

Title:**Restructuring of fees for applications for bus and coach operator licences.****Lead department or agency:**

Vehicle and Operator Services Agency of the Department for Transport - VOSA

Other departments or agencies:**Impact Assessment (IA)**

IA No: DfT00073

Date: 19/04/2011

Stage: Consultation

Source of intervention: Domestic

Type of measure: Secondary legislation

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Summary: Intervention and Options**What is the problem under consideration? Why is government intervention necessary?**

Operators of buses and coaches for hire and reward are required to have operator licences as part of the regime to improve road safety and to comply with EU law. Current fees for standard and restricted bus and coach (PSV – Public Service Vehicle) operator licence applications do not reflect the costs of determining those applications. Fees for standard licence applications are higher than for restricted licences but the cost of determining the two application types is generally similar thus applicants for standard licences are subsidising the determination of restricted licences. The fees are set in legislation and paid to a Government Trading Fund, so fees can only be changed by Government action.

What are the policy objectives and the intended effects?

To ensure that the fees charged for standard and restricted PSV operator licence application fees relate more closely to the costs incurred in determining those applications without increasing the overall cost to businesses and the third sector.

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

We have compared all options to the 'do nothing' case (i.e. maintaining existing differentials).

Option 1: Equalise standard and restricted PSV operator licence application fees in 1 step in 1 year.

Option 2: Equalise standard and restricted PSV operator licence application fees in 3 steps over 3 years.

Our preferred option is Option 1 because relating fees to costs is achieved more quickly. This is a one-off cost in setting up a new business or for existing businesses expanding into a new area. It represents only a tiny proportion of the cost of operating the business if the application is successful. We have seen no evidence that businesses spend years deciding when to set up or expand into PSV operation, so there would be little logic in allowing businesses more time to adjust to the changed cost.

Will the policy be reviewed? It will not be reviewed. **If applicable, set review date:** Month/Year

What is the basis for this review? Not applicable. **If applicable, set sunset clause date:** Month/Year

Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review? Not applicable

Ministerial Sign-off For consultation stage Impact Assessments:

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:

Mike Penning

Date: 20 May 2011

Summary: Analysis and Evidence Policy Option 1

Description:

Equalise standard and restricted PSV operator licence application fees in 1 year.

Price Base Year 2010	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Year		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	NA	0	NA	NA
High	NA		NA	NA
Best Estimate	0		0.042	0.36

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

1.) The one-off application fee for restricted licences is estimated to increase by about £48. This is a transfer from business to VOSA. The total estimated additional costs to businesses applying for restricted licences are estimated at around £21,000 per year. 2.) The one-off application fee for standard licences is estimated to decrease by about £32. This is a transfer from VOSA to business. The total cost to VOSA is estimated at around £21,000 per year.

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

There are no non-monetised costs of this proposal.

BENEFITS (£m)	Total Transition (Constant Price) Year		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	NA	0	NA	NA
High	NA		NA	NA
Best Estimate	0		0.042	0.36

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

1.) The one-off application fees for standard licences is estimated to decrease by about £32. This is a transfer from VOSA to business. The total estimated benefits to businesses applying for standard licences are therefore estimated at around £21,000 per year. 2.) The one-off application fee for restricted licences is estimated to increase by about £48. This is a transfer from business to VOSA. The total benefit to VOSA is estimated at around £21,000 per year.

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

Applicants for standard PSV operator licences will pay a fairer share of the cost of processing their applications since the fees charged will relate to the estimated cost of providing the services.

Key assumptions/sensitivities/risks

Discount rate (%)

3.5

1.) The key assumptions are that the total number of licence applications forecast for 2011/12 will be maintained in all years in the appraisal period, and that the proportion of standard to restricted licence applications issued will be consistent with the ratio of licences currently in issue (60% / 40%) in all years in the appraisal period in the Do Nothing scenario. 2.) The estimates of the monetised costs and benefits are sensitive to the assumptions that have been made in this IA and are therefore uncertain. For example, the estimated changes in the application fees are sensitive to the assumptions made when estimating the equalised fee, particularly the assumption regarding the ratio of standard to restricted licences under the Do Nothing scenario.

