



Consultation on Fees:

- **VOSA Great Britain**
for HGV testing, operator
licensing, RPC, IVA, VIC and
other services
- **DVA in Northern
Ireland**
for RPC IVA and VIC only

Closing Date:
11 June 2013

CORPORATE

Consultation on the Fees for:

- **Tests, inspections, etc. of HGVs and PSVs**
- **Licensing of HGV and PSV Operators**
- **Checks on some new, modified or rebuilt vehicles**
- **Approval of tachograph calibrators**

Closing Date: 11 June 2013

Please respond on-line at:

[Respond online](https://survey.vovici.com/se.ashx?s=116604CB0EF3DF74)

(<https://survey.vovici.com/se.ashx?s=116604CB0EF3DF74>)

Seeking views on proposals for changes to fees paid to VOSA in **Great Britain** for statutory periodic and certain other vehicle testing, certification and approval services provided by VOSA; for operator licensing for HGVs (lorries) and PSVs (buses and coaches used for hire or reward) and registration of local bus services provided by Traffic Commissioners; and for the issue of international journey permits for HGVs and approval of Tachograph Centres issued by VOSA. We are also seeking views on non-statutory charges for certain checks and inspections carried out on a voluntary basis.

The consultation proposals also cover fees for Reduced Pollution Certificates (RPCs) which are charged throughout the **United Kingdom** – by VOSA in **Great Britain** and by the Driver and Vehicle Agency (DVA) in **Northern Ireland**.

This consultation is likely to be of interest to you if you own, operate, maintain, manufacture or convert vehicles affected by the services mentioned above. These consultation documents will be available on the gov.uk website at

<https://www.gov.uk/government/consultations/fees-for-hgv-and-psv-testing-operator-licensing-other-vosa-services-and-some-dva-services>

on the VOSA website at www.dft.gov.uk/vosa

and the NI Direct government services website at

www.nidirect.gov.uk/motoring

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Annexes

Annex 1 – Tables of proposed fees –

Tables show fees for all services affected by changes proposed in this consultation and how each change driver contributes to the total fee.

Annex 2 – Consultation stage Impact Assessment “*Lorry bus and coach examination fee differentiation*”

Annex 3 – Consultation stage Impact Assessment “*Funding Interconnection of the National Register of licensed operators of goods vehicles, buses and coaches*”

Annex 4 – Consultation stage Impact Assessment “*General Increase*”

Annex 5 – Detail of how percentage changes are applied to individual fees

Annex 6 — Response Form for use by those unable to provide on-line responses

1. About VOSA and DVA

1.1 The Vehicle and Operator Services Agency (VOSA), an Executive Agency and Government Trading Fund within the Department for Transport (DfT). It provides a range of licensing, testing and enforcement services throughout Great Britain (GB). VOSA's main aims are "saving lives, safer roads, cutting crime and protecting the environment. We do this by improving the roadworthiness standards of vehicles; ensuring that operators and drivers comply with road traffic legislation; and supporting the independent Traffic Commissioners.

1.2 As a Government Trading Fund VOSA is legally obliged to ensure that "taking one year with another" income "is not less than sufficient" to cover costs. The majority of VOSA's income (approximately 83%) comes from statutory fees – for example motor vehicle and trailer test fees. The principles governing VOSA's financial management are contained in legislation and in the HM Treasury document 'Managing Public Money'. Fees are normally reviewed annually, though the lead time to make changes means that adjustments may be less frequent.

1.3 The Driver and Vehicle Agency (DVA), an Executive Agency of the Department of the Environment in Northern Ireland, contributes to road safety in Northern Ireland by promoting the compliance of drivers, vehicles and transport operators through testing, licensing, enforcement and education.

2. About this consultation

2.1 What we are asking

2.1.1 We are seeking the views of stakeholders regarding proposed changes to the fees VOSA charges for its **statutory services in Great Britain** in connection with the following services:

- ***Vehicle testing, certification and approval services***
 - Statutory roadworthiness testing of and notifiable alterations to heavy goods vehicles (HGVs – lorries), trailers (including plating of heavy goods vehicles and trailers)
 - Statutory roadworthiness testing of PSV buses and coaches
 - ADR Certification¹
 - Individual Vehicle Approval (IVA)
 - Certification of Initial Fitness (CoIF) for Public Service Vehicles (PSVs – buses and coaches used for hire or reward) (which are not within the scope of IVA)
 - PSV accessibility certification
 - Motorcycle Single Vehicle Approval

¹ Certification of vehicles carrying certain dangerous goods – e.g. fuel, explosives & some chemicals

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- Vehicle Identity Checks (VIC)
- Low Emission Certificates (LEC)
- **Licensing and registration services**
 - Licensing of operators of HGVs and PSVs
 - Registration of local bus services
 - Permits for certain international journeys by heavy goods vehicles
- **Other services:**
 - Tachograph calibrator approval

2.1.2 We are also seeking the views of stakeholders regarding the proposed some **statutory fees** for services provided in Northern Ireland by DVA where those fees are set in the same statutory instruments as the equivalent service provided in GB by VOSA. Those services are:

- Reduced Pollution Certificates (RPC);
- Individual Vehicle Approval (IVA); and
- Vehicle Identity Checks (VIC).

NOTE: The Department for Transport (DfT) recently consulted on proposals for the future of the VIC scheme². At the time of writing this consultation document DfT were considering the results of that consultation. This consultation has therefore been prepared on the basis that the scheme continued unchanged. Should this consideration lead to any significant changes those parts of this consultation referring to VIC may be superseded.

