Fees' was issued on 6th November 2008 and the consultation period closed on 29th January 2009. The consultation sought views of stakeholders regarding VOSA's proposed approach to statutory fees that VOSA charges for its services in connection with:

- testing and inspecting Heavy Goods Vehicles (HGVs) and Public Service Vehicles (PSVs);
- processing and monitoring operator licences;
- registering bus services;
- issuing permits to certain buses;
- issuing permits and authorisations for certain international journeys;
- approving and monitoring tachograph centres;
- inspecting for single vehicle approval;
- Vehicle identity checks.

3. The MOT test fees for vehicles other than HGVs and PSVs were **not** included in this consultation.

4. Section 2 of the consultation document summarised the key proposals being proposed. Section 2 is replicated in the box below for ease and the full consultation document can be downloaded at http://www.dft.gov.uk/consultations/closed/vosafees/

2. Key fee changes

2.1 This year many of the fees have a standard annual change to reflect increases in the costs of delivering the service. However, HGV, trailer and PSV full test fees are also subject to two significant policy changes: incentivising delivery of tests at non-VOSA premises and O licensing reform, as well as this increase to cover costs. Both of these changes relate to the continued drive to deliver overall cost savings to industry.

2.2 The first significant change relates to the delivery of testing transformation announced by the Minister Jim Fitzpatrick MP in July. The overall objective here is to move rapidly to delivering the vast majority of tests on private sector operated Authorised Testing Facilities (ATFs). These could be existing Designated Premises (DPs) or new facilities owned and run by operators, maintainers or any other party. There are potentially significant benefits here in reduced costs for industry – for example conducting an annual test at the end of maintenance or testing a vehicle at its operating base. It will also help VOSA to control test fees by minimising their estate costs and maximising the use of alternative private sector run sites. It could also improve compliance by enabling testing closer to the point of maintenance.

2.3 In order to deliver this rapid move in testing provision, we want to reduce the fee for having a test conducted at a non-VOSA site, both to better reflect the true costs of that test, and to incentivise customers to seek alternative testing facilities – and hence others to provide them. As a first step, we are halving the supplement currently charged for testing at non-VOSA sites. This is very much a first step and we will be making further changes in coming years to vary the ATF fee compared to the VOSA testing station fee to reflect better the real costs of delivery.

2.4 All those with an interest in the haulage industry should see this halving of the supplement as a first step and as a clear signal of the direction in which we will move – and move rapidly – as ATF provision comes on stream. We want operators to be able to take advantage of this reduced fee, and the associated costs savings and benefits, and other parties to become ATFs to meet that demand. Further guidance and information is available on the web site: www.transportoffice.gov.uk/Authorised-Testing-Facilities.

2.5 The second significant policy change is the removal of the vehicle related O licence vehicle fee, and for PSVs some other O licence fees, and the transfer of the income generation associated with these O licensing fees so that it is collected as part of with the testing fee. This has two main objectives: to deliver a fairer attribution of the costs of vehicle enforcement that these O licence fees meet; and to replace two transactions with a single one – paid when the vehicle is tested. The proposal was subject to consultation in 2005/06. The attribution of enforcement costs to the motor vehicle and trailer fleet as a whole, rather than only those motor vehicles whose use has been granted through prepaid approvals under the O licensing regime which are notified, will ensure that operators utilising vehicles 'on the margin' will contribute properly to the costs of enforcement. Those operators who do not utilise vehicles 'on the margin' will see a relative reduction in their fee costs as the re-attribution of costs takes place. The merger of two fee transactions into a single one will save the industry around £1.5m a year in administrative costs. The intention is to phase delivery of this change over two years; making two equal transfers of the O licensing fees in April 2009 and April 2010, with the result that April 2010 sees the vehicle related O licence fees abolished and any pre-paid O licence fees re-paid. This change will produce fairer fees, and reduce collection costs.

2.6 The final change is the standard increase to reflect the increase in costs. VOSA is required, both through its status as an Executive Agency / Trading Fund and by the HM Treasury Fees and Charges Guidance, to recover the costs of its operations through fees collected for the statutory services it delivers. In circumstances where it makes a deficit on such services and fees, it has a statutory duty and explicit HMT guidance imposed upon it, to make good such deficits as quickly as possible. It has explicit statutory powers to collect each of these fees, mainly set out in the Road Traffic Act 1988, as amended, most recently by the Road Safety Act 2006. For testing fees, and the transferred element of the operator licence fee, the increase is 9% which reflects increased costs of service provision; simultaneous, but comparatively much smaller, reductions in service cost as a result of improved efficiency; and a balanced view of the optimal level of service provision delivering the best value for money. It does not include any increase to address historic mismatches between costs and fees. On service provision, reduced service levels could result in lower fee costs, but other costs, such as longer waiting times could increase to the point where they dwarf the fee saving. Our assessment is that 9% is the right level to avoid any 'false economy' i.e. a saving in fees but a higher downtime cost.

2.7 The tables at the end of the consultation document set out the fee changes (step by step where we are making a series of changes) for the various fee and vehicle types.

2.8 For fees for non testing services, the increase is 5.0% which is the September retail price index (RPI).

Executive summary of responses

3. During the consultation period, VOSA held a meeting with key representatives from the road haulage (Freight Transport Association & Road Haulage Association), passenger transport (Confederation of Passenger Transport) and vehicle hire (British Vehicle Rental and Leasing Association) industries together with the Society of Motor Manufacturers and Retail Motor Industry Federation to discuss questions which they had raised.

4. VOSA issued the consultation document to over 300 organisations and the document was also available to download via the DfT and VOSA websites. In total only 13 formal responses to the consultation were received although this did include the four key industry trade bodies mentioned above. The breakdown of respondents was as follows:

Businesses	2
Trade Associations	8
Voluntary, Community and Charitable Organisations	2
Government and other Agencies	1
Individuals	0

Summary of individual responses received and the chosen solutions

Please note: the question numbering in this response document reflects the questions asked in the main body of the consultation document pages (and not the response form at annex G of the consultation document that did not include what is Q4)

Q1. Do you agree with our proposal to reduce the fee payable at non-VOSA test sites?

Agree: 38% of 13 responses

The Driver's Action Movement, Norfolk Constabulary, Royal Mail, CPT, First Group

Agree with reservations: 15% of 13 responses

FTA, RHA: VOSA must engage with industry in developing ATF obligations and service levels. Fees should not rise as a consequence of transition to ATFs

Disagree: 23% of 13 responses

Society of Independent Roundabout Proprietors

Wincanton Group: Greater reductions in fees at non-VOSA needed but should be postponed till more detail of ATF proposals is available.

British Vehicle Rental and Leasing Association: We initially agreed with this initiative but are reluctant to agree any proposals which will require investment.

Chosen solution: The proposed reductions in supplements for testing at non-VOSA premises are intended as a first stage of a transition process. Details of ATF specifications and obligations are being developed and VOSA will be involving the industry in developing these proposals at an appropriate stage via an industry focus group established in March 2009. Availability of ATF or other testing facilities will be a significant factor in the development of the programme for closure of VOSA sites. During the transition process, it is likely that VOSA's costs will rise as testing transfers from its own sites before they can be closed to generate savings. If this happens, VOSA would consult on the specific cost increases that would need to be reflected in fee levels during the transition period as part of the annual fee consultation process.

On balance, Ministers have decided to proceed with the reductions proposed.

Q2. Do you agree with our proposals on fees falling due in 2009/10?

Agree: 15% of 13 responses

The Driver's Action Movement
Norfolk Constabulary

Agree with reservations: 31% of 13 responses

RHA, First Group

CPT: Support the principle of proportionality but concerned that some operators pay for discs in advance and would in effect pay twice. Request early indication of how rebate/compensation would be paid.

FTA: Consider this a fair way to ensure all operators subject to enforcement activity contribute to the cost burden but consider that enforcement fee should not be added to cost of full re-test following refusal to issue a test certificate.

Disagree: 31% of 13 responses

Society of Independent Roundabout Proprietors, Federation of British Historic Vehicle Clubs, Historic Commercial Vehicle Society: We are exempt from Operator Licensing and consider the proposed changes unfair due to current exemption.

Wincanton Group: Cost of proposals increases fees significantly for Wincanton, not acceptable in current climate. Additionally, burden will fall heavily on HGV sector (currently more enforcement activity carried out on PSVs and Foreign vehicles).

Chosen solution:
The impact assessment of Operator Licensing Modernisation provides a view of the overall effect of changes at 2008/09 fees levels. It recognises that there will be some winners and losers, depending on how individual companies choose to operate, however analysis of a fleet of 250 vehicles (large in comparison with industry averages) suggests an indicative saving of £467.02 at 2008/09 prices. Additionally, the proposed changes are set to reduce the administrative burden to the industry by circa £1.5m per annum.
The GB fleet does not carry the burden of foreign operator enforcement; this is funded centrally by DfT from taxation. Vehicle schemes are funded separately; PSV enforcement will continue to be funded by PSV fees, HGV likewise.
Overall, VOSA will not be receiving any more income at 2008/09 levels and the burden of enforcement will be spread across the whole GB fleet providing a greater parity for operators.
Operators who have paid fees in advance covering the transition year and beyond will have those fees refunded as quickly as possible after the fees are abolished as part of the phase two implementation proposed for 2010. The detail of the refund process will be subject to consultation.
The fees for partial retests within 14 days have not been increased to contribute to enforcement costs transferred from operator licensing. Beyond 14 days a full test is carried out. These full retests represent about 0.35% of all full tests carried out. The additional administrative costs of creating 6 new fees to enable these retests not to contribute to enforcement costs would outweigh the benefit.

On balance, Ministers believe this to be a fairer and more consistent approach and have decided to proceed with the change in fees.

Q3. Do you agree that, for the reasons set out in paragraph 9.8.1 of the consultation document, we should make this change in 2 stages – in April 2009 and April 2010 – rather than as a 'big bang' in April 2009?

Agree: 31% of 13 responses

Drivers Action Movement, Norfolk Constabulary, Royal Mail, CPT

Agree with reservations: 23% of 13 responses

Wincanton Group: The phased approach to fee change would be sensible given the proposed scale of increase, but fee credit should be issued in tandem.

RHA: We appreciate why VOSA prefers the two year reduction.

First Group: Abolishing the separate O licence fee over two years and charging on a pro-rata basis for new 'O' Licences appears to be a sensible approach, however, absolute clarity must be brought to how the fee structure and the refund process before full support to any approach can be given.

