

Fees for HGV and PSV testing and operator licensing for 2011

Closing Date: 28 July 2011

Seeking views on proposals for changes to fees charged by VOSA in **Great Britain** for statutory periodic and certain other tests and operator licensing for HGVs (Heavy Goods Vehicles) and PSVs (Public Service Vehicles i.e. buses and coaches used for hire or reward); and Low Emission Certificates (LEC). We are also seeking views on non-statutory charges for certain checks and inspections carried out on a voluntary basis and on our approach to an issue which may affect future fee levels.

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

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

<http://www.dft.gov.uk/consultations/>

on the VOSA website at

www.vosa.gov.uk

and the NI Direct government services website at

www.nidirect.gov.uk/motoring

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1. Foreword

1.1 The Vehicle and Operator Services Agency (VOSA), an Executive Agency of the Department for Transport, provides a range of licensing, testing and enforcement services throughout Great Britain (GB). VOSA's aims are to: improve the roadworthiness standards of vehicles; ensure that operators and drivers comply with road traffic legislation; and support the independent Traffic Commissioners.

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

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

- Annual testing and alteration of heavy goods vehicles, buses and coaches
- Licensing of operators of heavy goods vehicles, buses and coaches
- Low Emission Certificates (LEC)
- Non-statutory charges for services offered on a voluntary basis

1.4 We are seeking views of stakeholders regarding the proposed approach to the statutory fees charged throughout the **United Kingdom** in relation to:

- Reduced Pollution Certificates (RPC)

DVA charges for this service in Northern Ireland and VOSA charges in Great Britain.

1.5 We are exploring views on certain aspects of the role of Traffic Commissioners

1.6 The MOT test fees for vehicles other than HGVs and PSVs; for VOSA services not mentioned above; and for services provided by DVA other than those mentioned above are not included in this consultation.

2. Executive Summary

2.1 Overall context

2.1.1 These proposals for fees in 2011 form part of VOSA's wider financial management strategy which is outlined more fully in its published Business Plans and Annual Reports¹. VOSA's Business Plan for 2011/12 forecasts starting the year with an accumulated deficit of about £33m and plans to generate a surplus of £5m in the year. It plans to achieve this without any increases to the general levels of statutory fees for 2011. Thus VOSA must make efficiency savings to absorb inflation and also to generate the surplus needed to start recovering the retained deficit. Customers will benefit from VOSA's efficiency improvements because we will be absorbing inflation in respect of all statutory fees.

2.1.2 Although not seeking any general fee increase, VOSA does wish to change some fees to deal with 3 specific issues. These changes will affect the fees in one or more service areas (schemes). The table below shows which schemes are affected by proposed fee changes resulting from each specific issue. However not all fees in every scheme are proposed to change.

	VOSA fees in GB			DVA fees in NI
	VOSA / non-VOSA differentials (section 6.1)	National Register funding (section 6.2)	PSV O licence application equalisation (section 6.3)	(section 6.1.3)
HGV O Licence	☒	☑	☒	☒
PSV O Licence	☒	☑	☑	☒
HGV Test (including notifiable alterations)	☑	☒	☒	☒
PSV Test	☑	☑	☒	☒
RPC (reduced pollution certificate)	☑	☒	☒	☑
Low Emission Certificate	☑	☒	☒	☒
Voluntary tests and checks	☑	☒	☒	☒

2.2 Statutory fee level changes

2.2.1 We are seeking views on the following proposed changes to statutory fee levels for 2011 which only affect particular schemes as follows:

¹ These documents can be found at
<http://www.dft.gov.uk/vosa/publications/corporatereports/corporatereports.htm>

- Fees for periodic tests and related activities at non-VOSA test facilities (Authorised Testing Facilities (“ATFs”) or Designated Premises (“DPs”)) to be lower than at VOSA test facilities. This will reflect more closely differences in VOSA’s costs for the different delivery methods without adversely affecting overall revenue – for 2011 ATFs and DPs are to be treated in the same way (section 6.1);
- O licence fees to increase, in order to fund the establishment of an electronic National Register of operators - to comply with new EU rules on operator licensing that come into effect from December 2011² (section 6.2); and
- Fees for PSV O licence applications for standard and restricted licences to be adjusted to remove existing differentials without adversely affecting overall revenue (section 6.3). Note, however, that some differential may remain depending on how the cost of the National Register is spread amongst PSV operators.

2.2.2 We are also seeking views on proposals to change how we round fees to whole pounds (section 6.4).

2.3 Other changes affecting statutory services

2.3.1 The following changes, which do not alter fee levels but which affect statutory services, are being proposed:

- change the core hours for Reduced Pollution Certificates to match those introduced for HGV and PSV annual tests in 2010 (section 6.1.4).

2.4 Changes to charges for non-statutory services

2.4.1 VOSA is also seeking views on proposals to raise fees for various voluntary checks in line with general cost rises and to reflect changes to fees for services at VOSA facilities (section 7).

2.5 Other issues

2.5.1 We are taking the opportunity to seek views to inform DfT about certain activities of the Traffic Commissioners (section 8).

² EU Regulation 1071/2009

3. About the consultation

3.1 What are we asking?

3.1.1 The specific questions we are asking are shown at appropriate points in this document and on the response form at Annex F. Please use the response form for your replies.

3.2 How to respond to this consultation

3.2.1 The consultation period began on 16 June 2011 and will run until 28 July 2011, please ensure that your response reaches us by that date. If you would like further copies of this consultation document it can be found at (web address) or you can contact John MacLellan if you would like alternative formats (Braille, audio CD, etc).

