 <b>Regulatory Policy Committee</b>	<b>Opinion</b>	
<b>Impact Assessment (IA)</b>	Lorry, bus and coach examination fees - location differentiation	
<b>Lead Department/Agency</b>	Department for Transport	
<b>Stage</b>	Final	
<b>IA number</b>	DFT00163	
<b>Origin</b>	Domestic	
<b>Expected date of implementation (and SNR number)</b>	SNR7	
<b>Date submitted to RPC</b>	28/01/2014	
<b>RPC opinion date and reference</b>	21/02/2014	RPC12-DFT-1445(2)
<b>Overall assessment</b>	<b>GREEN</b>	
<p><b>RPC comments</b></p> <p>The IA is fit for purpose. The OITO and impact on small and micro-businesses assessments are satisfactory. The IA also addresses fully the comments made in our consultation stage opinion of 19 December 2012.</p>		
<p><b>Background (extracted from IA)</b></p> <p><b>What is the problem under consideration? Why is government intervention necessary?</b></p> <p><i>The Vehicle and Operator Services Agency (VOSA) carries out roadworthiness testing and other examinations of lorries (HGVs) and buses and coaches (PSVs) mandated by international agreements to improve road safety. Examinations take place in VOSA facilities or in mainly private sector, providers. Fees charged by VOSA do not fully reflect the differences in the costs for the different location types, and customers who choose non-VOSA facilities still contribute to the cost of VOSA facilities. VOSA need to reduce the fees for customers using non-VOSA facilities to reflect better the costs they incur and increase the fees for customers using VOSA facilities to recover the costs of service delivery.</i></p> <p><b>What are the policy objectives and the intended effects?</b></p> <p><i>The policy objectives of the proposed fee changes are to ensure that VOSA's costs are recovered whilst maintaining adequate service levels to meet customer demands and attributing costs more fairly between users of different service delivery methods.</i></p> <p><b>What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)</b></p> <p><i>Fees can only be changed in Regulations. Two options have been assessed in this IA. These options have been compared to the "do nothing" option (i.e. continue to charge present fees and fail to cover costs).</i></p> <p>a) <i>Option 1: full location cost differentiation now – i.e. charge the full cost of each service delivery method to customers who choose that method</i></p> <p>b) <i>Option 2: limit the rate at which fees for tests at VOSA facilities increase - effectively phase the change to full differentiation over a longer period prolonging the cross subsidy.</i></p> <p><i>Option 1 is preferred. It creates a fairer fee structure; even with the proposed</i></p>		

*increases, most types of HGV roadworthiness tests are estimated to cost less at VOSA facilities than at non-VOSA facilities (when typical charges for using non-VOSA facilities are accounted for); and both options are estimated to have the same overall net cost to business.*

**Comments on the robustness of the OITO assessment**

The IA says *'the increased charges are needed to recover costs and do not change the scope of regulatory activity. Therefore, they are out of scope of OITO'* (paragraph 102). Based on the evidence presented, this appears to be a reasonable assessment and this proposal is out of scope of OITO, consistent with paragraph 1.9.8 vii of the Better Regulation Framework Manual (July 2013).

**Comments on the robustness of the small & micro-business assessment (SaMBA)**

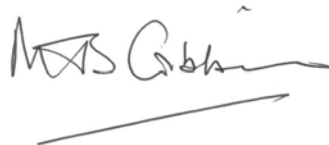
The proposal comes into effect after 31 March 2014. The SaMBA addresses why it would not be appropriate to exempt small and micro-businesses from the fees increase. In doing so, the Department says that vehicle testing places a statutory obligation on the user to ensure minimum standards are maintained and fees paid for statutory testing reflect the cost of services provided. The Department also says that no mitigating options are necessary, because of the very small effect of the fee changes on HGV operating costs (Annex E). This information is useful but the SaMBA should provide a stronger justification for not exempting small and micro-businesses from the fees increase.

**Quality of the analysis and evidence presented in the IA**

The IA has set out adequately the rationale, costs and benefits of the proposals. The assessment of the impact on business appears to be robust.

The Department has addressed fully the comments made in our consultation stage opinion of 19 December 2012, with a detailed response provided on pages 31-32 of the IA. This includes additional sensitivity analysis (pages 25-27). Following comment from the RPC, the revised IA addresses the requirement for a SaMBA.

**Signed**



**Michael Gibbons, Chairman**