Disagree: 23% of 13 responses

Society of Independent Roundabout Proprietors, Federation of British Historic Vehicle Clubs, Historic Commercial Vehicle Society: Society's members are exempt from Operator Licensing and consider the proposed changes unfair due to their current exemption. This just hides the initial impact of an unfair and unnecessary charge on enthusiasts

Chosen solution:

The two stage approach is clearly welcomed by the majority of consultees. The impact assessment fully considered the options for those operators who pay for their discs in advance. Fees paid in advance for 2009/10 and beyond will be refunded early in 2010/11. The refunds will take account of both the half fee year in 2009/10 and the removal of fees in 2010. It is not practical, without significantly greater administrative costs which would have to be passed on to customers, to calculate the refunds due before the end of 2009/10 due to fluctuations in the numbers of specified vehicles.

On balance, Ministers believe that the proposed 2 stage approach is best overall.

Q4. Do you agree with the proposed approach to apportion costs

Agree: 38% of 13 responses

Drivers Action Movement, Norfolk Constabulary, CPT, RHA, First Group

Agree with reservations: 8% of 13 responses

FTA: The Association agrees that the transfer of vehicle fees from operator licensing to testing is a more efficient and equitable system, however the Association is opposed to imposing an enforcement fee where a re-test is undertaken more than fourteen days following a refusal to issue a test certificate.
.

Disagree: 38% of 13 responses

Society of Independent Roundabout Proprietors, Federation of British Historic Vehicle Clubs, Historic Commercial Vehicle Society, BVRLA: Society's members are exempt from Operator Licensing and consider the proposed changes unfair due to their current exemption.

Chosen solution:

The objective is to reduce costs for both customers and VOSA by reducing the number of separate payments that customers must make to VOSA, and by spreading the costs of VOSA's enforcement activity across all operators and vehicles.

VOSA recognised the particular impact this change would have on the rental and leasing sector, increasing the costs to this sector by just under £10.5 million. However, using RHA published figures the vehicle ownership costs (excluding fuel and drivers) of the sector are around £5.5 billion. Thus the change will add just under 0.2% to operating costs. The change is the only practicable way in which the enforcement costs can be spread fairly across the whole HGV fleet rather than be borne only by those motor vehicles used by an operator for more than 1 month.

We also recognise that the change imposes new burdens on owners of historic vehicles, private horseboxes, fairground operators and others who are exempt from operator licensing and others who have not in the past contributed to the costs of encouraging and enforcing safe and legal operation of heavy vehicles. However we believe it to be unfair that these vehicles have not, in the past contributed to the costs of ensuring that their vehicles are operating safely and legally.

In view of the identified savings to VOSA and its customers and the fairness of spreading costs across all heavy vehicles Ministers have decided that costs are apportioned as proposed.

Q5. Do you agree with the proposed approach to testing fee increases which seeks to minimise the overall costs to operators but necessitates a 9% increase?

Agree: 15% of 13 responses

Drivers Action Movement, Norfolk Constabulary

Agree with reservations: 0% of 13 responses

Disagree: 85% of 13 responses

Society of Independent Roundabout Proprietors, Federation of British Historic Vehicle Clubs, Historic Commercial Vehicle Society, BVRLA, Wincanton Group, First Group, RHA, CPT, Royal Mail Group:

FTA: Strongly opposes above inflation increases designed to compensate for VOSA's escalating costs.

Royal Mail: In the current economic climate a 9% increase in overall costs would be excessive. The proposed rise would result in a substantial increase in our operating costs for vehicles over 3.5 tonnes (which number approximately 4,700) and our fleet of trailers (which number approximately 2,000), which will be brought into scope for the first time.

BVRLA: Since 2004, test fees have increased by 13% per annum on the premise of investment required to modernise VOSA testing facilities and to provide increased levels of customer service. A little over 3 years later the industry is being asked again to pay an annual increase of 9% in fees to support VOSA reducing the estate management responsibilities – an absolute about turn from previous policy.

Chosen solution:
VOSA has a legal obligation to cover its costs. If VOSA cannot increase its fees then it will have to reduce its service delivery. The fee increases are designed to cover costs. VOSA are making efficiency savings, but must raise funds to service the costs of past investments in service improvements. It should also be noted that whilst tests at VOSA premises will be rising by 9% before rounding, the rise in costs at non-VOSA premises will be considerably less. VOSA continues an aggressive programme of cost reductions whilst trying to minimise the effect on customer services. This includes the recently announced shedding of surplus capacity in its testing network. VOSA has also been affected by reducing demand for tests. They do not anticipate that this will change during 2009/10. This means that fixed costs have to be spread over a smaller pool of activity. In view of the rate of reduction in test volumes, VOSA has significant concerns that even the proposed fee increases will not be sufficient to cover in-year costs in 2009/10.

On balance, Ministers have decided to continue with implementing the fee changes proposed.

Q6. Do you agree with the proposed approach to the Single Vehicle Approval fee, including the 9% increases necessitated by the duty to match costs and fees as closely as possible going forward?

Agree: 31% of 13 responses

Drivers Action Movement, Norfolk Constabulary, Royal Mail, CPT, First Group

Agree with reservations: 0% of 13 responses

Disagree: 15% of 13 responses

Society of Independent Roundabout Proprietors

Wincanton Group: Passenger transport costs are not correctly apportioned and require further review.

Chosen solution:

SVA fees cover only cars and light good vehicles. They are completely separate from HGV and PSV and are proportional to the test times. The passenger car fees are not being increased because the majority move to the new Individual Vehicle Approval scheme. Proposal is to increase the other SVA fees by 9% and no specific comments were received on that point.

Ministers have decided to implement as intended.

General comments received

Forward booking of appointments - CPT commented that they understand why VOSA had to impose the 93 day limit on forward test bookings at this time. However, We would hope that in the future this limit is removed, or at least the maximum period would be increased.

VOSA comment: Forward booking limits will be reviewed in future in light both of completion of the O licence fee reform and developments in the transfer of testing from VOSA to 3rd party locations.

The push towards ATFs has been carried out in haste without discussion over the availability of sites, or of the business model that supports an operator offering his premises.

VOSA comment: The recently announced stations closures are an essential part of VOSA's drive to reduce costs. They shed existing surplus capacity and are not anticipating future growth in ATF capacity. Detailed work on ATF proposals is proceeding with all reasonable speed taking views already expressed by stakeholders into account. Further discussions with stakeholders will continue as proposals develop.

Summary: Intervention & Options –

Department /Agency:	Title:	
Department for Transport, Vehicle & Operator Services Agency	**Impact Assessment of Operator Licensing Fee Modernisation**	
Stage: Implementation	**Version:** 1.0	**Date:** 26 February 2009
Related Publications:		

Available to view or download at:

http://www.dft.gov.uk/consultations

Contact for enquiries: John MacLellan **Telephone:** 0117 954 2531

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

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

What are the policy objectives and the intended effects?

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

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

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

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

Reviews will be integrated with future fee reviews which normally occur on an annual cycle.

Ministerial Sign-off For Implementation Stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

Jim Fitzpatrick .....Date: 25th March 2009

Summary: Analysis & Evidence

Policy Option: 1(b) & 2(b)	Description: Apply fees to motor vehicles and trailers; Return fees paid for services by cheque

COSTS

ANNUAL COSTS	
One-off (Transition)	**Yrs**
£ 424k	1
Average Annual Cost (excluding one-off)	
£ Nil	

Description and scale of **key monetised costs** by 'main affected groups' Transitional costs of making refund payments of £150k will fall on VOSA in 2010/11. Transitional costs of £274k will fall in 09/10 to industry in terms of lost interest on 'vehicle fees paid in advance' that are not refunded until full implementation.

Total Cost (PV) **£ 405k**

Other **key non-monetised costs** by 'main affected groups' None identified

BENEFITS

ANNUAL BENEFITS	
One-off	**Yrs**
£ 274k	
Average Annual Benefit (excluding one-off)	
£ 1625k	

Description and scale of **key monetised benefits** by 'main affected groups' Benefits are the savings made by the reduced numbers of financial transactions and fairer spread of recovery of costs, across all affected groups from 2010/11. The estimated £1.6m per year (at 2008 prices) of benefit will rise in 10/11 onwards following full abolition of the separate operator licensing fees. Interest revenue of £274k will accrue to VOSA from payments not refunded until full implementation. Within the overall transport sector, £10.5 m of costs will transfer from the vehicle operating sector to the rental and leasing sector (less than 0.2% of their estimated vehicle costs).

Total Benefit (PV) **£ 1782k**

Other **key non-monetised benefits** by 'main affected groups' Those currently electing to pay vehicle related fees annually will have to change windscreen discs less often.

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

Price Base Year 2008	Time Period Years 2	**Net Benefit Range** (NPV) **£ N/A**	**NET BENEFIT** (NPV Best estimate) **£ 1377k**

What is the geographic coverage of the policy/option?				Great Britain	
On what date will the policy be implemented?				April 2009 & April 2010	
Which organisation(s) will enforce the policy?				VOSA	
What is the total annual cost of enforcement for these organisations?				£ Nil	
Does enforcement comply with Hampton principles?				N/A	
Will implementation go beyond minimum EU requirements?				N/A	
What is the value of the proposed offsetting measure per year?				£ N/A	
What is the value of changes in greenhouse gas emissions?				£ N/A	
Will the proposal have a significant impact on competition?				No	
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large	
Are any of these organisations exempt?	No	No	N/A	N/A	

Impact on Admin Burdens Baseline (2005 Prices) (Increase - Decrease)

Increase of £0 Decrease of £1.5m **Net Impact** **£ 1.5 m**

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

Evidence Base (for summary sh

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

General Background

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

2. The affected fees are:

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

Customer benefits

Reduced operator costs because of fewer operator licence fee transactions

3. The main customer benefit from this fee reform is that fewer individual payments have to be made to VOSA. HGV operators will still have to notify changes of vehicles specified on their licences on grant, continuation and when vehicles change, but will no longer have to make a payment related to the number of vehicles specified. PSV operators will still have to communicate with VOSA, when their licences are granted or continued and when discs are issued, but those transactions will no longer have to be accompanied by a payment. Operators will therefore save costs in internal financial administration and transaction charges from banks associated with making these payments. The estimated savings from the reduction in these transactions were estimated at £1.5 million at the time that the DfT Simplification Plan was published (representing 150k transactions @ £10[1]). .

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

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

Fairer distribution of costs of compliance monitoring and enforcement.

