

<b>Title:</b> VOSA Fees - General Increase <b>IA No:</b> DfT00162  <b>Lead department or agency:</b> Vehicle and Operator Services Agency (VOSA) <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>	
	<b>Date:</b> 28/01/2014	
	<b>Stage:</b> Final	
	<b>Source of intervention:</b> Domestic	
	<b>Type of measure:</b> Secondary legislation	
<b>Contact for enquiries:</b> andrew.cattell@vosa.gsi.gov.uk		
<b>Summary: Intervention and Options</b>		<b>RPC Opinion:</b> RPC Opinion Status

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out? Measure qualifies as
£0.00m	-£8.52m	£0.77m	No   NA

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

There will be a shortfall between income and costs for the services covered by this IA estimated at £1.1m and the Trading Fund is unable to continue to achieve all of these objectives with present fee levels. Since April/May 2009 VOSA has absorbed increases in Vehicle Testing and Inspection costs and we will continue to work towards efficiency improvements. Over the same period VOSA has also moved from reporting in-year losses to generating surpluses to reduce an accumulated deficit in its accounts in line with our 5 year financial delivery plan. We have maintained adequate levels of customer service whilst demand for services has been reducing as a result of the general economic situation. Fees are set in secondary legislation so can only be altered by Government intervention.

**What are the policy objectives and the intended effects?**

To ensure long term financial sustainability of the VOSA trading fund while maintaining appropriate levels of customer service at minimum cost to customers.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

Raise fees levels marginally (1%) (preferred option 1) or reduce costs by reducing service standards to maintain existing fee levels (option 2)

Raising fee levels is the preferred option because feedback from customers over many years has been that they place greater value on minimising vehicle down time than on marginal increases in fee levels. The last general fee rise was in 2009 meaning that taking into account average inflation rises; customers will have had a real terms cost reduction estimated as at least 13% before the proposed 1% increase is applied.

<b>Will the policy be reviewed? It will be reviewed. If applicable, set review date: 04/2015</b>					
Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		<b>Micro</b> Yes	<b>&lt; 20</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)		<b>Traded:</b> NQ		<b>Non-traded:</b> NQ	

*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: \_\_\_\_\_ Date: \_\_\_\_\_

# Summary: Analysis & Evidence

# Policy Option 1

**Description:** General fee increase of 1%

## FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: N/A	High: N/A	Best Estimate: 0.00

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	0	1.0	8.5

### Description and scale of key monetised costs by 'main affected groups'

The average annual costs are from increased fees from VOSA customers to ensure continued delivery of existing services.

Changes will affect all users of services listed in table 1 of Annex A.

### Other key non-monetised costs by 'main affected groups'

No non-monetised costs compared to do nothing have been identified.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	0	1.0	8.5

### Description and scale of key monetised benefits by 'main affected groups'

The average annual benefits are a transfer to VOSA from customers of the fee increase.

### Other key non-monetised benefits by 'main affected groups'

Service delivery to VOSA customers will continue at agreed service levels

### Key assumptions/sensitivities/risks

Discount rate (%)

3.5

Key assumptions, sensitivities and risks are on:

- VOSA's overall financial position at the end of 2012/13;
- changes to VOSA's costs and the extent to which these can be absorbed by efficiency improvements; and
- the level of demand for services in 2013/14

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.8	Benefits: 0.0	Net: -0.8	No	NA

# Summary: Analysis & Evidence

# Policy Option 2

**Description:** Reduce costs by reducing service standards

## FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: N/A	High: N/A	Best Estimate: N/A

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	N/A	N/A	N/A
High	N/A	N/A	N/A
Best Estimate	0	0	0

### Description and scale of key monetised costs by 'main affected groups'

VOSA would not know with any degree of certainty the costs to business of having tests or retests carried out by demand. Therefore, it has not been possible to monetise the costs of reduced service levels without disproportionate effort.

### Other key non-monetised costs by 'main affected groups'

Reduced service levels would mean that VOSA would have to reduce the number of testing days available to meet demand meaning that those seeking retests and short notice tests or applying for licences would have longer to wait or further to travel for tests thus increasing their vehicle down time and/or costs. Levels of "enforcement" activity would also have to be reduced leading to higher levels of unsafe operation and associated road casualties and congestion. For this reason this option is ranked lower than option 1.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	N/A	N/A	N/A
High	N/A	N/A	N/A
Best Estimate	0	0	0

### Description and scale of key monetised benefits by 'main affected groups'

No monetised benefits of reduced service levels have been identified.

### Other key non-monetised benefits by 'main affected groups'

No non-monetised benefits of reduced service levels have been identified.

### Key assumptions/sensitivities/risks

Discount rate (%) 3.5

Key assumptions, sensitivities and risks are on:

- VOSA's overall financial position at the end of 2012/13;
- changes to VOSA's costs and the extent to which these can be absorbed by efficiency improvements; and
- the level of demand for services in 2013/14

## BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0	Benefits: 0	Net: 0	No	NA

# Evidence Base (for summary sheets)

## Background

1. The Vehicle and Operator Services Agency, (VOSA) is a Government Trading Fund within the Department for Transport. Its activities include roadworthiness testing of lorries, buses and coaches; encouraging and enforcing safe and legal operation of those vehicles; specialist inspections of vehicles; managing the MOT scheme for testing cars and other light or private vehicles; and supporting the Traffic Commissioners in their statutory functions (e.g. in respect of licensing of operators of lorries, buses and coaches). The majority of these services are demand led. The Annual Report and Accounts for 2012/13 show a total income of almost £185m – of which just under £114m comes from statutory fees covered by this IA.
2. VOSA has a fairly complex structure of around 260 different statutory fees. This is necessary, particularly in respect of vehicle testing activities, to ensure a reasonable correlation the cost to VOSA of the particular inspection and the fee charged – e.g. the time taken for a partial retest of a single axle trailer is significantly different to that taken for a full test on a 4 axle HGV or a double deck bus. (source – VOSA Timing Study 2008)
3. On 20 June 2013 Ministers announced their intention to merge VOSA with the Driving Standards Agency to improve services to motorists and other road users. It is too early to make any assumptions about the extent to which this merger will affect costs. In considering the current fee proposals, this IA does not attempt to speculate on the effects of this merger on the accounts for the included services.

## Scope of this IA

4. This IA considers the effect of a proposed general increase in the level of fees for all fee earning services performed by VOSA or for which VOSA collects fees on behalf of the independent Traffic Commissioners, with the exception of the fees charged by VOSA to Authorised Examiners who carry out “MOT” tests under section 45 of the Road Traffic Act 1988 on vehicles in all classes except Public Service Vehicles (PSV). The annual fee income of services covered by this IA is approximately each of these services range from around £66m<sup>1</sup> (for HGV<sup>2</sup> plating<sup>3</sup> and testing) to around £8k (for authorising of international passenger road services). A full list of services covered is at Annex A.
5. Other proposed changes to alter testing fees to charge different customer groups more fairly for the costs of different service delivery model<sup>4</sup> and to recover the cost of meeting new EU requirements to share data on operators and their transport managers<sup>5</sup> are dealt with in separate Impact Assessments.
6. The services within scope of this IA are largely delivered to businesses (including sole traders) and charities that own, operate, repair, maintain, import or build heavy goods vehicles (HGVs) and their trailers and Public Service Vehicles (PSVs). Some services in scope of this IA are delivered to private individuals – e.g. those who operate HGVs not used by businesses (such as some horse boxes), or amateur vehicle builders. These represent only a small proportion of the volumes within the individual services. Data held

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<sup>1</sup> Includes funding for activities to encourage and enforce safe and legal operation of HGVs which is collected via HGV test fees

<sup>2</sup> Heavy Goods Vehicle – goods vehicles with a maximum permitted weight above 3.5 tonnes

<sup>3</sup> Determining the permitted weight of goods vehicles

<sup>4</sup> “Lorry, bus and coach examination fees – location differentiation” at

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/192847/annex-2-location-differentiation-ia.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/192847/annex-2-location-differentiation-ia.pdf)

<sup>5</sup> “Funding the interconnection of the National Register of licensed operators of goods vehicles, buses and coaches” at

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/192848/annex-3-national-register-interconnection-ia.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/192848/annex-3-national-register-interconnection-ia.pdf)  
L:\Fees and Regulations\Legislation - nonMOT\Fees\Statutory Fees\2013\Impact Assessments\General increase\Final Stage

does not make it possible to separate the private individual service users from business and charity service users without disproportionate effort so it has been assumed that all services within the IA's scope are delivered to businesses and charities.

### The effects of fee rounding;

7. To simplify fees, particularly for those fees which are not paid by on-line fee collection mechanisms, VOSA has for many years rounded fees to whole pounds. Our rounding policy was changed in 2012 to round fees up to the next highest whole pound.
8. To avoid compounding of rounding effects, which would distort fee differentials, percentage changes to fees are applied to unrounded fees, rather than the rounded fees actually charged. For those fees affected by more than one change driver (see paragraph 52) the changes described in associated IAs (on location differentiation and interconnection of National registers) are applied before the changes from this IA. The final result is then rounded up to the next whole pound. Annex D explains this process in more detail.
9. To calculate the effect of the rounding applied to the fees proposed in this overall package of fee changes it is necessary to deduct the value of rounding applied to the existing fees from the rounding applied to the new fees – e.g. the current fee for a test at VOSA of a 2 axle HGV is currently £97.48 which is rounded up by 52p to £98; the proposed fee is £112.86 which is rounded up by 14p to £113; the net effect of these changes is therefore a reduction in rounding of 39p. Clearly in other cases the net effects may be either negative or positive therefore, taking this into account the net effect will have little or no effect upon the impact of these fee proposals. To monetise the net effect of rounding it would be necessary to predict the likely demand level for each of the 250 or so individual fees and multiply the predicted demand by the net effect of rounding of that fee.
10. This predictive calculation has not been carried out as the effort to do so (estimated at 2 to 4 person weeks) is considered to be disproportionate for the likely net change, not only because of the difficulty in forecasting demand at that level of granularity but because these proposed fees are only expected to be in force for something between 1 and 2 years.

