

Summary: Intervention & Options

Department /Agency: Vehicle and Operator Services Agency	Title: Impact Assessment of the Proposed Amendment to the Fees Charged by Approved Tachograph Centres	
Stage: Consultation	Version: Final	Date: 1st December 2009
Related Publications: Approved Tachograph Centre Manual (ATCM)		

Available to view or download at:

<http://www.vosa.gov.uk>

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

The Tachograph Centres are unable to recover the full cost of calibration at an equivalent rate to the commercial work. The work the centres perform is at present subject to a Maximum Allowable Fee, which places a ceiling price on the work performed.

A second issue exists, in that the centres perform four pieces of work on tachographs which take differing amounts of time. The fee structure does not allow for this disparity in cost to be taken account of.

What are the policy objectives and the intended effects?

The objective is for the Tachograph Centres to receive a fair sum of money for the work they perform. Their work is required by operators in order to meet their legal obligation of using a calibrated tachograph.

Tachograph Centres perform their tasks in accordance with the Approved Tachograph Centre Manual (ATCM) guidelines.

Vehicles operators need to be supported by sufficient numbers of tachograph centres. It is believed that in conjunction with a review of the Tachograph Manual Conditions of Approval that the centre numbers will actually grow to further support the operators.

The policy also aims to reduce the administrative burden through alignment with the Hampton review.

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

Three main options have been considered:

- 1) De-regulation of the fees, to align with other European Member States. As this is the most flexible approach, it aligns best with the Hampton review and requires no future input. This is the preferred option.
- 2) An increase in the Maximum Allowable Fees to align the fees more closely with the time required to complete the tasks and the commercial hourly rates charged for similar maintenance support work.
- 3) Group certain categories of fees together and increase the fees in alignment with the time required to complete the tasks.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? April 2013

Ministerial Sign-off For SELECT 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:

.....Date:

Summary: Analysis & Evidence

Policy Option:
Option 1: De-regulation

Description: De-regulation of all fees charged by the Approved tachograph centres for inspection and calibration work

ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups'
One-off (Transition)	Yrs	
£ 0		<p>The effects of de-regulation of the fees can be estimated to be less than Option 2. It is believed that the cost is likely to be in the region of 10% less. Therefore, it is expected that the increased cost of calibration to the entire vehicle fleet in year 1 is £8.43 million. This equates to a vehicle cost increase of £16.86 per annum. See Appendix A for full details.</p>
Average Annual Cost (excluding one-off)		
£ 8.4 million		
Total Cost (PV)		£ 23.6 million
<p>Other key non-monetised costs by 'main affected groups'</p>		
ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups'
One-off	Yrs	
£ 0		<p>The monetary benefits are equivalent to the dis-benefits through the appropriate fee being charged to the operators and delivered to the tachograph centres performing the calibration work. It is a transfer of benefits from one group to another, resulting in a fair recovery of costs for the tachograph centres. In addition to this, it is believed the tachograph scheme could grow to further support the operators and reduce vehicle downtime.</p> <p>The effect of making no change to the calibration fee is a reduction in the number of Approved Tachograph Centres. The number of centres is expected to reduce by 10% or more. The result would be that vehicle operators would have to travel further and vehicle down-time would increase. It would be reasonable to expect that owners would have an average increase in vehicle down-time of 1hr per vehicle per annum, which equates to a cost of £18.93 if the vehicle is used for 12hrs a day. This equates to £9.47million benefit per annum to the vehicle operators. See Appendix C.</p>
Average Annual Benefit (excluding one-off)		
£ 17.9 million		
Total Benefit (PV)		£ 50.1 million
<p>Other key non-monetised benefits by 'main affected groups'</p> <p>The reason for a regulated fee no longer exists, as centre numbers have increased from 360 to 536 centres in the last 15 years, increasing competition, and "sponsorship" of the centres has been removed reducing the risk of price fixing by the tachograph centres. De-regulation would therefore support the Hampton review. This is the only option that removes the need for future Government intervention.</p> <p>In addition to this, the tachograph centres would be able to work more flexibly and charge depending on demand, as they do with other work such as vehicle maintenance.</p>		

Key Assumptions/Sensitivities/Risks A strong risk exists that no increase in fees would result in there being less tachograph centres which would result in secondary costs to hauliers increasing. For this reason, an estimated cost associated with this of £9.47 million has been included within the benefits of each option considered.

These secondary costs would be as a result of increased vehicle down-time travelling to tachograph centres.

De-regulation of fees could result in an increase to fees that would be in excess of what would be acceptable to the vehicle owners. The mitigating assumption is that due to increased competition since 2005 such a risk is low and is outweighed by the benefits of ensuring suitable numbers of tachograph centres.

The risk exists that no change to fees or an insubstantial rise that does not represent the cost to the tachograph centres will result in tachograph centres ceasing to act as tachograph centres as the work is not commercially viable on an individual business.

Key assumptions have been made around the percentage of the vehicle fleet currently using digital tachographs and the number using analogue. These assumptions have been made on the basis of a 3 year life span for the majority of the HGV fleet.

Price Base Year 2008	Time Period Years 3	Net Benefit Range (NPV) £ 25.7-27.4 million		NET BENEFIT (NPV Best estimate) £ 26.5 million	
What is the geographic coverage of the policy/option?				GB	
On what date will the policy be implemented?				April 1st 2010	
Which organisation(s) will enforce the policy?				VOSA/DfT	
What is the total annual cost of enforcement for these organisations?				£ 151,152	
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?				£ N/A	
Will the proposal have a significant impact on competition?				Yes	
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 - Decrease)	
Increase of	£	Decrease of	£	Net Impact	£
Key:		Annual costs and benefits: Constant Prices		(Net) Present Value	

Summary: Analysis & Evidence

Policy Option:
Option 2: Capped Fee

Description: Maximum allowable fee aligned with actual time for work and cost of performing the work.

ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' The monetary costs to the vehicle operators would increase to align with the actual commercial cost to the tachograph centres. Based on the timing work performed to ascertain how long the calibration work takes, the increase in cost to the vehicle operators would be £10.98 million. This equates to a vehicle cost of £21.97 per annum. See Appendix A for full details.
One-off (Transition)	Yrs	
£ 0		
Average Annual Cost (excluding one-off)		
£ 11.0 million		
		Total Cost (PV) £ 30.8 million
<p>Other key non-monetised costs by 'main affected groups'</p> <p>Such an approach to fees would require reviewing yearly in order to align the cost of calibration with the rate of inflation or another indicator of calibration costs. This would require time from Government departments, subsequent administration/communication and associated costs.</p>		
ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' The monetary benefits are equivalent to the dis-benefits through the appropriate fee being charged to the operators and delivered to the tachograph centres performing the calibration work. It is a transfer of benefits from one group to another, resulting in a fair recovery of costs for the tachograph centres. In addition to this, it is believed the tachograph scheme could grow to further support the operators and reduce vehicle downtime. The effect of making no change to the calibration fee is a reduction in the number of Approved Tachograph Centres. The number of centres is expected to reduce by 10% or more. The result would be that vehicle operators would have to travel further and vehicle down-time would increase. It would be reasonable to expect that owners would have an average increase in vehicle down-time of 1hr per vehicle per annum, which equates to a cost of £18.93 if the vehicle is used for 12hrs a day. This equates to £9.47million benefit per annum to the vehicle operators. See Appendix C.
One-off	Yrs	
£ 0		
Average Annual Benefit (excluding one-off)		
£ 20.5 million		
		Total Benefit (PV) £ 57.3 million
<p>Other key non-monetised benefits by 'main affected groups'</p> <p>It is believed that growth of the tachograph centre numbers may occur and the risk of reduced centre numbers would be removed. Thus the travel time to centres would be reduced and the vehicle down-time would be reduced, offsetting the costs of the additional payment to the centres.</p>		

Key Assumptions/Sensitivities/Risks

RISK: Inflexibility of charges requires future government intervention should a new tachograph generation be introduced. This work would have to be completed again.

