EXPLANATORY MEMORANDUM TO

THE ROAD VEHICLES (REGISTRATION AND LICENSING) (AMENDMENT) (No. 2) REGULATIONS 2009

2009 No. 3103

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

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

2. Purpose of the instrument

These Regulations allow for a Reduced Pollution Certificate to be issued, where appropriate, on the basis of a document check rather than a physical examination. A Reduced Pollution Certificate entitles a vehicle to a reduced rate of Vehicle Excise Duty ("VED").

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

These Regulations extend the fee already charged for a determination involving a physical examination of the vehicle, currently £32, to a determination by inspection of documents. The actual cost to the Vehicle and Operator Services Agency (VOSA) of carrying out a determination involving a physical examination of a vehicle or a paper based determination will vary significantly with each application. The fee charged has always represented the average cost of a determination as opposed to its true cost and it is considered preferable to maintain the predictability and uniformity of the charging structure.

4. Legislative Context

4.1 The Road Vehicles (Registration and Licensing) Regulations 2002 ("the 2002 Regulations") set out the requirements for a reduced pollution examination (a physical examination of the vehicle).

4.2 The Road Vehicles (Registration and Licensing) (Amendment) (No. 3) Regulations 2007 amended Schedule 2 to the 2002 Regulations to set out the requirements that a vehicle registered before 1 October 2009 must meet in order to satisfy the reduced pollution requirements. The requirements are for conformity with the European "Euro V" emissions standard, the emissions limits for which are set out in row B2 of the tables in section 6.2.1 of Annex I to Directive 2005/55/EC.

4.3 As it is not possible to determine whether a vehicle meets the Euro V emissions standard by way of a physical examination, these Regulations amend Schedule 2 to the 2002 Regulations to provide that the determination of whether to issue a Reduced Pollution Certificate may be made on the basis of prescribed declarations and prescribed information.

4.4 The first declaration required is to be made by a person authorised on behalf of the manufacturer or import concessionaire of the vehicle. It must confirm the correctness of the "prescribed information", specifically the engine type reference of the vehicle, the number of the Gaseous Emissions Engine Type Approval Certificate with which the vehicle conformed on

construction and the name and address of the manufacturer or import concessionaire of the vehicle.

4.5 The second declaration required is to be made by the applicant for the Reduced Pollution Certificate and must state that the vehicle has not been modified so as to affect the gaseous emissions engine type approval. In addition it must confirm the correctness of the information provided in accordance with the list at paragraph 3(3) of Schedule 2 to the 2002 Regulations. Paragraph 3(3) read with paragraph 3(2)(c) has the effect of requiring the applicant to provide personal details, details relating to the age and identity of the vehicle and details of any adaptations made to the vehicle which are said to cause it to satisfy the reduced pollution requirements.

5. Territorial Extent and Application

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

- ***What is being done and why***

7.1 The Reduced Pollution Scheme began in 1999 and has been available to buses and heavy goods vehicles (HGVs) meeting specified emissions standards higher than those legally required at the time that they were registered. In the past, the scheme was available to vehicles that met only the particulate matter limits associated with the increasingly stringent Euro standards. The most recent revision of the scheme, reflecting the Euro V standard, requires compliance with all aspects of the standard because the Euro V standard involves stricter limits of oxides of nitrogen but no change from the Euro IV standard for particulate matter. A vehicle with a Reduced Pollution Certificate (RPC) is eligible for a reduced rate of VED for the life of the vehicle, providing it continues to meet the specified emissions standard that it met when the RPC was granted. The aim of the Scheme is to incentivise the early uptake of higher emissions standards.

7.2 Initially, the expectation was that a significant proportion of vehicles eligible for the Reduced Pollution Scheme would meet the specified standards through adaptation. In these cases, the adaptation would usually have been achieved through the fitting of a Diesel Particulate Filter (DPF). A list of approved adaptations was available and a physical examination, similar to that employed in the case of vehicles manufactured to meet the standard, was sufficient to determine whether an approved adaptation had been made. However, as emissions reduction technology has become increasingly complex, it has become more difficult both to adapt or reengineer a vehicle to meet the emissions standards after it has been manufactured and to detect by visual examination whether a vehicle meets the standard required. At Euro V, detection of compliance with the standard by visual inspection has become effectively impossible.

7.3 Vehicles applying for a first RPC from 1 October 2006 and before 1 October 2009 are required to meet the Euro V standard. Given the complexity of the technology required to meet this standard, a physical examination is insufficient to determine whether or not the vehicle fully meets it.

7.4 These Regulations therefore provide for flexibility by allowing a RPC to be first issued either on the basis of a physical examination or, where appropriate, on the basis of declarations by the vehicle manufacturer or import concessionaire and by the applicant.