### Services covered by this IA<sup>6</sup>

<b>HGV Testing</b>	<b>HGV Operator Licensing</b>	<b>Reduced Pollution Certificates</b>	<b>CoF and PSV accessibility certification</b>
<b>PSV Testing</b>	<b>PSV Operator Licensing</b>	<b>IVA</b>	<b>Motorcycle SVA</b>
<b>Vehicle Identity Check</b>	<b>ADR</b>	<b>Bus service registration (England &amp; Wales)</b>	<b>Bus service registration (Scotland)</b>
<b>HGV international permits</b>	<b>TIR</b>	<b>SVA</b>	<b>Community bus permits</b>
<b>International passenger road service operations</b>	<b>Design weight certificates</b>	<b>Tachograph calibrator approval</b>	<b>S19 bus permits</b>

<sup>6</sup> For definitions of these services – refer to Annex A

The Statutory Instruments which will need to be amended to implement changes to fees for these services are included in the table following paragraph 52.

## **Problem under consideration;**

11. VOSA aspires to review the level of its fees annually to ensure that they cover the Agency's costs. Our last general increase in fee levels was in April/May 2009<sup>7</sup>. Fee changes since then have been income neutral for VOSA, with restructuring of fees to generate the same total income in ways that are fairer to customers and reflect more accurately the cost of the service delivery model which they use<sup>8</sup>. Since 2009, VOSA has absorbed increases in costs for the services it provides by improved efficiency. Although we will continue with efficiency improvements wherever possible, most of the major potential improvements have now been made and it is unlikely that we can sustain the rate of efficiency improvements of recent years. We therefore estimate that without a general fee increase there will be a shortfall between income and costs for the services covered by this IA estimated at £1.1m per year. (source – VOSA Management Accounts Long Term Plan) Over the same period VOSA has also moved from reporting in-year losses to generating surpluses to reduce an accumulated deficit in its accounts in line with our 5 year financial recovery plan. (source – VOSA Business Plan 2009 and subsequent editions) It has also maintained adequate levels of customer service 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.
12. VOSA's Annual Accounts for 2009/10<sup>9</sup> showed a net deficit in-year of just under £4.5m and a carried forward accumulated deficit of £36.8m at the end of the year. Ministers agreed a plan to recover this deficit over 5 years. By the 31 March 2013, this figure had been reduced to just under £3.1m<sup>10</sup>. Costs have been reduced by:
- staff reductions of about 18.5% between 2008/09 and 2012/13 (average monthly totals reducing from 2,723<sup>11</sup> to 2,219)<sup>12</sup>)
  - renegotiated contracts with our major ICT (Information and Communication Technology) suppliers
  - changes to business processes
  - review of other contracts and suppliers
13. There has also been a reduction in income of £7m between 2010/11 and 2012/13<sup>13</sup> – largely due to reduced volumes of demand led services. It is difficult to predict when and to what extent demand will return.

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<sup>7</sup> The last general increase to fees covered in this IA was in 2009 – some fees changed on 20/4/09 others on 3/5/09.

<sup>8</sup> The two major restructures since 2009 have been to spread the cost of activities to encourage and enforce safe and legal operation of heavy commercial vehicles by recovering them through annual roadworthiness test fees rather than operator licence "disc" fees; and to reduce cross subsidies from customers who use non-VOSA test facilities to those who use VOSA provided facilities. The former restructure was completed in April 2010. The latter process started in April 2009 and we propose to complete it as part of this fee change package covered as set out in a separate IA.

<sup>9</sup> P49 of 2009/10 Annual Report and accounts at:  
<http://webarchive.nationalarchives.gov.uk/20130402152922/http://www.dft.gov.uk/vosa/repository/2009%20-%202010%20VOSA%20Annual%20Report%20and%20Accounts.pdf>

<sup>10</sup> p50 of 2012/13 Annual Report and Accounts at:  
<https://www.gov.uk/government/publications/vosa-annual-report-and-accounts-2012-to-2013>

<sup>11</sup> P75 of 2008/09 Annual Report and Accounts at:  
<http://webarchive.nationalarchives.gov.uk/20130402152922/http://dft.gov.uk/vosa/repository/2008-09%20VOSA%20Annual%20Report%20and%20Accounts.pdf>

<sup>12</sup> P64 of 2012/13 Annual Report as above and p75 of 2008/9 Annual Report at:  
<https://www.gov.uk/government/publications/vosa-annual-report-and-accounts-2012-to-2013>

<sup>13</sup> P69 of 2011/12 Annual Report and p61 of 2012/13 annual report as referenced above

14. To maximise its accuracy, VOSA's Business Plan, which contains detailed predictions of costs and incomes are normally published just before the start of each financial year. The fee changes covered by this IA are now unlikely to be implemented before early 2014. Effectively this means that there will be little or no impact from the new fees in 2014. Detailed work on VOSA's Business Plan for 2014/15 is still at fairly early stages. It is therefore only possible to consider likely general trends in preparing this IA ahead of the detailed business planning cycle.

#### **VOSA's cost and income base**

15. Approximately 50% of VOSA's cost-base is staff costs. The main elements of the other 50% of the cost-base are:
- bought-in goods and services – particularly ICT hardware and systems;
  - travel – for which fuel costs are a significant factor; and
  - the costs of owning, renting and maintaining our estate of test stations, offices and check sites (including energy to heat and light the buildings).

#### *Staff costs*

16. There is relatively limited flexibility to reduce staff costs further. This is because:
- The majority of staff efficiency savings have already been made. Between financial years 2008/9 and 2012/13 the average monthly levels of staff in each year (including agency staff and contractors) fell from 2,723 to 2,219 – a reduction of 504 or 18.5%. (source VOSA Annual Report and Accounts 2009 onwards) Furthermore VOSA's existing ICT contracts (which make a significant contribution to reducing non-staff costs) are nearing their end; VOSA will have to put additional staff resource into specifying and procuring new ICT services as the requirements for modern ICT systems have changed from the original specification.
  - VOSA also anticipates upward pressure on pay since pay scales have been frozen since August 2008. Although the agency's pay remits for 2012/13 and 2013/14 have not yet been agreed, Government policy is for a 1% cap on pay increases for 2012/13 and 2013/14. What will happen in 2014 is even less clear. If we assume that the 1% pa cap will continue in 2014/15 then VOSA's pay costs in 2014/15 will have increased by 3% compared to our last fee review in 2011/12. Pay costs account for about 50% of VOSA's overall costs. Thus our cost base will have risen by an estimated 1.5% since our last fee review was implemented.
  - The continuing progress towards moving testing nearer to the customer, largely at places where vehicles can be maintained – will also put upward pressure on staffing levels. Testing staff will have to spend more time travelling between locations than under the former model. The layout of some of these alternative test facilities can also mean that tests take longer than at VOSA test stations. However, this process delivers benefits to customers by reducing the time and mileage to bring vehicles to testing stations and the down-time of their vehicles consequently reducing their costs – i.e. the benefit to operators of taking examiners to large vehicles is greater than the extra cost to VOSA.

#### *Non-staff costs*

17. Similarly there are limited opportunities to reduce non-staff costs:
- Although VOSA has been able to benefit from reductions in the costs of some bought-in goods and services, these have largely been due to suppliers cutting their margins to maintain volumes in a shrinking market, or one-off step changes such as those resulting from changes in ICT technology. At the same time, costs of other goods and services bought in, such as fuel and energy for heating and lighting our estate, have generally

continued to rise. Assuming that the economy returns to even limited general growth we anticipate that many prices will start to rise over the next couple of years.

- Land and buildings are re-valued over a five year period with approximately one fifth of the estate being valued each year by an independent valuer. Changes in the property market have meant lower valuation of much of our estate. Although this is a benefit in the longer term because depreciation is reduced, it can increase costs in the short term since accounting rules mean that any reductions in valuation have an adverse effect on the income and expenditure account in the year that the revaluation takes place. VOSA is continuing to reduce its long term cost base by rationalising its estate, particularly where demand for testing can be met using Authorised Testing Facilities (ATFs) supplied by the private sector and funded directly by customers. However, with lower property prices, this too can have an adverse effect in the short term if the book value of property cannot be realised. (source – VOSA Annual Report 2009 onwards)

18. It would be unrealistic to expect general price levels to fall and VOSA is unlikely to be immune from these pressures.

### *Demand change*

19. Between 2010/11 and 2012/13 VOSA's income reduced by around £7m due largely to reduced volumes for demand led statutory services. (source – VOSA SAS Data Warehouse) However, it is uncertain whether this trend will continue into 2013/14 and beyond. Because of this uncertainty we have assumed that demand levels, and therefore "do nothing" income will remain at current levels. Should demand rise, then any extra income generated is likely to be needed to fund the additional resource necessary to meet that demand. Any inaccuracies in those assumptions will be taken into account in the next round of fee revision if they cannot be fully reflected by adjustments to resources employed. VOSA's current aspiration is for the next fee changes to be in 2015 but this timing is dependant on a number of factors which are not yet clear, and many of which are outwith VOSA's control.

### *Overall effect on VOSA's accounts*

20. VOSA has achieved major cost reductions over recent years. (source - VOSA Annual Report and Accounts 2011/2012) We believe that some further, much smaller, improvements in our efficiency can still be realised possibly through retendering and renegotiation of contracts with suppliers and continuing improvements in how we use staff effectively are likely to feature. However we do not believe that these further efficiency improvements will be sufficient to offset the upward pressures on costs outlined above and consider that a small (1%) general increase in fee levels is essential to ensure financial stability until the next planned fee review. It is also far from clear whether there is likely to be significant demand growth in the foreseeable future and even if such growth materialises additional resource will be needed to satisfy it, so there would be considerable risk in relying on demand growth to fill the gap.

### *VOSA's performance against general inflation*

21. Although not directly relevant to VOSA's cost base it is noted that, in May 2009 CPI stood at 110.7; by July 2013 it was 125.8<sup>14</sup> – an increase of 13.6% and there is little doubt that the CPI will be higher by the time these proposed fee changes are implemented. Against this background, VOSA's proposed 1% general increase represents a significant real terms reduction in VOSA's charges.