A strong risk exists that no increase in fees would result in there being less tachograph centres which would result in secondary costs to hauliers increasing. For this reason, an estimated cost associated with this of £9.47 million has been included within the benefits of each option considered.

These secondary costs would be as a result of increased vehicle down-time travelling to tachograph centres.

The substantial increase in relative cost to vehicle operators could be deemed excessive by the hauliers, however, this is unlikely as vehicle operators are well aware of commercial hourly rates charged for similar work .

The risk exists that no change to fees or an insubstantial rise that does not represent the cost to the tachograph centres will result in tachograph centres ceasing to act as tachograph centres as the work is not commercially viable on an individual business.

Key assumptions have been made around the percentage of the vehicle fleet currently using digital tachographs and the number using analogue. These assumptions have been made on the basis of a 3 year life span for the majority of the HGV fleet.

Price Base Year 2008	Time Period Years 3	Net Benefit Range (NPV) £25.6-27.4 million		NET BENEFIT (NPV Best estimate) £ 26.5 million	
What is the geographic coverage of the policy/option?				GB	
On what date will the policy be implemented?				April 1st 2010	
Which organisation(s) will enforce the policy?				VOSA/DfT	
What is the total annual cost of enforcement for these organisations?				£ 151,152	
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?				£ N/A	
Will the proposal have a significant impact on competition?				Yes	
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 - Decrease)	
Increase of	£	Decrease of	£	Net Impact	£
Key:		Annual costs and benefits: Constant Prices		(Net) Present Value	

Summary: Analysis & Evidence

Policy Option:
Option 3: Grouped fee

Description: Maximum allowable fee aligned with actual time for work and cost of performing the work and the 2 year analogue and digital fees are combined.

COSTS	ANNUAL COSTS		<p>Description and scale of key monetised costs by 'main affected groups'</p> <p>By grouping the 2 year fees together, the fee structure is simplified into three distinct fees. The fees are then aligned with the time taken to perform the work and the commercial cost for this time.</p> <p>As a result of the vehicle operators will be charged an extra £9.91 million per annum, which equates to £19.82 per vehicle per annum. See Appendix A for full details.</p>
	One-off (Transition)	Yrs	
	£ 0		
	<p style="text-align: center;">Average Annual Cost (excluding one-off)</p> <p style="text-align: center;">£ 11.0 million</p>		
		Total Cost (PV)	£ 30.8 million
<p>Other key non-monetised costs by 'main affected groups'</p> <p>Such an approach to fees would require reviewing yearly in order to align the cost of calibration with the rate of inflation or another indicator of calibration costs. This would require time from Government departments, subsequent administration/communication and associated costs.</p>			
BENEFITS	ANNUAL BENEFITS		<p>Description and scale of key monetised benefits by 'main affected groups'</p> <p>The monetary benefits are equivalent to the dis-benefits through the appropriate fee being charged to the operators and delivered to the tachograph centres performing the calibration work. It is a transfer of benefits from one group to another, resulting in a fair recovery of costs for the tachograph centres. In addition to this, it is believed the tachograph scheme could grow to further support the operators and reduce vehicle downtime.</p> <p>The effect of making no change to the calibration fee is a reduction in the number of Approved Tachograph Centres. The number of centres is expected to reduce by 10% or more. The result would be that vehicle operators would have to travel further and vehicle down-time would increase. It would be reasonable to expect that owners would have an average increase in vehicle down-time of 1hr per vehicle per annum, which equates to a cost of £18.93 if the vehicle is used for 12hrs a day. This equates to £9.47million benefit per annum to the vehicle operators. See Appendix C.</p>
	One-off	Yrs	
	£ 0		
	<p style="text-align: center;">Average Annual Benefit (excluding one-off)</p> <p style="text-align: center;">£ 20.5 million</p>		
		Total Benefit (PV)	£ 57.3 million
<p>Other key non-monetised benefits by 'main affected groups'</p> <p>It is believed that growth of the tachograph centre numbers may occur and the risk of reduced centre numbers would be removed. Thus the travel time to centres would be reduced and the vehicle down-time would be reduced, offsetting the costs of the additional payment to the centres.</p>			

Key Assumptions/Sensitivities/Risks

RISK: Inflexibility of charges requires future government intervention should a new tachograph generation be introduced. This work would have to be completed again.

A strong risk exists that no increase in fees would result in there being less tachograph centres which would result in secondary costs to hauliers increasing.

These secondary costs would be as a result of increased vehicle down-time travelling to tachograph centres.

By grouping the fees to give only 3 fees for the calibration and periodic inspection of tachographs simplifies the structure but has very little benefit over option 2. Such grouping means that analogue calibration work subsidises digital calibration work, causing disparity in costs between operators. However, as the fleet ages and new vehicles enter the fleet, the majority of the fleet will become digital, and the cost of a 2 year periodic inspection will be less than the actual cost of doing the work. For this reason, options 1 and 2 are favoured over option 3.

The risk exists that no change to fees or an insubstantial rise that does not represent the cost to the tachograph centres will result in tachograph centres ceasing to act as tachograph centres as the work is not commercially viable on an individual business.

Key assumptions have been made around the percentage of the vehicle fleet currently using digital tachographs and the number using analogue. These assumptions have been made on the basis of a 3 year life span for the majority of the HGV fleet.

Price Base Year 2008	Time Period Years 3	Net Benefit Range (NPV) £ 25.5million-27.5million	NET BENEFIT (NPV Best estimate) £ 26.5million
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What is the geographic coverage of the policy/option?	GB			
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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?	Yes			
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 - Decrease)	
Increase of	£	Decrease of	£	Net Impact £

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.]

1.0 What is the problem being addressed? Why is government intervention necessary?

The current fees that Approved Tachograph Centres can charge are insufficient to cover the cost of performing the calibration and periodic inspections. The Maximum Allowable Fee is insufficient and is set in the Approved Tachograph Centre Manual. The powers to do so are set in the Fees Act 1988.

As the fee is set in statute it requires government intervention to make the substantial changes required to amend the fee to a more appropriate level. This impact assessment details the issues in full and the options for intervention.

1.1 Background

Council regulation (EEC) 3821/85 requires tachographs to be fitted and used in most heavy goods vehicles and passenger vehicles. The tachograph must comply with the specifications set down in the regulation and must be calibrated when installed in the vehicle, at periodic intervals or when other work may have affected the existing calibration of the tachograph. Member states must approve bodies to carry out these calibrations and checks.

There are currently 536 of these centres in Great Britain.

The fees that can be charged for the fitment, calibration and period checks are determined by the Secretary of State in accordance with the Community Recording Equipment Regulation (EEC 3821/85, Chapter VI of Annex I of that Regulation) and are published in the Approved Tachograph Centre Manual.

In 1986 the then Department of Environment and Transport agreed with the Retail Motor Industry Federation (RMIF) a formula to determine the fees. This was based upon a number of factors including set times for various tasks, rates of pay for skilled mechanics and allowances for the cost of the necessary equipment and depreciation. In practice, however, the successive increases were made in line with inflation, rather than the numbers produced by the formula.

In August 1997, as a result of continuing concerns to avoid increases above inflation, the increase was based not upon the original formula, but on the average pay of a skilled motor mechanic sourced from the Department of Employment New Earnings Survey Report 1997, increased by an agreed premium for a heavy vehicle mechanic, plus an added 2.5% for inflation for 1996/1997 (as the survey figures were taken in 1996).

In 2002 the fees were reviewed again, and a consultation was held with two options:

- a) The fees increase would be calculated using the aforementioned formula and would be the basis for all future increases, but not necessarily annually.
- b) Fee increases would be directly linked and adjusted to reflect annual inflation, based on figures and/or forecasts provided through the Retail Price Index.

Option b was favoured and adopted.

As part of the 2002 Consultation, the impact of digital tachographs was mentioned, stating that a “major review of the processes...and the fees will need to be reviewed”.

