

**EXPLANATORY MEMORANDUM TO
THE ROAD VEHICLES (REGISTRATION AND LICENSING) (AMENDMENT)
REGULATIONS 2005**

2005 No. 2344

1. This explanatory memorandum has been prepared by the Department for Transport and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. **Description**

This instrument increases the fee payable under the Road Vehicle (Registration and Licensing) Regulations 2002 for an examination of a previously damaged or written off vehicle to confirm it is the original registered vehicle, before a new registration document is issued for it. This examination is known as a “Vehicle Identity Check”.

3. **Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 The Secretary of State through his executive agency the Vehicle and Operator Services Agency (“VOSA”) recovers the cost of carrying out a Vehicle Identity Check by charging fees. The fee pays for the provision of examiners and the repayment of capital costs of specialist equipment and premises. VOSA is required to recover its costs on a yearly basis.

3.2 The number of vehicles undergoing a Vehicle Identity Check has been significantly lower than the number forecast when the fee was first set in 2003 (only 45,000 vehicles were inspected in the second year, as opposed to the initial estimate of 180,000 per annum). As a result the current fee does not cover the cost to VOSA of carrying out Vehicle Identity Checks on account of the overheads that it incurred in setting up the scheme.

3.3 The increase of the fee from £35.00 to £36.00 represents an increase to cover inflation rounded up to the nearest £. The rate of inflation is 2.86%. The Department has provided funds to meet the difference between the running and expenditure costs of the Vehicle Identity Check over the past two years - but this ceased from 1st April this year. The fee of £36 should enable VOSA to more closely match the costs incurred on the Vehicle Identity Check, and this is based on the assumption that the volume of inspections will increase to 70,000 pa. There may however be a need to increase fees again next year to cover pay and general cost rises and if anticipated volumes do not materialise so as to get closer again to full cost recovery, although the value for money programme planned for the coming year and beyond for the Agency will mitigate the size of any rise. The programme incorporates a range of measures resulting in cost savings as well as productivity and effectiveness improvements.

4. Legislative Background

4.1 This instrument is made under powers conferred by sections 22(1)(h), 22A(2)(a) and 22A(3)(d) of the Vehicle Excise and Registration Act 1994 (“the 1994 Act”) and by virtue of the Department of Transport (Fees) Order 1988.

4.2 Section 22A was inserted into the 1994 Act by section 33(2) of the Vehicles (Crime) Act 2001. The main intention behind the provisions of section 22A is to require a compulsory Vehicle Identity Check of any vehicle that has been scrapped or ‘written-off’ to ascertain that the vehicle is the registered vehicle, prior to the issue of a new registration document. The purpose of the Vehicle Identity Check is to help prevent criminal activity whereby the identity of a scrapped or written-off vehicle is transferred to a stolen vehicle (known as vehicle ‘ringing’).

5. Extent

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 The Vehicle Identity Check scheme was introduced in April 2003 to help combat vehicle crime, in particular to help prevent car thieves from swapping the identity of a stolen vehicle with that of a vehicle that has been written off or scrapped.

7.2 Under the Road Vehicles (Registration and Licensing) Regulations 2002, where a damaged vehicle is uneconomical to repair the registration document must be destroyed, or surrendered to the Secretary of State, on a change of keeper. If the vehicle is subsequently repaired, it must undergo a Vehicle Identity Check to confirm it is the original registered vehicle, before a new registration document is issued. The Vehicle Identity Check verifies that the vehicle conforms to the registered particulars on the DVLA database.

7.3 This instrument increases the fee for a Vehicle Identity Check in order to ensure that the income from the fee charged is closer to covering the cost to VOSA of conducting the examination.

7.4 The Department consulted interested parties on the fee increase. 8 responses were received from the Police, a motor industry consultant, motor industry trade bodies and a national charity of road traffic victims. All respondents except one supported the proposal to increase the fee from £35 to £36 and the contribution that the Vehicle Identity Check makes to tackling vehicle crime. The respondent who was not able to support the proposal had no specific comments either way.

8. Impact

8.1 A Regulatory Impact Assessment of the effect that this instrument will have on the costs of business is attached to this memorandum

8.2 There is no impact on the public sector.

9. Contact

The official within the Department for Transport who can be contacted with any queries regarding this instrument is Hayley Bowen, DVO Policy Unit of the Department for Transport, Southside, 105 Victoria Street, London SW1E 6DT; telephone 020 7944 6575; e-mail: Hayley.Bowen@dft.gsi.gov.uk

ANNEX A

REGULATORY IMPACT ASSESSMENT

1. TITLE OF PROPOSED MEASURE

The Road Vehicles (Registration and Licensing) (Amendment) Regulations 2005

2. ISSUE AND OBJECTIVE

Issue

2.1 This Regulatory Impact Assessment deals with a proposal to increase the fee for a Vehicle Identity Check (VIC) from £35.00 to £36.00 from 30th September 2005.

Objective

2.2 The main objective is to set the fee for a VIC at a level which more accurately reflects the cost to VOSA of providing the service.