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

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

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

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

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

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

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

Fee levels & VOSA costs

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

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

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

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

Transfer of income from fees to be abolished

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

Costs of refund process

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

Loss of interest on "fees in advance"

15. VOSA currently earns interest on the operator licensing vehicle fees paid in advance. Loss of this interest, estimated as £1.5m[2] per year, will have to be reflected in the fee levels set in the future. As a consequence of the planned 2010/11 refund of fees paid in advance, this money will become available for operators at the point of full implementation (2010/11). They will then be able to earn interest on this recouped finance. The overall impact on operating costs should therefore be neutral in 2010/11. It is therefore not shown as either a cost or benefit in the Summary: Analysis & Evidence.

Reduced VOSA costs because of fewer operator licensing fee transactions

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

Transitional cost associated with phased implementation

17. Phased introduction will result in a one off cost for those vehicles whose operator licence fees have been paid in advance. This is around £20 per vehicle. The estimated total is £273,800. This is based on the £20 cost and associated interest. Refunds will be made in 2010/11 once abolition has taken effect. This means that in 2009/10 there will be a £1 per vehicle cost in lost interest .Our assessment is that this will be around £0.3m. This is based on an assessment of the proportion of HGV and PSV operators pre paying (74,000[3]); the average number of vehicles per HGV licence (we cannot estimate average number of PSVs per licence because of discs are not issued for specific vehicles) and the interest on the additional £20 an operator will pay per vehicle in 2009/10 (£1). This is based on the best data we have. The cost to operators with more pre paid vehicles than average will be more; and for those with fewer less.

Apportionment of increases by vehicle type

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

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

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

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

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

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

Treatment of retests

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

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

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

Proposed fees

23. See Annex 1.i

Costs of refund process

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

Loss of interest on "fees in advance"

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

Reduced VOSA costs because of fewer operator licensing fee transactions

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

Modelling the effects on businesses

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

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

Transition arrangements

Background to transition arrangements

29. The relevant operator licensing fees can be paid in advance to cover services delivered over a period of one or five years after the fee is paid. Operators gain an advantage in terms of having a set pre paid cost. Thus, at any time, VOSA is holding a balance of fees paid in advance for services yet to be delivered. When the funding for

these services shifts from the operator licensing fee to the test fee, the amount held by VOSA for services yet to be delivered has to be returned to the operators, otherwise they would be paying twice for the same service.

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

Dealing with 'fees paid in advance'

31. Early consideration was given to how money should be returned to operators. Options considered were:
   a) do not attempt to return the money;
   b) provide a credit which could be used against future test fees; or
   c) refund the money to operators.

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

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

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

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

Reducing the value and number of refunds

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

Costs of calculating and making refunds

37. The main one-off costs of the refund process are:
- the bespoke program required to calculate the refunds;
- the cost of outsourced[4] cheque production and its supervision; and
- bank charges per cheque issued.

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

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

Specific impact tests

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

Competition assessment

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

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

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

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

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

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

Small firms impact test

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

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

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

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

Race, disability and gender equality; and human rights

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

Specific impact tests not carried out

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

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	*Results in Evidence Base?*	*Results annexed?*
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	Yes	No
Health Impact Assessment	No	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

Annexes

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

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

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

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

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

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

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

Table of Headline Impacts

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

Impacts Assessed Over Two Year Period 2009/10 – 20010/11:

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

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

Impacts in 2009/10:

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

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

Impacts in 2010/11:

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

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

Modelling of OLR fee proposals

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

Vehicle operating costs

Per vehicle costs

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

Per business costs

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

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

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

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

VOSA charges at 2008/09 levels

O licence per licence fees

Licences in issue	99,600	Variations per year	8,000
New applications PA	8,000	Continuations PA	13,000

	New App	Grant / Cont (5 years)	Variation	Average
Before restructure	£238.00	£372.00	£238.00	£112.63
After restructure	£238.00	£372.00	£238.00	£112.63
Op cost Change	£0.00	£0.00	£0.00	£0.00

O licence vehicle related charges

O Licence per vehicle (paid 5 yearly)

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

Test fees by vehicle type

Failure rates Motor vehicles 19.5% Trailers 20.3%

Vehicle	2 axle motor vehicle			3 axle motor vehicle			4 axle motor vehicle		
	Test	retest	average veh	Test	retest	average veh	Test	retest	average veh
Before restructure	£51.00	£34.00	£57.63	£73.00	£48.00	£82.36	£96.00	£63.00	£108.29
After restructure	£87.00	£34.00	£93.63	£109.00	£48.00	£118.36	£132.00	£63.00	£144.29
Op cost Change	£36.00	£0.00	£36.00	£36.00	£0.00	£36.00	£36.00	£0.00	£36.00
Trailer	2 axle trailer			3 axle trailer					
	Test	retest	average veh	Test	retest	average veh			
Before restructure	£38.00	£24.00	£42.87	£48.00	£32.00	£54.50			
After restructure	£52.00	£24.00	£56.87	£62.00	£32.00	£68.50			
Op cost Change	£14.00	£0.00	£14.00	£14.00	£0.00	£14.00			

Total per vehicle charges by vehicle type

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

Other changes to operator costs

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

Average VOSA Fees in advance holding for HGV vehicle related fees (i.e. money which will be available to operators)	£26,400,025
Assumed interest rate	5%
Potential interest earned	£1,320,001
Interest per motor vehicle tested	£2.80

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

Cost saved by operators of making payments to VOSA

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

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

Total cost changes per business

	Business size											
	Micro			Small			Medium			Large		
Vehicles	No	Cost before restructure	Change	No	Cost before restructure	Change	No	Cost before restructure	Change	No	Cost before restructure	Change
7.5t 2 axle rigid	1	£97.63	-£4.00	2	£195.26	-£8.00	4	£390.52	-£16.00	90	£8,786.70	-£360.00
12 - 14t 2axle rigid	0	£0.00	£0.00	0	£0.00	£0.00	0	£0.00	£0.00	18	£1,757.34	-£72.00
17 - 18t 2 axle rigid	0	£0.00	£0.00	1	£97.63	-£4.00	2	£195.26	-£8.00	36	£3,514.68	-£144.00
			£0.00			£0.00			£0.00			£0.00
24 - 26t 3 axle rigid	0	£0.00	£0.00	0	£0.00	£0.00	1	£122.36	-£4.00	31	£3,793.16	-£124.00
			£0.00			£0.00			£0.00			£0.00
32t 4 axle rigid tipper	0	£0.00	£0.00	0	£0.00	£0.00	1	£148.29	-£4.00	16	£2,372.56	-£64.00
			£0.00			£0.00			£0.00			£0.00
32 - 33t 2 + 2 axle artic	0	£0.00	£0.00	0	£0.00	£0.00	0	£0.00	£0.00	2	£364.74	£47.34
38t 2 + 3 axle artic	0	£0.00	£0.00	0	£0.00	£0.00	0	£0.00	£0.00	12	£2,464.14	£284.06
44t 3 + 3 axle artic	0	£0.00	£0.00	1	£230.07	£23.67	2	£460.15	£47.34	45	£10,353.36	£1,065.23
Total vehicles	1			4			10			250		
per licence		£112.63	£0.00		£112.63	£0.00		£112.63	£0.00		£112.63	£0.00
VOSA charges		£210.26	-£4.00		£635.60	£11.67		£1,429.21	£15.34		£33,519.31	£632.64
Other cost changes			-£5.66			-£22.66			-£56.64			-£1416.03
Net change in cost			-£9.66			-£10.98			-£41.30			-£783.39

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

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

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

Vehicle operating costs

per vehicle costs

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

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

Rental & leasing fleet operating costs

Proportion of commercial vehicle rental and leasing fleet provided by BVRLA members (source BVRLA website)	65%

		BVRLA members	Total fleet
Fleet size	Motor vehicles	180,396	277,532
	Trailers	22,866	35,178

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

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

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

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

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

Summary: Intervention & Options

Department /Agency:	Title:	
Department for Transport, Vehicle and Operator Services Agency (VOSA)	Impact Assessment of VOSA Fee revisions for 2009/10 (Annex C to Explanatory Memorandum)	
Stage: Implementation	**Version:** 1.0	**Date:** 17 March 2009
Related Publications:		

Available to view or download at:

http://www.dft.gov.uk/consultations

Contact for enquiries: John MacLellan **Telephone:** 0117 954 2531

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

a) **The costs to the Vehicle and Operator Services Agency (VOSA) Trading Fund, of providing services funded by statutory fees continue to rise. If no action is taken the Agency will fail to meet its statutory obligations under the Government Trading Funds Act and will contravene requirements set out in the Treasury guidance on Government fees and charges.**

b) The present fee structure inhibits Ministers' announced intention to carry out more tests at locations more convenient to vehicle operators.

What are the policy objectives and the intended effects?

a) To ensure that the income from statutory fees for services provided by the Agency fully covers the costs of providing those services which VOSA delivers to customers on behalf of the Secretary of State.

b) To revise fees for testing at test facilities provided by 3rd parties to ensure a fairer balance between the fees which VOSA charges for testing at its own and 3rd party test facilities.

c) To transfer the funding of some activities from operator licence fees to test fees (see separate IA).

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

A number of options have been looked at, these ranged from; 1) do nothing (change neither fees, service levels or investment plans), 2) maintain statutory fees at their current levels and cut costs, 3) increase fees as per detailed proposals.
Option 1 has not been pursued as it would not enable VOSA to meet its legal obligations. As Option 1 is not sustainable, Option 2 has been adopted as the base case scenario in this appraisal. Option 3 is preferred as it allows VOSA to maintain service levels; further invest in meeting future customer needs in respect of vehicle technology developments and changes in industry patterns and practices; and to develop service enhancements such as E-enabled services and targeted enforcement.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? **Reviews will be considered together with other general fee issues which normally occur on an annual cycle.**

Ministerial Sign-off For Implementation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

Jim Fitzpatrick Date: 25th March 2009

Summary: Analysis & Evidence

Policy Option: 2	Description: **Maintain statutory fees at their current levels and cut costs (Base Case Scenario)**

COSTS

ANNUAL COSTS

One-off (Transition) **Yrs**

£

Average Annual Cost (excluding one-off)

£

Description and scale of **key monetised costs** by 'main affected groups' **Maintaining fees at current levels and cutting costs will require cuts in services and hence, increases in operating costs. This leads to increased costs to customers in proportion to their usage of the services. Compared to Option 1, the additional costs to customers resulting from the poorer service levels equate to (£13.6 – 42.0m per annum)**

Total Cost (PV) £

Other **key non-monetised costs** by 'main affected groups' **None identified**

BENEFITS

ANNUAL BENEFITS

One-off **Yrs**

£ **0**

Average Annual Benefit (excluding one-off)

£

Description and scale of **key monetised benefits** by 'main affected groups' **There would be no identifiable benefits from this scenario compared to Option 1.**

Total Benefit (PV) £

Other **key non-monetised benefits** by 'main affected groups' **None identified**