It also states that “the Vehicle Inspectorate will consider carrying out a timing exercise to inform the next increase by determining how long the calibration procedures take using the latest electronic equipment. This would also provide a basis for developing the procedures and fees to accommodate digital tachographs”.

On this basis at the end of 2005, when the mandatory date for fitment of digital tachographs was likely to be, it was agreed with DfT that VOSA should instigate a “timing exercise”, as described above in the 2002 consultation.

1.1.1 Digital Tachograph Implementation

Since the implementation of digital tachographs in 2005, VOSA has encouraged the Approved Tachograph Centres to develop the ability to calibrate this new generation of equipment, therefore giving support to operators and industry that are obliged under the law to fit this kind of tachograph to new vehicles after the 1st May 2006.

As a result of this, tachograph centres have invested both time and money in training for the nominated technicians and equipment for the calibration of digital tachographs.

Since August 2005 VOSA has approved nearly 400 digital calibration centres. It is hoped that the remaining 140 analogue centres will also apply for digital status in order to further support the commercial transport industries through the availability of more centres in greater proximity to their transport bases.

At the same time as the introduction of digital tachographs, the Office of Fair Trade determined that the existing “sponsorship” of the tachograph centres which tied the centres to one provider of equipment and training was unacceptable. Therefore in June 2005, the sponsorship was removed and all centres became independent. As a result of this, VOSA’s workload for visiting the centres doubled, as VOSA was committed to visiting “independent centres” each year, whereas sponsored centres were visited every 2 years.

It is logical that such levels of audit are continued by VOSA in order to ensure the centres maintain the required level of performance.

This document also seeks to support the need for additional funding required by VOSA to perform this work.

1.1.2 The Issues Being Addressed

- 1) A capped fee was required in order to protect the consumer in a sponsored scheme with a limited number of 360 centres. Sponsorship was removed and the number of centres is currently at 536. Thus the need for protecting the consumer from potential monopolies has been removed due to increased competition and numbers, therefore the need to cap the fee has been removed also.
- 2) The tachograph centres have informed VOSA that the calibration of a digital tachograph takes longer than when calibrating analogue tachographs. Therefore the centres are requesting an increase in the maximum allowable fee chargeable for the calibration of a digital tachograph. In addition to this, the digital scheme has resulted in substantial additional costs for equipment and training which the centres would like to recover.
- 3) The remaining centres are unlikely to become digital unless there is recompense for doing so.
- 4) In addition to this there seems to be a difference between the GB tachograph fees and other Member States. For example, in Germany the calibration charge is in the region of €250 (around £180). Evidence exists to suggest that fees in Belgium are in the region of €160 (around £130) and in Hungary around £66, where the fee is not regulated. In France the regulated fee for an initial calibration is €150 (around £122) and for a 2 yearly periodic inspection is €200 (around £162). In Sweden the fee is not regulated and is in the range of £150 to £190. Whereas, in Great Britain the maximum allowable charge is £46+VAT for both analogue and digital calibrations. Further investigation has been performed on this and confirms the very low cost of calibration in Great Britain.
- 5) Digital information may be required to be downloaded as part of decommissioning a digital tachograph. This involves additional time on an infrequent basis, but needs to be accounted for in order for a separate charge to be accredited to this activity. This charge can be applied when decommissioning a tachograph and only then.
- 6) The tachograph fees were set at the beginning of the tachograph scheme 20 years ago. A nominal increase has been applied on a yearly basis since then, based around the increase in the cost of living. It is possible that with the high cost of wages today in the commercial trade of “vehicle maintenance” that the incremental increases have been insufficient to support the growth in costs to this particular trade group.
- 7) Without a suitable fee for the calibration work, centres are likely to be apathetic about their ability to have an effect on road safety, increasing the chances of cutting corners and reducing the likelihood of the centres reporting incidents of tachograph fiddle discovery at the time of calibration.
- 8) Without a suitable fee for the calibration work, centres are unable to cover the cost of the work. As a result, the centre numbers are likely to reduce over the next couple of years and the vehicle operators will not have the support required in numbers. Thus, vehicle down time and travel time to centres would increase.

2.0 What are the policy objectives and the intended effects?

Objectives

1. The objective is for the Tachograph Centres to receive a fair sum of money for the work they perform. Their work is required by operators in order to meet their legal obligation of using a calibrated tachograph.
2. To align the policy with the Hampton review and reduce the administrative costs of enforcement and fee setting annually.

Effects

1. The Tachograph Centres perform their tasks in accordance with the Approved Tachograph Centre Manual (ATCM) guidelines.

2. The vehicle operators are supported by sufficient numbers of tachograph centres. It is believed that in conjunction with a review of the Approved Tachograph Centre Manual Conditions of Approval that the centre numbers will actually grow to further support the operators. The review of the Tachograph Manual is already underway.
3. All issues in 1.1.2 are addressed.

3.0 What policy options have been considered?

Four options are being proposed in this Impact Assessment:

- 1) De-regulation of fees in alignment with other European Countries and the Hampton Review.
- 2) An increase to the current Maximum Fee charged by the Tachograph Centres for calibration and inspection work.
- 3) Group certain categories of fees together and increase the fees in alignment with the timing exercise results.
- 4) Do nothing

In order to establish an appropriate fee, the time to undertake the calibration and periodic inspection work was determined.

In 2007 a timing exercise was completed to determine how long the technicians take to perform the statutory calibration work and the periodic inspections. This was to form the basis of this Impact Assessment, in conjunction with the Average Hourly Charge for Labour given by dealerships across Great Britain.

3.1 The Timing Exercise

Before the timing exercise began the procedures by which the systems were calibrated needed to be finalised and agreed with the Technical Support Organisations (TSOs)-Stoneridge, Siemens VDO and Time Instruments.

The result of this was agreement on the procedures for the FOUR procedures that are performed at the tachograph centres:

- 1) Initial installation/calibration on a digital tachograph.
- 2) 2 yearly inspection on an analogue tachograph.
- 3) 2 yearly periodic inspection on a digital tachograph.
- 4) 6 yearly calibration of an analogue tachograph.

(Note: as there are no longer any analogue installations performed since the mandatory digital fitment date of 1st May 2006, initial installation of an analogue tachograph was not timed.)

Following the agreement of the procedures, timing sheets were created to identify the elements of each procedure. Times could then be allocated to the individual elements of the task and common elements between procedures could be identified.

The TSOs were all invited to participate in the exercise and were invited to witness any of the timings at the centres which they support. Following the initial meeting with each of the TSOs only one of them was able to witness any of the timings. This was largely due to the fact that tachograph centres were unaware of when they were likely to receive vehicles requiring calibrations. This required the Work Measurement Unit of VOSA to be flexible and "on-call" to visit centres as and when the work arrived.

The result was that due to the efforts of the team, the timing of over 100 procedures was witnessed as planned, within acceptable timescales.

3.1.1 Timing Exercise Results

Inspection type	Time (minutes)
Digital Initial	62.91
Digital 2 Year	75.46
Analogue 2 Year	70.29
Analogue 6 Year	100.66

Note: a full analysis of the results can be found in Appendix B. Some arbitration was required with some of the figures and the author has explained these choices in the aforementioned Appendix B, where required.

3.2 Other Factors Affecting Fees

Having determined the time taken to perform the 4 tasks carried out by tachograph centres, there are a number of influences on the fees which need to be considered:

1. Labour costs
2. Training and equipment costs for centres to implement digital tachographs.
3. Fees to VOSA for approval and audit of sites.
4. Digital tachographs phasing in and analogue tachographs phasing out, reducing the analogue work for the centres. In addition to this is the desire to encourage take up of digital tachographs by operators.
5. The desire to reduce the burden on operators.
6. The need to support industry with adequate numbers of tachograph centres in suitable locations.
7. The introduction of RBT conversion equipment to support No.6 through the reduced capital outlay for maintenance providers becoming tachograph centres and supporting the “one-stop shop” ideal.
8. Other Member State approaches to fees.
9. Enforcement quality and reduction of tachograph centre apathy.