3.2.2 Please send consultation responses by Email to

public.consultations@vosa.gsi.gov.uk

or by post to:

John MacLellan
1st Floor
Berkeley House
Croydon Street
Bristol
BS5 0DA

Telephone: 0117 954 2531

3.2.3 Please respond using the consultation response form at **Annex F** as it speeds up analysis of your responses and reduces the cost of that analysis.

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

3.2.5 Those on VOSA's consultation register have been informed directly about this consultation. If you are aware of anyone who may have views on this subject please tell them about the consultation.

3.2.6 The consultation is being conducted in line with the Government's Code of Practice on Consultation. The criteria are listed at Annex E. A full version of the Code of Practice on Consultation is available on the Better Regulation Executive web-site at:

<http://www.bis.gov.uk/files/file47158.pdf>

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

Giada Covallero
Consultation Coordinator
Department for Transport
Zone 2/25
Great Minster House
London SW1P 4DR

Email address consultation@dft.gsi.gov.uk

3.2.8 A summary of responses to this consultation will be placed on the DfT web site within 3 months of the consultation closing. In addition, the summary of responses in respect of statutory fees will be published, along with the resulting legislation, on the legislation.gov website at <http://www.legislation.gov.uk>.

3.3. Freedom of Information

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

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

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

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

3.4 Consultation period

3.4.1 The launch of the consultation has been delayed to enable the new Government to consider the package and for independent scrutiny of the Impact Assessments by the Regulatory Policy Committee³. The Minister has agreed that this consultation will run for a reduced period of 6 weeks to minimise the delay to the normal date for implementation of fee changes in view of the following:

- The proposal to make VOSA fees for testing at non-VOSA facilities lower than at VOSA sites is a third step in moving towards a fee structure which reflects better VOSA's real costs of delivery, which has been mentioned, and generally supported, in previous fee consultations.

³ See: <http://regulatorypolicycommittee.independent.gov.uk/rpc/>

- The proposal to raise operator licence fees to cover VOSA's additional costs to create and maintain the National register required by EU law adds only a tiny proportion of the cost of operating vehicles (less than 0.01% for HGV operators).
- The proposal to equalise application fees for standard and restricted PSV operator licences also represents a tiny proportion of the cost of setting up a business to own or operate even the one or two small buses or coaches allowed under a restricted licence. The non-statutory fees for voluntary checks reflect the changes to statutory fees at VOSA facilities and inflation.

4. Background

4.1 General

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

4.2 Fee change dates

4.2.1 In accordance with better regulation principles, VOSA aims to introduce fee changes at the beginning of April each year if the necessary legislation can be secured in time. The exact date may vary due to practical considerations such as making most changes on a Sunday to minimise the risk of disruption while changing our IT systems; or to coincide with the period covered by some operator licence fees which start on the 1st of a month. Completion of the fee review and launch of this consultation has been delayed this year to enable options to be considered by the new Government and because of additional scrutiny of the relevant Impact Assessments by the Regulatory Policy Committee. We will clearly not be able to implement these changes at the beginning of April 2011 but aim to implement them as soon as possible thereafter. Unfortunately, even with the reduced consultation period this is likely to be mid to late autumn at the earliest.

5 General changes to fee levels

5.1 For several years VOSA has been making major investments in IT systems, and updating the facilities and equipment needed to provide the levels of services demanded by customers. Much of this has been funded by borrowing. Above inflation fee increases were necessary to cover the costs of loan interest and repayment, together with increased depreciation of the assets purchased. These costs will continue for many more years. The rate of investment was such that, despite these above inflation increases, VOSA still carried forward an accumulated deficit of £36.8m from 2009/10. This included an operating deficit of £5.6m (despite in-year efficiency savings of £4.7m) and restructuring costs of £9m in 2009/10. Staff reductions equivalent to over 240 full time equivalents (more than 9% of the average workforce) during 2009/10 and further reductions in 2010/11 will generate further savings in 2010/11 and beyond. VOSA's published Business Plan for 2011/12 forecasts a surplus of £4m for 2010/11 even after a further £3.6m in restructuring costs which will start to recover the accumulated deficit. The Agency plans to generate a surplus of £5m in

2011/12; and the Agency will have to continue to generate surpluses in 2012/13 and beyond to repay the accumulated deficit.

5.2 To share some of the savings with customers we propose to absorb the effects of inflation on our costs for delivering statutory services and not apply any general, across the board, statutory fee increase in 2011/12. During 2011/12, the financial recovery will therefore be wholly dependent on efficiencies and cost reductions. However some individual fees will still increase as a result of restructuring and/or additional functions which VOSA is required to provide. More details of changes to individual fees are given in Section 6 below.

Q1 *Do you agree that VOSA should not apply any general fee increase in 2011/12?*

6. Fee changes affecting statutory services

6.1 *Testing and related fees*

6.1.1 Make up of fees

6.1.1.1 Since 2009/10, fees for some periodic tests have included one or more of the following elements to cover the costs attributable to:

- the test itself (the “testing” element)
- activities to encourage and enforce legal operation of the class of vehicle (HGV or PSV) (the “enforcement” element) and
- in the case of PSVs only, that part of PSV operator licensing which covers the ongoing review (including TC activities) and administration of existing licences (the “O licensing” element).

6.1.1.2 The enforcement element was formerly collected via fees for specifying vehicles on HGV licences or PSV vehicle disc fees. The O licensing element of PSV fees was collected via fees paid on grant and continuation of licences. All of these fees have now been abolished with resulting savings in the cost to business of processing those payments.