Key Assumptions/Sensitivities/Risks **Main assumptions are that volumes of vehicles tested, permit applications and authorisations etc; will not change dramatically. Late implementation of changes or significant changes in volumes of business are the main risks.**

Price Base	Time Period	**Net Benefit Range** (NPV)	**NET BENEFIT** (NPV Best estimate)
2008	2	£	£

What is the geographic coverage of the policy/option?			**Great Britain**	
On what date will the policy be implemented?			**April 2009**	
Which organisation(s) will enforce the policy?			**VOSA**	
What is the total annual cost of enforcement for these organisations?			**£ Nil**	
Does enforcement comply with Hampton principles?			**N/A**	
Will implementation go beyond minimum EU requirements?			**N/A**	
What is the value of the proposed offsetting measure per year?			**£ N/A**	
What is the value of changes in greenhouse gas emissions?			**£ N/A**	
Will the proposal have a significant impact on competition?			**No**	
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	**No**	**No**	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices) (Increase - Decrease)

Increase £ Decrease £ **Net** £

Key: **Annual costs and benefits:** **(Net) Present**

Summary: Analysis & Evidence

Policy Option: 3	Description: : Increase fees as detailed in evidence

COSTS

ANNUAL COSTS

One-off (Transition)	Yrs
£ N/A	N/A
Average Annual Cost (excluding one-off)	
£ 7.1m	2

Description and scale of **key monetised costs** by 'main affected groups' **Relative to the base case, Option 2, the annual costs represent the increase in annual fees, which will pay for maintaining services at existing levels. These will affect all users of VOSA services in proportion to their usage of the services**.

Total Cost (PV) £ 14m

Other **key non-monetised costs** by 'main affected groups' **None identified**

BENEFITS

ANNUAL BENEFITS

One-off	Yrs
£ 0	
Average Annual Benefit (excluding one-off)	
£ 20.6m – 48.6m	2

Description and scale of **key monetised benefits** by 'main affected groups' **The fee increase is essentially a transfer, so it is also counted as a benefit to VOSA. The other key benefit is that it will prevent business costs rising as set out against option 2, amounting to £13.6m-42m per annum.**

Total Benefit (PV) £ 40.42m –95.51m

Other **key non-monetised benefits** by 'main affected groups' **Limited investment in providing service improvements to meet identified customer needs will still be possible.**

Key Assumptions/Sensitivities/Risks **Main assumptions are that volumes of vehicles tested, permit applications and authorisations etc; will reduce by 5%. Late implementation of changes or significant changes in volumes of business are the main risks.**

Price Base	Time Period	Net Benefit Range (NPV)	NET BENEFIT (NPV Best estimate)
2008	2	£ 26. 42m – 81.5m	£ 53.96m

What is the geographic coverage of the policy/option?			Great Britain	
On what date will the policy be implemented?			April 2009	
Which organisation(s) will enforce the policy?			VOSA	
What is the total annual cost of enforcement for these organisations?			£ Nil	
Does enforcement comply with Hampton principles?			N/A	
Will implementation go beyond minimum EU requirements?			N/A	
What is the value of the proposed offsetting measure per year?			£ N/A	
What is the value of changes in greenhouse gas emissions?			£ N/A	
Will the proposal have a significant impact on competition?			No	
Annual cost (£-£) per organisation (excluding one-off) **at VOSA (at ATF)**	Micro £14 (8)	Small £67 (33)	Medium 153 (71)	Large 3.9k(1.8k
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices) (Increase - Decrease)

Increase £ Decrease £ **Net** £

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

Evidence Base (for summary sh

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE IMPACT ASSESSMENT OF OPERATOR LICENSING FEES MODERNISATION

1.0 **This Impact Assessment covers -**

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

- Heavy Goods Vehicles (HGVs):
  - HGV plating and testing for motor vehicles and trailers
  - Issue Design Weight Certificates
  - HGV operator licensing
  - Certification for carriage under customs seal (TIR)
  - certification for international carriage of dangerous goods (ADR)
  - international journey authorisation/permit fees
  - reduced pollution certificate
  - design weight certificates (for HGVs not subject to plating and testing

- Public Service Vehicles (PSVs):
  - PSV, vehicle certification and tests
  - PSV Operator licensing
  - Registration of local bus services
  - Accessibility certificates
  - international journey authorisation fees
  - reduced pollution certificate fees

- Other services
  - single vehicle approval fees for cars and light goods vehicles (SVA) and motorcycles (MSVA) – note that passenger cars currently approved under this scheme will be approved under the new individual vehicle approval (IVA) scheme when it comes into force during 2009 – IVA is not covered in this Impact Assessment
  - Identity checks for re-registration of certain written off vehicles (VIC)
  - authorisation of tachograph calibration centres

1.2 Fees payable to VOSA but not covered by this Impact Assessment are those for:

- the MOT testing scheme which covers vehicles other than HGVs and PSVs and where most tests are carried out by private sector testing stations;
- the new IVA scheme for pre-service approval of passenger cars (currently approved under the SVA scheme) which comes into effect during 2009;
- Issue of permits for some minibuses and other buses under section 19 of the TA 1985 and for community buses
- voluntary services such as brake, emission or headlight aim checks other than at statutory test.

1.3 It should also be noted that fee changes as a result of the first phase of implementation of the merger of certain operator licence and testing fees as part of operator licensing modernisation ("fee reform") will be subject to the same levels of general increase as others in the same schemes. The fee reform itself is the subject of a separate Impact Assessment.

1.4 Fees payable to the Driver and Vehicle Agency in Northern Ireland for reduced pollution certificates, design weight certificates and vehicle identity checks are also covered by this Impact Assessment.

2.0 General Background

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

2.2 VOSA operations cover Great Britain (i.e. England, Scotland and Wales). As mentioned above, this Impact Assessment includes fees for 3 activities which carried out in Great Britain by VOSA and in Northern Ireland by the Driver and Vehicle Agency.

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

- testing vehicles at VOSA and third party premises;
- checks and examinations at roadside enforcement sites, operator's premises and other locations at which vehicles are kept or operate, to ensure that goods vehicles, buses and coaches are operated in a safe and legal manner;
- other activities to encourage the safe and legal operation of goods vehicles, buses and coaches; and
- providing support to Traffic Commissioners to carry out their statutory functions, concerned primarily with the licensing of operators of heavy goods vehicles (HGVs) and public service vehicles (PSVs).

2.4 Funding of checks and other activities to ensure safe and legal operation is split between general taxation via DfT and fees.

2.5 In addition, VOSA is responsible for supervising the MOT testing of vehicles other than HGVs and PSVs, which is largely carried out by private sector organisations. The MOT testing scheme is not within the scope of this Impact Assessment.

2.6 This Impact Assessment includes the reduction by half of the supplement currently charged when HGVs or PSVs are tested at non-VOSA premises. This is the first step of a longer term strategy, we are proposing to deliver testing services which can be better integrated with vehicle maintenance processes whilst maintaining the independence and integrity of the testing regime. This is intended to be the first change of many.

2.7 The Impact Assessment takes account of the anticipated effect of reduced demand for services as a result of the current downturn in the general economy. It also takes the effect of VOSA's cost base and investment plans into account. More detail of the investment plans will be included in VOSA annual business plan to be published next spring.

3. Options considered

3.1 Early consideration was given to how VOSA might function with or without fee increases and the options looked at were;-

1) do nothing (change neither fees, service levels or investment plans),
2) maintain statutory fees at their current levels and cut costs, *and*
3) increase fees.

3.2 **Option 1** – the 'do nothing' option – has not been pursued because:

- Failing to cover in-year costs is against both the spirit of the Government Trading Funds Act 1973 and Treasury policy. It would lead to significantly increased fees the following year to cover 2 years' worth of cost increases plus interest on the shortfall in 2009/10. This option is not sustainable.

3.3 **Options 2** – maintaining fees at current levels would require not only a complete halt to investment in developing improved customer services, such as self service bookings and applications, but also cutbacks in services. These cutbacks would increase operator costs along the lines modelled in Annex D to this Impact Assessment.

As Option 1 is unsustainable, for the purpose of this appraisal we have treated Option 2 as the base case scenario. In fact, relative to option 1, it is estimated that the cut to service levels required to balance the budget, if existing fees were maintained, would cost £13.6m - £42m per annum in time costs to operators and potential accidents resulting from lower quality enforcement. Refer to Annex D for estimates. As this option is considered the base case, we do not present these costs in the template sheet.

3.7 **Option 3** – with the changes proposed, VOSA will:

- halve the supplements currently charged for carrying out tests away from VOSA premises;
- leave statutory fees for passenger vehicles within the Single Vehicle Approval scheme unaltered (these vehicles move to a new approval scheme in April 2009)
- apply a general increase of 9% to statutory fees for all other testing services; and
- apply a 5% general increase to the statutory fees for all other services.

This will enable VOSA to maintain a stable financial footing, whilst allowing existing services levels to be maintained and allow a continuing modest investment in updating systems and facilities to maintain and improve future services.

4 Proposed fees and other supporting information

4.1 Annex A shows the proposed changes to fees affected by the proposals.

4.2 Summary scheme accounts are shown in Annex B.

4.3 The effects on costs to the road freight industry are modelled in Annex C1. The effects on the rental and leasing sector of that industry are modelled in annex C2. We were unable to locate published data on operating costs for PSVs. Were such data available we have no reason to believe that the effect of proposed changes in VOSA fees as a proportion of total operating costs would be of a different order of magnitude to that for HGVs. Neither have we been able to obtain public domain information on the operating costs of other business sectors affected by other schemes such as vehicle importers using the SVA scheme.

4.4 Annex D models the effect on the road freight industry of not increasing fees. The assumptions used in the assessing this effect have not been updated from those used for 2008/9 fees. This is because of the difficulty of validating the assumptions for the more complex package of changes proposed for 2009/10. Costs used have been updated using more recently published data.

5 Consultation

5.1 A public consultation on the proposals was held between 6 November 2008 and 29 January 2009. A total of 13 responses were received. A summary of those responses has been published at http://www.dft.gov.uk/consultations/closed/vosafees/. The majority of respondents who expressed views supported the proposals:

- to reduce the premium paid for tests at non-VOSA premises;
- to charge only until 31 March 2010, for fees to be abolished in 2010;
- to implement the fee reform in 2 stages;
- to apportion costs being transferred from operator licence fees to test fees in proportion to activity levels (though this was opposed by those outside the operator licensing system; and
- to leave fees for passenger vehicles within the Single Vehicle Approval scheme unaltered.