### **Rationale for intervention;**

22. Fees are set in legislation so can only be altered by Government intervention.

<sup>14</sup> Source ONS Consumer Price Index tables, table 1.1 updated 13 August 2013 at:  
<http://www.ons.gov.uk/ons/datasets-and-tables/data-selector.html?dataset=mm23>  
L:\Fees and Regulations\Legislation - nonMOT\Fees\Statutory Fees\2013\Impact Assessments\General increase\Final Stage



## **Policy objective;**

23. VOSA's policy objective is to ensure long term financial sustainability of the Vehicle and Operator Services Agency (VOSA) Trading Fund while maintaining appropriate levels of customer service in line with our service level agreement.<sup>15</sup>

## **Description of options considered (including do nothing);**

### **Do Nothing:**

24. A "do nothing" option would mean maintaining both present pricing levels and service levels. As explained above, VOSA does not believe that we can continue to absorb all cost increases so "do nothing" is not an option. We either have to reduce service levels or increase prices for those services.

25. The policy options considered below are compared to the "do nothing" option that would lead to a reduced level of customer service. These are further explored within option 2 where we consider the impact of the reduction in VOSA costs upon service levels created by maintaining fee levels at their current position.

### **Option 1 (the preferred option): increase the general level of fees and charges**

26. Under this option a general increase would be applied to fees within scope of the IA of 1%. As explained above, VOSA's cost base is expected to increase both until and during 2014/15. Demand for the bulk of VOSA's services covered by this IA is affected by how our customers, who provide road freight and passenger transport services, deal with changes in demand for their services. Depending on the extent and pace of national economic recovery and how both transport users and suppliers respond to that recovery, VOSA's income may also increase slightly due to demand growth. However if significant demand growth materialises much of any income growth will be needed to fund additional resource to meet the additional demand.

27. In recent years, VOSA has achieved significant efficiency improvements as outlined above. Although our Business Plan for 2014/15 has not yet been published we expect to be able to continue to deliver services more efficiently by developing and motivating staff and by using appropriate tools, such as "lean" to identify and remove unnecessary processes. We therefore believe that we will be able to absorb some of these cost increases by continuing efficiency improvements but that there will be a shortfall between income and costs for the services covered by this IA estimated at £1.1m due to rising costs which we are unable to absorb.

28. The total income from the full range of fees covered by this IA is estimated as approximately £114m. To bridge this gap, without reducing customer service levels, a general increase in these fees estimated at 1% is needed. This is in effect a transfer between customers and VOSA and is shown as a cost to business and a balancing transfer of VOSA income to deliver agreed services.

29. For some low turnover schemes the annual yield from such an increase would be less than the charges for registering, printing, preparation, drafting and laying in Parliament the Statutory Instruments (SIs) needed to amend the fees (approximately £290 per SI excluding lawyers costs). VOSA therefore proposes not to apply the general increase to fees for services where no other changes are proposed and the annual yield from the proposed general increase is not at least twice the cost of printing the amending SI. Table 2 in Annex A lists the services which fall into this category.

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<sup>15</sup> <https://www.gov.uk/government/publications/vehicle-testing-service-level-agreement>

## **Option 2: Maintain fee levels by cost reductions leading to reduced service levels**

30. Under this option cost savings of an estimated £1.1m in addition to those already predicted would be required. Such cost savings could only be achieved at the detriment of reduced levels of customer service. The main effects of such reductions are that:
- customers are likely to wait longer and/or travel further for test – a particular problem for operators trying to establish or expand their business in response to general economic growth
  - customers whose vehicles fail their annual test are likely to have to wait longer and/or travel further for retest – leading to increased vehicle down time and/or fuel and driver costs.
  - VOSA would be likely to have to limit availability of testing at Authorised Testing Facilities (ATFs)<sup>16</sup> – which would adversely affect the profitability and scope for expansion of ATFs.
  - turn round time for applications for, and variations to, operator licences would be likely to lengthen meaning it would take longer for businesses to be established or to expand.
  - levels of activity to encourage and enforce safe and legal operation of commercial vehicles are likely to have to be reduced leading to:
    - increased levels of non-compliance;
    - increased road casualties and congestion; and
    - compliant operators having to face unfair competition from non-compliant operators
31. Feedback from customers over many years has been to the effect that they value being able to get tests and retests at short notice. This has been re-enforced by increased levels of complaints both from individuals and trade associations when staff shortages have meant that forward booking times (the earliest available test date when a test request is made) have extended significantly.

## **Monetised and non-monetised costs and benefits of each option (including administrative burden);**

### **Option 1:**

32. To maximise its accuracy VOSA's Business Plan, which contains detailed predictions of costs and income are normally published just before the start of each financial year. At the time of writing this IA; work on the 2014/15 plan and the level of detail that will be contained therein, has not progressed significantly. From longer term projections we estimate that the shortfall in income to be met by fee increases will be about £1.1m – approximately 1% of predicted income for the services concerned. This is a transfer from customers – very largely businesses – to VOSA which is shown as a cost to business and benefit to VOSA.

33. There would also be a cost to VOSA for registering, printing, preparation, drafting and laying in Parliament the 14 SIs needed to amend the fees for services listed in Table 1 of Annex A estimated at £4,060. This would be a cost to VOSA. However this cost is such that it is treated as nil when rounded to the nearest £0.01m in the cost section of the Summary: Analysis & Evidence sheet.

34. Under this option, customers would continue to receive the same service levels as at present so this option has no non-monetised costs or benefits compared to “do nothing”

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<sup>16</sup> ATFs are testing facilities provided largely by private sector organisations at which VOSA inspectors carry out testing and related activities. They enable testing to be more closely integrated with routine maintenance and repair reducing vehicle downtime and costs of travel to VOSA test facilities.

## Option 2:

35. Under this option, fees would remain unchanged so there would be no monetised costs or benefits.

36. The effect of the reductions in service levels indicated above is extremely difficult to quantify other than by pure speculation. It would be possible to speculate on how much additional vehicle downtime would be created by longer waiting time for test and/or retest; how many additional casualties would occur in accidents because of reduced levels of enforcement activity; and how much additional congestion those accidents would cause. However, since such speculation would have little or no provable basis, we have treated them as non-monetised costs. We do however expect that the magnitude of these costs would be greater than the costs to business under Option 1. For this reason Option 1 is preferred.

## Risks

37. The main risk associated with this proposal is in respect of the accuracy of predictions of costs and demand volumes. Particularly in times of economic uncertainty assumptions which, to obtain the necessary clearances and consultation with customers, had to be made over a year before the proposed changes are to be introduced are likely to be less accurate than in less turbulent times. VOSA's aspiration is that the fee change following that set out in this IA will take place in April 2015. However several factors<sup>17</sup> make achievement of this aspiration questionable. For the purposes of this IA we have assumed that the decline in volumes will bottom out but that there will be no significant volume growth. This assumption has been made because forecasts of likely economic trends are frequently revised and the relationship between national economic performance, demand for transport and how it is met and the net effect of those factors on demand for the services covered by each of our 260 or so fees cannot be predicted with significant certainty. On the basis that VOSA's fee income from services within the scope of this IA is estimated at approximately £114m per year, each percentage point of growth or decline would change income by £1.1m. However this view is probably over simplistic since changes demand for services and within services is unlikely to be uniform.

38. Risks associated with fee change drivers detailed in associated IAs are not addressed in this IA since the range of fees affected by each IA differs. However, in all cases, the effects of any inaccuracies in assumptions will feed into the next fee review, the results of which are expected to be implemented by fee changes in 2015, or beyond.

## Assumptions

39. Key assumptions are on:

- VOSA's overall financial position when the proposed fees come into effect;
- changes to VOSA's costs and the extent to which these can be absorbed by efficiency improvements;
- the level of demand for services and
- that at this point VOSA is unable to make any predictions on the effect of the merger with the Driving Standards Agency upon our cost base

40. It has also been assumed that:

- any inaccuracies in these predictions will be taken into account in preparing fee change proposals for 2015 and beyond as far as is possible from information available when those fee changes are planned; and

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<sup>17</sup> Factors include:

- Limited resources within both VOSA and DfT to prepare the case for change
  - Consideration of the need for longer consultation periods than has been the practice in recent years, and
  - The likely proximity of the aspirational change date to the next general election
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- any costs associated with developing new services as a result of significant changes to the scope of existing services will be met by grant funding from DfT or from selective changes to fees for the services concerned – this applies both to services supplied to and by VOSA.

### Direct costs and benefits to business

41. As mentioned earlier the majority of customers for VOSA services covered by this IA are businesses. Civil society organisations are a part of the customer base. The customer base also includes some private individuals (e.g. HGV horse boxes subject to HGV testing and amateur build “kit” cars subject to IVA). These private individuals form only a small part of the customer base and data held by VOSA does not link customer type to individual fees without disproportionate effort. All income for services covered by this IA has therefore been treated as coming from businesses and civil society organisations.

42. In every case, the cost of fees paid to VOSA forms only a small part of the cost of owning or operating vehicles. Annex B shows the relationship between fees paid to VOSA and typical operating costs for businesses of various sizes operating HGVs. The analysis, which includes the effects of changes mentioned below described in two other IAs estimates that the overall effect of the proposed increases ranges from costs reductions estimated at 0.003% of operating costs to increases of about 0.031%. The most significant factor on where within this range a particular operator falls is where they take their vehicles for test. It also looks at this relationship for the HGV rental and leasing industry as a whole. This analysis estimates that the overall effect of the complete proposed increases in Location Differentiation, General Increase and Interconnection of the National Register<sup>18</sup> ranges from costs reductions estimated at 0.008% of operating costs to increases of about 0.092%. The data used to estimate this effect comes from the 2012 edition of Cost Tables published by the Road Haulage Association and from statistics published in Transport Statistics GB.

43. Similar analyses for other services have not been possible because public domain data on typical ownership and operating costs is unavailable. However, the effects on a PSV operator with single vehicle range from reductions in annualised total fees of just over £2 to increases of just under £28, depending on vehicle size and test location. To put this in perspective the worst case effect equates to about 20 litres of diesel at retail pump prices. (source – The AA Fuel Price Report October 2013)

### OITO, Small and Micro-business Assessment

44. The proposals alter the amount of fees but do not change the level of regulation and as such are out of scope of OITO.