3.3 Labour costs

Following the determination of the time required for the inspections, it was necessary to know what hourly rate to attribute to the time.

For this purpose, 8 main dealerships were contacted and asked to provide regional figures for commercial hourly rates.

National Average labour rate: £55.04 + VAT per hour

Table of charges based purely on timing results and commercial labour rates received from main dealerships across GB:

Inspection type	Time (minutes)	Hourly rate (£) +VAT	Total commercial labour charge (+VAT to be added)
Digital Initial	62.91	55.04	57.71
Digital 2 Year	75.46	55.04	69.22
Analogue 2 Year	70.29	55.04	64.48
Analogue 6 Year	100.66	55.04	92.33

3.4 Equipment and Training Costs Incurred by Centres

There are currently 536 tachograph centres in the UK, 400 of which are now digital tachograph centres.

There are in the region of 500,000 vehicles requiring tachographs.

Therefore on the basis that each vehicle is “seen” by the tachograph centre every 2 years, then 250,000 calibrations/inspections are performed annually across the entire group of centres.

3.5 What is the cost of investment in digital tachograph centres?

On the basis of an average tachograph centre having 2 technicians, the investment would be in the region of £5000(+VAT) per centre for the equipment upgrades from analogue to digital, the need for a PC and the initial training of the technicians.

Therefore, there is a cost to industry in the region of £2.35 million for the 400 centres which have become digital, for which they have not had the opportunity to recover.

Therefore as there are 250,000 visits to centres each year, and it would seem reasonable that this cost be recovered over a 3 year period, £2.35 million needs to be allocated across 750,000 visits, giving rise to an increase in calibrations of **£3.13 each**.

Please note that the cost has been deliberately spread across analogue and digital calibrations for the purpose of the calculation. This is mainly due to the fact that it would not be beneficial to have an increased cost to digital calibrations and the equipment is still required for the analogue work.

To assist in keeping this cost to a minimum, VOSA have in the last year approved combined analogue and digital tachograph courses which run over a 5 day period, rather than as two separate courses.

In addition to this, VOSA have accepted the cost of equipment approval from equipment providers as part of the digital tachograph project cost. Thus, the equipment providers did not have to add a cost of approval to the retail price paid by the tachograph centres.

3.6 Annual Fees Paid to VOSA

VOSA are required to administer the Tachograph Scheme in accordance with principles agreed with DfT and in accordance with European legislative requirements.

VOSA currently have 8 PTO staff visiting the centres annually and supporting enquiries from the centres. VOSA reviews and publishes the Tachograph Centre Manual, as well as providing the centres with Special Notices to update them on legislative changes or for clarification of policy. In addition to this, administrative support is required in order to store records of the tachograph centres on a database.

Also, in 2005, the Office of Fair Trade insisted that sponsorship was removed from the scheme, meaning that all centres became independent. With independence came the need for VOSA to visit each centre every year, rather than every two years. Prior to this, the sponsors held a large portion of the responsibility for auditing their centres.

No provision for additional funding was made for VOSA, despite the workload doubling.

Fees are collected in January of each year giving around £72,000 (currently £134 per centre) worth of funding to support these activities. The fees were increased in April 2008 to £141.

For 2009, due to the fact that the fees to VOSA are inadequate for the work required, the fee charged to tachograph centres needs to be increased. Thus fees of £282 would be acceptable, requiring £151,152 from tachograph centres, which would need to be attributed to the calibration fee. This would equate to **30 pence** onto each calibration (based on 250,000 calibrations/inspections a year and assuming the current fee already has 30 pence going towards VOSA fees).

3.7 The Need to Support Vehicle Operators with Sufficient Numbers of Tachograph Centres

With the current fee falling short of the actual cost of the work there is a clear risk to the current scheme that the numbers of centres will subside. Considering the fact that when sponsorship was removed in 2005, the cap to the maximum number of centres was removed, the number of centres could have potentially increased but has not is a clear indicator of this work not being commercially viable and is often only there to support the primary function of a business as a maintenance provider.

Tachograph centres that do not perform additional work are likely stop calibration work if a substantial fee increase does not happen. It is expected that as many as 50 centres may drop out of the scheme.

With reducing numbers in centres, operators will have to travel further to find an appropriate calibration centre. This would cause cost to the vehicle operator in vehicle down time and travel costs.

3.7.1 Increased Cost of Calibration due to Travel and Vehicle Down-time

The cost of commercial vehicle ownership varies depending on vehicle type and size, ranging from £136 per day for a 3.5t to £300 per day for a 44t tri-axle articulated HGV. If, due to a reduction in centre numbers the vehicle “downtime” is increased by 1hr in a 12hr working day, then this cost could range from £11.33 to £25 additional cost to the vehicle operator. (Figures provided by Commercial Motor January 16th 2008: Appendix C for full details)

If the number of centres increases due to a suitable increase in the fees, then vehicle operators may be able to have the tachograph calibration work performed by their maintenance provider rather than a separate tachograph centre due to the maintenance provider seeking approval as an Approved tachograph centre. Such development of the scheme centre numbers is reasonable to expect given an increase in fees. As a result of this, the vehicle “downtime” will be reduced for a number of operators.

Thus, an increase in the fees would cost the vehicle operators in direct cash payment to the calibration centre, but could be recovered due to reduced vehicle downtime and reduced travelling costs. This does not include the cost of personnel to transport the vehicle to have the work done which would further support this offsetting of costs.

If the centre numbers reduce then there will be an indirect cost of additional vehicle down-time which the transport industry would have to bare.

3.8 Other Member States Approach to Fees

At present, VOSA is unaware of any other Member State having the calibration fee set in statute. De-regulation of fees has been confirmed in at least 4 other Member States, where fees are in the region of £150-180 and are a commercial matter between the tachograph centre and the operator.

De-regulation of the fees needs to be considered as an option and the possible effects are explained later in this paper.

3.9 Enforcement Activity of Workshops

Since the introduction of digital tachographs the centres are expected to perform a stronger role in assisting with enforcement. The detection of manipulation devices on electronic systems is now more difficult than with original mechanical systems and as a result it is often the tachograph centres that are likely to find the “manipulation devices”, rather than VOSA staff. However, it is not in the interest of the tachograph centre to inform VOSA of the devices found (despite being legally obliged), as it conflicts with the desire for the work from the operator of that vehicle.

Tachograph centre technicians are also likely to be apathetic about their role in assisting road safety as the financial remuneration is so insignificant; the removal of the “right to calibrate” is not a deterrent to them.

The European Commission have also plans for future additional enforcement responsibility to be placed on the tachograph centres.

If further enforcement activity is to be required of workshops and the current standards of work are not to deteriorate but to improve, then the choice of an appropriate fee for the work will have a substantial effect.

3.10 Hampton Review: Reducing Administrative Burden:- Effective Inspection and Enforcement

The Hampton Review (2005) recognises that the administrative burden placed on the public as a result of legislation can be minimised. This can be minimised through better practice by Government bodies.

The fundamental principle which summarises the approach of the review is as follows:

“Inflexible or inefficient enforcement increases administrative burdens needlessly, and thereby reduces the benefits that regulations can bring.”

Thus, regulations should only be applied where necessary in order to deliver the desired result. In order to determine whether regulation is necessary a suitable review of risk and benefits to all parties affected need to be performed in conjunction with appropriate consultation with these parties.

It was on this basis that regulations had been applied to set a maximum allowable fee for the tachograph calibration work in order to protect all parties involved. When the tachograph scheme was sponsored and the centre numbers were minimal, the lack of competition and the fact that sponsoring bodies could have “price-fixed” meant that vehicle operators needed protecting.

However, sponsorship has been removed and the number of tachograph centres has increased by 200 centres since the inception of the scheme. The risk that vehicle operators will be overcharged has now subsided considerably, along with the need to regulate the fee.

3.11 Rural Impact of Fees Options

Rural tachograph centres face reduced competition due to isolated position. As a result, this could mean inflated prices in such locations, if de-regulation of fees is chosen as the preferred option.