6.1.1.3 VOSA does not propose to change the enforcement element of test fees in this fee round. VOSA does however propose to change:

- the testing element of test fees to make the VOSA fee for testing at non-VOSA premises cheaper than at VOSA premises – section 6.1.2 below; and
- the O licensing element of PSV test fees to cover additional costs for the National Register – section 6.2 below.

6.1.1.4 Because the activities are so closely linked to annual tests, the costs for notifiable alterations, RPCs and LECs are included in the testing accounts. Thus the proposals below apply equally to notifiable alteration, RPC and LEC fees.

6.1.2 Location related changes to test and associated fees

6.1.2.1 To reduce the overall costs to the road freight, and bus and coach industries VOSA is trying to reduce vehicle downtime by bringing testing closer to the customer by using non-VOSA test facilities. This change will also mean that VOSA will not need to spend as much money improving its testing estate in the coming years and will actually be able to reduce the costs of its testing estate by reducing its size. This will mean that future VOSA fees will be less than they would otherwise have been. The tests will continue to be carried out by VOSA staff. This approach will also enable many customers to save the cost of fuel and staff time to take vehicles to and from test; and lead to lower failure rates because the facilities used to test vehicles will also be used in their preparation for test.

6.1.2.2 Although moving more tests to non-VOSA facilities will produce the above benefits, it will also incur some extra VOSA costs to service an increased number of test locations. A major part of this extra cost is expected to come from additional testing staff needed because more time will be spent travelling to and between non-VOSA test locations.

6.1.2.3 For some time, VOSA has conducted tests at non-VOSA locations known as designated premises (DPs). The arrangements to provide tests at DPs have been fairly informal, creating uncertainty for both the DP operator and VOSA. To reduce this uncertainty, facility operators are being offered a contract setting out more clearly the responsibilities of both VOSA and the operators of the test facilities. Test facilities covered by such contracts are known as Authorised Testing Facilities (ATFs).

6.1.2.4 VOSA is also committed to continue to adjust fees to better reflect the real cost of the different delivery methods. In the past 2 years we have progressively removed the differential between VOSA and non-VOSA sites by removing the supplement which had previously been charged for periodic tests, Reduced Pollution Certificates (RPCs) and Low Emission Certificates (LECs) carried out at non-VOSA test facilities. For 2011, we propose to take a further step in that direction and reverse the previous differential by decreasing fees at non-VOSA test facilities and increasing those at VOSA.

6.1.2.5 The Impact Assessment (IA) at Annex A to this consultation explores 2 options on the next changes to the VOSA to non-VOSA differentials:

- full location cost differentiation in 2011/12 (option 1 – paragraphs 45 to 56 of the IA); and
- partial location cost differentiation in 2011/12 (option 2 paragraphs 57 to 65 of the IA).

6.1.2.6 The starting point for both options is the projected outturn for 2010/11, the main points of which are:

- it is estimated that on average over the full year 27% of tests will be carried out at non-VOSA facilities;
- the estimated cost to VOSA of testing HGVs and PSVs is about £56m;
- £8.5m of this cost is attributed to provision of VOSA test facilities (the testing estate cost);
- £2.2m of this cost is to cover the extra cost to VOSA of servicing non-VOSA facilities; thus

- the base (i.e. non-location specific) cost of testing is about £44m.

6.1.2.7 In 2011/12 and beyond these elements are likely to change as follows:

- it is estimated that on average over 2011/12 50% of tests will be carried out at non-VOSA facilities because more ATFs will come on stream and some VOSA facilities will close. This trend is expected to continue in future years;
- the base cost of testing will be unchanged in 2011/12 because efficiency savings will be used to absorb the cost of general inflation and to contribute to the recovery of the accumulated deficit in the Trading Fund. Recovery of the deficit will continue over the next few years;
- the testing estate cost will not change significantly in 2011/12 because, although we plan to close some test facilities in 2011/12, the estate cost will only change significantly once these premises have been sold or the lease terminated some time after closure. The estate costs are not expected to start reducing until 2012/13;
- the cost of servicing non-VOSA facilities is estimated as some £2.2m for 27% of tests at non-VOSA facilities. It is assumed that these costs will increase in direct proportion to the increase in tests at non-VOSA facilities (i.e. at 50% the costs would rise to about £4m). These costs are difficult to predict and, although experience with the initial tranche of ATFs suggests that they have not increased as predicted, it is too early to say whether that is because the costs were over estimated or because the early adopter ATFs are better able to manage their testing operations than future ATFs. We have therefore made different assumptions on this between the two options.

6.1.2.8 Option 1 explores the effect of fully differentiating the test fees in a single step in 2011/12. It assumes that the estimates of additional costs of servicing non-VOSA facilities will prove to be accurate. The table at paragraph 50 of the IA shows that if, in 2011/12, we were to move fully to charging location-related costs only to those using that type of location, fees at non-VOSA locations could be reduced by about 4.8% but fees for tests at VOSA facilities would have to increase by about 11.6%. Under option 1 the overall cost to customers of VOSA fees in 2011/12 increases by about £1.8m because of the increased cost of servicing non-VOSA facilities. The effect on individual fees is shown in Part 1 to Annex 2 to the IA at **Annex A**.

6.1.2.9 Although beyond the scope of the IA, it is not unreasonable to assume that, if base costs remain unaltered in 2012/13 and beyond and the predicted cost of servicing non-VOSA facilities are accurate, there would be little scope for further reductions in fees at non-VOSA facilities because both the share of base costs and the cost of servicing those non-VOSA facilities are directly linked to the proportion of tests there. However, if the costs of servicing non-VOSA facilities prove lower than expected there may be scope for further real terms reductions.