45. As these measures are planned to come into effect after 31 March 2014 we have considered the regulatory proposal in relation to small and micro business assessment. Regulations impose minimum road safety requirements and therefore vehicle testing places a statutory obligation on the user to ensure minimum standards are maintained. Fees paid for statutory testing reflect the cost of services provided and consequently this area of business is not exempt and we believe that no mitigating options are necessary because there is no disproportionate burden.

46. Annex B shows the result of calculations and therefore a quantitative assessment of the effect of changes to HGV fees as a result of the **overall effect of the entire fee changes proposed for 2013/14**<sup>19</sup> on the total amount paid in fees to VOSA and on the overall operating costs for typical HGV micro business. As we described in Paragraph 42, by far the most

<sup>18</sup> The overall effect upon business for each element of the increases is small, therefore the cost reduction and operating costs data for all three elements of change have been included in this calculation

significant part of the change is the increased differentiation by test location which is the subject of a separate IA.

## Consultation results

47. A formal consultation on the proposed changes covered by this and the two related IAs mentioned under “References” was conducted between 30 April and 11 June 2013 (6 weeks – with most responding on-line). One question related to the contents of this IA. A small majority (53%) of respondents favoured the proposed 1% general increase. Within sectors responses were also fairly evenly balanced. Comments from those not favouring the increase suggested further internal economies but no-one seemed willing to accept reduced service levels.

### 48. Consideration

- In respect of licensing schemes, recent trends are for the number of licences applied for and in issue to reduce but for little reduction in the number of transactions, such as transport manager changes and fleet changes (i.e. lower income since fees are per licence but more transactions per licence)– putting greater financial pressure on VOSA. Work is underway to assess the various factors which have led to this situation and likely future trends which will inform future fee reviews.
- As with any business, VOSA has to balance its books. Over the last few years VOSA has been recovering an historic deficit without any general increase in fee levels for over 4 years. Information on this is published in VOSA’s Annual Report and Accounts and its Business Plans. VOSA has also had to face increases in costs such as energy costs in line with other consumer business.
- VOSA faces challenges from Government moves to centralise provision of some services, which although intended to deliver cost savings to Government as a whole may not necessarily mean savings to VOSA where processes were already efficient.
- VOSA needs to invest resource over the next few years, particularly to update ICT equipment and systems which provide vital support to its operations but are now obsolescent.
- At this stage it is not easy to say with certainty what longer term savings these technology updates will deliver, or when they will materialise
- VOSA faces challenges in changes to service delivery methods aimed at delivering benefit to the majority of its customers, but which may increase its operating costs.
- VOSA is also conscious that it needs to continue to strive to minimise the burdens that it imposes on those it regulates but to balance that with the need to discourage unfair competition from those who fail to operate in a safe and legal manner and to promote growth amongst those who operate safely and legally.
- The proposed increase will be the first general increase in VOSA’s fees since 2009. In that time the general level of prices (as measured by the Consumer Prices Index) has been about 13.6% (July 2013) and will, no doubt, have risen further by the time the changes are implemented.

49. On balance therefore the Minister has decided to apply the 1% general fee increase proposed.

## **Wider impacts**

50. Because the fee changes proposed in this IA are small and the total fee bill for customers is only a small proportion of the cost of operating or owning vehicles and all customers are treated equally, they are unlikely to have any impact on:

- Economic or financial issues other than those specifically identified in this IA or
- Competition, health and wellbeing, human rights, justice, rural proofing, sustainable development or Social issues

## **51. Statutory equality duties**

- The proposed policy is a change to fee levels. It does not change who has access to services, how they access those services or how they communicate with the Agency, thus the changes have no effect on statutory equality duties.

## **Environmental issues**

52. The changes proposed by this impact assessment will affect operating costs and these will rise by a small amount, but this should be taken in the context of the overall effect of the three changes proposed. (General Increase; Interconnection of the National Register and Location Differential)

53. Any increase in CO<sub>2</sub> would be determined by businesses and spread across a variety of factors including; distance travelled laden or unladen; fuel efficiency and weight of goods carried. As such the effect upon these factors would not be quantifiable.

## **Fee changes resulting from drivers covered in other IAs**

54. VOSA is also proposing to change the fees for some services covered by this IA as a result of drivers covered by two other IAs as mentioned in paragraph 5, each of which cover only a sub-set of the total income affected by the changes covered by this IA. The table below shows which fees are affected by the preferred option for each driver and the SIs which will need to be amended to implement the proposed changes.

**Service areas affected by proposed fee changes**  
*Separate IAs deal with each driver for change*

Service area; Regulations to be amended to change fees; and charging basis	Driver for change		
	Location differentiation	Interconnection of National Registers	General increase
<b>VOSA fees in GB</b>			
HGV roadworthiness testing Goods Vehicles (Plating and Testing) Regulations 1988 (1988/1478) Charges vary by vehicle type (motor vehicle or trailer); size (No. of axles); and whether a full test or retest or a partial re-test after a recent failure.	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
HGV notifiable alterations Goods Vehicles (Plating and Testing) Regulations 1988 (1988/1478) Charges currently vary depending on whether an examination is carried out and where the examination is carried out	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
PSV roadworthiness testing Motor Vehicles (Tests) Regulations 1981 (1981/1694) Charges vary by vehicle carrying capacity and whether a full test or retest or a partial re-test after a recent failure.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reduced Pollution Certificate (RPC) Road Vehicles (Registration and Licensing) Regulations 2002 (2002/2742) Charges vary depending on whether an examination is needed, where that examination is carried out and whether is done at the same time as a roadworthiness test.	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Low Emission Certificate (LEC) <i>No regulation amendment needed</i> <i>Charges are the same as RPC.</i>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
ADR testing International Carriage of Dangerous Goods by Road (Fees) Regs 1988 (1988/370) Charges currently vary by whether or not an examination is needed; and whether it is a partial retest after a recent failure..	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
PSV initial certification (CoF) Public Service Vehicles (Conditions of Fitness, Equipment, Use and Certification) Regulations 1981 (1981/257)			<input checked="" type="checkbox"/>
PSV accessibility certification Public Service Vehicles Accessibility Regulations 2000 (2000/1970)			<input checked="" type="checkbox"/>
Individual Vehicle Approval (IVA) Road Vehicles (Individual Approval) (Fees) Regulations 2009 (2009/718)			<input checked="" type="checkbox"/>
Motorcycle Single Vehicle Approval (MSVA) Motor Cycles Etc (Single Vehicle Approval) (Fees) Regulations 2003 (2003/1960)			<input checked="" type="checkbox"/>
Vehicle Identity checking (VIC) Road Vehicles (Registration and Licensing) Regulations 2002 (2002/2742)			<input checked="" type="checkbox"/>
Tachograph fitter/repairer authorisation Passenger and Goods Vehicles (Recording Equipment) (Approval of Fitters and Workshops) (Fees) Regulations 1986 (1986/2128)			<input checked="" type="checkbox"/>
HGV operator licence fees Goods Vehicles (Licensing of Operators) (Fees) Regs 1995 (1995/3000)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PSV operator licence fees Public Service Vehicles (Operators' Licences) (Fees) Regs 1995 (1995/2909)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Bus service registration Public Service Vehicles (Registration of Local Services) Regulations 1986 (1986/1671) AND Public Service Vehicles (Registration of Local Services) (Scotland) Regulations 2001 (SSI 2001/219)			<input checked="" type="checkbox"/>
International permits for HGVs Goods Vehicles (Authorisation of International Journeys) (Fees) Regulations 2001 (2001/3606)			<input checked="" type="checkbox"/>
<b>DVA fees in Northern Ireland</b>			
Reduced Pollution Certificate (RPC) Road Vehicles (Registration and Licensing) Regulations 2002 (2002/2742)	No changes proposed to NI RPC fees		
Individual Vehicle Approval (IVA) Road Vehicles (Individual Approval) (Fees) Regulations 2009 (2009/718)			<input checked="" type="checkbox"/>
Vehicle Identity checking VIC Road Vehicles (Registration and Licensing) Regulations 2002 (2002/2742)			<input checked="" type="checkbox"/>

- The general increase is the subject of this IA
- Interconnection of National Registers is a fee increase to recover the additional running costs incurred to comply with EU Regulations and is explained in a separate IA<sup>20</sup>.

<sup>20</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/192848/annex-3-national-register-interconnection-ia.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/192848/annex-3-national-register-interconnection-ia.pdf)  
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- Location differentiation widens differentials between tests conducted at VOSA provided test facilities and those at non-VOSA test facilities to achieve fairer distribution of costs and is explained in a separate IA<sup>21</sup>.

55. Adjustments to fees resulting from each of the other drivers mentioned above are made before the general increases covered by this IA are calculated. The fee tables at Annex C show, for each service, the present fees, and the changes from other drivers and the proposed fee after the general increase is applied. The percentage changes in individual fees vary as a result of:

- VOSA's rounding policy, which was changed in 2012 to round fees up to the next highest whole pound,
- the use of existing fees before rounding is applied as the base for calculating new fees, to overcome any adverse effects on customers or distortion of differentials which would be produced if the rounding was compounded over a number of years; and
- the effects of the other drivers, where appropriate, which were applied before the 1% general increase

Annex D explains the calculation method more fully using a worked example.

56. The analysis of the effect on operating cost in Annex B includes all change drivers.

### **Summary and preferred option with description of implementation plan.**

57. The preferred option is to increase fees by 1% as described in option 1. The changes were planned to take effect in October 2013. Because of the time taken to obtain the relevant clearances and the necessary legislative changes this was unachievable but the new fees will be brought into effect at the next common commencement date. We estimate that this will now be April 2014. The shortfall in income created by these delays will have to be taken into account in future fee changes.