2.1.3 Finally, we are also seeking the views of stakeholders regarding proposed changes to non-statutory **fees charged by VOSA in Great Britain for “voluntary services”** – checks, examinations and services such as:

- system or vehicle checks;
- hire of loaded trailers to facilitate testing of artic tractor brakes;
- Tempo 100 and Vitesse 100 examinations to allow vehicles to travel at higher speed on German autobahns and French autoroutes.

2.1.4 This consultation does **not** seek views on fees for annual roadworthiness testing of vehicles other than HGVs and PSVs; or services provided by DVA other than RPC, IVA or VIC .

² <https://www.gov.uk/government/consultations/future-of-the-vehicle-identity-check-vic-scheme>

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2.2 How to respond to this consultation

2.2.1 The consultation period begins on 30 April 2013 and will run until **11 June 2013**, please ensure that your response reaches us by that date. The consultation can be found at (web address). If you would like alternative formats (Braille, audio CD, etc) you can contact VOSA via the contact points below.

2.2.2 **Please respond on-line at:**

[Respond online](https://survey.vovici.com/se.ashx?s=116604CB0EF3DF74)

(<https://survey.vovici.com/se.ashx?s=116604CB0EF3DF74>)

2.2.3 If you are unable to use the on-line responses system please respond using the consultation response form at **Annex 6** as it speeds up analysis of your responses and reduces the cost of that analysis.

If you are unable to respond via an on-line response system, please

Email to

public.consultations@vosa.gsi.gov.uk

or post to:

John MacLellan
VOSA
Berkeley House
Croydon Street
Bristol
BS5 0DA

Telephone: 0117 954 2531

2.2.4 When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of an organisation please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

2.2.5 Those on VOSA's consultation register and others have been informed directly about this consultation. If you are aware of anyone who may have views on this subject please tell them about the consultation which they can access at the internet address given on page 2.

2.2.6 The consultation is being conducted in line with the Government's Consultation Principles which can be at:

<https://www.gov.uk/government/publications/consultation-principles-guidance>

2.2.7 If you consider that this consultation does not comply with those principles or have comments about the **consultation process** please contact:

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Chris Simon
Consultation Coordinator
Department for Transport
Zone 1/14
Great Minster House
33 Horseferry Road
London SW1P 4DR

Email address consultation@dft.gsi.gov.uk

2.2.8 A summary of the responses to this consultation and the decisions taken on how to proceed will be placed on the gov.uk web site along with the consultation at the internet address given on page 2 as soon as practical after those decisions have been confirmed.

2.3. Freedom of Information

2.3.1 Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.

2.3.2 If you want information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

2.3.3 In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

2.3.4 The Department will process your personal data in accordance with the Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

2.4 Approach to consultation principles

2.4.1 In considering the consultation method used, VOSA has considered the following factors:

- The proposal to further reduce VOSA fees for tests at non-VOSA facilities and further increase those for tests at VOSA sites creates a fee structure which reflects better VOSA's real costs of delivery - a principle which has been generally supported, in previous fee consultations.
- The proposal to raise operator licence fees to cover running costs of the interconnection of a National Register (NR) of HGV and PSV operators and their transport managers follows the principle decided after considering views expressed in the consultation on the funding of the creation and running costs of the NR which preceded fee changes introduced in April 2012.

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- The proposed general increase in fee levels to enable VOSA to continue to provide adequate services is considerably below the general rate of inflation in the period since the last general increase in 2009.
- The package will reduce costs for many customers and, for those customers whose costs are increased, that increase represents only a tiny proportion of the costs of owning and/or operating the vehicles concerned (worst case HGV operator costs increased by an estimated 0.011% of vehicle operating costs³).
- Although a significant proportion of the businesses that will be affected by the fee changes proposed are small businesses (average of about 4 HGVs specified on each operator licence) many of which are not members of trade associations.
- VOSA has discussed the principles of the changes proposed with the main trade associations via regular informal contacts – we have discussed the nature of the proposals and they are aware that we will be seeking formal responses.

In light of the above factors we consider that a 6 week consultation period, following notification of the launch of the consultation to all who have registered for updates on relevant issues should provide an appropriate balance between the opportunity to express views and to move implementation along at a reasonable rate.

3. Executive Summary

3.1 The aims of this package of fee changes are to:

- create fairer fees by recovering VOSA's costs from customer groups who use the services that incur those costs as far as is reasonably practical
- recover any costs incurred because of additional obligations placed on VOSA from the most appropriate customer groups
- provide sufficient income to ensure long term sustainability of the VOSA Trading Fund whilst maintaining adequate service levels to meet statutory obligations
- ensure that the prices charged for non-statutory (voluntary) services do not distort the market for such services

3.2 In line with those aims, VOSA is proposing the following package of fee changes:

- create fairer fees for statutory roadworthiness tests and related services by removing cross subsidies between those using VOSA test facilities and those using ATFs (Authorised Testing Facilities⁴) and legacy⁵ DPs (Designated Premises) as explained in **section 5.2** – “Location Differentiation”;

³ Model used to evaluate this figure is explained more fully in the relevant annexes to the Impact Assessments annexed to this consultation document.

⁴ ATFs are test facilities provided by organisations other than VOSA (largely in the private sector) which have a contractual relationship with VOSA.

⁵ Legacy DPs are test facilities provided by organisations other than VOSA (largely in the private sector) which have not yet converted to operate under ATF contracts.