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0.02	Benefits: 0.02	Net: 0	No	NA

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			Great Britain		
From what date will the policy be implemented?			2011		
Which organisation(s) will enforce the policy?			VOSA		
What is the annual change in enforcement cost (£m)?			Nil		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			N/A		
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: Nil		Non-traded: Nil
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs: NA		Benefits: NA
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro NQ	< 20 NQ	Small NQ	Medium NQ	Large NQ
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties¹ Statutory Equality Duties Impact Test guidance	No	12
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	12
Small firms Small Firms Impact Test guidance	No	12
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	12
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	13
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	13
Human rights Human Rights Impact Test guidance	No	13
Justice system Justice Impact Test guidance	No	13
Rural proofing Rural Proofing Impact Test guidance	No	13
Sustainable development Sustainable Development Impact Test guidance	No	13

¹ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Summary: Analysis and Evidence Policy Option 2

Description:

Equalise standard and restricted PSV operator licence application fees over 3 years.

Price Base Year 2010	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Year		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	NA	n/a	NA	NA
High	NA		NA	NA
Best Estimate	0		0.038	0.32

Description and scale of key monetised costs by 'main affected groups'
1.) The application fee for restricted licences is estimated to increase in 3 steps of about £16 in 2011, 2012 and 2013. The cost to businesses applying for restricted licences is estimated at around £7,000 in 2011, £14,000 in 2012 and £21,000 per year from 2013. 2.) The one-off application fee for standard licences is estimated to fall in 3 steps of about £11 in 2011, 2012 and 2013. The cost to VOSA is estimated at around £7,000 in 2011, £14,000 in 2012 and £21,000 per year from 2013.

Other key non-monetised costs by 'main affected groups'
There are no non-monetised costs of this proposal.

BENEFITS (£m)	Total Transition (Constant Price) Year		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	NA	n/a	NA	NA
High	NA		NA	NA
Best Estimate	0		0.038	0.32

Description and scale of key monetised benefits by 'main affected groups'
1.) The application fee for standard licences is estimated to fall in 3 steps of about £11 in 2011, 2012 and 2013. The benefit to businesses applying for standard licences is estimated at around £7,000 in 2011, £14,000 in 2012 and £21,000 per year from 2013. 2.) The application fee for restricted licences is estimated to rise in 3 steps of about £16 in 2011, 2012 and 2013. The benefit to VOSA is estimated at around £7,000 in 2011, £14,000 in 2012 and £21,000 per year from 2013.

Other key non-monetised benefits by 'main affected groups'
Applicants for standard PSV operator licences will pay a fairer share of the cost of processing their applications since the fees charged will relate to the estimated cost of providing the services.

Key assumptions/sensitivities/risks	Discount rate (%)
1.) The key assumptions made in this IA are that the total number of licence applications forecast for 2011/12 will be maintained in all years in the appraisal period, and that the proportion of standard to restricted licence applications issued will be consistent with the ratio of licences currently in issue (60% / 40%) in all years in the appraisal period in the Do Nothing scenario. 2.) The estimates of the monetised costs and benefits are sensitive to the assumptions that have been made in this IA and are therefore uncertain. For example, the estimated changes in the application fees are sensitive to the assumptions made when estimating the equalised fee, particularly the assumption regarding the ratio of standard to restricted licences under the Do Nothing scenario.	3.5

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: N/A	Benefits: N/A	Net: N/A	No	NA