- ***Consolidation***

7.5 In order to put the amendments in place as rapidly as possible the regulations have not been consolidated. The changes made will only be of immediate practical effect until approximately April 2010 when VOSA anticipate they will have completed the processing of applications in respect of vehicles registered before 1 October 2009. However these changes may again become relevant if a new scheme is put in place at a later date.

8. Consultation outcome

The Department has developed its policy proposals and Impact Assessment in close co-operation with VOSA and the Treasury. VOSA performed an information consultancy exercise with a number of industry stakeholders when first considering and proposing changes to the inspection policy.

9. Guidance

VOSA have discussed the matter during the routine meetings that they hold with the Society of Motor Manufacturers and Traders, the Freight Transport Association, the Road Haulage Association, the Confederation of Passenger Transport and the British Vehicle Rental and Leasing Association and also with individual vehicle manufacturers and importers.

Information on the application procedure will also be available under the Business Link website item on Reduced Pollution Tax for Buses and Lorries. There are no plans to publish hard-copy leaflets.

10. Impact

10.1 These regulations will have a positive impact on businesses operating buses and heavy goods vehicles in the form of a reduction in the administrative costs of undertaking a test. The savings will include the cost of booking the vehicle test (the time taken and the cost of the telephone call), the fuel used to drive to and from the testing station and the time taken to complete the test (including the time taken to take the HGV or bus to the testing station).

10.2 There is no impact on the public sector.

10.3 An Impact Assessment is attached to this memorandum.

11. Regulating small business

The legislation applies to small business. As the proposal is to allow a Reduced Pollution Certificate to be issued, where appropriate, on the basis of a document check rather than a physical examination it results in a cost saving for all businesses applying for a RPC for a Euro V vehicle irrespective of their size. There is no case to exempt small businesses as this would mean a cost to small businesses over and above the cost to other businesses.

12. Monitoring & review

The impact of the regulations will be monitored through regular discussions with VOSA and stakeholders in the bus and HGV operators' sectors. The policy will be reviewed should any decision be taken to extend the Reduced Pollution Scheme now the Euro V standard has become mandatory.

13. Contact

Richard Ah-Soo-Leen at the Department for Transport Tel: 020 7944 6375 or email: richard.ah-soo-leen@dft.gsi.gov.uk can answer any queries regarding this instrument.

Summary: Intervention & Options

Department /Agency:	Title:	
Department for Transport	**Impact Assessment of proposed change to Reduced Pollution Scheme vehicle examination requirements**	
Stage: Implementation	**Version:** 1.1	**Date:** 5 November 2009
Related Publications:		

Available to view or download at:

Contact for enquiries: Richard Ah-Soo-Leen **Telephone:** 020 7944 6375

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

The Reduced Pollution Scheme entitles specified heavy goods vehicles and buses which meet stringent air quality emissions limits to a reduced rate of Vehicle Excise Duty. The Scheme requires vehicles to be subject to a physical inspection before a Reduced Pollution Certificate (RPC) can be issued. This physical inspection is no longer necessary or effective in determining a vehicle's compliance with the latest RPC emissions limits.

What are the policy objectives and the intended effects?

The objective is to allow for a Reduced Pollution Certificate to be issued, where appropriate, on the basis of a document check rather than a physical examination.

The intended effect is to ensure that the Reduced Pollution Scheme requirements are appropriate and effective, and to minimise the burden on industry.

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

Maintaining the current requirement for a physical inspection would mean no change to the current regime and therefore has no costs or benefits. The option to remove that requirement where appropriate has therefore been assessed against this baseline. Removing the requirement is the preferred option as this will remove an unecessary burden on industry and ensure that the Reduced Pollution Scheme requirements are appropriate and effective.

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

The policy will be reviewed should any decision be taken to extend the Reduced Pollution Scheme to other vehicles in the future..

Ministerial Sign-off For final proposal/implementation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible Minister:

Sadiq Khan…… Date: 23rd November 2009

Summary: Analysis & Evidence

Policy Option	Description: **Remove, where appropriate, the requirement for a physical examination**

COSTS	ANNUAL COSTS	Description and scale of **key monetised costs** by 'main affected groups'	
	One-off (Transition)		
	£ 0		
	Average Annual Cost (excluding one-off)		
	£ 0	**Total Cost** (PV)	**£ 0**
	Other **key non-monetised costs** by 'main affected groups'		

BENEFITS	ANNUAL BENEFITS	Description and scale of **key monetised benefits** by 'main affected groups' Time and fuel costs saved by HGV operators	
	One-off		
	£ 14,000		
	Average Annual Benefit (excluding one-off)		
	£	**Total Benefit** (PV)	**£ 14,000**
	Other **key non-monetised benefits** by 'main affected groups'		

