

Summary: Intervention & Options

Department /Agency: VOSA - Vehicle & Operator Services Agency	Title: Impact Assessment of changes to statutory fees for VOSA services in 2008	
Stage: Consultation	Version: 1.0	Date: 19 December 2007
Related Publications: None		

Available to view or download at:

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

Contact for enquiries:

John MacLellan

Telephone: **0117 954 2531**

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

The Government set up a Trading Fund in 1991 which became Vehicle and Operator Services Agency in 2003. The income from the proposed fee increases is needed to cover inflation, to develop and maintain electronic services; continue refurbishment of equipment and facilities; support better targeting of enforcement in line with Hampton principles; provide additional enforcement sites in key locations; and repay loans from previous capitalised developments.

If no action is taken the Agency will fail to meet its statutory obligations under the VOSA Trading Fund Order and will contravene requirements set out in the Treasury guidance on Government fees

What are the policy objectives and the intended effects?

The policy objective is to ensure that the income from statutory fees for services provided by the VOSA fully covers the costs of providing the services. This Impact Assessment covers all statutory fees collected by VOSA other than those associated with management, supervision and vehicle testing carried out under the MOT scheme i.e. statutory periodic testing of vehicles other than Heavy Goods Vehicles or Public Service Vehicles.

What policy options have been considered? Please justify any preferred option.

The 'do nothing' option is not open to VOSA since it is legally obliged to cover its costs. The options considered are therefore: A. raise statutory fees in line with increases in costs; or B. reduce costs to match income from existing statutory fees.

Option A is preferred because it allows VOSA to maintain service levels; to invest in meeting future customer needs in respect of vehicle technology developments and changes in industry patterns and practices; and to develop service enhancements such as E-enabled services and targeted enforcement.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

VOSA constantly monitors both its costs and income as part of its normal accounting process. The need for adjustments to statutory fees is reviewed at least annually.

Ministerial Sign-off For Consultation 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:

Jim Fitzpatrick

..... Date: **9 January 2008**

Summary: Analysis & Evidence

Policy Option: A	Description: increase statutory fees to match planned costs as per proposal
------------------	---

COSTS	ANNUAL COSTS	Description and scale of key monetised costs by ‘main affected groups’ This is the cost to business of meeting the proposed new statutory fees. The proposed increases would increase costs of an HGV operating business by no more than one fortieth of one percent. The effect on other sectors is likely to be of a similar order of magnitude.
	One-off (Transition) Yrs	
	£ Nil	
	Average Annual Cost (excluding one-off)	
£ 5 million	Total Cost (PV) £ 5 million	

Other key non-monetised costs by ‘main affected groups’

None identified

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by ‘main affected groups’ The benefits are the increased costs which businesses would be likely to bear if cutbacks were made. This could be extra vehicle downtime waiting for services, longer journeys to access VOSA services and increased road casualties because of decreased enforcement activities and fewer services to ease compliance.
	One-off Yrs	
	£ Nil	
	Average Annual Benefit (excluding one-off)	
£ 12 to 39 million	Total Benefit (PV) £ 25 million	

Other key non-monetised benefits by ‘main affected groups’

Present service levels such as waiting time for test are expected to be maintained or improved. Reduce burden of checks on “low risk” operators.

Key Assumptions/Sensitivities/Risks

Activity volumes and mix of vehicle types do not change dramatically.

Price Base Year 2006	Time Period Years 1	Net Benefit Range (NPV) £ 7 to 34 million	NET BENEFIT (NPV Best estimate) £ 20 million
----------------------	---------------------	--	---

What is the geographic coverage of the policy/option?	see evidence			
On what date will the policy be implemented?	May/ June 2008			
Which organisation(s) will enforce the policy?	N/A			
What is the total annual cost of enforcement for these organisations?	£ N/A			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	No			
What is the value of the proposed offsetting measure per year?	£ N/A			
What is the value of changes in greenhouse gas emissions?	£ Nil			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro £12	Small £37	Medium £86	Large £2,022
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)

(Increase - Decrease)

Increase	£ Nil	Decrease	£ Nil	Net Impact	£ Nil
----------	-------	----------	-------	------------	-------

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Summary: Analysis & Evidence

Policy Option: B	Description: reduce costs to match expected income
------------------	--

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by ‘main affected groups’ The costs to business of this option are the same as the benefits for option A. The figures are not, however, included here to prevent double counting.
	One-off (Transition) Yrs		
	£		
	Average Annual Cost (excluding one-off)		
£		Total Cost (PV) £	

Other key non-monetised costs by ‘main affected groups’