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- recovering costs of additional obligations created by EU requirements to interconnect National Register of operators and transport managers required and consider whether action against operator licences is appropriate in light of the additional passed via the interconnection by small increases of around 1% in operator licence fees as explained in **section 5.3** – “Interconnection of National Registers”;
- ensuring long term sustainability of the VOSA Trading Fund by applying a small general increase of around 1% in most statutory fees – this will be the first general increase for well over 4 years and is very much less than general inflation over that period – the proposed changes in this respect are explained in **section 5.4** – “General Increase”; and
- ensuring long term sustainability and avoiding market distortion in the provision of voluntary services by applying increases to charges for voluntary service in line with those for statutory services conducted at VOSA facilities, where this is appropriate, and increasing fees for those an other statutory services in line with general inflation measures as explained in **section 5.5** “Voluntary Services”.

3.3 The timing of the introduction of any fee changes decided upon following this consultation will depend largely on the time taken to obtain the necessary clearances within Government but it is hoped that this will be before the end of 2013.

4. Summary of proposals

Full details of changes to individual fees are at Annex 1.

4.1 Statutory roadworthiness tests of HGVs and PSVs

- **ATFs in GB⁶ and legacy DPs** – VOSA fees for examinations will **reduce** as follows:
 - HGV and trailer test and full retest (more than 14 days after failure or after 2nd failure) by between £1 and £3 (between 1.1% and 3.0%)
 - HGV and trailer partial retest up to 14 days after failure by between up to £3 (5.7%)
 - PSV test and full retest (more than 14 days after failure or after 2nd failure) by £2 or £3 (1.9% or 2.3%)
 - PSV partial retest up to 14 days after failure by £2 (4.9% or 3.4%)
- **VOSA test facilities in GB** – fees will **increase** as follows;
 - HGV and trailer test and full retest (more than 14 days after failure or after 2nd failure) by between £9 and £29 (between 15.3% and 20.3%)
 - HGV and trailer partial retest up to 14 days after failure by up to £19 (27%)

⁶ GB (Great Britain) is England, Scotland and Wales – UK is the United Kingdom of Great Britain and Northern Ireland

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- PSV test and full retest (more than 14 days after failure or after 2nd failure) by £17 or £25 (15.3% or 18%)
- PSV partial retest up to 14 days after failure by between £11 or £16 (25% or 25.4%)
- **HGV notifiable alteration** – fees will be standardised at £27 regardless of whether an examination is needed or where it is carried out
- **duplicate document and out of hours** – fees will also generally increase by £1, though some will be unchanged

4.2 *ADR*⁷ vehicle certification

- **ATFs in GB and legacy DPs** – VOSA fees for test and re-tests within 14 days will **reduce** by £15 and £11 (15.2% and 22.0%) respectively
- **test facilities in GB provided by VOSA** – fees tests and re-tests within 14 days will **increase** by £19 and £13 (19.2% and 26%) respectively
- **new, type approved, tractor units** certification of which does not require physical examination by VOSA– fees will **increase** by £1 (3.6%)
- **duplicate certificates** – fees will **increase** by £1 (7.1%)

4.3 *Reduced Pollution Certificate (RPC) and Low Emission Certificate (LEC) for HGVs and PSVs*

- **Physical examinations by VOSA in GB**
 - **ATFs and legacy DPs** – VOSA fees for tests with statutory roadworthiness tests and at other times will each **reduce** by £1 (5.3% and 3.1% respectively)
 - **VOSA test facilities in GB** – fees for tests with statutory roadworthiness tests and at other times will **increase** by £5 and £9 (25% and 26.5%) respectively
 - **out of hours supplements** – will **increase** by £1 (8.3%)
- where **no physical examination by VOSA** is needed RPC and LEC – fees in GB will increase by £1 (3.1%)
- **Physical examinations by DVA in Northern Ireland** – fees for tests will not change.

⁷ ADR is an international agreement on vehicle standards (in addition to normal statutory roadworthiness standards) and other aspects of dangerous goods carriage. Vehicles carrying certain dangerous goods within GB (e.g. petrol tankers) are required to be certified annually as complying with the additional ADR vehicle requirements. Except for new type approved artic tractors they must also pass an statutory roadworthiness test at the same time as the ADR test for which an additional fee is chargeable.

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4.4 Operator Licences

- **HGV** – fees for applications will increase by £5 (2%); those for grant or continuation will increase by £8 (2%); and those for interim licences will increase by £1 (1.5%)
- **PSV** standard and restricted licences – application and variation fees will increase by £5 and £2 (2.4% and 1.7%) respectively
- **PSV** special licences – fees will increase by £1 (1.6%)

4.5 Other statutory services

- Fees will generally increase by around 1% but individual fees may be unchanged or rise by more depending on the effect of rounding.

4.6 Voluntary (or non-statutory) services

- Fees for voluntary HGV tests, system checks and hire of loaded trailers will increase by 27.6%
- Fees for other voluntary inspections will increase by 2.7%

5. Detail of the proposed package of fee changes

5.1 Overall context

5.1.1 These proposals for fee changes in 2013 form part of VOSA's wider financial management strategy which is outlined more fully in its published Business Plans and Annual Reports⁸. VOSA's annual accounts for 2011/12 showed an accumulated deficit at the end of the year of £17m (reduced from £35m at the end of 2009/10). VOSA's Business Plan for 2012/13 is to generate a surplus of £7m in the year (on a income estimated at £183m) to reduce that deficit further. It plans to achieve this without any increases to the general levels of statutory fees for 2012/13. Thus VOSA must make efficiency savings to absorb inflation. For 2013/14 and beyond, we intend to recover the remaining deficit and generate sufficient income to enable us to invest to ensure that appropriate service levels are maintained and to secure longer term savings and efficiency gains.