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			Great Britain		
From what date will the policy be implemented?			2011		
Which organisation(s) will enforce the policy?			VOSA		
What is the annual change in enforcement cost (£m)?			nil		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			N/A		
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: nil		Non-traded: nil
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs: n/a		Benefits: n/a
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro NQ	< 20 NQ	Small NQ	Medium NQ	Large NQ
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties¹ Statutory Equality Duties Impact Test guidance	No	12
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	12
Small firms Small Firms Impact Test guidance	No	12
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	12
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	13
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	13
Human rights Human Rights Impact Test guidance	No	13
Justice system Justice Impact Test guidance	No	13
Rural proofing Rural Proofing Impact Test guidance	No	13
Sustainable development Sustainable Development Impact Test guidance	No	13

¹ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessments of earlier stages (e.g. Consultation, Final, Enactment) and those of the matching IN or OUTs measures.

No. Legislation or publication

- 1 VOSA Business Plan 2010/11
<http://www.dft.gov.uk/vosa/repository/2010-2011%20VOSA%20Business%20Plan.pdf>
- 2 Impact Assessment on funding the national register of licensed operators of goods vehicles, buses and coaches at:
<http://www.dft.gov.uk/consultations/dft-2011-11>
- 3 Impact Assessment on lorry, bus and coach examination fees – location differentiation at:
Annex A to this consultation

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉
Transition costs	0	0	0	0	0	0	0	0	0	0
Annual recurring cost	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042
Total annual costs	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042
Transition benefits										
Annual recurring benefits	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042
Total annual benefits	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

GENERAL ISSUES

Overall context

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). 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 Reports. Whilst work to produce the Business Plan for 2011/12, which is normally published around the start of the financial year, is in progress, the 2010/11 plan is to break even by reducing expenditure by about £5.6m (2.3%) compared to 2009/10. This, however, still leaves a retained deficit in VOSA's accounts which must be cleared by a combination of further reductions in expenditure and/or increases in the general level of fees. However in view of the present economic situation, VOSA is not proposing to apply any increases to the general levels of statutory fees for 2011. Thus VOSA must make efficiency savings to absorb inflation but also to start recovering the retained deficit.

Rationale for Government Intervention

2. Operators of Public Service Vehicles (PSVs – i.e. buses and coaches) for hire and reward are generally required to hold PSV operator's licences granted by the Traffic Commissioner. Operator licensing is part the regulatory system to ensure that operators have adequate resources and management systems to operate their vehicles safely and legally. Operator licensing is required by EU law.
3. Current fees for *standard* and *restricted* bus and coach (PSV – Public Service Vehicle) operator licence applications do not reflect the costs of determining the respective applications. Fees for *standard* licence applications are higher than for *restricted* licences. However, the cost of determining the two application types is generally similar, thus applicants for *standard* licences are currently subsidising the determination of *restricted* licences. The fees are set in legislation and paid to a Government Trading Fund, so fees can only be changed by Government action.
4. For PSVs, *restricted* licences only allow the use of up to 2 vehicles. Normally each vehicle cannot carry more than 8 passengers, but if used “otherwise than in the course of a passenger carrying business” or “by a person whose main occupation is not the operation of public service vehicles adapted to carry more than 8 passengers”, vehicles can accommodate up to 16 passengers. *Restricted* licences are held by businesses such as hotels and car park operators who operator 1 or 2 courtesy buses. *Standard* licences are required for other types of operation. The average number of vehicles used by the holders of PSV licences is less than 10. Given that the industry includes many large fleets, the average fleet size means that many operators with *standard* licences have fleets of similar or only slightly larger size than their counterparts eligible for *restricted* licences.
5. The cost of determining those applications is met from fees charged to applicants, which are collected by VOSA. PSV operator licences are generally in one of two categories:
 - *restricted* licence holders can operate no more than 2 vehicles; there are also restrictions on the size of their vehicles; and there may also be restrictions on the nature of their business (i.e. their prime business in not transport of passengers);
 - *standard* licence holders have no such restrictions but fleet sizes vary from one or two vehicles to many hundreds and may cover national or both national and international operations;
 - there are also special *restricted* licences to enable operators of licensed taxis and private hire vehicles to provide local services.
6. 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 whilst processing time is saved in this area, more rigorous or time consuming

checks are made in other areas. Thus, VOSA 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.