### **58. Post Implementation Review (PIR) plan**

#### **Basis of the review**

Annual review of VOSA fees

#### **Review objective**

The annual review of VOSA fees ensures that fees and transaction volumes are meeting current transaction costs

#### **Review approach and rationale**

Monitoring data is reviewed to ensure that long term costs and income are matched

#### **Baseline**

Annual review as part of the Agency accounting process

#### **Success criteria**

Long term balance of fees and transaction costs

#### **Monitoring information arrangements**

VOSA's annual Business Plan and accounts will provide the required data

<sup>21</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/192847/annex-2-location-differentiation-ia.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/192847/annex-2-location-differentiation-ia.pdf)  
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## 59. Consultation IA RPC12-DfT-1443 - RPC view:

60. *The IA would be improved by providing clarification as to why some fee increases appear higher than necessary to meet the targeted overall 1% rise and how the individual fee increases gross up to £1m*

### 61. VOSA Response

Within this IA we have amended text in paragraphs: 53 and 54

62. *The IA says 'the shortfall in income to be met by fee increases will be about £1m - 1% of predicted income for services concerned' (Paragraph 26). However, the percentage increases for individual fees presented in the tables on pages 22-25 are nearly all above 1%. Whilst this is mainly due to rounding of fees to the nearest £1, there are cases where the proposed fees are rounded up when it appears they should be rounded down whilst still leaving the percentage increase above 1%. Clarification should be provided on this and the actual average percentage fee increase that will be paid by customers. Furthermore, the tables on pages 22-25 would be improved by showing how the individual increases gross up to the £1m (1%) that VOSA is seeking.*

### 63. VOSA Response

We have added a new Annex D to explain the calculation process.

64. *Furthermore, the IA should consider the impact on the fee increases from a possible fall in income of £1m to VOSA from a related IA RPC12-DfT-1445 on 'Lorry, bus and coach examination fees - location differentiation'.*

### 65. VOSA Response

This comment is the result of comparing apples and pears - the general increase covers a wider range of fees than the location differentiation.

66. *The related IA on 'Lorry, bus and coach examination fees - location differentiation' shows on table 4 that if the proportion of tests undertaken in VOSA on non VOSA sites increased from 55% to 60% then income to VOSA would fall by about £1m. That IA indicated that VOSA's total income is £55m, so it is not clear how a 1% fee rise would raise the required £1m The IA should clarify how a 1% fee increase of VOSA's income of £55m equates to £1m and discuss the possible impact of a £1m income reduction on the proposed increase in fees for VOSA.*

### 67. VOSA Response:

This has been addressed by additional text in paragraph 38, new paragraph 37 and greater detail on paragraphs 53 and 54.

68. *VOSA efficiency improvements. The IA says 'we believe that we will be able to absorb some of these cost increases by continuing efficiency improvements' (paragraph 22). The IA would be improved by providing more details of the efficiencies made by VOSA, such as movements in staff numbers relative to output, to strengthen the case for a fee increase.*

### 69. VOSA Response

Changes to text in paragraphs 12, 13 and 26 and new paragraphs 11 and 12.

70. *Risk/Uncertainty. The IA states (paragraph 17) that VOSA expects to regain some of the lost volumes since 2009 as 'the economy returns to growth during 2013/14'. The IA would benefit from this being subjected to sensitivity testing to assist the consultation.*

### 71. VOSA Response

Paragraph 19 amended to reflect lower confidence in return to volume growth and paragraph 37 quantifies the effect of deviation from the assumed zero growth.

## Other changes

- Paragraph 42 - revised “effect on business costs from full package due to revised assumptions in location differentiation IA.
- Paragraph 55 revised because protracted clearance processes mean that introduction of new fees in October 2013 is now unachievable.
- Section added after paragraph 44 on consultation results.

## **72. Analytical Assurance Statement**

The analysis undertaken to assess the impact of this fee proposal uses well-established economic appraisal techniques. The analysis relies on appropriate sources of evidence (largely from VOSA) and the work was undertaken by experienced and skilled staff. Calculation checks were carried out by the peer reviewer. There is scope for challenge regarding the assumptions used but overall, considerable sensitivity testing was undertaken in those areas where it was necessary to reflect the residual levels of uncertainty surrounding the final figures

73. Extra resources have not been available to provide additional peer reviewing and challenge which may have increased the robustness and accuracy of the analysis. Overall, the assurance around the production of the analysis is ‘low-medium’. Relevant industry data was used to make key assumptions, however a lack of access to other sources has meant we were unable to cross check this information. Nevertheless, this measure results only in benefits and as the assumptions regarding the magnitude of these benefits are generally conservative, further work would have likely only increased the overall benefits rather than change the key conclusions of the analysis.

TABLE 1: Services to which VOSA proposes to apply general fee increase

Short name	Comments
HGV Testing	Includes determination of permitted weights (plating); determination of the acceptability of notifiable alterations and, if appropriate, revision of permitted weights. Fees include funding for activities to encourage and enforce safe and legal operation of HGVs.
HGV Operator Licensing	Carried out by Traffic Commissioners and their support.
PSV Testing	Fees include funding for activities to encourage and enforce safe and legal operation of PSVs and funding of some PSV operator licensing costs.
PSV Operator Licensing	Carried out by Traffic Commissioners and their support. Some funding via PSV test fees.
Reduced Pollution Certificates	DVA determines applications involving inspection in Northern Ireland. VOSA determines other applications.
Vehicle Identity Check	DVA determines applications involving inspection in Northern Ireland. VOSA determines other applications.
ADR	Certification in accordance with international standards for vehicles carrying certain dangerous goods – e.g. fuel, explosives & some chemicals
IVA	Pre-registration checks on individual vehicles to European Community Whole Vehicle Type Approval standards (ECWVTA). Alternative approval routes via small series and full blown type approval are also available via VCA or their equivalent in other Member States.
CoIF	Checks that vehicles meet constructional standards before use as PSVs – now confined to post-registration conversions since new vehicles are covered by IVA or other ECWVTA processes.
PSV accessibility certification	To comply with Disability Discrimination Act requirements.
Motorcycle SVA	National scheme for pre-registration approval of motorcycles.
Bus service registration (England & Wales)	Carried out by Traffic Commissioners and their support.
Bus service registration (Scotland)	Carried out by Scottish Traffic Commissioner and her support.
Tachograph calibrator approval	The initial approval and renewal of an approved Tachograph centre
HGV international permits	Required for some journeys outside the European Economic Area (e.g. Turkey, North Africa).

## ANNEX A – SERVICES COVERED BY THIS IA

TABLE 2: Services to which VOSA does not propose to apply general fee increase because annual yield of proposed increase is likely to be less than twice the cost of printing the amendment regulations

Short name	Comments
TIR	Certification of load compartments under customs seal for international journeys outside the European Economic Area
SVA	National scheme for pre-registration approval of cars and light vans – largely superseded by IVA.
Community bus permits	Permits issued to non profit organisations concerned for the social welfare needs of communities to provide 'local bus services' that can carry the general public
S.19 bus permits	Permits granted to non profit organisations in order to transport members or people whom the organisation exists to help
International passenger road service authorisations	For regular services within the EU and access to some other countries
Design weight certificates	Required by DVLA for certain goods vehicles for which other evidence of design weights is unavailable.

## ANNEX B – EFFECT ON HGV OPERATING COSTS

This Annex shows the data used and result of calculations of the effect of changes to HGV fees as a result of the **overall effect of the entire fee changes proposed for 2013/14<sup>22</sup>** on the total amount paid in fees to VOSA and on the overall operating costs for typical HGV operating businesses of various sizes. By far the most significant part of the change is the increased differentiation by test location which is the subject of a separate IA. The overall package proposed includes a 1% increase in operator licence fees to fund the interconnection of National registers, which is the subject of a separate IA, and a general increase of 1%, each of which is considered in this IA.

Part 1 shows the source data. Vehicle operating costs are taken from Road Haulage Association Cost tables 2012 based on their Annual Survey on the Movement of Prices for the year to 30 September 2011 – they represent “real costs from a large range and sample of road transport companies”. However these costs will obviously vary depending on the business model of individual operators. It has not been possible to carry out modelling of the effect on PSV operators because we have been unable to obtain equivalent data on PSV operating costs.

Part 2 shows the effect on those who choose to have their vehicles tested at VOSA facilities and at non-VOSA facilities. Part 2 also shows the effect on the overall operating costs of the rental and leasing sub-sector of the road freight industry.

A spreadsheet showing the detailed calculations is available on request from the contact mentioned on the first page of this Impact Assessment.

### PART 1 SOURCE DATA

#### per vehicle, vehicle operating costs

Source: RHA "Cost tables 2012".	Total Operating Costs				Rental and Leasing Industry (RLI) Costs				
					Including depreciation, licences, insurance, interest on capital, tyre and maintenance costs for motor vehicles from the RHA tables but excluding any element of overhead. Mileages per annum represent total vehicle mileages as used in RHA tables (regardless of who creates the mileage) for motor vehicles but are halved for trailers to take account of trailer to vehicle ratio of just under 2:1.				
	Type	Time PA	Mileage costs	Miles PA	Total PA	Type	Time PA	Mileage costs	Miles PA
	£	p	Miles	£		£	p	Miles	£
7.5t 2 axle rigid	£44,265	43.1	45,000	£63,660	7.5t 2 axle rigid	£11,715	10.7	45,000	£16,530
13t 2axle rigid	£49,650	49.7	45,000	£72,015	13t 2axle rigid	£12,850	12.7	45,000	£18,565
18t 2 axle rigid	£56,150	55.6	50,000	£83,950	18t 2 axle rigid	£15,050	14.2	50,000	£22,150
26t 3 axle rigid	£64,450	72.8	50,000	£100,850	26t 3 axle rigid	£19,900	18.3	50,000	£29,050
32t 4 axle rigid tipper	£70,020	84.7	50,000	£112,370	32t 4 axle rigid tipper	£23,850	23.0	50,000	£35,350
32 - 33t 2 + 2 axle artic	£69,117	74.6	60,000	£113,877	32 - 33t 2 axle tractor	£15,800	10.7	60,000	£22,220
38t 2 + 3 axle artic	£77,228	79.0	70,000	£132,528	38t 2 axle tractor	£18,000	11.3	70,000	£25,910
44t 3 + 3 axle artic	£84,758	85.1	70,000	£144,328	44t 3 axle tractor	£21,850	12.9	70,000	£30,880
					3 Axle curtain trailer	£2,670	5.6	35,000	£4,630