5.2 Location differentiation

5.2.1 Context

5.2.1.1 VOSA's testing costs can be divided broadly between:

- A. the costs of providing and maintaining the VOSA test facilities (referred to as "VOSA specific costs" in the accompanying Impact Assessment); and

⁸ These documents can be found at <http://www.dft.gov.uk/vosa/publications/corporatereports/corporatereports.htm>

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- B. additional costs to service ATFs (and legacy DPs) arising from cost of travel and additional staff needed to replace travel time (referred to as “non-VOSA specific costs” in the accompanying Impact Assessment)
- C. other costs of testing which cannot be specifically attributed to how the test is delivered (referred to as “base costs” in the accompanying Impact Assessment) including:
 - the cost (salaries, travel costs, training, management, communication systems, etc) of staff to carry out tests and conduct technical assessment of information provided in support of applications;
 - the cost of defining the methods and standards; providing equipment, systems and infrastructure needed to communicate and monitor those standards; and recording the results of tests.

5.2.1.2 Before 2009, VOSA spread the cost of providing VOSA test facilities (A) and base costs (C) over all tests, even if they were carried out at non-VOSA premises (in those days Designated Premises - DPs). An additional supplement was also charged for most tests at DPs to recover the additional costs to service DPs (B).

5.2.1.3 Since 2009, our aim has been:

- to optimise the overall cost of testing (not just the fees) by changing the way we deliver services (e.g. nearer to where vehicles are maintained); and
- to set fees which attribute costs more fairly between the alternative delivery methods.

5.2.1.4 We have addressed the first of those aims by introducing Authorised Testing Facilities (ATFs). ATFs reduce the cost for most customers by, amongst other things, providing tests closer to where vehicles are kept or maintained and at locations where repairs can be carried out on site (reducing down time, the cost of taking vehicles to VOSA sites, etc.). Overall, the increase in VOSA’s costs to service ATFs is more than outweighed by those savings to operators and avoidance of future costs to replace VOSA’s testing estate, much of which is worn out and/or in the wrong place to meet current demands, which would have led to higher fees than would otherwise have been the case.

5.2.1.5 To deliver the second of those aims we progressively removed the DP supplement in 2009 and 2010 and, in 2012, introduced differential fees which favoured non-VOSA test facilities. A progressive approach was taken to minimise increases to users of VOSA test facilities because, until recently, the majority of tests were at VOSA facilities. The present HGV and PSV test and related fees still do not fully recover costs fairly. Now that the majority of tests are carried out at ATFs, VOSA believe that it is appropriate to complete the move to fairer fees in a single step which will maximise the benefit to those using ATFs. This will mean that the main factor in future changes to fee differentials will be VOSA’s cost to test at the location type.

5.2.2 HGV and PSV statutory roadworthiness tests and related activities

5.2.2.1 The success of the change in delivery methods has been such that the majority of tests are now at ATFs. Assuming that we proceed with fee changes following

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this consultation, such changes are likely to come into effect in late 2013. Current expectation is that, from then until the next likely fee change date in April 2015, on average about 70% of tests will be at ATFs. It is therefore appropriate to maximise the benefits for the majority who now use ATFs by completely removing the cross subsidy.

5.2.2.2 As mentioned above, the cost of VOSA testing facilities should logically be met by those using the VOSA facilities and the cost of extra resource to service ATFs should be met by those using ATFs. The expected cost of providing VOSA facilities is greater than the predicted additional costs of servicing ATFs – thus there is a net cross subsidy from ATF customers to VOSA customers. Because many more tests are at ATFs, the percentage reduction to fees at ATFs from completing the transfer of facility costs is much less than the percentage increase to fees at VOSA.

5.2.2.3 On current assumptions:

- The total costs to be met by HGV and PSV the testing element of test fees in 2013/14 is estimated at £56.7m.
- Of this the cost of VOSA test facilities (A) is estimated to reduce by about £0.8m to £8.6m. The largest element of estate cost reduction will come from closure and disposal of sites. The size and timing of the reduction and the disposal of redundant sites is dependent on many factors and the extent of cost reductions is both uncertain and lags behind cessation of testing.
- The additional cost of servicing ATFs (B) is estimated at £5.7m leaving an estimated £42.3m as the base cost (C) to be spread across all tests.

5.2.2.4 If fees were unchanged, the combined effects of a higher proportion of tests at the lower fee charged by VOSA ATFs and the increased costs to service ATFs would mean that:

- income from tests at VOSA facilities would be about £4.2m less than the costs;
- income from tests at non-VOSA facilities would be about £1.6m above costs; and
- VOSA would have an overall shortfall in income of about £2.5m.

5.2.2.4 To redress these imbalances, the testing element of VOSA fees for the 70% of tests at non-VOSA facilities can be reduced by 4.4% but fees for the 30% of tests at VOSA facilities needs to increase by 24.2%. More details of the calculations behind these figures can be found in paragraphs 49 to 51 and 54 to 58 of the Evidence Base of the Impact Assessment at Annex 1. The actual change for individual fees will differ from the above because:

- the enforcement element of HGV and PSV test fees will not alter as a result of this change;
- the operator licensing element of PSV test fees will also be unaffected by this change. However the operator licensing element of the PSV test fee may be affected by the proposed operator licence fee increase discussed in section 5.3 below;

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- all elements may be affected by the proposed general increase discussed in section 5.4; and
- the various changes are calculated using present fees before they were rounded to the fees actually charged but the new fees are then rounded up to the next highest whole pound.

The combined effect of the changes is discussed more fully in section 6.

5.2.2.5 In considering the increase in fees for tests at VOSA facilities it is important to remember that those using ATFs have to pay an additional pit fee to the ATF provider and that, even with the changes proposed, the total fee cost for a test at an ATF charging a typical pit fee of about £40 is still higher than a test at VOSA. However this additional cost is more than offset for the majority of customers by other savings mentioned above.