7. Application fees for special *restricted* licences are lower still, but since these operators are already licensed by Local Authorities, the work to determine their applications is proportionate to the fees charged. They are therefore not included in the change covered by this IA.
8. The fees concerned are set in statute and can only be altered by Government intervention.

Policy objective

9. The objective of the proposed changes is to ensure that the fees charged for particular services cover the costs of those services and are proportionate to the cost of providing the class of service concerned.

Options Considered

10. The following options have been considered:
 - Do nothing.
 - OPTION 1 – Equalise application fees for *standard* and *restricted* PSV operator licences in 1 year.
 - OPTION 2 – Equalise application fees for *standard* and *restricted* PSV operator licences staging the change over 3 years.
11. Our preferred option is Option 1 because relating fees to costs is achieved more quickly. This is a one-off cost in setting up a new business of business in a new area. It represents only a tiny proportion of the cost of operating the businesses if the application is successful. We have seen no evidence that businesses spend years deciding when to set up or expand into PSV operation, so there would be little logic in allowing businesses more time to adjust to the changed cost.

Costs and benefits of each option

Direct impact on business and One In One Out (OIOO)

12. Both options redistribute costs between businesses, but do not change the net costs to the passenger transport industry as a whole. In the case of the preferred option (Option 1), costs to applicants for restricted licences are estimated to increase by around £21,000 per year (around £48 per applicant business) and costs to applicants for standard licences are estimated to decline by around £21,000 per year (around £32 per applicant business).
13. The change in fees does not change the level of regulation and as such it is out of scope of OIOO.

Distribution of annual costs by business size

14. It has not been possible to complete these boxes on the “Summary: Analysis and Evidence” pages for either option because neither VOSA nor DfT holds any data on the size of businesses operating commercial vehicles. To gather such data would impose a disproportionate burden on businesses to supply the data and on government to collect and analyse the data.
15. To illustrate this, the data we hold relates to the maximum number of vehicles which a business is authorised to use at any one time.
16. An operator with 2 vehicles authorised on its licence could be:
 - a business whose sole activity is PSV operation with a handful of employees; or
 - a large insurance company or NHS trust with thousands of employees, which operates 2 PSVs to provide staff transport for which the staff is charged.

Overview

17. Option 1 and Option 2 are estimated to deliver the same overall cost to customers and income to VOSA.
18. It is assumed that the predicted volume of applications for 2011/12 would be maintained in all years in the appraisal period, and that the ratio of *standard* to *restricted* licences would reflect the ratio of *standard* to restricted licences in issue taken from VOSA's published Business Plan for 2010/11 (Reference 1). Therefore, it is assumed that there would be around 440 applications for *restricted* licence and around 660 applications for *standard* licences in each year of the appraisal period under the Do Nothing scenario. It is assumed that Option 1 and Option 2 would not have an impact on the total number of applications.
19. Because of the great variety of ways in which PSVs are used and the lack of public domain information on typical operating costs, it has not proved practicable to model the effect of these fee changes as a proportion of overall operating costs. But, although this change means a significant step increase in the fees for restricted licence applications, it represents only a very small proportion of the costs of owning, maintenance, fuel and drivers which successful applicants will have to bear.
20. The table below shows the calculation of the estimated equalised fee.