6.1.2.10 Future changes to real terms fees at VOSA facilities will be influenced by two main opposing factors. As the VOSA estate costs reduce, so the costs to be recovered from those using the estate will reduce. However, as more tests are carried out at non-VOSA facilities, that cost must be spread over fewer tests. It therefore depends on which of these factors predominate whether the real terms fees at VOSA facilities would increase further, hold steady or reduce.

6.1.2.11 Option 2 takes a more gradual approach the creation of differentials. It also assumes that costs of servicing non-VOSA facilities do not increase significantly in 2011/12. Using those different assumptions it proposes to reduce the VOSA fees at non-VOSA facilities by 4% and to increase those at VOSA facilities by 4%. Under this option the overall cost to customers is not increased, but VOSA is taking a risk on the cost of servicing non-VOSA facilities. The effect of these changes on individual fees is shown in the tables in Part 2 to Annex 2 to the IA at **Annex A**.

6.1.2.12 On balance VOSA proposes to adopt option 2. This is because it is felt that at this time:

- an increase of almost 12% in the testing element of test fees is unacceptable; and
- an increase in the overall cost to customers is also unacceptable.

6.1.2.13 The PSV test fees are also affected by proposed changes to fund the National Register described in section 6.2 below. The individual tables in Annex A include the effect of those changes.

Treatment of Designated Premises

6.1.2.14 The less formal arrangements with DPs means that VOSA's income from testing at DPs is less certain and it could be argued that charges at DPs should be higher than at ATFs to reflect this risk. To allow DPs time to convert to ATFs, VOSA proposes to treat DPs and ATFs alike for 2011/12. This policy will be considered further as part of the 2012 fee review.

Fees where no physical inspection is needed

6.1.2.15 Some of the activities within this service do not require a physical inspection of the vehicle (e.g. voluntary down-plating of HGVs, reduced pollution certificates issued on the basis of documents provided). The fees in such cases will change in the same way as fees where a physical inspection is carried out at VOSA.

Q2 *Do you agree that VOSA should continue to move towards the cost of VOSA testing facilities being met by those using them?*

Q3 *Do you agree that the move towards the cost of VOSA testing facilities being met by those using them should be phased with:*

- *the testing element of test fees (and RPC and LEC fees) at ATFs and DPs being reduced by 4%; and*
- *those at VOSA being increased by 4% in 2011?*

6.1.3 Application to Northern Ireland

6.1.3.1 RPC tests are also carried out in Northern Ireland by the Driver and Vehicle Agency (DVA), an Executive Agency of the Department of the Environment. Unlike other fees covered in this consultation, the RPC fees are set in Regulations which apply throughout the United Kingdom. All RPC tests in Northern Ireland are carried out at DVA test facilities. To avoid unnecessary complication, it is proposed to continue to apply the same fees to tests by DVA as to tests at VOSA facilities in Great Britain – effectively making these fees for tests at “government facilities”.

6.1.3.2 DVA’s core operating hours (08.00 to 20.30 Monday to Saturday) differ from those of VOSA in GB (06.00 to 20.00 Monday to Friday). The days treated as public holidays also differ. However, DVA do not offer services outside their core hours. It is therefore proposed to recognise this difference by altering the regulations to remove completely the provisions for Out of Hours supplements in respect of RPCs conducted in Northern Ireland.

Q4 *Do you agree that to avoid unnecessary complication, RPC tests conducted at government facilities throughout the UK continue to attract a common fee?*

Q5 *Do you agree to the removal of provision for Out of Hours supplements in Northern Ireland?*

6.1.4 Changes to VOSA core hours for RPC and LEC

6.1.4.1 In April 2010, the core hours for HGV plating, periodic testing and notifiable alterations and PSV testing were extended to cover 06.00 to 20.00 Monday to Friday – excluding public holidays. These are the times during which no out of hours (OoH) supplements are charged. Core hours for RPCs and LECs were not changed. With effect from the 2011 fee changes, we propose to adopt the same core hours for RPCs and LECs. However, note that service provision at any particular location is subject to local demand and VOSA’s ability to meet that demand in a cost effective manner.

Q6 *Do you agree that VOSA should change the core hours for RPCs and LECs to align with those for annual tests?*

6.2 *Changes to fund a National Register to comply with EU requirements*

6.2.1 Introduction

6.2.1.1 On 4 December 2011 three new European Union (EU) Regulations – EU Regulations 1071/2009, 1072/2009 and 1073/2009 (referred to as “the Road Transport Package”) must be implemented throughout the EU.

6.2.1.2 One of the Regulations (1071/2009) sets out the conditions to be complied with to be an operator of road haulage and/or coach or bus services. The other two Regulations set out the rules for a haulier to transport goods by road in the EU and the rules for a bus or coach operator to run international services in the EU, respectively. These will repeal and replace existing EU Rules.

6.2.1.3 Regulation 1071/2009 ("the Operator Regulations") requires, amongst other things that Member States have a National Register of Road Transport Undertakings in place by the 4th December 2011. The National Register must contain the minimum data fields as laid down by the European Commission.

6.2.1.4 The Operator Regulation requires VOSA to acquire and store new data about operators that are subject to EU law. This data will need to be collected from existing operators, and included in the application forms for new licences.