5.2 The majority of respondents who expressed views opposed the proposed levels of general fee increase proposed.

6 Competition Assessment

6.1 The reduction in supplements for tests away from VOSA premises will help those who currently use such facilities. This is the initial step towards a fairer distribution of costs aimed at giving businesses greater choice. In overall terms, the introduction of higher fees and charges remains

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

7 Other Environment Impact Test

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

8 Small Firms Impact Test

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

8.2 We have been able to find public domain information to model the effect of fees on the operating costs of small businesses operating in the road freight industry. The Road Haulage Association has carried out surveys involving a range of hauliers and published figures on operating costs. These vary according to the nature and policies of individual businesses. Nonetheless, overall, the total fee burden for a licensed operator of one 7.5 tonne truck represents about 0.42% of operating costs and the proposed increases covered by this Impact Assessment represent around 0.025% (one fortieth of one percent) of operating costs.

8.3 The consultation sought views from small businesses either directly or through their membership of trade and business associations such as the Road Haulage Association, the Freight Transport Association, the Confederation of Passenger Transport, the Retail Motor Industry Federation and the Federation of Small Businesses. No individual small businesses responded. However, the main vehicle operator trade associations did respond and we believe their membership to include a cross section of business sizes.

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

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

10 Specific Impact tests not carried out

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

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	*Results in Evidence Base?*	*Results annexed?*
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	Yes	No
Health Impact Assessment	No	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

Annexes

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

HGV Test fees not affected by testing transformation and merger					
Fee Description			Current Fee	Annual General Increase @ 9%	New Fee Payable
Motor Vehicle	Test & retest beyond 14 days	Out of hrs supplement	£35.00	£3.00	£38.00
	Retest Fee	Next day	£12.00	£1.00	£13.00
		Out of hrs supplement	£18.00	£2.00	£20.00
Trailer	Test & retest beyond 14 days	Out of hrs supplement	£22.00	£2.00	£24.00
	Retest Fee	Next day	£6.00	£1.00	£7.00
		Out of hrs supplement	£12.00	£1.00	£13.00
Motor Vehicle or Trailer	Notifiable Alteration	Out of hrs supplement	£12.00	£1.00	£13.00
	Appeal		£27.00	£2.00	£29.00
	Duplicate Document		£12.00	£1.00	£13.00

HGV Test Fees affected by testing transformation and merger							
Fee Description			Current Fee	Testing Transformation	O licence vehicle fee merger	General Annual Fee Increase @ 9%	New Fee
Motor Vehicle							
Test & retest beyond 14 days	2 Axle	At VOSA Site	£51.00		£18.00	£6.00	£75.00
		At DP/ATF	£64.00	-£7.00	£18.00	£7.00	£82.00
	3 Axle	At VOSA Site	£73.00		£18.00	£8.00	£99.00
		At DP/ATF	£86.00	-£7.00	£18.00	£9.00	£106.00
	4 Axle	At VOSA Site	£96.00		£18.00	£10.00	£124.00
		At DP/ATF	£109.00	-£7.00	£18.00	£11.00	£131.00
retest within 14 days	2 Axle	At VOSA Site	£34.00			£3.00	£37.00
		At DP/ATF	£42.00	-£4.00		£3.00	£41.00
	3 Axle	At VOSA Site	£48.00			£4.00	£52.00
		At DP/ATF	£56.00	-£4.00		£4.00	£56.00
	4 Axle	At VOSA Site	£63.00			£6.00	£69.00
		At DP/ATF	£71.00	-£4.00		£6.00	£73.00
Trailer							
Test & retest beyond 14 days	1 Axle	At VOSA Site	£25.00		£7.00	£3.00	£35.00
		At DP/ATF	£32.00	-£3.00	£7.00	£3.00	£39.00
	2 Axle	At VOSA Site	£38.00		£7.00	£4.00	£49.00
		At DP/ATF	£45.00	-£3.00	£7.00	£4.00	£53.00
	3 Axle	At VOSA Site	£48.00		£7.00	£5.00	£60.00
		At DP/ATF	£55.00	-£3.00	£7.00	£5.00	£64.00
retest within 14 days	1 Axle	At VOSA Site	£17.00			£2.00	£19.00
		At DP/ATF	£21.00	-£2.00		£2.00	£21.00
	2 Axle	At VOSA Site	£24.00			£2.00	£26.00
		At DP/ATF	£28.00	-£2.00		£2.00	£28.00
	3 Axle	At VOSA Site	£32.00			£3.00	£35.00
		At DP/ATF	£36.00	-£2.00		£3.00	£37.00
Notifiable Alteration							
	Motor Vehicle or trailer At VOSA Site		£24.00			£2.00	£26.00
	Motor Vehicle At DP/ATF		£32.00	-£4.00		£2.00	£30.00
	Trailer at DP/ATF		£28.00	-£2.00		£2.00	£28.00

Design Weight Certificates under the Vehicle Excise (Design Weight Certificate) Regulations 1995 (SI 1995/1455)					
Fee Description			Current Fee	Annual General Increase @ 9%	New Fee Payable
Application			£13.50	£1.50	£15.00
Saturday Supplement			£8.40	£0.60	£9.00
Appeal			£25.00	£2.00	£27.00

HGV O Licence Fees under the Goods Vehicle (Licensing of Operators) (Fees) Regulations 1995 (SI 1995/3000)

HGV O Licence Fees not affected by merger					
Fee Description			Current Fee	Annual General Increase @ 5%	New Fee Payable
Application for Licence			£238.00	£12.00	£250.00
Application for Variation			£238.00	£12.00	£250.00
Grant of Licence			£372.00	£19.00	£391.00
Continuation of Licence			£372.00	£19.00	£391.00
Issue of Interim Licence			£63.00	£3.00	£66.00

HGV O Licence Fees affected by merger							
Fee Description			Current Fee	Testing Transformation	O licence vehicle fee merger	General Annual Fee Increase @ 5 %	New Fee
Vehicle fees (per specified motor vehicle)	per quarter (or part thereof)	5 years in advance	No longer available as at April 2009 due to fee merger				
	per quarter (or part thereof)	1 year in advance	No longer available as at April 2009 due to fee merger				
	Per month (or part thereof)	For period till 31/3/10	New fee from April 2009 replacing the two fees above.				£2.00
Vehicle fees on interim licence (per motor vehicle specified)			£12.00		-£6.00		£6.00

TIR Fees under the International Transport of Goods under Cover of TIR Carnets (Fees) Regulations 1988 (SI 1988/371)					
Fee Description			Current Fee	Annual General Increase @ 9%	New Fee Payable
Individual Inspection	Initial		£97.00	£9.00	£106.00
	Retest		£64.00	£6.00	£70.00
Type Approval	Type vehicle		£591.00	£53.00	£644.00
	Type Variation		£97.00	£9.00	£106.00
	Certificate of Conformity		£13.00	£1.00	£14.00
	Duplicate Document		£13.00	£1.00	£14.00

ADR Fees under the International Carriage of Dangerous Goods by Road (Fees) Regulations 1988 (SI1988/370)					
Fee Description			Current Fee	Annual General Increase @ 9%	New Fee Payable
Individual inspection (full test fee added to these fees)	Initial		£91.00	£8.00	£99.00
	Re-test		£46.00	£4.00	£50.00
	Duplicate		£13.00	£1.00	£14.00
Type Approval	Tractor Cert		£26.00	£2.00	£28.00

Fees under the Goods Vehicles (Authorisation of International Journeys) (Fees) Regulations 2001 (SI2001/3606)					
Fee Description			Current Fee	Annual General Increase @ 5%	New Fee Payable
ECMT licence	1 year		£127.00	£6.00	£133.00
	3 months or part		£32.00	£2.00	£34.00
Journey permit	per return journey		£8.00	£0.00	£8.00
	per 4 return journeys – Turkey		£13.00	£1.00	£14.00
	per 15 return journeys – Morocco		£48.00	£2.00	£50.00
Removal authorisation			£17.00	£1.00	£18.00

Fees under the Road Vehicles (Registration and Licensing) Regulations 2002 (SI2002/2742) Reduced Pollution Certificate

Reduced Pollution Certificate fees not affected by testing transformation					
Fee Description			Current Fee	Annual General Increase @ 9%	New Fee Payable
OoH Supplement			£11.00	£1.00	£12.00

Reduced Pollution Certificate fees affected by testing transformation							
Fee Description			Current Fee	Testing Transformation	O licence vehicle fee merger	Annual General Increase @ 9%	New Fee Payable
With annual test/COIF		At VOSA Site	£17.00			£2.00	£19.00
		At DP/ATF	£24.00	-£4.00		£2.00	£22.00
At other times		At VOSA Site	£29.00			£3.00	£32.00
		At DP/ATF	£36.00	-£4.00		£3.00	£35.00

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

PSV Test Fees not affected by testing transformation and merger					
Fee Description			Current Fee	Annual General Increase @ 9%	New Fee Payable
PSV Test	Out of hrs supplement	23+ seats	£48.00	£4.00	£52.00
		9 - 22 seats	£35.00	£3.00	£38.00
PSV Retest Fee	Retest (minor)		£11.00	£1.00	£12.00
	Out of hrs supplement	23+ seats	£23.00	£2.00	£25.00
		9 - 22 seats	£17.00	£2.00	£19.00
Duplicate Certificate		This fee also covers duplicate MOT certificates for other classes of vehicle covered by these regulations and is subject to separate consultation along with those other fees			

PSV Test Fees affected by merger							
Fee Description			Current Fee	Testing Transformation	O licence vehicle fee merger	General Annual Fee Increase @ 9%	New Fee
PSV Test + retest beyond 14 days	23 + seats	At VOSA Site	£84.00		£20.00	£9.00	£113.00
		At DP/ATF	£96.00	-£6.00	£20.00	£10.00	£120.00
	9 - 22 seats	At VOSA Site	£59.00		£20.00	£7.00	£86.00
		At DP/ATF	£71.00	-£6.00	£20.00	£8.00	£93.00
PSV retest within 14 days	23 + seats	At VOSA Site	£55.00			£5.00	£60.00
		At DP/ATF	£63.00	-£4.00		£5.00	£64.00
	9 - 22 seats	At VOSA Site	£38.00			£3.00	£41.00
		At DP/ATF	£46.00	-£4.00		£3.00	£45.00

PSV O Licence Fees under the Public Service Vehicles (Operators' Licences) (Fees) Regulations 1995 (SI 1995/2909)

PSV O Licence Fees not affected by merger					
Fee Description			Current Fee	Annual General Increase @ 5%	New Fee Payable
Application – Standard Licence			£224.00	£11.00	£235.00
Application – Restricted Licence			£148.00	£7.00	£155.00
Variation Application			£113.00	£6.00	£119.00
Application – special licence			£58.00	£3.00	£61.00
Continuation – special licence			£58.00	£3.00	£61.00