However, the nature of the transport industry means that rural tachograph centres are not as isolated as in other areas of industry except when located on islands. Thus competition exists between rural locations and non-rural locations keeping the risk of inflated cost to a minimum.

If fees were increased, in particular, de-regulated, then there would be an incentive for more businesses to consider becoming Approved Tachograph Centres despite being rurally located.

De-regulation of fees would allow flexibility of charges allowing rural locations to charge reduced fees during quiet periods of work and increased fees during peak periods. Rural locations may face increased overhead costs due to their location, and flexibility of charges during high/low demand periods could compensate for this.

3.12 Geographical Differences in Commercial Costs

A major issue to be dealt with in determining the cost of calibration is the cost to the Tachograph Centre due to their geographical location around cities with high costs of living, where wages and overheads have a large impact on the cost of running a business.

A maximum allowable fee does not allow for the geographical cost variances to be accounted for, whereas de-regulation allows flexibility of charges by the tachograph centre which would allow them to align such fees with the cost of similar vehicle maintenance work.

3.13 Future of Tachographs

This fee review has resulted from the introduction of digital tachographs in 2006. By maintaining a fixed maximum allowable fee, this exercise would need to be repeated should a new generation of tachographs be introduced.

By de-regulating the fee, this concern is alleviated.

3.14 Conclusion to Factors for Consideration

Before progressing with the options for the fees, it is worth reviewing the points raised above:

- Timing exercise results: The digital 2 year periodic inspection takes a few minutes longer than an analogue 2 yearly inspection. The 6 year analogue recalibration is half an hour longer than other work and is slowly being phased out as the digital tachograph usage increases amongst vehicle operators as the vehicle fleet is renewed.
- Equipment and training cost could be recovered for £3.13 per inspection over 3 years.
- De-regulation supports the geographical cost variances.
- De-regulation best supports the Hampton review principles through reduced administrative burden and reduced government intervention.
- Increase to fees will reduce the risk of falling Tachograph Centre numbers, and will encourage growth of the scheme.
- VOSA increases the annual fees charged to tachograph centres in 2009 to support the audit work by adding 30pence to the tachograph inspection fee.
- Analogue tachographs are being replaced by digital, so the focus should be on the fee for digital and encouraging fitment of digital tachographs.
- There is a need to encourage and support the tachograph centres that are already part of the scheme, but also those who may consider joining the scheme as calibration centres, as this supports the operators.

- Careful consideration of DP conditions against the tachograph centre conditions, the recent acceptance of RBT conversion equipment and the desire to have more facilities under one roof should also be considered.
- It is believed that only one other Member State has a regulated fee: France. They have fees well in excess of current UK fees, between £120 and £160 depending on type of calibration work. All other member states are believed to be de-regulated and charge similar values to France or less.
- The tachograph centres are relied upon for enforcement activities that conflict with their business interests and this is aggravated further by insubstantial fees for the tachograph work.
- The need for regulation of fees has been removed, as a result of increased competition from increased centre numbers and the removal of sponsorship from the scheme.

4.0 Fee Options Available

A number of options are available for the fees. All proposed options should include £3.43 (inc VAT) to cover the cost of training and the VOSA fees. All fees options will see a substantial increase to the fees currently charged.

4.1 Option 1: De-regulation of Fees

Description: A deregulation of the fees would allow tachograph centres to charge a fee based around their commercial costs and the work that they are doing for the customer. No further fee setting consultation process would be required, and the UK would be aligned with the other Member States.

The initial reasons behind a capped fee no longer exist. 15 years ago the scheme tachograph centres were sponsored, so prevention of “price fixing” amongst the centres was required in order to protect the consumer.

In 2005 in accordance with guidance from OFT, sponsorship was removed, making all tachograph centres independent. Over the last 15 years, the centre numbers have grown from 360 to 536 giving greater competition, thus reducing the opportunity for monopoly and reducing the likelihood of large price increases should de-regulation occur.

Expected cost of calibrations under de-regulation of fees is hard to predict, but it can be reasonably expected that they would not be as high as the “capped rates” which are in line with the timing exercise. The reason being that the capped rates are substantially higher than current figures for the work and are related to the type of calibration performed and too large an increase would not be favourable with vehicle operators. It is believed that de-regulation would see the tachograph centres and vehicle operators mutually benefiting.

Benefits:

- Tachograph centres can charge an appropriate sum for the work performed.
- Tachograph calibration becomes a viable business and not just a “loss leader” for maintenance providers.
- Scheme can automatically adapt to future costs such as a new generation of tachograph.
- The risk that the number of tachograph centres could reduce is negated, thus ensuring that vehicle operators do not have to travel further than desired to have the work performed on their vehicles.
- Large operators will have room to negotiate further with tachograph centres.
- An incentive will exist for maintenance providers and DPs to become tachograph centres.
- Loss of “approval” as a tachograph centre becomes a deterrent to rogue tachograph centre managers.
- Quality of work likely to increase due to a fair fee being received for the work performed.
- Cost of calibration work will increase with inflation rates automatically, reducing the need for future consultation and timing work.
- Possible increase in number of tachograph centres reducing the cost of vehicle downtime for operators who utilise maintenance providers that become tachograph centres also.
- Geographical / regional differences in commercial costs will be accounted for.
- No confusion over charges, as it becomes a commercial matter.
- Less administrative work for tachograph centres, operators or Government bodies, aligns with the Hampton Review (see Appendix D for summary of Hampton Review principles).

Dis-benefits:

- The cost of calibration work may increase substantially for operators, which if aligned with the full cost of calibration in the timing exercise, would equate to an increase of £21.97 per vehicle per annum.
- Increased competition over price means that larger tachograph centres may have the ability to undercut smaller centres and put them out of business.

4.2 Option 2: Align the Fees in Accordance With the Results of the Timing Exercise

Description: There would be four separate fees which align exactly with the times currently timed for the activities. The table below shows the suggested fee for each, including the £3.43 for training and VOSA annual fees:

Inspection type	Time (minutes)	Hourly rate (£) +VAT	Total commercial labour charge (inc VAT)	Total charge including £3.43 (inc VAT)	% increase over current fee
Digital Initial	62.91	55.04	67.81	71.24	32
Digital 2 Year	75.46	55.04	81.34	84.77	57
Analogue 2 Year	70.29	55.04	75.76	79.19	111
Analogue 6 Year	100.66	55.04	108.50	111.93	107

Benefits:

- The fee that centres can charge is capped to prevent overcharging of operators.
- The centres receive a fair sum of money for the work performed.
- Tachograph calibration becomes a viable business and not just a “loss leader” for maintenance providers
- Large operators will have room to negotiate with tachograph centres.
- An incentive will exist for maintenance providers and DPs to become tachograph centres.
- Loss of “approval” as a tachograph centre becomes a deterrent to rogue operators.
- Quality of work likely to increase due to fair fee being received.
- Possible increase in number of tachograph centres reducing downtime for operators utilising maintenance providers that become tachograph centres also.

Dis-benefits

- Operators will be charged more than they are at present by a minimum of 32% for a digital initial calibration.
- Analogue calibration work will require an increase of 100% or more to reflect the full cost of the work.
- An annual incremental increase in line with inflation will need to occur each year along with appropriate consultation. Such work is costly to Tachograph Centres, Operators and the Government bodies involved (circa £100K). This contradicts the Hampton Review principles.
- Regional differences in commercial costs will not be accounted for.
- Disparity in cost between 2 year inspections may discourage change from analogue to digital (but unlikely, as difference is minimal).
- Increased competition over price means that larger tachograph centres may have the ability to undercut smaller centres and put them out of business.
- Inflexibility of charges requires future government intervention should a new tachograph generation be introduced.

4.3 Option 3: Group Certain Categories of Fees Together and Align With Timing Exercise Results

Description: An initial calibration fee of £71.24 (inc VAT) would be set. A 2 year periodic digital inspection and 2 yearly analogue inspection would be combined to give an average fee of £81.98 (inc VAT). The 6 yearly analogue re-calibration fee would be £111.93 (inc VAT).