5.2.2.6 It must also be remembered that the cost of test and other fees paid to VOSA represents a very small proportion of the total cost of operating a vehicle. Using figures provided by the RHA, typical fees for both testing and operator licensing of a 7.5 tonne HGV represent less than 0.4% of annual operating costs and the increases proposed if the vehicle was tested at a VOSA test facility would add about 0.03% to annual costs⁹.

Question 1: Do you agree that VOSA should charge all of the cost of test facilities provided by VOSA to those that use those facilities and all of VOSA's additional costs to service ATFs to their customers by reducing the testing element of fees at ATFs and DPs by 4.4% and increasing fees at VOSA by 24.2%?

5.2.3 HGV notifiable alterations

5.2.4.1 As part of the fee changes which took effect in April 2012, fees for HGV notifiable alterations were changed in the same way as the testing element of HGV test fees (-4% / +4% location differentiation). On reflection this has caused some confusion and uncertainty. It is not always apparent at the time of notification whether any physical inspection will be necessary, let alone where it will be carried out. To remove this confusion, VOSA therefore proposes to revert to the simpler fee structure which was in place before April 2012 and charge the same fee for all notifications. This would mean restoring the fee levels to pre-April 2012 levels before applying the general increase discussed below.

Question 2 Do you agree that HGV notifiable alteration fees should be simplified by applying a common fee to all chargeable notifications?

5.2.4 Reduced Pollution and Low Emission Certificates in GB

5.2.4.1 Applications for these certificates may be determined either on the basis of vehicle examination by VOSA or by evidence of compliance from approved third parties without a physical examination by VOSA. The costs for reduced pollution and low emission certificates are included in the testing accounts because related examinations are very often integrated into statutory roadworthiness tests. We therefore propose to

⁹ Calculation of these effects is shown in annex E to the Impact Assessment at Annex 2.

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apply the same location related changes to RPC and LEC which involve a physical examination by VOSA as to test fees. These fees will also be affected by the general increase discussed in section 5.4.

5.2.4.2 Fees for RPC and LEC which do not involve a physical examination of the vehicle will be unaffected by location differentiation changes, though they will be affected by the general increase discussed in section 5.4.

Question 3 Do you agree that the same location differentiation changes should be applied to fees for RPCs and LECs in cases where VOSA examines vehicle – i.e. 4.4% reduction at ATFs and DPs and 24.2% increase at VOSA?

5.2.5 Reduced Pollution Certificates in Northern Ireland

5.2.5.1 Physical examinations for RPC certificates are also conducted by Driver and Vehicle Agency (DVA) in Northern Ireland only at their own facilities. As location differentiation is not an issue, we do not propose to change RPC fees in Northern Ireland at this time.

Question 4 Do you agree that RPC fees in Northern Ireland should not be changed?

5.2.6 ADR Certification for vehicles carrying dangerous goods

5.2.6.1 Currently ADR fees are not differentiated by location of test. A significant proportion of the activity to determine an ADR application is a technical assessment of the application. In a few cases the certificate can be issued solely on the basis of a technical assessment of evidence submitted against the technical standards set in the ADR agreement. However, in most cases this is followed by a physical examination of the vehicle at either VOSA or non-VOSA facilities. Technical assessments account for about 29% of the cost of determining the ADR application and therefore the location re-balancing should only be applied to the element of the fee which covers the physical examination (the testing element). Normally there is no technical assessment involved in the re-examination where a vehicle fails its initial examination.

5.2.6.2 On current assumptions, the total costs to be met by ADR test fees is approximately £1.3m per year. The cost of technical assessment is therefore about £0.4m and the testing element is about £0.9m. The cost of VOSA test facilities attributed to ADR is about £0.2m. A full statutory roadworthiness test (for which a normal fee is paid) must be carried out in addition to an ADR test. The additional cost of servicing ATFs has therefore been taken into account in the statutory roadworthiness test fee so it would be inappropriate to double count it against the ADR fee.

5.2.6.3 In 2011/12 approximately 29% of ADR tests were carried out at non-VOSA facilities. For 2013/14 we estimate that this will rise to about 50%. If fees remained unchanged, the £0.2m share of the cost of VOSA test facilities would be met by £0.1m from VOSA facility users and £0.1m from ATF users. Moving the £0.1m from ATF users to VOSA users allows the testing element of VOSA fees at ATFs to be reduced by 23.7% but the testing element of fees for tests at VOSA needs an increase of 23.7%. More details of

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the calculations behind these figures can be found in paragraphs 52, 53 and 59 of the Evidence Base of the Impact Assessment at Annex 2.

5.2.6.4 The technical assessment element of ADR fees will not be changed as a result of location differentiation. Both elements of ADR fees will be affected by the general increase discussed in section 5.4 below. The ADR fee tables in Annex 1 to the location differentiation Impact Assessment annexed to this consultation document show the current and proposed make up of the ADR fees taking account of both proposed changes.

Question 5 Do you agree that location differentiation should be applied to ADR fees by reducing the testing element at ATFs and DPs by 23.7% and increasing those at VOSA by 23.7%?

5.2.7 Beyond 2013/14

5.2.7.1 The proposed level of changes for 2013/14 are based on predicted costs and split of tests between VOSA and non-VOSA facilities. Beyond 2013/14, it is almost certain that further re-balancing will be needed to take account of continued reduction in test numbers at VOSA facilities, the rate at which VOSA testing estate costs can be reduced and changes to the cost of supporting ATFs. However, it is unlikely that future re-balancing will lead to changes as large as that proposed for 2013/14.