PSV O Licence Fees affected by merger							
Fee Description			Current Fee	Testing Transformation	O licence vehicle fee merger	General Annual Fee Increase @ 5%	New Fee
Grant or continuation - standard or restricted		5 years in advance	No longer available as at April 2009 due to fee merger				
		1 year in advance	No longer available as at April 2009 due to fee merger				
	Per month (or part thereof)	For period till 31/3/10	New fee from April 2009 replacing the two fees above.				£1.00
Vehicle disc	Per month (or part thereof)	5 years in advance	No longer available as at April 2009 due to fee merger				
	Per month (or part thereof)	1 year in advance	No longer available as at April 2009 due to fee merger				
	Per month (or part thereof)	For period till 31/3/10	New fee from April 2009 replacing the two fees above.				£3.00
Duplicate disc fee			£15.00		-£7.50	£0.50	£8.00

Fees under the Public Service Vehicles (Registration of Local Service) Regulations 1986 (SI 1986/1671)					
Fees under the Public Service Vehicles (Registration of Local Service) (Scotland) Regulations 2001 (SI 2001/219)					
Fee Description			Current Fee	Annual General Increase @ 5%	New Fee Payable
Registration – normal			£57.00	£3.00	£60.00
Variation – normal			£57.00	£3.00	£60.00
Registration – community			£12.00	£1.00	£13.00
Variation – community			£12.00	£1.00	£13.00

Fees under the Road Transport (International Passenger Services) Regulations 1984 (SI 1984/748)					
Fee Description			Current Fee	Annual General Increase @ 5%	New Fee Payable
Copy of Authorisation			£12.00	£1.00	£13.00
Special Regular Service or TA'85 s.6	Application		£168.00	£8.00	£176.00
Shuttle or Regular Service	Application		£171.00	£9.00	£180.00
regular or special regular service	Issue – per year of validity		£36.00	£2.00	£38.00
Own Account Certificate	application per year of validity		£6.00	£0.00	£6.00

PSV CoIF Fees under the Public Service Vehicles (Conditions of Fitness, Equipment, Use and Certification) Regulations 1981 (SI 1981/257)					
Fee Description			Current Fee	Annual General Increase @ 9%	New Fee Payable
Individual Approval					
Initial Application			£269.00	£24.00	£293.00
Re-application	With tilt test		£269.00	£24.00	£293.00
	no tilt test		£32.00	£14.00	£35.00
Duplicate			£21.00	£3.00	£23.00
Type Approval					
Type variation (inspected)			£1,558.00	£140.00	£1,698.00
Type variation (no inspection)			£143.00	£13.00	£156.00
New body/chassis combination			£770.00	£69.00	£839.00
All Other			£3,335.00	£300.00	£3,635.00
Certificate of Conformity			£29.00	£3.00	£32.00
Duplicate			£21.00	£2.00	£23.00

Fees under the Public Service Vehicles Accessibility Regulations 2000 (SI 2000/1970)					
Fee Description			Current Fee	Annual General Increase @ 9%	New Fee Payable
Individual Approval					
Individual application	One schedule		£47.00	£4.00	£51.00
	Two schedules		£95.00	£9.00	£104.00
Re-application	One schedule		£16.00	£1.00	£17.00
	Two schedules		£33.00	£3.00	£36.00
Duplicate			£12.00	£1.00	£13.00
Type Approval					
Significant variant, new chassis for approved body: new body for conformant chassis	One schedule		£168.00	£ 15.00	£183.00
	Two schedules		£336.00	£30.00	£366.00
Minor variant	One schedule		£16.00	£1.00	£17.00
	Two schedules		£32.00	£3.00	£35.00
new combination of approved chassis and body	One schedule		£83.00	£ 7.00	£90.00
	Two schedules		£166.00	£15.00	£181.00
Other cases	One schedule		£368.00	£33.00	£401.00
	Two schedules		£725.00	£65.00	£790.00
Certificate of Conformity			£16.00	£1.00	£17.00
Duplicate			£12.00	£1.00	£13.00

Fees under the Road Vehicles (Registration and Licensing) Regulations 2002 (SI2002/2742) reduced pollution certificate

Reduced Pollution Certificate fees not affected by testing transformation					
Fee Description			Current Fee	Annual General Increase @ 9%	New Fee Payable
Out of hours			£11.00	£1.00	£12.00

Reduced Pollution Certificate fees affected by testing transformation							
Fee Description			Current Fee	Testing Transformation	O licence vehicle fee merger	Annual General Increase @ 9%	New Fee Payable
With annual test/COIF		At VOSA Site	£17.00			£2.00	£19.00
		At DP/ATF	£24.00	-£4.00		£2.00	£22.00
At other times		At VOSA Site	£29.00			£3.00	£32.00
		At DP/ATF	£36.00	-£4.00		£3.00	£35.00

Single Vehicle Approval Fees under the Motor Vehicles (Approval) (Fees) Regulations 2001 (SI 2001/2486)					
Fee Description			Current Fee	Annual General Increase @ 9%	New Fee Payable
Basic SVA	1. Examination; or Appeal		£190.00	£0.00	£190.00
	Advice after test Non statutory charge (includes VAT)		£44.00	£4.00	£48.00
	2. E Certificate; or Appeal		£76.00	£0.00	£76.00
Enhanced SVA	3. Examination with Model Report; or Appeal		£240.00	£0.00	£240.00
	4. Examination without Model Report; or Appeal		£228.00	£0.00	£228.00
	5. E Certificate + Examination with Model Report; or Appeal		£127.00	£0.00	£127.00
	6. E Certificate + Examination without Model Report; or Appeal		£114.00	£0.00	£114.00
	7. New vehicle with EC Type Approval		£38.00	£0.00	£38.00
Basic or Enhanced SVA	8. Retest		£38.00	£0.00	£38.00
	Failure to attend or refusal without examination		£64.00	£0.00	£64.00
	Replacement Certificate		£12.00	£1.00	£13.00
	Out of Hours supplement - examinations 1, 3 & 4		£95.00	£0.00	£95.00
	Out of Hours supplement - examinations 2, 5, 6 & 7		£25.00	£0.00	£25.00
	Out of Hours supplement - retest 8		£19.00	£0.00	£19.00

Single Vehicle Approval Fees under the Motor Vehicles (Approval) (Fees) Regulations 2001 (SI 2001/2486) (continued)

Goods Vehicles

Fee description			Current Fee	Annual General Increase @ 9%	New Fee Payable
Basic SVA	9. Examination; or Appeal		£76.00	£7.00	£83.00
	Advice after test Non statutory charge (includes VAT)		£44.00	£4.00	£48.00
	10. E Certificate; or Appeal		£76.00	£7.00	£83.00
Enhanced SVA	11. Examination with Model Report; or Appeal		£127.00	£11.00	£138.00
	12. Examination without Model Report; or Appeal		£114.00	£10.00	£124.00
	13. E Certificate + Examination with Model Report; or Appeal		£127.00	£11.00	£138.00
	14. E Certificate + Examination without Model Report; or Appeal		£114.00	£10.00	£124.00
	15. New vehicle with EC Type Approval		£38.00	£3.00	£41.00
Basic or Enhanced SVA	16. Retest		£19.00	£2.00	£21.00
	Failure to attend or refusal without examination		£64.00	£6.00	£70.00
	Replacement Certificate		£12.00	£1.00	£13.00
	Out of Hours supplement - examinations 9, 11 & 12		£31.00	£3.00	£34.00
	Out of Hours supplement - examinations 10, 13, 14 & 15		£25.00	£2.00	£27.00
	Out of Hours supplement - retest 16		£7.00	£1.00	£8.00

Fees under the Motor Cycle Etc. (Single Vehicles Approval) (Fees) Regulations 2003 (SI 2003/1960)

Fee Description			Current Fee	Annual General Increase @ 9%	New Fee Payable
Initial Application or Appeal	Lower Power Moped		£50.00	£5.00	£55.00
	2 Wheeler		£78.00	£7.00	£85.00
	3 or more wheels		£95.00	£9.00	£104.00
Out of Hours Supplement			£22.00	£2.00	£24.00
Re application	All		£16.00	£1.00	£17.00
Duplicate			£11.00	£1.00	£12.00

Fees under the Road Vehicles (Registration and Licensing) Regulations 2002 (SI 2002/2742) - Vehicle Identity Check

Fee Description		Current Fee	Testing Transformation	O licence vehicle fee merger	Annual General Increase @ 9%	New Fee Payable
Examination	At VOSA Site	£38.00			£3.00	£41.00
	At DP/ATF	£44.00	-£3.00		£4.00	£45.00
OoH Supplement		£8.00			£1.00	£9.00

Fees under the Passenger and Goods (Recording Equipment) (Approval of Fitters and Workshops) (Fees) Regulations 1986 (SI 1986/2128)

Fee Description	Current Fee	Annual General Increase @ 5 %	New Fee Payable
Initial Approval	£344.00	£17.00	£361.00
Annual Renewal	£141.00	£7.00	£148.00

Summary scheme accounts

Note: 2009/10 forecasts for schemes marked * include the effect of phase 1 of the merger of certain operator licence fees with test fees.