#### Rental & Leasing Industry Fleet size

Proportion of commercial vehicle rental and leasing fleet provided by BVRLA members (source BVRLA website)			65%
Fleet size	BVRLA members		Total fleet
	Motor vehicles	109,949	169,152
	Trailers	19,297	29,688

<sup>22</sup> The overall effect upon business for each element of the increases is small, therefore the cost reduction and operating costs data for all three elements of change have been included in these calculations

**PART 2 OVERALL EFFECTS OF THE FEE CHANGES**

VOSA Charges

**O licence per licence fees Planned 2013/14**

Licences in issue	84,038	Volumes from VOSA O Licence Team 2012	
New applications		Variations per year	7,565
PA	5,709	Continuations PA	14,350

	New App	Grant / Cont (5 years)	Variation	Average
2012	£254.00	£397.00	£254.00	£119.52
2013	£260.00	£405.00	£260.00	£122.07
Change	£6.00	£8.00	£6.00	£2.55

**Test fees by vehicle type**

		Motor vehicles	14.2%	Trailers	13.8%
Trailer ratio	2.16	Artic tractors		105,300	From Transport Statistics GB, 2011 edition (table 9.6 specially reproduced)
		Trailers		227,100	From Transport Statistics GB, 2011 edition (table 09.12, 2011)

**At VOSA premises**

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
2012	£98.00	£40.00	£103.70	£123.00	£56.00	£130.97	£150.00	£73.00	£160.40
2013	£108.00	£46.00	£114.55	£137.00	£65.00	£146.26	£168.00	£85.00	£180.10
Op cost Change	£10.00	£6.00	£10.85	£14.00	£9.00	£15.28	£18.00	£12.00	£19.71
Trailer	2 axle trailer			3 axle trailer					
	Test	retest	average veh	Test	retest	average veh			
2012	£59.00	£28.00	£62.86	£71.00	£37.00	£76.10			
2013	£67.00	£33.00	£71.55	£80.00	£43.00	£85.93			
Op cost Change	£8.00	£5.00	£8.69	£9.00	£6.00	£9.83			

**At non-VOSA premises (ATF/DP)**

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
2012	£93.00	£37.00	£98.27	£117.00	£52.00	£124.40	£141.00	£68.00	£150.68
2013	£88.00	£33.00	£92.70	£109.00	£46.00	£115.55	£130.00	£60.00	£138.54
Op cost Change	-£5.00	-£4.00	-£5.57	-£8.00	-£6.00	-£8.85	-£11.00	-£8.00	-£12.14
Trailer	2 axle trailer			3 axle trailer					
	Test	retest	average veh	Test	retest	average veh			
2012	£56.00	£26.00	£59.59	£67.00	£35.00	£71.83			
2013	£52.00	£23.00	£55.17	£61.00	£31.00	£65.27			
Op cost Change	-£4.00	-£3.00	-£4.41	-£6.00	-£4.00	-£6.55			

## PART 2 – EFFECT ON BUSINESSES

**VOSA charges and proposed changes in charges as a proportion of operator business costs**

	Operator business size (assuming all vehicles specified on licence)							
	Micro (one 7.5t rigid)		Small (4 mixed MVs + proportion of trailers - average per licence)		Medium (10 mixed MVs + proportion of trailers)		Large (250 mixed MVs + proportion of trailers)	
	VOSA Charges 2013	Change from 2012	VOSA Charges 2013	Change from 2012	VOSA Charges 2013	Change from 2012	VOSA Charges 2013	Change from 2012
<b>Tests at VOSA</b>	£242.03	£18.81	£834.53	£108.82	£1,894.23	£270.96	£47,450.13	£7,215.57
	0.380%	0.030%	0.235%	0.031%	0.208%	0.030%	0.199%	0.030%
<b>Tests at ATF/DP</b>	£219.04	£1.25	£685.41	-£8.23	£1,518.28	-£24.56	£37,362.68	-£733.45
	0.344%	0.002%	0.193%	-0.002%	0.166%	-0.003%	0.156%	-0.003%

**VOSA charges and proposed changes in charges as a proportion of rental and leasing industry costs**

		VOSA Charges 2013	Change from 2012
<b>Tests at VOSA</b>	Total fee costs (£m)	£24,468,215	£2,478,928
	% of total costs	0.589%	0.060%
<b>Tests at ATF/DP</b>	Total fee costs (£m)	£19,432,246	-£1,397,136
	% of total costs	0.468%	-0.034%

The following tables show the present and proposed fees for services affected by this IA.

**PART 1 – FEES AFFECTED BY LOCATION DIFFERENTIATION, NATIONAL REGISTER AND GENERAL INCREASE**

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

		Current Fees				Proposed fee									
		Enforcement		O licence		Enforcement		O licence interconnection		Testing element			Total fee		
	Fee Description	Enforcement element	O licence element	Testing element	Rounded total fee	general increase	New fee element	NR connection increase	general increase	New fee element	Location change	General increase	New fee element	New rounded total fee	Overall % change
<b>Test &amp; full retest</b>	23 + passengers at VOSA	£39.60	£3.25	£96.08	<b>£139</b>	£0.40	£40.00	£0.03	£0.03	£3.32	£23.25	£1.19	£120.52	<b>£164</b>	18.0%
	23 + passengers at non-VOSA	£39.60	£3.25	£88.69	<b>£132</b>	£0.40	£40.00	£0.03	£0.03	£3.32	<b>-£3.90</b>	£0.85	£85.63	<b>£129</b>	<b>-2.3%</b>
	OoH sup 23+ passengers	£0.00	£0.00	£52.32	<b>£52</b>	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.52	£52.84	<b>£53</b>	1.9%
	9 - 22 passengers at VOSA	£39.60	£3.25	£67.48	<b>£111</b>	£0.40	£40.00	£0.03	£0.03	£3.32	£16.33	£0.84	£84.65	<b>£128</b>	15.3%
	9 - 22 passengers at non-VOSA	£39.60	£3.25	£62.29	<b>£106</b>	£0.40	£40.00	£0.03	£0.03	£3.32	<b>-£2.74</b>	£0.60	£60.15	<b>£104</b>	<b>-1.9%</b>
	OoH sup 9 - 22 passengers	£0.00	£0.00	£38.15	<b>£38</b>	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.38	£38.53	<b>£39</b>	2.6%
<b>Retest PAID (partial up to 14 days)</b>	23 + passengers at VOSA	£0.00	£0.00	£62.91	<b>£63</b>	£0.00	£0.00	£0.00	£0.00	£0.00	£15.22	£0.78	£78.91	<b>£79</b>	25.4%
	23 + passengers at non-VOSA	£0.00	£0.00	£58.07	<b>£59</b>	£0.00	£0.00	£0.00	£0.00	£0.00	<b>-£2.56</b>	£0.56	£56.07	<b>£57</b>	<b>-3.4%</b>
	OoH supp 23+ passengers	£0.00	£0.00	£25.07	<b>£25</b>	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.25	£25.32	<b>£26</b>	4.0%
	9 - 22 passengers at VOSA	£0.00	£0.00	£43.46	<b>£44</b>	£0.00	£0.00	£0.00	£0.00	£0.00	£10.52	£0.54	£54.52	<b>£55</b>	25.0%
	9 - 22 passengers at non-VOSA	£0.00	£0.00	£40.12	<b>£41</b>	£0.00	£0.00	£0.00	£0.00	£0.00	<b>-£1.77</b>	£0.38	£38.74	<b>£39</b>	<b>-4.9%</b>
	OoH supp 9 - 22 passengers	£0.00	£0.00	£18.53	<b>£19</b>	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.19	£18.72	<b>£19</b>	0.0%
<b>Retest PART PAID (minor items)</b>	All	£0.00	£0.00	£12.10	<b>£12</b>	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.12	£12.22	<b>£13</b>	8.3%