Benefits:

- The fee being averaged across analogue and digital will remove the disparity between the two fees and address the perceived extra cost of using a digital tachograph.
- The fee that centres can charge is capped to prevent overcharging of operators.
- The centres receive a fair sum of money for the work performed.
- Tachograph calibration becomes a viable business and not just a “loss leader” for maintenance providers
- Large operators will have room to negotiate with tachograph centres.
- An incentive will exist for maintenance providers and DPs to become tachograph centres.
- Loss of “approval” as a tachograph centre becomes a deterrent to rogue operators.
- Quality of work likely to increase due to fair fee being received.
- Possible increase in number of tachograph centres reducing downtime for operators utilising maintenance providers that become tachograph centres also.
- Simplified charges result in less confusion.

Dis-benefits:

- Operators will be charged more than they are at present by a minimum of £17.19
- An annual incremental increase in line with inflation will need to occur each year along with appropriate consultation. Such work is costly to Tachograph Centres, Operators and the Government bodies involved (circa £100K). This contradicts the Hampton Review principles as further consultation and legislation amendments are required.
- Regional differences in commercial costs will not be accounted for.
- The tachograph centres will receive less than the appropriate sum of money for 2 yearly digital inspections but more for a 2 yearly analogue inspection, so as the move to digital occurs, they will receive the same amount of payment for more work, as digital inspections take longer.
- Inflexibility of charges requires future government intervention should a new tachograph generation be introduced.

4.5 Recommendations for Future Fees

Given the issues associated with option 3 regarding the unfair cost of calibration having to be reviewed again, when the analogue tachographs are phased out, it would seem prudent to support options 1 and 2.

In addition to this, the flexibility of charges associated with Option 1 would make it favourable for both sides of the equation, thus allowing full negotiation of charges between the vehicle owner and the tachograph centre.

Option 1 also support regional variations in cost to the tachograph centres, thus the cost can be automatically adjusted in line with the local cost of living.

Option 1 is the only option which best supports future-proofing the scheme without adding any additional administrative burden onto the centres or government bodies, as no future legislative intervention would be required for inflation or as a result of the introduction of a new tachograph system.

All three options have the same net benefit, due to reduced vehicle down time that would be associated from a reduction of centre numbers which would be inevitable if no fee increase was to occur. From a purely financial perspective Option 1 is likely to have a lower cost in the region of £8.43 million, compared to Options 2 and 3 which have expected costs in the region of £10.98 million each.

On this basis the preferred option would be option 1: de-regulation of fees, which would make the choice of fee a fully commercial matter between the operators and the tachograph centres.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes/No	Yes/No
Small Firms Impact Test	Yes/No	Yes/No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	Yes/No	Yes/No

Annexes

APPENDIX A

Option 1: Fee calculations under de-regulation, based on 90% of actual cost being recovered by the tachograph centres.

Calibration Type	Current cost (inc VAT)	Cost based on time (inc VAT)	Equipment and training cost (inc VAT)	VOSA fee recovery	Total cost (inc VAT)	
					Actual cost	Expected cost under de-regulation (90%)
Digital Initial	54.05	67.81	3.13	0.30	71.24	64.12
Digital 2 Year	54.05	81.34	3.13	0.30	84.77	76.29
Analogue 2 Year	37.60	75.76	3.13	0.30	79.19	71.27
Analogue 6 Year	54.05	108.50	3.13	0.30	111.93	100.74
Total cost to trade at present						
200,000 vehicles currently with digital	100,000 digital 2 years each year	5405000				
300,000 vehicles currently with analogue	50,000 move to digital initial	2702500				
	50,000 analogue 6 years	2702500				
	100,000 analogue 2 years	3760000				
	Yr1 total cost	14570000				
Total cost to trade under de-regulation						
	100,000 digital 2 years each year	7629300				
	50,000 move to digital initial	3205800				
	50,000 analogue 6 years	5036850				
	100,000 analogue 2 years	7127100				
	Yr1 total cost	22999050				

Additional cost to vehicle operators (i.e. de-regulated cost-original cost)		8429050				
Current cost per vehicle		29.14				
New cost per vehicle		45.9981				
Increase in cost per vehicle per year		16.8581				

Due to possible variation in figures for vehicles fitted with digital tachographs, the sensitivity of the figures has been tested. The calculations were repeated for 10% less digital tachographs and also for 10% more digital tachographs, with corresponding increases and decreases in analogue tachographs. A figure of 10% was chosen as this was deemed an appropriate range of uncertainty for the level of costs involved. This resulted in a range of costs from £8.13million to £8.73million. Thus a 10% change in the digital tachograph numbers yielded less than 4% change in the overall cost estimation. See below for calculations.

10% less digital tachographs: sensitivity calculations

Total cost to trade at present		
180,000 vehicles currently with digital	90,000 digital 2 years each year	4864500
320,000 vehicles currently with analogue	45,000 move to digital initial	2432250
	55,000 analogue 6 years	2972750
	110,000 analogue 2 years	4136000
	Yr1 total cost	14405500
Total cost to trade under de-regulation		
	90,000 digital 2 years each year	6866370
	45,000 move to digital initial	2885220
	55,000 analogue 6 years	5540535
	110,000 analogue 2 years	7839810
	Yr1 total cost	23131935
Additional cost to vehicle operators (i.e. de-regulated cost-original cost)		8726435
Current cost per vehicle		28.811
New cost per vehicle		46.26387
Increase in cost per vehicle per year		17.45287

10% Increase in digital tachographs: sensitivity calculations

Total cost to trade at present		
180,000 vehicles currently with digital	110,000 digital 2 years each year	5945500
320,000 vehicles currently with analogue	55,000 move to digital initial	2972750
	45,000 analogue 6 years	2432250
	90,000 analogue 2 years	3384000
	Yr1 total cost	14734500
Total cost to trade under de-regulation		
	110,000 digital 2 years each year	8392230
	55,000 move to digital initial	3526380
	45,000 analogue 6 years	4533165
	90,000 analogue 2 years	6414390
	Yr1 total cost	22866165
Additional cost to vehicle operators (i.e. de-regulated cost-original cost)		8131665
Current cost per vehicle		29.469
New cost per vehicle		45.73233
Increase in cost per vehicle per year		16.26333

Option 2: Fee calculations based on aligning maximum allowable fee with the timing exercise results.

Type of Calibration	Current cost (inc VAT)	Cost based on time (inc VAT)	Equipment and training cost (inc VAT)	VOSA fee recovery	Total cost (inc VAT)
Digital Initial	54.05	67.81	3.13	0.30	71.24
Digital 2 Year	54.05	81.34	3.13	0.30	84.77
Analogue 2 Year	37.60	75.76	3.13	0.30	79.19
Analogue 6 Year	54.05	108.50	3.13	0.30	111.93
Total cost to trade at present per annum					
200,000 vehicles currently with digital	100,000 digital 2 years each year	5405000			
300,000 vehicles currently with analogue	50,000 move to digital initial	2702500			
	50,000 analogue 6 years	2702500			
	100,000 analogue 2 years	3760000			
	Yr1 total cost	14570000			
Total cost to operators per annum with new capped fee					
	100,000 digital 2 years each year	8477000			
	50,000 move to digital initial	3562000			
	50,000 analogue 6 years	5596500			
	100,000 analogue 2 years	7919000			
	Yr1 total cost	25554500			
Additional cost to vehicle operators (i.e. de-regulated cost-original cost)		10984500			

Current cost per vehicle per annum		29.14			
New cost per vehicle per annum		51.109			
Increase in cost per vehicle per year		21.969			

Due to possible variation in figures for vehicles fitted with digital tachographs, the sensitivity of the figures has been tested. The calculations were repeated for 10% less digital tachographs and also for 10% more digital tachographs, with corresponding increases and decreases in analogue tachographs. A figure of 10% was chosen as this was deemed an appropriate range of uncertainty for the level of costs involved. This resulted in a range of costs from £10.67million to £11.30million. Thus a 10% change in the digital tachograph numbers yielded less than 3% change in the overall cost estimation.