6.2.1.5 A project to set up the National Register is being led by VOSA. Development and maintenance of the register will add to VOSA's running costs. Based on our present understanding of the work involved, the costs of setting up and maintaining the National Register are estimated to add £1.1m to VOSA's running costs over a 5 year period. These costs will have to be funded from operator licence fees.

6.2.1.6 VOSA expects to reduce these costs further but, until that work is completed the above estimates are the best available. By the time that the 2011 fees are finalised we expect the costs to be lower and the fees changes will be proportionately less. The changes quoted in the remaining paragraphs on the National Register should therefore be regarded as maximum figures for each of the options discussed.

6.2.1.7 To spread the burden as fairly as possible, we propose to apply a percentage increase to all fees in the pool. The main options on the size of the pool are whether we include in the pool

- only standard licences or both restricted and standard licences; and
- whether to include applications for variations.

Consideration of this differs for HGVs and PSVs and is set out more fully below. However, since there are many more HGV licences than PSV licences, the decision on HGV licences is the major factor in determining the level of increase.

6.2.1.8 The total fees paid to VOSA for both testing and operator licensing form only a tiny proportion of the cost of vehicle operation. Using data published by the Road Haulage Association we estimate this to be less than 0.4% for HGV operators. Therefore the fee increase needed to fund the national register adds, at worst, less than 0.01% to HGV operator costs. Whilst we are unable to model equivalent figures for PSV operators, we have no reason to believe that the burden on them would differ significantly. For example, the average maximum fee increase from all proposals affecting the smallest PSV operators is no more than the cost of 7 litres of diesel at March 2011 forecourt pump prices.

6.2.1.9 The Operator Regulation also requires Member States to interconnect their databases via the European Commission by January 2013 and to be able to notify Member States of instances of serious infringements of a prescribed list of offences. This will require VOSA to ensure that by then it meets the following interconnection requirements:

- Connection of the National Register to other Member States,
- The ability to make requests to all other Member States as to the "fitness" of Transport Managers,
- The ability to respond to requests as to the fitness of Transport Managers from other Member States,
- The ability to send notification of the most serious infringements to the Member State in which the operator is licensed,
- The ability to receive and "process" notifications of most serious infringements sent by other Member States, and
- The ability to send notifications of action taken as the result of the receipt of notifications of most serious infringements.

6.2.1.10 The interconnection will have to include information about operators throughout the United Kingdom, so data from Northern Ireland and Gibraltar will need to be included. Those administrations will be responsible for costs of getting their data onto the database.

6.2.1.11 Interconnection with other Member States will be carried out as a separate project. However the profile of spending for interconnection work means that this will not affect fees in 2011/12.

6.2.2 HGV issues

6.2.2.1 Present operator licence application fees are based on the time taken to process and determine a typical application to grant or to vary a licence. Once granted, fees to maintain licences are based on the time taken to keep information on the licence up to date and review the future of the licence. The total cost of the licensing process is spread across all operator licence fees. In practice, some licences need more work than others. However to charge fees based on the work needed for individual licences would add disproportionate cost and complexity to the process, and create uncertainty for applicants.

6.2.2.2 HGV standard licences, which allow carriage of goods not belonging to the operator, are required by EU law; while restricted licences, which only allow transport of the operator's own goods, are not. In HGV operator licensing, fleet size is not a factor in determining whether a standard or restricted licence is appropriate to any particular operator. We are seeking views on whether HGV licences in the pool of fees contributing to the National Register should include only standard licences or all licences.

6.2.2.3 In the case of applications to vary licences, certain types of variation application (e.g. change of operating centre) attract a fee and others (e.g. changing from restricted to standard licence) do not. Some fee paying variations will require changes to the National Register but others will not. Equally some non-fee paying variations will require changes to the National Register but others will not. We are therefore also seeking views on whether applications for fee paying variations should be included in the pool of HGV fees contributing to the National Register.

6.2.2.4 In considering whether to differentiate fees please bear in mind that there may be slightly higher running costs to resolve issues where applicants have sent the wrong fee with their application. There may also be costs to change VOSA's IT systems to apply

separate fees where a common fee formerly applied. Whilst these costs may equate to only a small addition to each fee, they could be seen as unnecessary cost.

6.2.2.5 The table below illustrates the effect on HGV fees of the HGV options based on current cost assumptions (see 6.2.1.5 above). The table assumes that restricted PSV licences are excluded. If restricted PSV licences were included most percentage changes would be unaffected.

Percentage changes to fees with alternative spread of contributing fees

	All licences	Standard licences
Include variations	2.0%	3.9%
Exclude variations	2.4%	4.6%

6.2.2.6 The table below illustrates the effect on individual fees of the highest and lowest of the range of changes shown above.

Effect on individual fees of highest and lowest percentage change from table in paragraph 6.2.2.5

Fee Type	Current fee (£)	Proposed fee if all licence types and variations are included (£)	Proposed fee if variations and HGV restricted licences are excluded (£)
HGV Application – Standard Licence	250	255	262
HGV Variation – Standard Licence	250	255	250
HGV Grant of Licence – Standard Licence	391	399	409
HGV Continuation – Standard Licence	391	399	409
HGV Interim Licence – Standard Licence	66	68	70
Percentage increase (before rounding)	-	2.0%	4.6%
HGV Application – Restricted Licence	250	255	250
HGV Variation – Restricted Licence	250	255	250
HGV Grant of Licence – Restricted Licence	391	399	391
HGV Continuation – Restricted Licence	391	399	391
HGV Interim Licence – Restricted Licence	66	68	66
Percentage increase (before rounding)	-	2.0%	0%

