 <b>Regulatory Policy Committee</b>	<b>Opinion</b>	
<b>Impact Assessment (IA)</b>	VOSA Fees – General Increase	
<b>Lead Department/Agency</b>	Department for Transport	
<b>Stage</b>	Final	
<b>IA number</b>	DFT00162	
<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-1443(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 18 July 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>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.</i></p> <p><b>What are the policy objectives and the intended effects?</b></p> <p><i>To ensure long term financial sustainability of the VOSA trading fund while maintaining appropriate levels of customer service at minimum cost to customers.</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>Raise fees levels marginally (1%) (preferred option 1) or reduce costs by reducing service standards to maintain existing fee levels (option 2)</i></p> <p><i>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.</i></p>		
<p><b>Comments on the robustness of the OITO assessment</b></p>		

The IA says *'the proposal alters the amount of fees, but does not change the level of regulation and as such is out of scope of OITO* (paragraph 44). 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)**

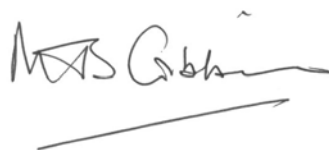
The proposal comes into effect after 31 March 2014. The SaMBA addresses why it would not be appropriate to exempt small and micro-businesses from the fees increase. In doing so, the Department says that vehicle testing places a statutory obligation on the user to ensure minimum standards are maintained 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 B). 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 18 July 2012, with a detailed response provided on page 17 of the IA. This includes a new annex on the calculation process used for the fees increase. Following comment from the RPC, the revised IA addresses the requirement for a SaMBA and includes a small correction to the NPV.

**Signed**



**Michael Gibbons, Chairman**