Key Assumptions/Sensitivities/Risks
Results are very sensitive to assumed levels of uptake

Price Base Year 2009	Time Period	**Net Benefit Range** (NPV) **£ 14,000**	**NET BENEFIT** (NPV Best estimate) **£ 14,000**

What is the geographic coverage of the policy/option?				The United Kingdom	
On what date will the policy be implemented?				22 December 2009	
Which organisation(s) will enforce the policy?				VOSA	
What is the total annual cost of enforcement for these organisations?				Negligible	
Does enforcement comply with Hampton principles?				Yes	
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 £ 8,400	**Net Impact**	**£** -8,400

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

Evidence Base (for summary sheets)

REDUCED POLLUTION SCHEME

1. Proposal

The Reduced Pollution Scheme entitles specified heavy goods vehicles and buses which meet stringent air quality emissions limits to a reduced rate of Vehicle Excise Duty. The Scheme requires vehicles to be subject to a physical inspection before a Reduced Pollution Certificate (RPC) can be issued. This physical inspection is no longer necessary or effective in determining a vehicle's compliance with the latest RPC emissions limits.

2. Purpose

The purpose of the proposed regulatory change is to allow a Reduced Pollution Certificate to be issued, where appropriate, on the basis of a document check rather than a physical examination.

3. Intended Effect

The proposal has two principal aims. These are:

- To ensure that the requirements of the Reduced Pollution Scheme remain appropriate and effective.
- To avoid unnecessary burdens on the heavy goods vehicle and bus industries.

4. Background

The Reduced Pollution Scheme began in 1999 and has been available to buses and heavy good vehicles meeting specified emissions standards higher than those legally required of the vehicle at the time it was registered. In the past, the scheme was available to vehicles that met only the particulate matter limits associated with the increasingly stringent Euro standards. The most recent revision of the scheme, reflecting the Euro V standard, requires compliance with all aspects of the standard because the Euro V standard involves stricter limits for oxides of nitrogen but no change from the Euro IV standard for particulate matter. A vehicle with a Reduced Pollution Certificate (RPC) is eligible for a reduced rate of Vehicle Excise Duty for the life of the vehicle, providing it continues to meet the specified emissions standards of its time. The aim of the Scheme is to incentivise the early uptake of higher emissions standards.

Initially, the expectation was that a significant proportion of vehicles eligible for the Reduced Pollution Certificate Scheme would meet the specified standards through adaptation. In these cases, the adaptation would usually be achieved through the fitting of a Diesel Particulate Filter (DPF). A list of approved adaptations was available and a physical examination was sufficient to determine whether an approved adaptation had been made. However, as emissions reduction technology has become increasingly complex, it has become more difficult both to adapt or re-engineer a vehicle to meet the emissions standards after it has been manufactured and to detect by visual examination whether a vehicle meets the standard required.

Vehicles applying for a first RPC from 1 October 2006 and before 1 October 2009 are required to meet the Euro V standard. VOSA will receive some retrospective paper applications after October 2009 for eligible vehicles first registered prior to 1 October 2009. Given the level of complexity of the technology required to meet this standard, a physical examination is insufficient to determine whether or not the vehicle fully meets it.

The proposed Regulatory changes therefore provide for flexibility by allowing a RPC to be first issued either on the basis of a physical examination or, where appropriate, on the basis of a declaration of conformity by the vehicle manufacturer or import concessionaire.

5. Consultation

The Department has developed its policy proposals and Impact Assessment in close co-operation with the Vehicle and Operator Services Agency (VOSA) and the Treasury. The Vehicle and Operator Services Agency performed an information consultation exercise with a number of industry stakeholders when first considering and proposing changes to the inspection policy.

6. Cost Benefit Analysis

Operators are currently required to present a vehicle for an initial test to confirm compliance with the required standard and to undertake annual tests to verify continued compliance.

6.1 Costs

There is a potential cost associated with relaxing the current regulations in that allowing paper-based confirmation of a particular Euro standard rather than a physical check could result in greater fraud. However, the risk of this is judged to be extremely small.

There may also be some costs involved in amending the form that must be completed to receive a RPC. However, these are judged to be negligible.

For the purposes of this impact assessment it has therefore been assumed that there are no costs associated with the change to the regulations.

6.2 Benefits (cost savings)

The benefit that allowing a paper-based assessment would deliver is a reduction in the administrative costs of undertaking a test. This includes the cost of booking the vehicle test (the time taken and the cost of the telephone call), the fuel used to drive to and from the testing station and the time taken to complete the test (including the time taken to take the HGV or bus to the testing station). A cost saving per vehicle has been estimated and then this saving has been factored up to a total by making assumptions on the likely number of vehicles eligible for a Euro V RPC in respect of which an application has not yet been presented to VOSA.