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by ‘main affected groups’ The benefits to business of this option are that they would not have to pay the costs in option A. They are not repeated here to prevent double counting
	One-off Yrs		
	£		
	Average Annual Benefit (excluding one-off)		
£		Total Benefit (PV) £	

Other key non-monetised benefits by ‘main affected groups’

Key Assumptions/Sensitivities/Risks

Activity volumes and mix of vehicle types do not change dramatically.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £		
What is the geographic coverage of the policy/option?			See evidence		
On what date will the policy be implemented?			6 April 2008		
Which organisation(s) will enforce the policy?			N/A		
What is the total annual cost of enforcement for these organisations?			£ N/A		
Does enforcement comply with Hampton principles?			No		
Will implementation go beyond minimum EU requirements?			No		
What is the value of the proposed offsetting measure per year?			£ N/A		
What is the value of changes in greenhouse gas emissions?			£ N/A		
Will the proposal have a significant impact on competition?			No		
Annual cost (£-£) per organisation (excluding one-off)		Micro	Small	Medium	Large
Are any of these organisations exempt?		No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)

Increase £ Nil
Decrease £ Nil
Net Impact £ Nil
(Increase - Decrease)

Key: Annual costs and benefits: Constant Prices
(Net) Present Value

Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

Notes from summary sheet – Geographic coverage

The statutory fees charged by VOSA are set in 18 Statutory Instruments (SIs) of which most have GB coverage.

One SI has UK coverage in respect of fees for Vehicle Identity Checks and Reduced Pollution Certificates. In Northern Ireland, these inspections are carried out by the Driver and Vehicle Agency, to which the fees are paid.

There are separate SIs covering statutory fees for Bus Service Registration for Scotland and for England and Wales although the fee levels are the same.

Background

To comply with Treasury guidance on fees and legal requirements of VOSA's Trading Fund Order, VOSA is required to set fees which fully recover the costs of the services provided. These costs include current running costs; investment in the development and improvement of services and facilities; repayment of loans on past investments which were capitalised; and a return to Treasury on the capital employed by VOSA.

Whilst staff are generally working more efficiently the costs of employing each member of staff continues to rise. VOSA has also made considerable investments in improved services to support customers and in facilities to meet customer aspirations. Many of these improvements have been funded from loans which incur costs both in interest and in repayment of capital. VOSA is also committed to continue to improve customer services and facilities to make it easier for customers to comply with their legal obligations and to manage more effectively those considered at greatest risk of being non-compliant with their legal obligations. Overall, VOSA's costs are predicted to rise at a greater rate than our income. In order for VOSA to meet its obligations as a trading fund it is necessary to increase statutory fees.

The last increase in VOSA statutory fees was April 2007. That increase averaged 5.5%, before rounding of fees. Since the previous increase was 18 months previously (30 September 2005) that increase effectively amounted to 3.7% per annum. It should also be noted that the 2005 increase had been calculated in the expectation that it was introduced on 1 August 2005 – 20 months before April 2007 equating to 3.3% over that period. At April 2007 the RPI was running at 4.5%.

By way of comparison, the last increase for light and private vehicle MOTs, largely carried out in the private sector, was approximately 14% in November 2006 and was the first since August 2005 and therefore effectively amounted to 11.2% per annum. It should also be noted that at current fees, the cost of an annual test of a 2 axle truck (£49) is less than that of a car (£50.35) despite the need for more costly larger buildings and heavier duty test equipment. Whilst the test fee for a private bus (currently £74.10 if more than 16 passenger seats) is less than that for a PSV bus (£80.00 if more than 22 passenger seats) the PSV test includes more checks, particularly on passenger related features such as wheelchair access facilities.

Plans for 2008/9

Note that whilst this section deals with costs of activities during 2008/9, some of the activities involve development of facilities and systems which will not come into use till 2009/10 or beyond.

The Department for Transport is reviewing the future provision of services currently provided by VOSA. The options being considered include greater private sector involvement in the provision of these services. The review has not yet reached any conclusion. Plans for activities and service developments in 2008/9 cannot, obviously take into account the outcome of that review. For the purposes of this Impact Assessment the details of 2008/09 activities are based on the assumption that VOSA continues to provide the services in respect of the fees under consideration. This should not be read as pre-judging the outcome of the review.

Due to changes in EC legislation currently being finalised, it is anticipated that there will be significant changes to the pre-registration inspections which VOSA undertakes on buses and coaches and under the Single Vehicle Approval scheme for cars and light goods vehicles. Although these are currently expected to come into effect in the 2nd quarter of 2009 we are already investing in preparation for the change and this investment will continue in 2008/9. A major reassessment of fees in these areas is likely to occur when these changes are introduced and will be the subject of a separate impact assessment and consultation.