	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
Change - 3 steps	-£10.59	£16.07

21. The major sensitivities which could affect the above calculation are a) the mix of licence types and b) whether the altered fee structure might affect that mix. The type of licence which is appropriate is determined by the number and type of vehicles proposed to be operated (see paragraph 4). At first glance it might be thought that equalisation of application fee might make some applicants consider whether to apply for a standard rather than a restricted licence. However, there are some other differences in the requirements for applying for standard and restricted licenses. Firstly, to obtain a standard licence, the applicant needs to have a professionally qualified transport manager. This requirement is waived for restricted licences. Secondly, while applicants for both types of licence are required to show that they have adequate finance available to operate their vehicles, the minimum finance necessary is lower for restricted licences. It is therefore not considered likely that application fee equalisation would have any significant effect on demand for either licence type. The number of applications received and the mix of types does vary from year to year. It is extremely difficult to predict the mix in any one year. VOSA's aim is to equalise the fees by transferring cost between the two customer groups without changing its total income relative to the level it would have received had the change not taken place. To minimise the risk associated with the variable mix of licences, this impact assessment assumes that the mix of licence types in future reflects the mix of licences currently in force (referred to as "in issue").

Costs and Benefits of Option 1

22. Under Option 1, the application fee for a *restricted* PSV operator licence and the application fee for a *standard* PSV operator licence would be equalised within a single year. The impact of Option 1 would be to increase the application fee for a *restricted* PSV operator licence and reduce the application fee for a *standard* PSV operator licence.
23. On the basis of the above calculations, it is estimated that the application fee for a *restricted* PSV operator licence would **rise** by around £48. The rise in this fee represents a transfer from business

to VOSA. As noted above, it is assumed that there would be around 440 applications for *restricted* licence in each year of the appraisal period. The total estimated costs to businesses applying for *standard* licences and total estimated benefits to VOSA are therefore both estimated at around £21,000 per year from 2011/12.

24. In addition, on the basis of the above calculations, it is estimated that the application fee for a *standard* PSV operator licence would **fall** by around £32. This is less than the estimated rise in the application fee for a *restricted* PSV operator licence because the income that would be generated from the rise in *restricted* licence fees has to be spread over a larger number of *standard* licence applications. The fall in this fee represents a transfer from VOSA to business. As noted above, it is assumed that there would be around 660 applications for *standard* licences in each year of the appraisal period. The total estimated benefits to businesses applying for *standard* licences and total estimated costs to VOSA are therefore both estimated at around £21,000 per year from 2011/12.
25. However, it should be noted that the above estimates are uncertain. Firstly, it should be noted that both the estimated increase in the application fee for a *restricted* PSV operator licence and the estimated decrease in the application fee for a *standard* PSV operator licence are sensitive to the assumptions made when estimating the equalised fee, particularly the assumption regarding the ratio of *standard* to *restricted* licences under the Do Nothing scenario. Secondly, it should be noted that the estimates of the benefits and costs are also sensitive to a) the assumptions made when estimating the equalised fee; and b) the assumptions about the number of applications in the Do Nothing scenario and Option 1.
26. For the purposes of this impact assessment, the above estimates assume that this change would be introduced at the start of the 2011/12 financial year. Should this change be introduced at a later date within this financial year, this would reduce the benefits and costs in the 2011/12 financial year.
27. The above change is the effect of fee restructuring alone. The PSV operator licence application fees may also be affected by proposed changes to fund a National Register (NR) of operators and their transport managers which is being introduced to meet EU regulations. Those changes are explained in a separate IA "*Funding National Register of licensed operators of goods vehicles, buses and coaches*" (reference 2). Depending on which option is adopted to fund the NR, VOSA's estimates are that the application fees above could further increase by between 2% and 4.6%. Once all changes are made, fees are then rounded up to the next pound; however, the unrounded fee provides the base for calculating fees for the following year. Thus, if Option 1 of this IA were adopted the rounded overall fee charged for a *standard* licence application may be in the range £208 to £213 and the range for a *restricted* licence application would be £204 to £208 depending on which option is adopted to fund the NR.