HGV Plating and Testing* and Reduced Pollution Certificate

Note: Fees set within this group on the basis of time to process each application type

	2007-08 *Actual £m*	2008-09 *Estimate £m*	2009-10 *Forecast £m*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**46.2**	**47.6**	**54.7**
Increased income from new/revised fee			**4.5**
Operating budget for service (before input price increases and any other added expenditure)	**51.0**	**50.9**	**56.6**
Additional costs of providing service			**1.8**
Accumulated surplus / (deficit) brought forward from previous period	**(5.1)**		
Net surplus / (deficit) for service at year end	**(9.9)**	**(13.1)**	**(12.4)**

HGV Operator Licensing*

	2007-08 *Actual £m*	2008-09 *Estimate £m*	2009-10 *Forecast £m*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**25.8**	**30.2**	**22.1**
Increased income from new/revised fee			**1.1**
Operating budget for service (before input price increases and any other added expenditure)	**25.8**	**26.8**	**20.2**
Additional costs of providing service			**0.7**
Accumulated surplus / (deficit) brought forward from previous period	**(10.9)**		
Net surplus / (deficit) for service at year end	**(10.9)**	**(7.6)**	**(5.2)**

TIR Inspections

	2007-08 *Actual £k*	2008-09 *Estimate £k*	2009-10 *Forecast £k*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**14**	**14**	**14**
Increased income from new/revised fee			**1**
Operating budget for service (before input price increases and any other added expenditure)	**7**	**7**	**7**
Additional costs of providing service			**0**
Accumulated surplus / (deficit) brought forward from previous period	**15**		
Net surplus / (deficit) for service at year end	**22**	**29**	**37**

ADR Inspections

	2007-08 *Actual £k*	2008-09 *Estimate £k*	2009-10 *Forecast £k*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**631**	**651**	**651**
Increased income from new/revised fee			**56**
Operating budget for service (before input price increases and any other added expenditure)	**508**	**490**	**490**
Additional costs of providing service			**19**
Accumulated surplus / (deficit) brought forward from previous period	**(473)**		
Net surplus / (deficit) for service at year end	**(350)**	**(189)**	**9**

GV International Permits

	2007-08 *Actual £k*	2008-09 *Estimate £k*	2009-10 *Forecast £k*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**21**	**25**	**25**
Increased income from new/revised fee			**1**
Operating budget for service (before input price increases and any other added expenditure)	**18**	**25**	**25**
Additional costs of providing service			**0**
Accumulated surplus / (deficit) brought forward from previous period	**(16)**		
Net surplus / (deficit) for service at year end	**(13)**	**(13)**	**(12)**

PSV Testing*

	2007-08 *Actual £m*	2008-09 *Estimate £m*	2009-10 *Forecast £m*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**7.6**	**8.3**	**11.6**
Increased income from new/revised fee			**9**
Operating budget for service (before input price increases and any other added expenditure)	**7.1**	**9.2**	**12.7**
Additional costs of providing service (			**0.3**
Accumulated surplus / (deficit) brought forward from previous period	**3.1**		
Net surplus / (deficit) for service at year end	**3.5**	**2.1**	**1.5**

PSV O Licensing*

	2007-08 *Actual £m*	2008-09 *Estimate £m*	2009-10 *Forecast £m*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**6.6**	**7.7**	**3.9**
Increased income from new/revised fee			**0.2**
Operating budget for service (before input price increases and any other added expenditure)	**7.7**	**8.0**	**4.0**
Additional costs of providing service			**0.1**
Accumulated surplus / (deficit) brought forward from previous period	**8.2**		
Net surplus / (deficit) for service at year end	**7.1**	**6.9**	**6.9**

Registration of Local Bus Services, Minibus and Community Bus Permits

Note: Fees set within this group on the basis of time to process each application type

	2007-08 *Actual £m*	2008-09 *Estimate £m*	2009-10 *Forecast £m*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**0.7**	**0.8**	**0.8**
Increased income from new/revised fee			**0.0**
Operating budget for service (before input price increases and any other added expenditure)	**0.6**	**0.8**	**0.8**
Additional costs of providing service			**0.0**
Accumulated surplus / (deficit) brought forward from previous period	**(0.4)**		
Net surplus / (deficit) for service at year end	**(0.3)**	**(0.2)**	**(0.2)**

PSV Certificate of Initial Fitness and Accessibility Certificate

Note: Fees set within this group on the basis of time to process each application type

	2007-08 *Actual £m*	2008-09 *Estimate £m*	2009-10 *Forecast £m*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**1.6**	**1.7**	**1.7**
Increased income from new/revised fee			**0.1**
Operating budget for service (before input price increases and any other added expenditure)	**1.6**	**1.8**	**1.8**
Additional costs of providing service			**0.1**
Accumulated surplus / (deficit) brought forward from previous period	**0.2**		
Net surplus / (deficit) for service at year end	**0.2**	**0.1**	**(0.1)**

PSV International Permits

	2007-08 *Actual £k*	2008-09 *Estimate £k*	2009-10 *Forecast £k*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**4**	**5**	**5**
Increased income from new/revised fee			**0**
Operating budget for service (before input price increases and any other added expenditure)	**4**	**5**	**5**
Additional costs of providing service			**0**
Accumulated surplus / (deficit) brought forward from previous period	**(11)**		
Net surplus / (deficit) for service at year end	**(11)**	**(10)**	**(11)**

Vehicle Identity Check

	2007-08 *Actual £m*	2008-09 *Estimate £m*	2009-10 *Forecast £m*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**3.8**	**3.9**	**3.9**
Increased income from new/revised fee			**0.3**
Operating budget for service (before input price increases and any other added expenditure	**5.4**	**3.8**	**3.8**
Additional costs of providing service			**0.2**
Accumulated surplus / (deficit) brought forward from previous period	**0.1**		
Net surplus / (deficit) for service at year end	**(1.4)**	**(1.4)**	**(1.1)**

Single Vehicle Approval

	2007-08 *Actual £m*	2008-09 *Estimate £m*	2009-10 *Forecast £m*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**2.4**	**2.4**	**0.26**
Increased income from new/revised fee			**0.02**
Operating budget for service (before input price increases and any other added expenditure)	**3.5**	**2.9**	**0.28**
Additional costs of providing service (			**0.01**
Accumulated surplus / (deficit) brought forward from previous period	**(1.1)**		
Net surplus / (deficit) for service at year end	**(2.2)**	**(2.5)**	**(2.5)**

Motorcycle Single Vehicle Approval

	2007-08 *Actual £k*	2008-09 *Estimate £k*	2009-10 *Forecast £k*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**451**	**465**	**465**
Increased income from new/revised fee			**43**
Operating budget for service (before input price increases and any other added expenditure)	**589**	**417**	**417**
Additional costs of providing service			**14**
Accumulated surplus / (deficit) brought forward from previous period)	**(590)**		
Net surplus / (deficit) for service at year end	**(728)**	**(680)**	**(603)**

Tachograph Centre Approval

	2007-08 *Actual £k*	2008-09 *Estimate £k*	2009-10 *Forecast £k*
Fee charged/proposed		**See fee table**	
Fee income from service (before proposed increase)	**84**	**87**	**87**
Increased income from new/revised fee			**8**
Operating budget for service (before input price increases and any other added expenditure)	**189**	**93**	**93**
Additional costs of providing service			**3**
Accumulated surplus / (deficit) brought forward from previous period	**(142)**		
Net surplus / (deficit) for service at year end	**(247)**	**(253)**	**(254)**

Vehicle operating costs

per vehicle costs

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

per business costs

Trailer ratio	1.98	Artic tractors	121,600
		Trailers	240,350

	Business size							
	Micro		small		medium		large	
	No	Cost PA	No	Cost PA	No	Cost PA	No	Cost PA
7.5t 2 axle rigid	1	£56,530	2	£113,060	4	£226,120	90	£5,087,700
12 - 14t 2axle rigid		£0		£0		£0	18	£1,152,810
17 - 18t 2 axle rigid		£0	1	£75,100	2	£150,200	36	£2,703,600
24 - 26t 3 axle rigid		£0		£0	1	£89,620	31	£2,778,220
32t 4 axle rigid tipper		£0		£0	1	£101,180	16	£1,618,880
32 - 33t 2 + 2 axle artic		£0		£0		£0	2	£203,766
38t 2 + 3 axle artic		£0		£0		£0	12	£1,446,098
44t 3 + 3 axle artic		£0	1	£132,218	2	£264,436	45	£5,949,816
Total	1	£56,530	4	£320,378	10	£831,556	250	£20,940,889

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

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

VOSA charges

O licence per licence fees

	Licences in issue	99,600		Variations per year	8,000	
	New applications PA	8,000		Continuations PA	13,000	
	New App		Grant / Cont (5 years)		Variation	Average
2008	£238.00		£372.00		£238.00	£112.63
2009	£250.00		£391.00		£250.00	£118.36
Change	£12.00		£19.00		£12.00	£5.73

O licence vehicle related charges

	per quarter		per year
O Licence per vehicle (paid 5 yearly)	2008	£10.00	£40.00
	per month		
	2009	£2.00	£24.00
	Op cost Change		-£16.00

Test fees at VOSA premises by vehicle type

Failure rates Motor vehicles 19.5% Trailers 20.3%

Vehicle	2 axle motor vehicle			3 axle motor vehicle			4 axle motor vehicle		
	Test	retest	average veh	Test	retest	average veh	Test	retest	average veh
2008	£51.00	£34.00	£57.63	£73.00	£48.00	£82.36	£96.00	£63.00	£108.29
2009	£75.00	£37.00	£82.22	£99.00	£52.00	£109.14	£124.00	£69.00	£137.46
Op cost Change	£24.00	£3.00	£24.59	£26.00	£4.00	£26.78	£28.00	£6.00	£29.17
Trailer	2 axle trailer			3 axle trailer					
	Test	retest	average veh	Test	retest	average veh			
2008	£38.00	£24.00	£42.87	£48.00	£32.00	£54.50			
2009	£49.00	£26.00	£54.28	£60.00	£35.00	£67.11			
Op cost Change	£11.00	£2.00	£11.41	£12.00	£3.00	£12.61			

Test Fees at ATFs by vehicle type

Failure rates Motor vehicles 19.5% Trailers 20.3%

Vehicle	2 axle motor vehicle			3 axle motor vehicle			4 axle motor vehicle		
	Test	retest	average veh	Test	retest	average veh	Test	retest	average veh
2008	£64.00	£42.00	£72.19	£86.00	£56.00	£96.92	£109.00	£71.00	£122.85
2009	£82.00	£41.00	£90.00	£106.00	£56.00	£116.92	£131.00	£73.00	£145.24
Op cost Change	£18.00	-£1.00	£17.81	£20.00	£0.00	£20.00	£22.00	£2.00	£22.39
Trailer	2 axle trailer			3 axle trailer					
	Test	retest	average veh	Test	retest	average veh			
2008	£45.00	£28.00	£50.68	£55.00	£36.00	£62.31			
2009	£53.00	£28.00	£58.68	£64.00	£37.00	£71.51			
Op cost Change	£8.00	£0.00	£8.00	£9.00	£1.00	£9.20			

Total VOSA per vehicle charges by vehicle type (tests at VOSA premises)

Type	2008	2009	Change
7.5t 2 axle rigid	£97.63	£106.22	£8.59
12 - 14t 2axle rigid	£97.63	£106.22	£8.59
17 - 18t 2 axle rigid	£97.63	£106.22	£8.59
24 - 26t 3 axle rigid	£122.36	£133.14	£10.78
32t 4 axle rigid tipper	£148.29	£161.46	£13.17
32 - 33t 2 + 2 axle artic	£182.37	£213.50	£31.13
38t 2 + 3 axle artic	£205.34	£238.85	£33.51
44t 3 + 3 axle artic	£230.07	£265.78	£35.70

Total VOSA per vehicle charges by vehicle type (Tests at ATFs)