5.3 Interconnection of National Registers

5.3.1 EU Regulations required the creation of National Registers (NRs) of operators, transport managers and Most Serious Infringements (MSIs) by December 2011. This was achieved and operator licence fees were increased in April 2012 to recover the cost of the creation of the NR over 5 years and to meet the continuing cost of maintaining the NR.

5.3.2 EU Regulations also require that, by 31st December 2012, the NR is interconnected to enable Member States to exchange information on MSIs and to require Member States to review the future of licences they issue in light of MSIs reported – in much the same way as is already done for infringements reported within GB.

5.3.3 VOSA incurs extra costs to create the interconnection, to maintain the interconnection¹⁰ and to support the Traffic Commissioners in considering what action to take against GB operators that are reported for MSIs abroad. As explained in the consultation prior to the fee changes introduced in April 2012¹¹, these costs were not taken into account in calculating those fee changes, but must now be funded.

5.3.4 In considering how these additional costs were to be funded, VOSA and DfT took account of the views expressed by some in response to the consultation on fee increases to fund creation of the NR, to the effect that those costs should have been met by general taxation rather than from fee payers. DfT has agreed to fund the cost of creating the interconnection with money from Treasury from general taxation, but considers that the ongoing running costs resulting from interconnection should be charged to the operator licensing schemes. Given its overall financial position explained in section 5.1 above, VOSA has no alternative but to propose fee increases to meet those additional costs.

¹⁰ e.g. software licensing and maintenance of systems to interchange defined data

¹¹ Paragraph 6.2.1.11

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- The proposal is that DfT will fund the one-off costs of interconnection and fee payers will fund the increased running costs by raising operator licence fees by 1%.
- Fuller details on how the changes have been calculated are given in the Impact Assessment at Annex 3.

5.3.5 We currently estimate the additional running costs mentioned above to be about £100k per year. Total fee income from operator licence fees is just over £10m per year so a 1% increase is needed. The Impact Assessment (IA) at Annex 3 to this consultation provides more detail on this change and its impact on customers. These fees will also be affected by the general increase discussed in section 5.4 below.

Question 6 Do you agree that VOSA should increase operator licence fees by 1% to fund the running cost of the interconnection of the National Register?

5.4 General Increase

5.4.1 VOSA's last general fee increase was in April/May 2009. All fee changes since that date have planned to redistribute VOSA's costs more fairly between customer groups or to fund new activities required by EU law. By the time the increase proposed here is implemented there will have been no general increase in VOSA fees for about four and a half years. Over this period VOSA has not only absorbed increases in costs but moved from reporting in-year losses to generating surpluses to reduce an accumulated deficit in its accounts. It has also done this without significant effect on levels of customer service and whilst demand for services has been reducing as a result of the general economic situation. The Trading Fund is unable to continue to achieve all of these objectives with present fee levels.

5.4.2 About half of VOSA's cost base is staff costs. The main elements of the remaining costs base are bought in goods or services (e.g. Information Technology and Communication (ITC) services), travel and accommodation cost. From 2009 to 2011 VOSA made significant staff reductions.

5.4.3 VOSA will increase its efforts to continually improve the efficiency and effectiveness of all of its services. However:

- licensing services (largely in support of Traffic Commissioners) are coming under increasing financial pressure because the reducing numbers of licence applications and licences in issue are not being matched by reductions in the volume of transactions. We will have to consider ways of addressing this issue in future fee reviews.
- Funding of enforcement activities may also prove to be an issue if the volume of tests which fund those activities continues to drop and levels of top-up funding from DfT reduce further.
- Existing ITC contracts (which make a significant contribution to our non-staff costs) are near their end, so although we expect to negotiate cost reductions in new contracts, VOSA will have to invest additional resource now into specifying and procuring new contracts. Investment will also be needed in the IT support for front line staff as existing equipment becomes obsolete and additional support is needed for more mobile testing staff.

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- VOSA also anticipates upward pressure on pay since pay scales have been frozen since August 2008. Although the Agency's pay remit for 2012/13 has not yet been agreed, Government policy is for a 1% cap on pay increases for 2012/13 and 2013/14. Assuming a 1% rise in pay rates each year would increase VOSA's cost base by about 0.5% from August 2012 and a further 0.5% from August 2013.

5.4.7 VOSA's income has reduced due largely to reduced volumes for demand led services resulting from the general economic situation. This has led to reduced and delayed recruitment of staff to replace natural wastage. When the economy returns to growth, VOSA expects to regain some of the volume lost. However most if not all of the extra income generated will be needed to provide the resources to meet this growing demand for services.

5.4.8 VOSA has achieved major cost reductions over recent years and we are confident that some further, although much smaller, improvements in our efficiency can still be realised. Despite this, we believe that in 2013/14 our cost base will rise by something in excess of 1% if we are to maintain adequate service levels to meet our customers' needs. We therefore propose a general fee increase of 1% to ensure adequate funding of our services. The IA at Annex 4 to this consultation document explains the proposed changes more fully and assesses their effect on our customers.

5.4.9 Fees for most VOSA services are set in pieces of legislation called Statutory Instruments (SIs). Although these SIs include the word "Regulations" in their title, the fee changes proposed do not change the scope of regulatory regimes or the level of support and enforcement provided to those businesses and individuals to which the regulatory regime applies. These are referred to as statutory fees. Because of the variety of services VOSA provides, our statutory fees are spread across 22 different SIs. Changes in those fees require a further SI to amend them. The cost of printing each amendment SI for laying in Parliament is around £300. For some services the cost of printing is almost as much as would be gained in 1 year from a 1% fee increase. We therefore do not propose to apply the general increase to those services where the cost of printing the regulations needed to change the fees is less than twice the yield from that increase in 1 year. The fee areas affected which we propose to exclude from the general increase are:

- TIR
- SVA
- Community bus permits
- Section 19 bus permits
- International passenger service authorisations and
- Design weight certificates.