Costs and Benefits of Option 2

28. The impact of Option 2 would be to increase the application fee for a *restricted* PSV operator licence and reduce the application fee for a *standard* PSV operator licence each year for 3 years.
29. Option 2 would reduce the impact on individual applicants within the first 3 years after change by staging the restructure over 3 years. However, it does mean that costs to applicants for *standard* licences and *restricted* licences would take longer to reach their correct level than would be the case with Option 1. In considering this option, it must be remembered that the application fee is a one-off payment to apply for a new licence. That licence continues for an indefinite period unless it is surrendered by the licensee or revoked by the Traffic Commissioner because of unacceptable performance.
30. On the basis of the above calculations, it is estimated that the application fee for a *restricted* licence would **rise** in 3 steps of around £16; giving increases from the 2010/11 level of around £16, £32 and £48 in 2011/12; 2012/13 and 2013/14 respectively. The rise in this fee represents a transfer from business to VOSA. As noted above, it is assumed that there would be around 440 applications for *restricted* licence in each year of the appraisal period. The total estimated costs to businesses applying for *standard* licences and total estimated benefits to VOSA are therefore both estimated at around £7,000 in 2011/12, around £14,000 in 2012/13 and around £21,000 per year from 2013/14.
31. In addition, on the basis of the above calculations, it is estimated that the application fee for a *standard* licence would **fall** in 3 steps of around £11; giving decreases from the 2010/11 level of around £11, £21 and £32 in 2011/12; 2012/13 and 2013/14 respectively. The fall in this fee represents a transfer from VOSA to business. As noted above, it is assumed that there would be around 660 applications for *standard* licences in each year of the appraisal period. The total

estimated benefits to businesses applying for *standard* licences and total estimated costs to VOSA are therefore both estimated at around £7,000 in 2011/12, around £14,000 in 2012/13 and around £21,000 per year from 2013/14.

32. However, it should be noted that the above estimates are uncertain for the reasons discussed in paragraph 25 of this impact assessment.
33. For the purposes of this impact assessment, the above estimates assume that this change would be introduced at the start of the 2011/12 financial year. Should this change be introduced at a later date within this financial year, this would reduce the benefits and costs in the 2011/12 financial year.
34. As with Option 1, the above change is the effect of fee restructuring alone. The PSV operator licence application fees may also be affected by proposed changes to fund a National Register (NR) of operators and their transport managers which is being introduced to meet EU regulations. Those changes are explained in a separate IA "*Funding National Register of licensed operators of goods vehicles, buses and coaches*" (Reference 2). Depending on which option is adopted to fund the NR, VOSA's estimates are that the application fees above could further increase by between 2% and 4.6%. Once all changes are made, fees are then rounded up to the next pound; however, the unrounded fee provides the base for calculating fees for the following year. Thus, if Option 2 of this IA were adopted the rounded overall fees in 2011/12 would be in the range £230 to £235 for *standard* applications and £175 to £172 for *restricted* applications depending on which option is adopted to fund the NR. Fees in 2012/13 and 2013/14 may also be affected by other changes yet to be quantified.

Other proposed changes in fees in 2011/12 not included in this IA

35. VOSA is also consulting on two other changes to some fees which affect the cost of bus and coach operation. These other proposals are explained in separate IAs (references 2 and 3). Together with the proposal in this IA, they make up the proposed changes from VOSA's review of fees for 2011/12. The table below indicates which changes affect which fees.

	VOSA / non-VOSA differentials (IA reference 3)	National Register funding (IA reference 2)	PSV O licence application equalisation (this IA)
PSV O Licence		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PSV Test	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
RPC (reduced pollution certificate)	<input checked="" type="checkbox"/>		
Low Emission Certificate	<input checked="" type="checkbox"/>		
Voluntary checks	<input checked="" type="checkbox"/>		
HGV O Licence		<input checked="" type="checkbox"/>	
HGV Test (including notifiable alterations)	<input checked="" type="checkbox"/>		