Following the initial compliance check after vehicle purchase, if the RPC test is then undertaken at the same time as the mandatory annual vehicle test (which is standard practice) there is no additional cost to the operator in terms of vehicle downtime in

subsequent years. There may be some cost if the test were undertaken separately from the annual test but this would vary depending on vehicle and test centre locations. For the purposes of this impact assessment it has been assumed that the cost saving (the benefit) relates to the relaxation of the requirement to present a vehicle for a first compliance check and is therefore a one-off saving realised during the first 18 months of ownership. It is assumed that in subsequent years the check always takes place at the same time as the mandatory test and therefore there is no scope for further cost savings.

It is assumed that the rate of uptake of the discount remains at levels observed in the past. This is highly uncertain, particularly given the current economic climate. If the uptake rate is below historic levels, the benefits will be lower than the estimates presented. The current RPC scheme closed to new vehicles on 1 October 2009 when Euro V became mandatory for all new registrations. However, it is likely that vehicles (possibly a few hundred) will continue to present first applications to VOSA over the next six months. The benefits have been calculated based on this assumption.

Cost saving (per vehicle)	
Booking test (time and phone call)	£0.8
Time taken to carry out test (driver wages)	£18
Fuel cost (driving to and from testing station)	£9
TOTAL	**£28**

Total cost saving (assumes up to around 500 new HGVs are still to present applications to VOSA)	
Booking test (time and phone call)	£400
Time taken to carry out test (driver wages)	£8,900
Fuel cost (driving to and from testing station)	£4,700
TOTAL	**£14,000**

The estimate of the decrease to the administrative burdens baseline shown on the summary sheet includes the time saving estimates presented in the table above but does not include the fuel saving estimate.

7. Small Firms Impact Test

As the proposal is to allow a Reduced Pollution Certificate to be issued, where appropriate, on the basis of a document check rather than a physical examination it results in a cost saving for all businesses applying for a RPC for a Euro V vehicle irrespective of their size. There is no case to exempt small businesses as this would mean a cost to small businesses over and above the cost to other businesses.

8. Legal Aid

It is not anticipated that the removal of the requirement for a physical examination of Euro V vehicles applying for a RPC would either increase or decrease the work of the courts. In consequence, no impact upon the legal aid budget is anticipated.

9. Sustainable Development

It is not anticipated that this proposal would impact significantly on sustainable development. However, removing the requirement for a physical examination in certain circumstances would mean fewer vehicles driving to VOSA testing centres. Although this is unlikely to result in reduced total mileage, as the vehicle would remain in service instead of driving to the test centre, it would reduce unnecessary mileage.

10. Carbon Assessment

This measure is unlikely to have a significant impact on Carbon Dioxide emissions. Although vehicles no longer required to visit a VOSA test centre will avoid unnecessary mileage, the vehicles are likely to remain in service and continue to cover the mileage they would normally be expected to cover.

11. Other Environmental Impacts

It is not anticipated that this proposal would have any other significant environmental impacts.

12. Health Impacts

It is not anticipated that this proposal would have any significant health impact.

13. Race Equality

There are no race equality issues associated with this measure.

14. Disability Equality

There are no disability equality issues associated with this measure.

15. Gender Equality

There are no gender equality issues associated with this measure.

16. Human Rights

There are no human rights issues associated with this measure.

17. Rural Proofing

There are no rural proofing issues associated with this measure.

18. Competition Assessment

The sectors affected by the proposal are the UK heavy goods vehicle and bus operator markets. The proposal is not expected to have a major impact on competition, since it would apply equally across the markets.

19. Enforcement, Sanctions and Monitoring

Entitlement to a reduced rate of VED is established by the presentation of a valid RPC upon first licensing or re-licensing a vehicle. Should an RPC be determined to be false or otherwise defective, sanctions exist for prosecution under section 45 of the Vehicle Excise and Registration Act 1994.

Entitlement to a RPC is to be established by the presentation of appropriate and relevant vehicle approval certificates and/or vehicle testing. Ongoing entitlement is subject to annual testing. Should a vehicle be falsely declared sanctions exist for prosecution under section 45 of the Vehicle Excise and Registration Act 1994. Should a vehicle fail to meet the necessary pollution requirements when tested the RPC may be revoked under paragraph 10 of Schedule 2 of the Road Vehicles (Registration and Licensing) Regulations 2002.

Contact point for enquiries and comments:
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Specific Impact Tests: Checklist

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