Question 7 Do you support the proposed general increase of 1% in charges?

5.5 Voluntary services

5.5.1 VOSA also offers a number of services which customers can use if they wish but which they are not obliged to use. These services are referred to as voluntary services or, because fees for these services are not set in legislation, as non-statutory services. VOSA's non-statutory services, not all of which are available at all VOSA locations, include:

- Voluntary brake, headlamp alignment and smoke checks;

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- Hire of loaded semitrailers to enable meaningful brake tests on solo tractors;
- Voluntary tests to statutory roadworthiness test standards for vehicles which are not of a type required to undergo the equivalent statutory test or where the current statutory test pass is still valid and the presenter does not wish to alter the due date of the next statutory test;
- Voluntary tests to other statutory test standards (e.g. IVA) to vehicles which are not of a type required to undergo the equivalent statutory test; and
- Tests to provide evidence of compliance with standards applied nationally by other governments such as Tempo 100 and Vitesse 100 to enable coaches to travel at higher speeds in Germany and France respectively.

Unlike statutory fees, these non-statutory charges are subject to VAT.

5.5.2 The services covered by the first 3 bullet points are closely associated with HGV statutory roadworthiness testing and included in the HGV testing account. Most such tests are carried out at VOSA premises. VOSA proposes to treat these tests in a similar manner to HGV statutory roadworthiness tests at VOSA premises – i.e. apply a 24.2% increase before any general increase.

5.5.3 Many of these services can also be obtained from other suppliers. In accordance with Treasury guidance, VOSA has to consider not only its own costs but the going market rate for these services. We therefore propose to increase fees for these non-statutory services in line with general inflation as measured by the Consumer Prices Index published by the Office of National Statistics. We propose to raise non-statutory fees by 2.7%, which is the CPI for December 2012, the most recent data available at the time that this consultation was written. For the services discussed in 5.5.2 above this general increase will be applied after the increase mentioned in that paragraph.

5.5.4 The tables in Annex 1 set out fees for the main voluntary services showing current and proposed fees before VAT and the proposed fee with 20% VAT.

Question 8 Do you support the proposed increase in charges for non-statutory services?

6. Combined effect of changes and how individual fees are calculated.

6.1 Combined effect of changes

6.1.1 As mentioned in paragraph 3.2, there are three drivers for change in VOSA's proposal for fee changes to be implemented in 2013/14. The table below shows the fees areas (referred to as "schemes") that are affected by each driver. For those schemes where the fee is made up from several elements, the table also shows which elements are affected by each driver.

Driver	Schemes affected	Elements affected by this driver
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Driver	Schemes affected	Elements affected by this driver
Location Differentiation	<ul style="list-style-type: none"> • Statutory roadworthiness testing of and notifiable alterations to heavy goods vehicles, trailers (including plating of heavy goods vehicles and trailers) • Statutory roadworthiness testing of buses and coaches • ADR Certification • Low Emission Certificates (LEC) • Reduced Pollution Certificates (RPC) 	<ul style="list-style-type: none"> • Testing element only • Testing element only • Testing element only • Physical examinations by VOSA • Physical examinations by VOSA
Interconnection of National Registers	<ul style="list-style-type: none"> • Licensing of operators of heavy goods vehicles, buses and coaches • Statutory roadworthiness testing of buses and coaches 	<ul style="list-style-type: none"> • All (only one element) • O licence element only
General increase	<ul style="list-style-type: none"> • All listed in paragraphs 2.1.1 to 2.1.3 above 	<ul style="list-style-type: none"> • All elements

6.1.2 The fee tables at **Annex 1** show the combined effect of all change drivers on the fees for services covered by this consultation. For those schemes where the fee is made up of more than one element (e.g. statutory roadworthiness testing of buses and coaches) the combined effect of all change drivers is shown for each element.

6.2 Calculation of individual fees

6.2.1 Section 5 explains the three factors which are driving VOSA's fee change proposals and the percentage changes resulting from each driver. Section 6.1 above explains which schemes or elements within scheme fees are affected by each of the drivers and notes that fees for several schemes are affected by more than one driver and that one scheme is affected by all three drivers. To make fees easier to understand and apply, VOSA rounds fees up to the next pound. The combined effect of these factors means that the percentage change to individual fees will often differ from the "headline" rates quoted in section 5. **Annex 5** to the consultation document gives a full explanation of how individual fees are calculated and shows a worked example.

7. Impact Assessments

7.1 In accordance with Government better regulation policies, VOSA has prepared formal Impact Assessments (IAs)¹² to assess the likely effect of the proposed changes on businesses and charities. Separate IAs have been prepared for each of the 3 drivers for change of statutory fees set out in section 5. These are attached at annexes 2, 3 and 4 to this consultation document.

7.2 For HGVs, the impact is put into context by comparing the effect of VOSA's fees with the cost of operating or providing HGVs using published operating cost data. For HGV operators, the total cost of fees paid to VOSA for its statutory services currently equates to less than 0.4% of annual operating costs and the fee changes proposed in this consultation would raise that by about 0.03% of total operating costs.

7.3 A similar analysis for the rental and leasing sector of the road freight industry shows worst case fees as equivalent to about 0.6% of the cost of providing vehicles if all were tested at VOSA (0.5% if all tested at ATFs). These proposals will add about 0.09% if no vehicles were tested at ATFs but reductions of almost 0.01% if all vehicles were tested at ATFs.