Type	2008	2009	Change
7.5t 2 axle rigid	£112.19	£114.00	£1.81
12 - 14t 2axle rigid	£112.19	£114.00	£1.81
17 - 18t 2 axle rigid	£112.19	£114.00	£1.81
24 - 26t 3 axle rigid	£136.92	£140.92	£4.00
32t 4 axle rigid tipper	£162.85	£169.24	£6.39
32 - 33t 2 + 2 axle artic	£212.37	£229.99	£17.62
38t 2 + 3 axle artic	£235.35	£255.34	£20.00
44t 3 + 3 axle artic	£260.08	£282.27	£22.19

Total VOSA cost changes per business (tests at VOSA premises)

	Business size											
	Micro			Small			Medium			Large		
Vehicles	No	2008	Change	No	2008	Change	No	2008	Change	No	2008	Change
7.5t 2 axle rigid	1	£97.63	£8.59	2	£195.26	£17.17	4	£390.52	£34.34	90	£8,786.70	£772.65
12 - 14t 2axle rigid	0			0			0			18	£1,757.34	£154.53
17 - 18t 2 axle rigid	0			1	£97.63	£8.59	2	£195.26	£17.17	36	£3,514.68	£309.06
24 - 26t 3 axle rigid	0			0			1	£122.36	£10.78	31	£3,793.16	£334.18
32t 4 axle rigid tipper	0			0			1	£148.29	£13.17	16	£2,372.56	£210.72
32 - 33t 2 + 2 axle artic	0			0						2	£364.74	£62.26
38t 2 + 3 axle artic	0			0						12	£2,464.14	£402.09
44t 3 + 3 axle artic	0			1	£230.07	£35.70	2	£460.15	£71.40	45	£10,353.36	£1,606.61
Total vehicles	1			4			10			250		
per licence		£112.63	£5.73		£112.63	£5.73		£112.63	£5.73		£112.63	£5.73
VOSA charges		£210.26	£14.31		£635.60	£67.19		£1,429.21	£152.59		£33,519.31	£3,857.83

Total VOSA changes per business (tests at ATFs)

	Business size											
	Micro			Small			Medium			Large		
Vehicles	No	2008	Change	No	2008	Change	No	2008	Change	No	2008	Change
7.5t 2 axle rigid	1	£112.19	£1.81	2	£224.38	£3.61	4	£448.76	£7.22	90	£10,097.10	£162.45
12 - 14t 2axle rigid	0			0						18	£2,019.42	£32.49
17 - 18t 2 axle rigid	0			1	£112.19	£1.81	2	£224.38	£3.61	36	£4,038.84	£64.98
24 - 26t 3 axle rigid	0			0	£0.00	£0.00	1	£136.92	£4.00	31	£4,244.52	£124.00
32t 4 axle rigid tipper	0			0			1	£162.85	£6.39	16	£2,605.52	£102.24
32 - 33t 2 + 2 axle artic	0			0						2	£424.74	£35.24
38t 2 + 3 axle artic	0			0						12	£2,824.15	£239.94
44t 3 + 3 axle artic	0			1	£260.08	£22.19	2	£520.15	£44.38	45	£11,703.40	£998.56
Total vehicles	1			4			10			250		
per licence		£112.63	£5.73		£112.63	£5.73		£112.63	£5.73		£112.63	£5.73
VOSA charges	0	£224.82	£7.53	0	£709.28	£33.33	0	£1,605.69	£71.33	0	£38,070.33	£1,765.63

Proportion of total business costs from VOSA charges (tests at VOSA premises)

Business size							
Micro		Small		Medium		Large	
VOSA Charges	Business cost change	VOSA Charges	Business cost change	VOSA Charges	Business cost change	VOSA Charges	Business cost change
0.372%	0.025%	0.198%	0.021%	0.172%	0.018%	0.160%	0.018%

Proportion of total business costs from VOSA charges (Tests at AFTs)

Business size							
Micro		Small		Medium		Large	
VOSA Charges	Business cost change	VOSA Charges	Business cost change	VOSA Charges	Business cost change	VOSA Charges	Business cost change
0.398%	0.013%	0.221%	0.010%	0.193%	0.009%	0.182%	0.008%

Financial effect of proposed 2009 fee changes on rental and leasing sector

Vehicle operating costs

per vehicle costs

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

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

Rental and leasing fleet operating costs

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

NOTE 1: motor vehicle figures from BVRLA website for fleet at 31/12/08 - trailers figures supplied separately by BVRLA are at 31/12/2007
NOTE 2: Fleet mix for motor vehicles derived from DfT publication "Transport Statistics Great Britain 2007 Edition" – Table 9.6

	Fleet operating costs		Test fee cost at VOSA premises (including average proportion of retests)			Test fee cost at ATF (including average proportion of retests)		
	No	Cost PA	2008/9	2009/10	Total fleet cost PA	2008/9	2009/10	Total fleet cost PA
7.5t 2 axle rigid	99,912	£1,383,276,528	£57.63	£82.22	£2,456,327	£72.19	£90.00	£1,778,927
12 - 14t 2axle rigid	19,982	£311,924,111	£57.63	£82.22	£491,265	£72.19	£90.00	£355,785
17 - 18t 2 axle rigid	39,965	£731,353,137	£57.63	£82.22	£982,531	£72.19	£90.00	£711,571
24 - 26t 3 axle rigid	34,414	£832,474,809	£82.36	£109.14	£921,607	£96.92	£116.92	£688,280
32t 4 axle rigid tipper	17,762	£520,606,204	£108.29	£137.46	£518,120	£122.85	£145.24	£397,693
32 - 33t 2 axle tractor	2,220	£40,009,057	£57.63	£82.22	£54,585	£72.19	£90.00	£39,532
38t 2 axle tractor	13,322	£280,018,997	£57.63	£82.22	£327,510	£72.19	£90.00	£237,190
44t 3 axle tractor	49,956	£1,231,410,849	£82.36	£109.14	£1,337,817	£96.92	£116.92	£999,116
Total motor vehicles	277,532	£5,331,073,693						
Total trailers (assume all 3 axle)	35,178	£160,589,677	£54.50	£67.11	£443,565	£62.31	£71.51	£323,747
FLEET TOTAL	312,711	£5,491,663,370			£7,533,328			£5,531,841
			Fee increase proportion of total operating costs		0.14%	Fee increase proportion of total operating costs		0.10%

Testing and Inspection activities Reduction in staff of about 6% would mean:	formula	Variables	Low range	High range
longer waiting time for appointments;	ave daily standing cost X MV tests per year X effect per vehicle X proportion affected	1 day for [10/30]% of vehicles	£12,323,265	£36,969,794
withdrawal of some TT changes	ave hourly standing costs X MV tests PA X TT savings per test X proportion lost	[10/30] % of savings lost	£280,247	£840,740
opening hours (rural)	Ave cost per mile X extra miles X No of tests X proportion at DPs	20 miles extra round trip for [10/30]% of vehicles tested at DPs	£108,327	£324,982
reduced DP activity				
Reduction in maintenance and investment in facilities and equipment would mean:				
reduced maintenance	included in waiting time above			
higher future fees -from higher repair/replacement costs	not modelled			
Reduction in investment in new IT systems would mean:				
postponement of more on-line sevices	not modelled			
Postponement of upgrading and replacement of existing IT systems would mean:				
inability to correct faults in existing systems;	not modelled			
existing systems becoming more prone to breakdown;	not modelled			
some existing systems may need to be switched off	not modelled			
	Total testing effects		£12,711,838	£38,135,515

Operator licensing and enforcement activities Staff reductions of the order of 6% would lead to:	formula	Variables	Low range	High range
longer turnaround times for licence applications, renewals and variations;	Ave daily standing cost X ((No of new applications X vehicles per licence X added time X proportion affected) + (No of continuation applications X vehicles per licence X added time X proportion affected))	New applications: 1 day delay om [10/30]% of applications Continuations: 1 day delay on [1/5]% of continuations	£777,201	£2,548,884
withdrawal of over the counter enquiry services	not modelled			
reduction in enforcement checks	Total Accident Cost X percentage change	between 0.01% and 0.1% additional accidents	£135,821	£1,358,207
Reduction in maintenance and investment in facilities and equipment would mean:				
reduced maintenance	included in accident increase estimates above			
higher future fees - from higher repair/replacement costs	not modelled			
Reduction in investment in IT systems would mean:				
less targeting	included in accident increase estimates above			
	Total licensing effects		£913,022	£3,907,091
	Total effects		£13,624,860	£42,042,607

Variables

per vehicle costs used for No increase effects
Source: RHA "Goods Vehicle Operating Costs 2008".
Lower of the costs from the 2 sources used.

Tests per year		
Source = VOSA Business plan 2008/9	MV	Trailer
Tests per year	470,600	242,750
Retests per year	92,000	49,350
Total tests per year	562,600	292,100

Type		Standing costs PA		Mileage costs per mile		%age at DPs	17%
	Proportion	£	contribution	p	contribution (p)		
7.5t 2 axle rigid	0.36	£39,115	£14,081	39	13.93	**Average reduction in cycle time from Testing Transformation**	
12 - 14t 2axle rigid	0.07	£43,930	£3,163	45	3.22	Source TT project data	
17 - 18t 2 axle rigid	0.14	£49,400	£7,114	51	7.40	Mins	16.26
24 - 26t 3 axle rigid	0.12	£56,970	£7,064	65	8.10		
32t 4 axle rigid tipper	0.06	£61,830	£3,957	79	5.04		
32 - 33t 2 + 2 axle artic	0.01	£61,563	£493	67	0.54		
38t 2 + 3 axle artic	0.05	£68,358	£3,281	75	3.58		
44t 3 + 3 axle artic	0.18	£74,538	£13,417	82	14.83		
Average vehicle standing cost			£52,570	Ave cost per mile	56.63		
Average earning days per annum (as per RHA modelling)			240				
Average earning hours per week (RHA)			55				
daily standing cost per average vehicle			£219.04				
hourly standing cost per average vehicle			£18.38				

Licensing

Source VOSA Business plan 2008/9

New licences	8,000
continuations	13,000
Variations	8,000
Total licences	99,600
Total vehicles	380,000
Vehicles per licence	3.82

HGV Accident costs

Source - (1) Road Casualties Great Britain 2005 (DfT) table 10
(2) Highways Economic Note No 1 (DfT) table 3

	Fatal	Serious	Slight
No involving HGVs (1)	520	1648	9952
Average value of prevention (2)	£1,644,790	£188,920	£19,250
Total cost by type	£855,290,800	£311,340,160	£191,576,000
Total Accident Cost			£1,358,206,960