Q7 *Do you think that the HGV fees contributing to the cost of the National Register should include all licences or only standard licences?*

Q8 *Do you think that the HGV fees contributing to the cost of the National Register should include applications for variations to licences for which fees are charged?*

6.2.3 PSV issues

6.2.3.1 For passenger transport operators, only vehicles constructed and equipped to carry more than 9-persons, including the driver, are within the scope of the EU Operator Regulation. Neither does that Regulation apply to undertakings engaged in passenger carrying services exclusively for non-commercial purposes or for those which have a main occupation other than passenger transport operator, unless provided for in national law⁴. DfT does not intend to extend the scope of the Regulation. This will exclude PSV restricted licence holders, who may operate a vehicle capable of carrying no more than 8 passengers; or for carrying between 9 and 16 passengers, providing vehicles are not used as part of a passenger transport business or by a person whose main occupation is not the operation of PSVs (this could include hotel shuttle buses, for example). It would also exclude PSV Special Restricted licences, under which a local service can be operated using a taxi or Private Hire Vehicle. The DfT intends to consult on these exemptions in the near future. As with HGVs, there is an issue as to whether restricted licence holders should contribute to the cost of the National Register.

6.2.3.2 As mentioned in 6.2.1.7 above, the amount by which fees will have to increase is determined by the size of the pool of fees contributing to the cost of the National Register. The issue of the PSV contribution to National Register cost is further complicated because the costs of ongoing maintenance of PSV licences is generally⁵ collected as part of the annual test fee. However PSV operator licence discs are not currently vehicle-specific and are not required to be displayed when vehicles are tested. It is therefore not practicable to have a differential test fee between different licence types. The increase to this element of the PSV test fee to fund the National Register will vary depending on whether variations are included in the pool; and whether the pool includes only standard licences or all licences. The O licence element of the PSV test fee is currently £3.20. If the only standard licence applications were included in the funding pool, the PSV test O licence element would increase by 15p. This increase would only be 6p if all licence applications and variations were included. However, because fees are rounded to whole pounds this would not affect the fee charged in most cases.

6.2.3.3 It would, however, be possible to set a differential fee for applications for licences and to vary licences by increasing the maximum number of vehicles which can be used at one time. We are seeking views on whether the pool of PSV fees contributing to the cost of the National Register should include:

- only standard licence applications or standard and restricted licence applications; and
- applicants for variations to increase the maximum number of authorised vehicles.

6.2.3.4 In considering the above please note that since there are currently differential fees between licence application types, there would be no significant cost of change if only standard PSV licences are in the pool. It should also be noted that some of the benefits of equalising application fees proposed in 6.3 below would be lost if differentiation to exclude restricted licence applications were to continue. Since variation fees are currently common there might be some cost incurred to change systems to differentiate these fees. As with

⁴ Article 1.4(b) of 1071/2009/EC.

⁵ Special Restricted licence holders, whose vehicles are not generally tested as PSVs, pay 5-yearly continuation fees to contribute to these costs.

introducing differentials on the HGV side discussed in 6.2.2.4 above this might add a small amount to the unrounded fee.

6.2.3.5 As explained in 6.2.1.7 and 6.2.3.2 above, because of the much larger volumes on HGV fees potentially in the pool, decisions on which PSV licence and variation fees to include in the pool have almost no effect on the percentage changes to be applied. Thus the range of percentage changes in the table in paragraph 6.2.2.5 is unaffected by the PSV decisions.

6.2.3.6 PSV licence application fees may also be affected by proposals to equalise application fees, before the effect of National Register costs, as explained in section [6.3](#) below. The table below illustrates the effect of the highest and lowest changes on individual PSV licensing fees, both with and without single stage equalisation as per section 6.3.

Effect on individual fees of highest and lowest percentage change from table 6.2.2.5			
Fee type	Current fee (£)	Proposed fee if all licence types and variations are included 2%	Proposed fee if variations and restricted licences are excluded 4.6% for standard applications only
Change			
With equalisation as per 5.4			
PSV application – standard licence	£235	£208	£213
PSV variation – standard licence	£119	£122	£119
PSV application – restricted licence	£155	£208	£204
PSV variation – restricted licence	£119	£122	£119
Without equalisation as per 5.4			
PSV application – standard licence	£235	£240	£247
PSV variation – standard licence	£119	£122	£119
PSV application – restricted licence	£155	£159	£155
PSV variation – restricted licence	£119	£122	£119

Q9 *Do you agree that application fees for restricted PSV operator licences should not be increased to contribute to the cost of the National Register?*

Q10 *Do you agree that application fees to vary PSV operator licences should be increased to contribute to the cost of the National Register?*

Q11 *Do you agree that application fees for special restricted PSV operator licences should not be increased to contribute to the cost of the National Register?*

6.3 Equalisation of fees for applications for PSV operator licences

6.3.1 Section 6.2 above covers proposed changes to PSV licence application fees to fund the National Register.

6.3.2 Currently fees for “restricted” PSV operator licence applications are lower than for “standard” licences. The only significant difference in the requirements is that applicants for restricted PSV licences do not require a transport manager for the purpose of demonstrating professional competence. So although processing time is saved in this area, more rigorous or time consuming checks are made in other areas. Thus, experience shows that there is very little difference in typical processing times for both categories. VOSA has also found that variations in the amount of work needed to process applications has more to do with the manner in which evidence of compliance is presented than fleet size. An application for a licence to operate one or two vehicles where evidence of compliance is unclear tends to take longer to process than one to operate larger numbers of vehicles where evidence of compliance is clear.