7.4 If you have any information which could improve the accuracy of the analysis of costs and benefits please include it in the response to this consultation. Please also suggest any alternative methods for reaching the objective and highlight any possible unintended consequences of the policy and practical implementation issues.

Question 9 Can you offer any information which we could use publicly that would help us to make the impact assessment more accurate?

7.5 For PSVs we have been unable to find public domain data on the "average" costs for PSVs which would enable us to evaluate the effect of VOSA's fees in relation to overall operating costs. Please let us know if you have, or can suggest, a source of such information for your industry sector. If we include average rates of new licence applications and variations to existing licences, indicative figures suggest that the operator of a small PSV would see average costs of fees paid to VOSA reduce by £1.39 if their vehicle was tested at an ATF and increased by £19.07 per year if they used VOSA test facilities.

7.6 The operator of a large PSV would see average cost reductions estimated at £2.39 or increases estimated at £27.63 depending on test. We have modelled the effect of changes on one vehicle operator making allowances for the average numbers of new licence applications, variation applications and retests. Thus, the worst case effect on the costs of operating a single large PSV equate to less than 20 litres of diesel at current retail pump prices.

¹² <https://www.gov.uk/government/publications/impact-assessments-for-government-policies>¹²

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Question 10 Can you provide any data which we could use in published documents to assess the effects of our proposals on your industry sector?

Glossary

- ATF
 - Authorised Testing Facility – non-VOSA testing facilities at which VOSA staff carry out tests and which operates under a contract with VOSA.
- CoIF
 - Certificate of initial Fitness – a scheme to certify that buses and coaches comply with constructional standards before they can be used as PSVs. For new vehicles this has been superseded by IVA, but remains in place for vehicles converted for PSV use after they have been registered.
- DfT
 - Department for Transport – the UK Government department responsible for transport related issues.
- DP
 - Designated Premises - non-VOSA testing facilities at which VOSA staff carry out tests but which operates with no formal contract with VOSA
- DVA
 - Driver and Vehicle Agency – an agency of the Department of the Environment for Northern Ireland which carries out vehicle testing, vehicle registration, driver testing and activities to encourage safe and legal operation of commercial vehicles.
- GB
 - Great Britain – i.e. England, Scotland and Wales
- HGV
 - Heavy Goods Vehicle – a goods vehicle with maximum permitted weight above 3,500kg
- IA
 - Impact Assessment – an assessment of the impact of proposed changes primarily on businesses and civil society organisations – standards specified by the Department for Business, Innovation and Skills¹³
- LEC
 - Low Emission Certificate – to certify that vehicles comply with more exacting emission standards for entry into the London low emission zone
- PSV
 - Public Service Vehicle – a bus or coach used for hire and reward
- RPC
 - Reduced Pollution Certificate – to establish eligibility for reduced Vehicle Excise Duty
- UK
 - United Kingdom of Great Britain and Northern Ireland
- VOSA
 - Vehicle and Operator Services Agency – an agency of DfT which operates throughout GB

¹³ <http://www.bis.gov.uk/ia>

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- ADR
 - Agrément Dangereuse Routier – Certification in accordance with International standards for vehicles carrying certain dangerous goods – e.g. fuel, explosives & some chemicals
 - Vehicles carrying such goods within GB are required to be certified as complying with those standards
- VIC
 - Vehicle Identity Check – to confirm the identity of vehicles which have been reported as beyond repair but are seeking re-registration – DVA determines applications involving inspection in Northern Ireland. VOSA determines other applications.
- VOSA
 - Vehicle and Operator Services Agency – an agency of DfT which operates throughout GB responsible for roadworthiness and other testing of HGVs and PSVs, specialist testing of some vehicles other than HGVs and PSVs, supervision of the MOT scheme for roadworthiness testing of other road vehicles (e.g. private cars), activities to encourage safe and legal operation of commercial vehicles and supporting the Traffic Commissioners in their statutory duties.
- TIR
 - Transport International Routier – Certification of load compartments under customs seal for International journeys outside the European Economic area
- SVA
 - Single Vehicle Approval – a national scheme for the pre-registration approval of cars and light vans – largely superseded by IVA
- IVA
 - Individual Vehicle Approval – a pre-registration or pre-use check on individual vehicles to European Whole Vehicle Type Approval standards (ECWVTA). Alternate approval routes via small series and full blown type approval are also available via the UK's Vehicle Certification Agency (VCA) or their equivalents in other Member States
- PSV
 - Public Service Vehicle – a passenger carrying vehicle (bus coach, etc.) used for hire and reward as defined in section 1 of the Public Passenger Vehicles Act 1981 as amended.
- PSV Accessibility certification
 - To comply with the Equality Act 2010
- MSVA
 - Motorcycle Single Vehicle Approval – a national scheme for the pre-registration approval of motorcycles
- HGV International Permits
 - Required for some journeys outside European Economic area
- Design Weight Certificates
 - Required by the Driver and Vehicle Licensing Agency (DVLA) for certain goods vehicles for which other evidence of design weight is unavailable
- International Passenger Road Service authorisation
 - For regular passenger services within the EU and to some other countries

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- Section 19 Bus Permit
- Community Bus Permit
- Bus Service Registration
- Permits under Section 19 of the Transport Act 1985 issued to not for profit organisations in order to transport members or people whom the organisation exists to help
- Permits issued to not for profit organisations concerned for the social or welfare needs of communities to provide 'local bus services' that can carry the general public
- Registration of local bus services – carried out by Traffic Commissioners and supported by VOSA