36. The following changes also affect the total fee bill for PSV operators:
 - VOSA / non-VOSA differentials: it is proposed to reduce the fees for annual tests conducted at non-VOSA test facilities and increase fees for tests at VOSA facilities. These changes, which would affect only the testing element of the test fee, would have no direct impact on the operator licence fees, but would affect testing costs for most operators either directly or indirectly by reducing costs for tests carried out at non-VOSA test facilities and increasing costs at VOSA facilities. This is explained in the IA at reference 3.
 - PSV test fees: a small element of the PSV test fee (£3.20) contributes to funding PSV operator licensing. Thus, the increase in fees to fund the National Register of licensed operators of goods vehicles, buses and coaches covered in the IA at reference 2 would affect the calculation of fees for full PSV tests, although for most fees the effect on the fees actually charged would be lost because the fees charged are rounded to whole pounds.
 - Effect of National Register (NR) funding on PSV operator licence fees: the funding of the National Register would also affect fees paid for applications for PSV operator licences and, depending on

which sub-option in the IA at reference 2 is adopted, may also affect fees for applications to vary such licences. Paragraphs 27 and 34 above indicate the estimated effect on application fees of operator licences if both changes were adopted. It should also be noted that, even after “equalisation” under the proposal in this IA, a small differential between standard and restricted licence applications may remain as a result of NR funding depending on which of the sub-options in the NR IA is adopted.

- Because of this complexity and the lack of data on the mix of vehicles within fleets, it is difficult to produce a meaningful estimate of the effect on individual operators. Indicative estimates of the combined effects of all three changes are that the average annual fee bill for the operator of a small PSV on a restricted licence would increase by between £4 (if tested at a non-VOSA test facility) and £9 (if tested at a VOSA test facility), and that the average annual fee bill for the operator of a large PSV on a standard licence would either decrease by £6 (if tested at a non-VOSA test facility) or increase by £3 (if tested at a VOSA test facility).
- The lack of public domain data on operating costs means that it is not possible to estimate the impact on their overall operating costs, but to put these changes into perspective, even the largest estimated increase is the equivalent of less than 7 litres of Diesel at March 2011 forecourt prices.

Specific Impact Tests

Equality assessment

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

Competition assessment

38. The proposed changes would not directly or indirectly limit the number or range of suppliers, limit the ability of suppliers to compete or reduce suppliers' incentives to compete vigorously. Therefore, a full competition assessment has not been carried out.

Small firms impact test

39. The changes covered by this Impact Assessment are related to the use made of the services provided and do not change the extent to which businesses are required to use the services. The fees are charged on a per licence application and reflect the cost of providing the service. It must be remembered that the application fee is a one-off payment to apply for a new licence. If granted, that licence continues for an indefinite period unless it is surrendered by the licensee or revoked by the Traffic Commissioner because of unacceptable performance. The application fee represents only a minute proportion of the cost of operating even a single vehicle. Small businesses and their representative bodies will be specifically informed of the consultation on the proposed changes.

Greenhouse gas impact assessment

40. The proposals in this IA would have no effect on greenhouse gases.

Wider environmental impact assessment

41. The fee changes proposed would have no effect on wider environmental issues.

Health and wellbeing impact assessment

42. The fee changes proposed would have no effect on health or wellbeing.

Human rights

43. The proposals would have no human rights impact.

Justice impact test

44. The proposals would have no impact on the justice system.

Rural proofing

45. The proposals would have no significant impact on rural areas.

Sustainable development

46. The proposals would have no significant effect on sustainable development.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), i.e. a sunset clause or a duty to review, or there could be a political commitment to review (PIR)];

NA

Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]

NA

Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]

NA

Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]

NA

Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]

NA

Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection of monitoring information for future policy review]

NA

Reasons for not planning a review: [If there is no plan to do a PIR please provide reasons here]

Policy on fees is set by Treasury in Managing Public Money and the need to comply with the Government Trading Funds Act 1973. VOSA's fee levels are subject to annual review to ensure compliance with these requirements and other requirements concerning Government accounting.