10% less digital tachographs: sensitivity calculations

Total cost to trade at present		
180,000 vehicles currently with digital	90,000 digital 2 years each year	4864500
320,000 vehicles currently with analogue	45,000 move to digital initial	2432250
	55,000 analogue 6 years	2972750
	110,000 analogue 2 years	4136000
	Yr1 total cost	14405500
Total cost to trade under de-regulation		
	90,000 digital 2 years each year	7629300
	45,000 move to digital initial	3205800
	55,000 analogue 6 years	6156150
	110,000 analogue 2 years	8710900
	Yr1 total cost	25702150
Additional cost to vehicle operators (i.e. de-regulated cost-original cost)		11296650
Current cost per vehicle		28.811
New cost per vehicle		51.4043
Increase in cost per vehicle per year		22.5933

10% increase in digital tachographs: sensitivity calculations

Total cost to trade at present		
180,000 vehicles currently with digital	110,000 digital 2 years each year	5945500
320,000 vehicles currently with analogue	55,000 move to digital initial	2972750
	45,000 analogue 6 years	2432250
	90,000 analogue 2 years	3384000
	Yr1 total cost	14734500
Total cost to trade under de-regulation		
	110,000 digital 2 years each year	9324700
	55,000 move to digital initial	3918200
	45,000 analogue 6 years	5036850
	90,000 analogue 2 years	7127100
	Yr1 total cost	25406850
Additional cost to vehicle operators (i.e. de-regulated cost-original cost)		<u>10672350</u>
Current cost per vehicle		29.469
New cost per vehicle		50.8137
Increase in cost per vehicle per year		<u>21.3447</u>

Option 3: Maximum capped fee with 2year analogue and digital grouped together

Type of Calibration	Current cost	Cost based on time (inc VAT)	Equipment and training cost (inc VAT)	VOSA fee recovery	Total cost if digital 2 year and analogue 2 year are grouped together (inc VAT)
Digital Initial	54.05	67.81	3.13	0.30	71.24
Digital 2 Year	54.05	81.34	3.13	0.30	81.98
Analogue 2 Year	37.60	75.76	3.13	0.30	81.98
Analogue 6 Year	54.05	108.50	3.13	0.30	111.93
Total cost to trade at present					
200,000 vehicles currently with digital	100,000 digital 2 years each year	5405000			
300,000 vehicles currently with analogue	50,000 move to digital initial	2702500			
	50,000 analogue 6 years	2702500			
	100,000 analogue 2 years	3760000			
	Yr1 total cost	14570000			
Total cost to operators per annum under grouped capped fee					
	100,000 digital 2 years each year	8198000			
	50,000 move to digital initial	3562000			
	50,000 analogue 6 years	5596500			
	100,000 analogue 2 years	8198000			
	Yr1 total cost	25554500			
Additional cost to vehicle operators (i.e. capped cost-original cost)		10984500			

Current cost per vehicle	29.14			
New cost per vehicle	51.109			
Increase in cost per vehicle per year	21.969			

Due to possible variation in figures for vehicles fitted with digital tachographs, the sensitivity of the figures has been tested. The calculations were repeated for 10% less digital tachographs and also for 10% more digital tachographs, with corresponding increases and decreases in analogue tachographs. A figure of 10% was chosen as this was deemed an appropriate range of uncertainty for the level of costs involved. This resulted in a range of costs from £10.62million to £11.35million. Thus a 10% change in the digital tachograph numbers yielded less than 3.5% change in the overall cost estimation.

10% decrease in digital tachographs: sensitivity calculations

Total cost to trade at present		
180,000 vehicles currently with digital	90,000 digital 2 years each year	4864500
320,000 vehicles currently with analogue	45,000 move to digital initial	2432250
	55,000 analogue 6 years	2972750
	110,000 analogue 2 years	4136000
	Yr1 total cost	14405500
Total cost to trade under de-regulation		
	90,000 digital 2 years each year	7378200
	45,000 move to digital initial	3205800
	55,000 analogue 6 years	6156150
	110,000 analogue 2 years	9017800
	Yr1 total cost	25757950
Additional cost to vehicle operators (i.e. de-regulated cost-original cost)		11352450
Current cost per vehicle		28.811
New cost per vehicle		51.5159
Increase in cost per vehicle per year		<u>22.7049</u>

10% Increase in digital tachographs: sensitivity calculations

Total cost to trade at present		
180,000 vehicles currently with digital	110,000 digital 2 years each year	5945500
320,000 vehicles currently with analogue	55,000 move to digital initial	2972750
	45,000 analogue 6 years	2432250
	90,000 analogue 2 years	3384000
	Yr1 total cost	14734500
Total cost to trade under de-regulation		
	110,000 digital 2 years each year	9017800
	55,000 move to digital initial	3918200
	45,000 analogue 6 years	5036850
	90,000 analogue 2 years	7378200
	Yr1 total cost	25351050
Additional cost to vehicle operators (i.e. de-regulated cost-original cost)		<u>10616550</u>
Current cost per vehicle		29.469
New cost per vehicle		50.7021
Increase in cost per vehicle per year		<u>21.2331</u>

APPENDIX B
The Results

The results are broken down into the 4 categories.

Average Overall Standards (STD) Times for Specific Elements

2.1 Table A shows the specific elements in each calibration type with its average time. The times are compiled by adding together individual element times for each calibration type, this is then divided by the number of occurrences, the result is added together giving the Average Overall STD Time for Specific Elements. The times do not include the common and or occasional elements listed in Table B. All times are in decimal minutes

Table A

Average Overall STD Specific Element Times Digital Initial (47 Vehicles)	
Element	Time
Collect Programmer, check plaques etc	3.316
Insert paper & create No 1 print etc	2.526
In situ bench test etc	9.442
Obtain "L" & "W" factors	2.458
Update parameters etc	6.104
Carry out 1 km drive	4.215
Produce No 2 print, clear faults	3.864
Collect seals and seal system	5.668
Download workshop card & produce GV212	12.501
Fit plaque	0.938

Average Overall STD Specific Element Times Digital 2 Year (2 Vehicles)	
Element	Time
Withdraw VU check plaques/display, insert centre paper roll	3.183
If DTCO replace buffer battery	5.993
Produce tec print No1	2.896
Connect test cable to gearbox sensor	2.861
Collect programmer, insert workshop card etc	5.769
Produce tec print No2 verify data and reconnect original cables	4.203
Insert workshop card and ensure system pairs	1.727
Perform distance & speed check	3.388
Determine "L" & "W" factors	2.523
Check all parameters and update data as required	4.417
Carry out 1km check	1.964
Produce tec print No3 and clear faults	4.360
Refit original paper roll	0.000
Collect seals and seal system	6.068
Down load workshop card, complete GV 212 and plaque	11.495
Attach plaque	2.736

Average Overall STD Time Digital Initial Specific Elements (47 Vehicles)	51.032
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Average Overall STD Time Digital 2 Year Specific Elements (2 Vehicles)	63.581
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Average Overall STD Specific Element Times 2 Year Analogue (31 Vehicles)

Element	Time
Check system integrity & all seals	2.043
Data & calibration plaque, confirm chart compatibility	1.093
Complete test chart insert & operational checks on head	3.584
Complete non-driving mode checks & disconnection test	9.161
Sensor disconnection test	3.816
Vehicle in rollers & determine "L" factor	1.714
40km/h & 60km/h test	6.549
Remove test chart and analyze	1.372
Complete 2 yearly plaque & reseal as required	10.944
Complete GV 212 and file	7.162

Average Overall STD Specific Element Times 6 Year Analogue (23 Vehicles)

Element	Time
Check system integrity & all seals	1.166
Check, clean & re-pack mechanical drive if applicable	0.000
Data & calibration plaque, confirm chart compatibility	1.594
Vehicle in rollers & determine "L" , "W" & "K" factors, check against plaque	9.946
Complete and fit test charts, carry out bench test	33.382
Carry out power & sensor disconnection /reconnect test	4.420
Carry out 1km drive test	1.387
Remove test chart and analyze	1.835
Re-seal complete system	9.344
Complete plaques, record sheet, charts & GV212	14.737

Average Overall STD Time Analogue 2 Year Specific Elements (31 Vehicles)

47.438

Average Overall STD Time Analogue 6 Year Specific Elements (23 Vehicles)

77.812

Overall Average STD Common Element Times

2.2 All the different calibration processes had common elements which remained the same irrespective of the calibration completed. As these common and occasional elements did not occur at each study, we have not included them in the Overall Average Times shown above. We found on many occasions (63% of the studies) that the vehicle was in the calibration bay prior to the commencement of the study.