## PART 2 – FEES AFFECTED BY LOCATION DIFFERENTIATION AND GENERAL INCREASE

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

Fee Description			Current Fees			Proposed 2013/14 Fees							
			Enforcement element	Testing element	Total fee Rounded	Enforcement element		Testing element			Total fee		
						General increase	New enforcement element	Location change	General increase	New testing element	Total fee rounded	Overall % change	
Test & full retest	Motor Vehicles	2 Axle at VOSA	£38.52	£58.96	<b>£98</b>	£0.39	£38.91	£14.27	£0.73	£73.96	<b>£113</b>	15.3%	
		3 Axle at VOSA	£38.52	£84.39	<b>£123</b>	£0.39	£38.91	£20.42	£1.05	£105.86	<b>£145</b>	17.9%	
		4+ Axle at VOSA	£38.52	£110.98	<b>£150</b>	£0.39	£38.91	£26.86	£1.38	£139.22	<b>£179</b>	19.3%	
		2 Axle at non-VOSA	£38.52	£54.42	<b>£93</b>	£0.39	£38.91	<b>-£2.39</b>	£0.52	£52.55	<b>£92</b>	<b>-1.1%</b>	
		3 Axle at non-VOSA	£38.52	£77.90	<b>£117</b>	£0.39	£38.91	<b>-£3.43</b>	£0.74	£75.22	<b>£115</b>	<b>-1.7%</b>	
		4+ Axle at non-VOSA	£38.52	£102.44	<b>£141</b>	£0.39	£38.91	<b>-£4.51</b>	£0.98	£98.92	<b>£138</b>	<b>-2.1%</b>	
		OOH Sup	£0.00	£38.15	<b>£38</b>	£0.00	£0.00	£0.00	£0.38	£38.53	<b>£39</b>	2.6%	
		Trailers	1 Axle at VOSA	£14.98	£28.90	<b>£44</b>	£0.15	£15.13	£6.99	£0.36	£36.25	<b>£52</b>	18.2%
			2 Axle at VOSA	£14.98	£43.93	<b>£59</b>	£0.15	£15.13	£10.63	£0.55	£55.11	<b>£71</b>	20.3%
			3 Axle at VOSA	£14.98	£55.49	<b>£71</b>	£0.15	£15.13	£13.43	£0.69	£69.61	<b>£85</b>	19.7%
			1 Axle at non-VOSA	£14.98	£26.68	<b>£42</b>	£0.15	£15.13	<b>-£1.17</b>	£0.26	£25.76	<b>£41</b>	<b>-2.4%</b>
			2 Axle at non-VOSA	£14.98	£40.55	<b>£56</b>	£0.15	£15.13	<b>-£1.78</b>	£0.39	£39.15	<b>£55</b>	<b>-1.8%</b>
			3 Axle at non-VOSA	£14.98	£51.22	<b>£67</b>	£0.15	£15.13	<b>-£2.25</b>	£0.49	£49.46	<b>£65</b>	<b>-3.0%</b>
		OOH Sup	£0.00	£23.98	<b>£24</b>	£0.00	£0.00	£0.00	£0.24	£24.22	<b>£25</b>	4.2%	
	Retest PAID (partial up to 14 Day)	Motor Vehicles	2 Axle at VOSA	£0.00	£39.31	<b>£40</b>	£0.00	£0.00	£9.51	£0.49	£49.31	<b>£50</b>	25.0%
			3 Axle at VOSA	£0.00	£55.49	<b>£56</b>	£0.00	£0.00	£13.43	£0.69	£69.61	<b>£70</b>	25.0%
4+ Axle at VOSA			£0.00	£72.83	<b>£73</b>	£0.00	£0.00	£17.63	£0.90	£91.36	<b>£92</b>	26.0%	
2 Axle non-VOSA			£0.00	£36.28	<b>£37</b>	£0.00	£0.00	<b>-£1.60</b>	£0.35	£35.03	<b>£36</b>	<b>-2.7%</b>	
3 Axle at non-VOSA			£0.00	£51.22	<b>£52</b>	£0.00	£0.00	<b>-£2.25</b>	£0.49	£49.46	<b>£50</b>	<b>-3.8%</b>	
4+ Axle at non-VOSA			£0.00	£67.23	<b>£68</b>	£0.00	£0.00	<b>-£2.96</b>	£0.64	£64.91	<b>£65</b>	<b>-4.4%</b>	
		OOH Sup	£0.00	£19.62	<b>£20</b>	£0.00	£0.00	£0.00	£0.20	£19.82	<b>£20</b>	0.0%	
		Trailers	1 Axle at VOSA	£0.00	£19.65	<b>£20</b>	£0.00	£0.00	£4.76	£0.24	£24.65	<b>£25</b>	25.0%
			2 Axle at VOSA	£0.00	£27.75	<b>£28</b>	£0.00	£0.00	£6.71	£0.34	£34.80	<b>£35</b>	25.0%
			3 Axle at VOSA	£0.00	£36.99	<b>£37</b>	£0.00	£0.00	£8.95	£0.46	£46.41	<b>£47</b>	27.0%
			1 Axle at non-VOSA	£0.00	£18.14	<b>£19</b>	£0.00	£0.00	<b>-£0.80</b>	£0.17	£17.52	<b>£18</b>	<b>-5.3%</b>
			2 Axle at non-VOSA	£0.00	£25.61	<b>£26</b>	£0.00	£0.00	<b>-£1.13</b>	£0.24	£24.73	<b>£25</b>	<b>-3.8%</b>
	3 Axle at non-VOSA		£0.00	£34.15	<b>£35</b>	£0.00	£0.00	<b>-£1.50</b>	£0.33	£32.97	<b>£33</b>	<b>-5.7%</b>	
	OOH Sup	£0.00	£13.08	<b>£13</b>	£0.00	£0.00	£0.00	£0.13	£13.21	<b>£14</b>	7.7%		
Retest PART PAID (next day - minor)	Motor Vehicles	All	£0.00	£13.34	<b>£13</b>	£0.00	£0.00	£0.00	£0.13	£13.47	<b>£14</b>	7.7%	
	Trailers	All	£0.00	£6.67	<b>£7</b>	£0.00	£0.00	£0.00	£0.07	£6.74	<b>£7</b>	0.0%	
Notifiable Alteration	All types	with exam at VOSA	£0.00	£27.75	<b>£28</b>	£0.00	£0.00	<b>-£1.07</b>	£0.27	£26.94	<b>£27</b>	<b>-3.6%</b>	
		with exam at non-VOSA	£0.00	£25.61	<b>£26</b>	£0.00	£0.00	£1.07	£0.27	£26.94	<b>£27</b>	3.8%	
		without exam	£0.00	£27.75	<b>£28</b>	£0.00	£0.00	<b>-£1.07</b>	£0.27	£26.94	<b>£27</b>	<b>-3.6%</b>	
		OOH Sup	£0.00	£13.08	<b>£13</b>	£0.00	£0.00	£0.00	£0.13	£13.21	<b>£14</b>	7.7%	
Appeal	All types		£0.00	£30.61	<b>£31</b>	£0.00	£0.00	£7.41	£0.38	£38.39	<b>£39</b>	25.8%	
Duplicate			£0.00	£13.08	<b>£13</b>	£0.00	£0.00	£0.00	£0.13	£13.21	<b>£14</b>	7.7%	

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

Fee Description		Current Fees		Proposed (2013/14) Fees			
		Unrounded	Fee Rounded	Location change	General increase	Fee rounded	Overall % change
Without examination		£32.00	<b>£32</b>	£0.00	£0.32	<b>£33</b>	3.1%
With examination at Annual Test / CoIF	GB at VOSA	£19.79	<b>£20</b>	£4.79	£0.25	<b>£25</b>	25.0%
	GB at non-VOSA	£18.27	<b>£19</b>	<b>-£0.80</b>	£0.17	<b>£18</b>	<b>-5.3%</b>
	NI at DVA	£19.79	<b>£20</b>	£0.00	£0.00	<b>£20</b>	0.0%
With examination at other times	GB at VOSA	£33.76	<b>£34</b>	£8.17	£0.42	<b>£43</b>	26.5%
	GB at non-VOSA	£31.16	<b>£32</b>	<b>-£1.37</b>	£0.30	<b>£31</b>	<b>-3.1%</b>
	NI at DVA	£33.76	<b>£34</b>	£0.00	£0.00	<b>£34</b>	0.0%
Out of Hours supplement	(Not available in NI)	£11.99	<b>£12</b>	£0.00	£0.12	<b>£13</b>	8.3%

## ADR Fees under the International Carriage of Dangerous Goods by Road (Fees) Regulations 1988 (SI 1988/370)

Fee description		Current Fees			Proposed (2013/14) Fees						
		Technical Assessment element	Testing element	Total fee Rounded	Technical assessment element		Testing element			Total fee	
					General increase	New element	Location change	General increase	New element	Total fee rounded	Overall % change
Individual Inspection (annual roadworthiness test & fee also needed)	Test & full retest at VOSA	£28.34	£70.85	<b>£99</b>	£0.28	£28.62	£16.79	£0.88	£88.52	<b>£118</b>	19.2%
	Test & full retest at non-VOSA	£28.34	£70.85	<b>£99</b>	£0.28	£28.62	<b>-£16.79</b>	£0.54	£54.60	<b>£84</b>	<b>-15.2%</b>
	Re-test at VOSA (up to 14 days)	£0.00	£50.14	<b>£50</b>	£0.00	£0.00	£11.88	£0.62	£62.64	<b>£63</b>	26.0%
	Re-test at non-VOSA (up to 14 days)	£0.00	£50.14	<b>£50</b>	£0.00	£0.00	<b>-£11.88</b>	£0.38	£38.64	<b>£39</b>	<b>-22.0%</b>
Type approval	Tractor Certificate	£28.34	£0.00	<b>£28</b>	£0.28	£28.62	£0.00	£0.00	£0.00	<b>£29</b>	3.6%
	Duplicate	£14.17	£0.00	<b>£14</b>	£0.14	£14.31	£0.00	£0.00	£0.00	<b>£15</b>	7.1%

## PART 3 – FEES AFFECTED BY NATIONAL REGISTER INTERCONNECTION AND GENERAL INCREASE

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

Fee Description	Current Fees		Proposed (2013/14) Fees			
	2012 Fee Unrounded	2012 Fee Rounded	NR interconnection increase	General Increase	2013 fee (rounded)	Overall % change
Application	£253.90	<b>£254</b>	£2.54	£2.56	<b>£259</b>	2.0%
Variation	£253.90	<b>£254</b>	£2.54	£2.56	<b>£259</b>	2.0%
Grant of Licence	£396.85	<b>£397</b>	£3.97	£4.01	<b>£405</b>	2.0%
Continuation of Licence	£396.85	<b>£397</b>	£3.97	£4.01	<b>£405</b>	2.0%
Interim Licence issue	£67.21	<b>£68</b>	£0.67	£0.68	<b>£69</b>	0.8%

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

Fee Description	Current Fees		Proposed (2013/14) Fees			
	2012 Fee Unrounded	2012 Fee Rounded	NR interconnection increase	General Increase	2013 fee (rounded)	Overall % change
Application - Standard or Restricted licence	£205.96	<b>£206</b>	£2.06	£2.08	<b>£211</b>	2.4%
Variation application - all	£120.55	<b>£121</b>	£1.21	£1.22	<b>£123</b>	1.7%
Application - special licence	£60.90	<b>£61</b>	£0.00	£0.61	<b>£62</b>	1.6%
Continuation - special licence	£60.90	<b>£61</b>	£0.00	£0.61	<b>£62</b>	1.6%

## PART 4 – FEES AFFECTED BY GENERAL INCREASE ONLY

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

Fee Description	Current Fees		Proposed (2013/14) Fees		
	2012 Fee Unrounded	2012 Fee Rounded	General Increase	2013 fee (rounded)	Overall % change
Examination or appeal	£41.42	<b>£41</b>	£0.41	<b>£42</b>	2.4%
OoH Supplement	£8.72	<b>£9</b>	£0.09	<b>£9</b>	0.0%

**PSV CoIF Fees under the Public Service Vehicles (Conditions of Fitness, Equipment, Use  
and Certification) Regulations 1981 (SI 1981/257)**

