

ANNEX 5 FEE CALCULATION PROCESS

1 This Annex sets out in more detail how individual fees are calculated. Paragraphs 41 to 43 of the Impact Assessment explains that individual fees may be affected by up to 3 factors which are driving VOSA's fee change proposals and that the final outcome is also affected by rounding up to the next whole pound.

2 To simplify fees, VOSA rounds fees the next whole pound. The down side of rounding fees is that if we were to apply the percentage changes to the rounded fees in the long-term this would result in artificially inflated fees and distort the differentials between individual fees over time.

3 To overcome this long-term distorting effect, when we calculate the new individual fees we start not with the fee currently charged, but with what the fee would have been if it had not been rounded to a whole pound.

4 We then apply the percentage change resulting from the scheme specific drivers (e.g. location differentiation and interconnection of NRs).

5 We then apply the general increase.

6 Finally we round the result of that calculation to the next pound.

7 The only fees which we do not round in this way are those for voluntary services. These fees are subject to VAT and any attempt to have a simplified fee amount could (and has in the past) be negated should the VAT rate change.

8 Next, some fees are made up of different elements and each element is affected by percentage changes. Some are affected by one driver and others by all three drivers.

9 The most complicated example of this is the PSV annual test fee which is made up from 3 elements:

- the enforcement element – which pays for the work VOSA does to encourage and enforce safe and legal operation of PSVs which was formerly paid for by fees for PSV operator licence discs – this element does not apply to partial retests, out of hours supplements, etc. and is subject to the 1% general increase.
- the operator licence element – which pays for that part of the cost of running the PSV operator licensing system which was formerly paid for by fees charged at grant and on continuation of PSV operator licences – again this does not apply to partial retests, out of hours supplements, etc. and is subject to the 1% increase for the NR Interconnection.
- the testing element – which pays for VOSA's costs to carry out the test itself that is subject to the 12.2% reduction for the location differentiation and then the 1% general increase.

10 Therefore, the calculation will show a final percentage change that may be more or less than expected when these elements are added.

A worked example is given overleaf.

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11 Here is a worked example using the annual test fee for a PSV certified to carry 23 or more passengers if tested at an ATF:

The current fee is made up from 3 elements: the enforcement element; the operator licence element; and the testing element.

Under the proposals:

	Current	Change	Proposed
The enforcement element:			
Current element	£39.60		
Increase of 1% of £39.60 for general increase		£0.40	
Proposed element			£40.00
The operator licence element			
Current element	£3.25		
Increase of 1% of £3.25 for interconnection of NRs		£0.03	
Increase of 1% of £3.28 for general increase		£0.03	
Proposed element			£3.31
The testing element			
Current element	£88.69		
Reduction of 12.2% of £88.69 for location differentiation		-£10.82	
Increase of 1% of £77.87 for general increase		£0.78	
Proposed element			£78.65
Total fee			
Current fee before rounding	£131.54		
Current fee charged	£132		
Proposed fee before rounding			£121.96
Proposed fee to be charged			£122
Total change from 1% general increase		£1.21	