6.3.3 VOSA therefore proposes to equalise these fees in a revenue neutral manner, though there may still be differentiation depending on which approach is taken to National Register funding. As shown in the table below, to be income neutral the common fee, before rounding, would be £203.22. This equalised unrounded fee would be the base fee to which increases to fund the National Register explained in section 6.2 above would be added. Whilst this would increase the set-up costs for very small businesses eligible for restricted licences, it would remove the cross subsidy from other businesses which may be of similar size or only very slightly larger. In either case the cost of a licence application is an extremely small proportion of the cost of operating vehicles which successful applicants would have to support.

	Standard	Restricted
2010/11 fee charged	£ 235.00	£ 155.00
2010/11 fee before rounding	£ 235.20	£ 155.40
Licences in issue	5,425	3,575
	60%	40%
2011/12 licence applications forecast (split in proportion to licences in issue)	1,100	
	663	437
2011/12 income	£155,805	£67,735
	£223,540	
2011/12 equalised fee - before national register and rounding	£203.22	
Change - 1 step	-£31.78	£48.22
	-13.5%	31.1%
Change - 3 steps	-£10.59	£16.07
	-4.5%	10.4%

6.3.4 As indicated in the table above, equalising the fees in one step would mean increasing the application fee for restricted licences by about 32% and reducing the fee for standard licences by about 14%. Whilst this remains a very small part of the costs of setting up and operating a “business” it may be more appropriate to phase this change over say 3 years. Phasing the increase in 3 steps would mean increasing the restricted licence application fee by about 10% and reducing the standard application fee by 4.5% for 2011 and the 2 succeeding years. These changes would be in addition to any other changes

over that period. The table in paragraph 6.2.3.6 shows the range of fees which may be charged depending on which options are adopted.

6.3.5 Special restricted licences do take less time to process than either standard or restricted PSV licences. VOSA therefore proposes to continue to charge lower fees for these applications. Those fees are not being changed for 2011.

Q12 Do you agree that application fees for restricted PSV operator licences should be the same as for standard PSV operator licences, before changes to fund the National Register are applied?

Q13 Do you think that a move to equalise standard and restricted PSV operator licence fee should be phased over 3 years?

6.4 Fee rounding

6.4.1 For many years, VOSA has rounded fees to the nearest pound. This has been done for several reasons:

- it makes the fees easier to understand;
- it speeds up processing for those doing business over the counter and waiting time for those behind them;
- it reduces error rate (and cost associated with correcting errors) where customers pay by cheque, particularly for multiple transactions.

Whilst fewer customers now use the payment methods mentioned above, we consider that the numbers are still such that the additional costs which VOSA would incur by setting fees to the exact amount, together with the benefits of simplicity, still mean that continuing rounding is beneficial.

6.4.2 Customers have, in the past, pointed out that rounding could distort the differentials between different products within services (e.g. 2 axle truck vs. 3 axle truck). To address this possibility, we now use unrounded fees from the previous year as the base to which percentage changes are applied. Where more than one factor affects the changes to a particular fee, rounding is carried out after all changes to that fee have been made.

6.4.3 Historically, fees have been rounded to the nearest whole pound – i.e. up to 50p rounded down, over 50p rounded up. That rounding method cannot guarantee that VOSA's income covers costs so may have contributed to the deficit mentioned in 5.1. VOSA believes that rounding all fees to the next highest pound has merit in that it ensures that the effect of rounding down does not adversely affect income. We therefore propose to apply this rule to these and future fee changes.

Q14 Do you agree that VOSA should round fees up to the next highest pound?

6.5 Combined effect of the changes

6.5.1 As mentioned in paragraph 2.1.2, some fees are affected by more than one of the proposed changes. The decision on what fee changes to make will be taken following this consultation and will take the views expressed in responses to this consultation into account.

6.5.2 Tables showing the effects of the various options on individual statutory fees are annexed to the Impact Assessments annexed to this consultation document. The effect on the fees listed in column 1 of the table below can be found where shown in column 5.

	VOSA / non-VOSA differentials (section 6.1 and IA at annex A)	National Register funding (section 6.2 and IA at annex B)	PSV O licence application equalisation (section 6.3 and IA at annex C)	Location of tables showing proposed fees
HGV O Licence	☒	☑	☒	Annex 3 to Annex B
PSV O Licence	☒	☑	☑	Annex 3 to Annex B
HGV Test (including notifiable alterations)	☑	☒	☒	Annex 2 to Annex A
PSV Test	☑	☑	☒	Annex 2 to Annex A
RPC (reduced pollution certificate) – includes fees charged in NI by DVA	☑	☒	☒	Annex 2 to Annex A
Low Emission Certificate	☑	☒	☒	Annex 2 to Annex A
Voluntary tests and checks	☑	☒	☒	Annex D

7. Charges for non-statutory services

7.1 VOSA provides a number of non-statutory services often referred to as “voluntary” checks. Many of these services (such as brake, smoke and light checks; tests to annual test standards for vehicles when there is no statutory requirement for a test; and the hire of laden semi-trailers to facilitate brake tests during annual tests) are closely associated with annual testing and are generally delivered at VOSA test facilities. VOSA therefore proposes to apply the same 4% increase as statutory tests carried out at VOSA facilities.