3. RISK ASSESSMENT

3.1 VOSA charge for inspections on a cost-recovery basis. In order for the Agency to improve the match between income and expenditure, it is proposing to increase the fee to £36

3.2 As the scheme acts as a deterrent to criminals from stealing cars, it is difficult to obtain clear evidence on the extent to which ringing has reduced. However, the Association of Chief Police Officers has also confirmed that it believes the scheme is likely to have a significant effect on vehicle crime.

4. OPTIONS

4.1 Only one realistic option to continue with the scheme in its current form has been identified, namely to increase the fee for a VIC to £36 in combination with a reduction of resources within VOSA in line with demand.

4.2 A fee of £36 would more accurately reflect the cost to VOSA of administering the scheme.

5. IDENTIFYING THE BENEFITS

5.1 Increasing the fee to £36 would go some way to ensuring that the scheme becomes closer to being self-financing and that it therefore continued.

5.2 If the fee for a VIC remained at its current level, it is possible that the scheme could be discontinued. But, without the VIC, there would be less deterrent to prevent criminals from resuming the ringing of vehicles. There may also be additional pressure on the Police to revert to carrying out identity checks of vehicles written off as 'category

A or B' salvage which were returned to the road. This would put significant pressure on their resources and add to their operational costs.

5.3 Discontinuation of the scheme would also allow criminals to resume ringing vehicles virtually unchallenged as the vast majority of police stolen vehicles squads have been disbanded.

5.4 Discontinuation of the scheme may in addition have the effect of increasing the cost of motor insurance to cover the expense of payments on vehicles that have been stolen for ringing purposes.

5.5 Many vehicle purchasers welcome the check as it provides transparency to the history of the vehicle.

6. ISSUES OF EQUITY AND FAIRNESS

6.1 The proposed measure would impact on those who retain or repair written off vehicles with the intention of putting them back on the road. In addition, the salvage industry may feel that salvage they sell on for repair could depreciate in value if the vehicle requires a VIC before it can be put back on the road. However, the loss of profit margin is more likely to be attributed to a related feature of the VIC - annotation of the registration document (V5) to indicate that the vehicle had previously been accident damaged and repaired, a feature that is appreciated by many vehicle purchasers.

6.2 The race equality impact of the fee increase has been considered.

7. COMPLIANCE COSTS FOR BUSINESS, CHARITIES AND VOLUNTARY ORGANISATIONS

Business Sectors Affected

7.1 The main business sectors affected by this proposal will be vehicle repairers, the salvage industry, the insurance industry and those that choose to buy salvage with a view to repairing it and putting it back on the road.

7.2 It is clearly justified to ask whether an increase of £1 per vehicle is reasonable. However, the additional burden on legitimate repairers - which will inevitably be passed on to the ultimate purchaser of the vehicle - has to be set against the fact that the scheme is helping to stamp out and prevent car crime associated with ringing. It is estimated that the cost to the Insurance Industry (which is passed on to the motoring public in the form of higher premiums) is in the order of £40m per Annum

8. TOTAL COMPLIANCE COSTS

8.1 The preferred option is to increase the VIC fee from £35 to £36, an increase of £1.

8.2 Current volumes suggest that 70,000 checks will be carried out next year. At £36 per check this is likely to generate around £2,520,000 (£36 x 70,000) for VOSA.

9. CONSULTATION WITH SMALL BUSINESS: "THE LITMUS TEST"

9.1 A number of bodies representing small businesses (eg Motor Vehicles Dismantlers' Association of Great Britain, Retail Motor Industry Federation) were informed of the proposals set out in this document and a copy of the consultation has been sent to them.

10. COMPETITION ASSESSMENT

10.1 The proposed option would have no impact on competition as VOSA is currently the sole provider of VIC inspections.

11. IDENTIFY ANY OTHER COSTS

11.1 No other costs have been identified.

12. CONSULTATION

SUMMARY OF RESPONSES

There have been 7 responses to the consultation on the proposed fee increase for the Vehicle Identity Check

NAME OF COMPANY	OPERATOR TYPE
• Association of Chief Police Officers in Scotland	Police Federation
• Lamont Consulting	Motor trade consultant
• Retail Motor Industry Federation	Motor Trade Federation
• Crime Reduction Unit	Agency within Department for Transport
• RoadPeace	Road Safety Organisation
• Police Federation of England and Wales	Police Federation
• Motor Vehicle Dismantlers' Association of Great Britain	Trade Association

Generally, the responses relating to the proposed increases for 2005 have been generally supportive of the need for increases, which are not seen as excessive and welcome the contribution the check makes to the reduction of vehicle crime. There were no adverse comments.

13. SUMMARY AND RECOMMENDATION

13.1 This assessment has indicated significant benefits that continue to accrue from the vehicle identity check, against relatively low compliance costs for salvage dealers and vehicle repairers. It is recommended that the proposal be adopted, and that legislative backing is given to the proposed fee increase through an amendment to the Road Vehicles (Registration and Licensing) Regulations 2002.

14. EFFECTS ON INTERNATIONAL COMPETITIVENESS

14.1 The measure will have no effect of international competitiveness.

15. ARRANGEMENTS FOR MONITORING AND REVIEW

15.1 Monitoring and review of the costs are being undertaken through feedback during the consultation process.

16. CONTACT POINT

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Date: XX August 2005

DECLARATION

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Signed by the responsible Minister:
Date:

**Stephen Ladyman
Minister of State
Department for Transport**