Table B

Overall Average STD Common Element Times			
Element	Time	Number of Observations	Occurrence as a % of total number of Studies
Collect vehicle	3.108	65	63%
Pre - Checks	5.062	100	97%
Remove vehicle from bay	2.842	93	90%

Overall Average STD Time

2.4 To obtain an Average Overall STD Time the times shown in Table B will need to be added to the times in Table A. The times shown in Table C will need to also contain a % of the Occasional Element times shown in Table E.

Table C

Overall Average STD Time Digital Initial = Average Overall STD Time Digital Initial Specific Elements + Collect vehicle + Pre - Checks + Remove vehicle from bay		Overall Average STD Time Digital Initial (47 Vehicles)	62.044
Average Overall STD Time Digital Initial Specific Elements	51.032		
Collect vehicle	3.108		
Pre - Checks	5.062		
Remove vehicle from bay	2.842		

Overall Average STD Time Digital 2 Year = Average Overall STD Time Digital 2 Year Specific Elements + Collect vehicle + Pre - Checks + Remove vehicle from bay	
Average Overall STD Time Digital 2 Year Specific Elements	63.581
Collect vehicle	3.108
Pre - Checks	5.062

Remove vehicle from bay	2.842
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Overall Average STD Time Digital 2 Year (2 Vehicles)	74.593
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Overall Average STD Time Analogue 2 Year = Average Overall STD Time Analogue 2 Year Specific Elements + Collect vehicle + Pre - Checks + Remove vehicle from bay	
Average Overall STD Time Analogue 2 Year Specific Elements (31 Vehicles)	47.438
Collect vehicle	3.108
Pre – Checks	5.062
Remove vehicle from bay	2.842

Overall Average STD Time Analogue 2 Year (31 Vehicles)	58.449
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Overall Average STD Time Analogue 6 Year = Average Overall STD Time Analogue 6 Year Specific Elements + Collect vehicle + Pre - Checks + Remove vehicle from bay	
Average Overall STD Time Analogue 6 Year Specific Elements	77.812
Collect vehicle	3.108
Pre – Checks	5.062
Remove vehicle from bay	2.842

Overall Average STD Time Analogue 6 Year (23 Vehicles)	88.823
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2.4 The elements shown below in table D are elements which were common to analogue calibrations only; they were not repeated every time but were observed on a significant number of occasions. The Overall Average STD Analogue Times shown above will need to have added, apportioned as appropriate the times shown in Table D.

Table D

Elements Common to Analogue Calibrations only			
Elements	Overall STD Time	Number of Observations	Occurrence as a % of total number of Analogue Studies
Remove & refit taco head inc dismantling / re-assembling dash	10.973	22	40%
Equipment Problems	2.253	28	51%

It is debatable as to what percentage should be added to the result of the timings for analogue. It is the author's belief that, taking into account the large number of these and the likelihood that as vehicles are likely to adopt complicated dash arrangements involving the removal and fitting of assemblies that 100% of such incidences should be included. Thus 10.973 minutes should be added.

However, as "equipment problems" relates to items which could be affected by maintenance and care of equipment, it is the author's belief that this negligible addition in time should be ignored.

Thus the overall times for analogue calibrations will be:

Overall Average STD Time Analogue 2 Year (31 Vehicles)=	58.449+10.973	Overall Average STD Time Analogue 6 Year (23 Vehicles)	88.823+10.973
Total STD Time Analogue 2 Year	69.422	Total STD Time Analogue 6 Year	99.796

Occasional Elements and Delay Factors

- 3.1 A number of occasional elements occurred which were common to all types of calibrations, we list these in table E. These elements are not included in the standard times shown in Tables A & C above as they were not repeated every time, but need to be taken into account.
- 3.2 The number of vehicles fitted with electronic control devices which will require disconnection is set to increase, and may eventually replace removing & refitting dash. We observed that on some vehicles particularly coaches, finding and disconnecting these devices proved difficult and time consuming.

Table E

Occasional Elements	Overall STD Time	Number of Observations	Occurrence as a % of total number of Studies
Job card etc	3.457	17	16%
Obtain information	2.864	3	3%
Disconnect / Reconnect ASR system	2.534	5	5%
Walking	3.374	3	3%

It is the author's opinion that each of these elements should be accounted for as a percentage of occurrence thus

$$0.16 \times 3.457 + 0.03 \times 2.864 + 0.05 \times 2.534 + 0.03 \times 3.374 = 0.86696 \text{ minutes}$$

Final figures:

Digital Initial=62.91minutes

Digital 2 Year=75.46minutes

Analogue 2 Year= 70.28896minutes

Analogue 6 Year=100.66minutes

APPENDIX C

Vehicle Ownership Costs

Source: Commercial Motor 16th January 2008

Vehicle Type (GVW)	Total time costs (£)	Time costs per day (£)(based on a 5 day working week for 48 weeks)	Total Mileage costs (ppm)	Vehicle only cost	
3.5	32,545	136	20.6	136	
7.5	39,115	163	33.6	163	
13	49,930	183	38.9	183	
18	49,400	206	44.7	206	
26	56,970	237	56.8	237	
32 (Tipper)	61,830	258	68.6	258	
32/33 (4x2 + tandem)	56,760	237 + 10 for trailer*	53.1 + 5.1 for trailer	237	
38 (4x2 + tri-axle)	63,140	263 + 11 for trailer**	58.9 + 5.5 for trailer	263	
40 (4x2 + tri-axle)	66,400	277 + 11 for trailer**	60.2 + 5.5 for trailer	277	
44 (6x2 + tri-axle)	69,320	289 + 11 for trailer**	65.3 + 5.8 for trailer	289	
32.5 (two-axle trailer two axle trailer)	60,040	250 + 11 for trailer**	59.1 + 5.1 for trailer	250	
				2499	Sum of costs
				227.1818	Average cost
				18.93182	Hourly cost (12hr day)
				9465909	Annual total cost to hauliers if the vehicles are not utilised for an additional hour per year.

* Tandem trailer (Curtain-sider): Total time costs 2,430 / Time costs per day £10 / Total mileage costs 5.19 pence per mile

** Tri-axle trailer (Curtain-sider): Total time costs 2,640 / Time costs per day £11 / Total mileage costs 5.5 pence per mile

Sensitivity of Down-time

If the down-time is 10% less i.e. 54mins per annum, then the cost equates to £ 8,519,318

If the down-time is 10% higher: i.e. 66mins per annum, then the cost equates to £10,412,500

APPENDIX D

Hampton Review:

This Regulatory Impact Assessment refers occasionally to the Hampton Review. The Hampton Review recognises that the administrative burden placed on the public as a result of legislation can be minimised. This can be minimised through better practice by Government bodies.

The fundamental principle which summarises the approach of the review is as follows:

“Inflexible or inefficient enforcement increases administrative burdens needlessly, and thereby reduces the benefits that regulations can bring.”

Thus, regulations should only be applied where necessary in order to deliver the desired result. In order to determine whether regulation is necessary a suitable review of risk and benefits to all parties affected need to be performed in conjunction with appropriate consultation with these parties.