7.2 VOSA is using its efficiency savings to avoid any general increase in statutory fees. However, in order to ensure that users meet the full costs of these services, we avoid cross subsidy from statutory to non-statutory services, and to reduce the risk of discouraging private sector businesses from providing similar services, it is proposed to increase the charges for these non-statutory services in line with general rates of price increase in

addition to the above change. We therefore propose to raise all non-statutory fees and charges by an additional 4.7%, making 8.7% in total.

7.3 Other voluntary checks (such as those to the same standards as single vehicle approval (SVA) and individual vehicle approval (IVA) on vehicles which do not require those inspections) are not associated with annual testing. VOSA is not proposing to apply location based fee differentials to the associated statutory fees. However, for the reasons mentioned in paragraph 7.2, we do propose to increase these fees by 4.7% in line with general rates of price increase.

7.4 Unlike statutory fees, these non-statutory charges are subject to VAT. VAT rates increased to 20% from January 2011. The tables at Annex D set out fees for the main voluntary services showing current and proposed fees before VAT and the proposed fee with 20% VAT. Fees for other non-statutory services closely associated with annual testing will be increased by 8.7% and those not so associated will be increased by 4.7%.

Q15 Do you support the proposed increase in charges for non-statutory services?

8. Traffic Commissioner activities

8.1.1 Traffic Commissioners currently undertake a wide range of activities, both statutory and non-statutory. Given current cost pressures on industry, we believe it is appropriate to seek views on the value of non-core functions, and whether they are justified and sustainable from the industry's perspective.

Examples of work that may be considered non-core include:

Stakeholder liaison – such as informal meetings with operators and trade bodies.

Involvement in training and operator education – training events and educational seminars to provide a Traffic Commissioner viewpoint.

Interaction with the media – articles or interviews for trade publications, radio or other media.

8.1.2 When Traffic Commissioners undertake non-core work, it can require them to delegate their core role – particularly holding public inquiries and related duties – to deputy Traffic Commissioners. Since Deputy Traffic Commissioners are only paid when they are needed, if they were used less, costs could be reduced. The total staff cost for Deputies in 2009/10 was £495,000 or about 4.5% of total operator licence fee income.

8.1.3 The Senior Traffic Commissioner is already exploring with Traffic Commissioners ways to reduce deputy Traffic Commissioner usage. We would welcome any views from industry about what, if any, non-core activities could cease or reduce to save money, or more generally, whether Traffic Commissioners should focus wholly on their core functions.

Q16 Are you content that operator licence fees fund both core and the consequences of non-core activities by Traffic Commissioners?

9. Impact Assessment

9.1 Separate Impact Assessments (IAs) have been prepared for each of the 3 change elements set out in section 2.2. These are attached at annexes B, C and D. Where possible, the impact is put into context by comparing the effect of VOSA fees with the cost of operating or providing HGVs using published operating cost data. For HGV operators, the total cost of fees paid to VOSA for its statutory services currently equates to less than 0.4% of annual operating costs and the fee changes proposed in this consultation would raise that by no more than 0.016% of total operating costs where VOSA test facilities are used but give reductions of up to 0.005% where non-VOSA test facilities are used. A similar analysis for the rental and leasing sector of the road freight industry shows worst case fees as equivalent to less than 0.7% of the cost of providing vehicles and these proposals adding 0.054% if no vehicles were tested at non-VOSA facilities but reductions of 0.018% if all vehicles were tested at non-VOSA test facilities.

9.2 When responding to the consultation, please comment on the analysis of costs and benefits, giving supporting evidence wherever possible. Please also suggest any alternative methods for reaching the objective and highlight any possible unintended consequences of the policy, and practical implementation issues.

Q17 Can you offer any information which we could use publicly that would help us to make the impact assessment more accurate?

9.3 We have been unable to find public domain data on the “average” costs for PSV or other sectors affected by VOSA fees, which would enable us to evaluate the effect of VOSA fees in relation to overall operating costs. Please let us know if you have, or can suggest, a source of such information for your industry sector. We have modelled the effect of changes on one vehicle operators making allowances for the average numbers of new licence applications, variation applications and retests. The fee changes for an operator with one small bus on a restricted licence and one large bus on a standard licence give the results in the table below. As can be seen the worst case increase equates to less than 7 litres of diesel at forecourt pump prices at the end of March 2011.

Licence type	Tests at VOSA		Tests at non-VOSA	
	Average annual fee bill	Change from 2010/11	Average annual fee bill	Change from 2010/11
Restricted	£154.11	+£9.21	£148.77	+£3.88
Standard	£186.35	+£2.65	£177.90	-£5.80

Q18 Can you provide any data which we could use in published documents to assess the effects of our proposals on your industry sector?

Glossary

ATF	Authorised testing facility – a non-VOSA testing facility at which VOSA staff carry out tests which operates under a contract.
DP	Designated premises - a non-VOSA testing facility at which VOSA staff carry out tests which operates with no formal contract
DVA	Driver and Vehicle Agency – an agency of the Department of the Environment for Northern Ireland
GB	Great Britain – i.e. England, Scotland and Wales
HGV	Heavy Goods Vehicle
IA	Impact Assessment to standards specified by the Department for Business, Innovation and Skills ⁶
LEC	Low Emission Certificate – for entry into the London low emission zone
PSV	Public Service Vehicle – a bus or coach used for hire and reward
RPC	Reduced Pollution Certificate – to establish eligibility for reduced Vehicle Excise Duty
UK	United Kingdom of Great Britain and Northern Ireland
VOSA	Vehicle and Operator Services Agency – an agency of DfT which operates throughout GB

⁶ <http://berr.gov.uk/policies/better-regulation/policy/scrutinising-new-regulations/preparing-impact-assessments>