Fee Description	Current Fees		Proposed (2013/14) Fees				
	2012 Fee Unrounded	2012 Fee Rounded	General Increase	2013 fee (rounded)	Overall % change		
Individual Approval	Initial Application	£293.21	<b>£293</b>	£2.93	<b>£297</b>	1.4%	
	Re-application	With tilt test	£293.21	<b>£293</b>	£2.93	<b>£297</b>	1.4%
		No tilt test	£34.88	<b>£35</b>	£0.35	<b>£36</b>	2.9%
	Duplicate	£22.89	<b>£23</b>	£0.23	<b>£24</b>	4.3%	
Type Approval	Type variation (inspected)	£1,698.22	<b>£1,698</b>	£16.98	<b>£1,716</b>	1.1%	
	Type variation (no inspection)	£155.87	<b>£156</b>	£1.56	<b>£158</b>	1.3%	
	New body/chassis combination	£839.30	<b>£839</b>	£8.39	<b>£848</b>	1.1%	
	All other	£3,635.15	<b>£3,635</b>	£36.35	<b>£3,672</b>	1.0%	
	Certificate of Conformity	£31.61	<b>£32</b>	£0.32	<b>£32</b>	0.0%	
	Duplicate	£22.89	<b>£23</b>	£0.23	<b>£24</b>	4.3%	

## Fees under the Public Service Vehicles Accessibility Regulations 2000 (SI 2000/1970)

Fee Description			Current Fees		Proposed (2013/14) Fees		
			2012 Fee Unrounded	2012 Fee Rounded	General Increase	2013 fee (rounded)	Overall % change
Individual approval	Initial application	One Schedule	£51.23	<b>£51</b>	£0.51	<b>£52</b>	2.0%
		Two Schedules	£103.55	<b>£104</b>	£1.04	<b>£105</b>	1.0%
	Re-application	One Schedule	£17.44	<b>£17</b>	£0.17	<b>£18</b>	5.9%
		Two Schedules	£35.97	<b>£36</b>	£0.36	<b>£37</b>	2.8%
Type approval	Significant variant; new chassis for approved body; or new body for conformant chassis	One Schedule	£183.12	<b>£183</b>	£1.83	<b>£185</b>	1.1%
		Two Schedules	£366.24	<b>£366</b>	£3.66	<b>£370</b>	1.1%
	Minor variant	One Schedule	£17.44	<b>£17</b>	£0.17	<b>£18</b>	5.9%
		Two Schedules	£34.88	<b>£35</b>	£0.35	<b>£36</b>	2.9%
	New combination of approved chassis and body	One Schedule	£90.47	<b>£90</b>	£0.90	<b>£92</b>	2.2%
		Two Schedules	£180.94	<b>£181</b>	£1.81	<b>£183</b>	1.1%
Other cases	One Schedule	£401.12	<b>£401</b>	£4.01	<b>£406</b>	1.2%	
	Two Schedules	£790.25	<b>£790</b>	£7.90	<b>£799</b>	1.1%	
Certificate of Conformity			£17.44	<b>£17</b>	£0.17	<b>£18</b>	5.9%
Duplicate CoC			£13.08	<b>£13</b>	£0.13	<b>£14</b>	7.7%

**Individual Vehicle Approval Fees under the Road Vehicles (Individual Approval) (Fees) Regulations 2009 (SI 2009/718)**

Fee Description		Current Fees		Proposed (2013/14) Fees		
		2012 Fee Unrounded	2012 Fee Rounded	General Increase	2013 fee (rounded)	Overall % change
Application	M1 or N1 - pass car or light goods (not classes A, C or S)	£199.00	<b>£199</b>	£1.99	<b>£201</b>	1.0%
	M1 or N1 - pass car or light goods Classes A, C or S)	£450.00	<b>£450</b>	£4.50	<b>£455</b>	1.1%
	M2 - minibus	£250.00	<b>£250</b>	£2.50	<b>£253</b>	1.2%
	M3 - bus or coach	£360.00	<b>£360</b>	£3.60	<b>£364</b>	1.1%
	N2 or N3 - medium or heavy goods	£230.00	<b>£230</b>	£2.30	<b>£233</b>	1.3%
	O1 or O2 - light trailer	£70.00	<b>£70</b>	£0.70	<b>£71</b>	1.4%
	O3 or O4 - medium / heavy trailer	£145.00	<b>£145</b>	£1.45	<b>£147</b>	1.4%
	Mutual recognition or EC approved with no certificate of conformity	£100.00	<b>£100</b>	£1.00	<b>£101</b>	1.0%
Out of Hours supplement - all Inspections	£95.00	<b>£95</b>	£0.95	<b>£96</b>	1.1%	
Re-application	M1 or N1 - pass car or light goods (not classes A, C or S)	£40.00	<b>£40</b>	£0.40	<b>£41</b>	2.5%
	M1 or N1 - pass car or light goods Classes A, C or S)	£90.00	<b>£90</b>	£0.90	<b>£91</b>	1.1%
	M2 - minibus	£50.00	<b>£50</b>	£0.50	<b>£51</b>	2.0%
	M3 - bus or coach	£72.00	<b>£72</b>	£0.72	<b>£73</b>	1.4%
	N2 or N3 - medium or heavy goods	£46.00	<b>£46</b>	£0.46	<b>£47</b>	2.2%
	O1 or O2 - light trailer	£14.00	<b>£14</b>	£0.14	<b>£15</b>	7.1%
	O3 or O4 - medium / heavy trailer	£29.00	<b>£29</b>	£0.29	<b>£30</b>	3.4%
	Mutual recognition or EC approved with no certificate of conformity	£25.00	<b>£25</b>	£0.25	<b>£26</b>	4.0%
Out of Hours supplement - all Inspections	£19.00	<b>£19</b>	£0.19	<b>£20</b>	5.3%	
Cancel	more than 3 days notice (with no rearrangement)	£100.00	<b>£100</b>	£1.00	<b>£101</b>	1.0%
Duplicate	Duplicate certificate	£25.00	<b>£25</b>	£0.25	<b>£26</b>	4.0%

**Fees under the Motor Cycles Etc. (Single Vehicle Approval) (Fees) Regulations  
2003 (SI 2003/1960)**

Fee Description		Current Fees		Proposed (2013/14) Fees		
		2012 Fee Unrounded	2012 Fee Rounded	General Increase	2013 fee (rounded)	Overall % change
Initial application or appeal	Low Power Moped	£54.50	<b>£55</b>	£0.55	<b>£56</b>	1.8%
	2 Wheeler	£0.00	<b>£85</b>	£0.85	<b>£86</b>	1.2%
	3 or more wheels	£103.55	<b>£104</b>	£1.04	<b>£105</b>	1.0%
Out of Hours Supplement		£23.98	<b>£24</b>	£0.24	<b>£25</b>	4.2%
Re-application	all	£17.44	<b>£17</b>	£0.17	<b>£18</b>	5.9%
Duplicate		£11.99	<b>£12</b>	£0.12	<b>£13</b>	8.3%

**Fees under the Public Service Vehicles (Registration of Local Services)  
Regulations 1986**

***Fees under the Public Service Vehicles (Registration of Local Services)  
(Scotland) Regulations 2001 (SSI 2001/219)***

Fee Description		Current Fees		Proposed (2013/14) Fees		
		2012 Fee Unrounded	2012 Fee Rounded	General Increase	2013 fee (rounded)	Overall % change
Registration - normal		£59.85	<b>£60</b>	£0.60	<b>£61</b>	1.7%
Variation - normal		£59.85	<b>£60</b>	£0.60	<b>£61</b>	1.7%
Registration - community		£12.60	<b>£13</b>	£0.13	<b>£13</b>	0.0%
Variation - community		£12.60	<b>£13</b>	£0.13	<b>£13</b>	0.0%



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

Fee Description	Current Fees		Proposed (2013/14) Fees		
	2012 Fee Unrounded	2012 Fee Rounded	General Increase	2013 fee (rounded)	Overall % change
Initial Approval	£361.20	<b>£361</b>	£3.61	<b>£365</b>	1.1%
Annual renewal	£148.05	<b>£148</b>	£1.48	<b>£150</b>	1.4%

**Fees under the Goods Vehicles (Authorisation of International Journeys) (Fees) Regulations 2001 (SI 2001/3606)**

Fee Description	Current Fees		Proposed (2013/14) Fees			
	2012 Fee Unrounded	2012 Fee Rounded	General Increase	2013 fee (rounded)	Overall % change	
ECMT licence	1 year	£133.35	<b>£133</b>	£1.33	<b>£135</b>	1.5%
	3 months	£33.60	<b>£34</b>	£0.34	<b>£34</b>	0.0%
Journey Permit	per return journey	£8.40	<b>£8</b>	£0.08	<b>£9</b>	12.5%
	per 4 return journeys - Turkey	£13.65	<b>£14</b>	£0.14	<b>£14</b>	0.0%
	per 15 return journeys - Morocco	£50.40	<b>£50</b>	£0.50	<b>£51</b>	2.0%
Removal authorisation	£17.85	<b>£18</b>	£0.18	<b>£19</b>	5.6%	

## ANNEX D – FEE CALCULATION PROCESS

D.1 This Annex sets out in more detail how individual fees are calculated. Paragraphs 52 to 54 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.

D.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.

D.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.

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

D.5 We then apply the general increase.

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

D.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.

D.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.

D.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 4.4% reduction for tests at non-VOSA test facilities or a 24.2% increase for tests at VOSA facilities for the location differentiation and then the 1% general increase.

D.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.

## ANNEX D – FEE CALCULATION PROCESS

D.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
<b>The enforcement element:</b>			
Current element	£39.60		
Increase of 1% of £39.60 for general increase		£0.40	
Proposed element			£40.00
<b>The operator licence element</b>			
Current element	£3.25		
Increase of 1% of £3.25 for interconnection of NRs		£0.03	
Sub total after interconnection increase		£3.28	
Increase of 1% of £3.28 for general increase		£0.03	
Proposed element			£3.31
<b>The testing element</b>			
Current element	£88.69		
Reduction of 4.4% of £88.69 for location differentiation		-£3.90	
Sub total after location differentiation change		£84.79	
Increase of 1% of £84.79 for general increase		£0.85	
Proposed element			£85.64
<b>Total fee</b>			
Current fee before rounding	£131.54		
<b>Current fee charged</b>	<b>£132</b>		
Proposed fee before rounding			£128.95
<b>Proposed fee to be charged</b>			<b>£129</b>
<b>Total change from 1% general increase</b>		<b>£1.28</b>	