



**Call for Evidence:**

**Simplification 2010 – 2015**

**Response from:**

***British Vehicle Rental and Leasing Association***

River Lodge

Badminton Court

Amersham

BUCKS HP7 0DD

Tel: +44 1494 434747

Fax: +44 1494 434499

E-mail: [info@bvrla.co.uk](mailto:info@bvrla.co.uk)

Web: [www.bvrla.co.uk](http://www.bvrla.co.uk)



## Response to Department for Business Innovation and Skills

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### Executive Summary

The BVRLA welcomes the opportunity to shape the Government's simplification agenda over the next five years.

Given the current economic climate we think that the Government should be doubling its efforts on reducing the excessive and disproportionate regulatory burden imposed on businesses. We believe that there are genuine opportunities to reduce compliance burdens and to ensure that businesses are able to comply with legislation using the simplest approach possible.

We have, in our response, highlighted a number of areas which in our view the department should focus on which would remove administrative burdens on rental and leasing companies. For example, it is discerning to note that our members continue to be issued with 1000s of letters each day relating to their fleet vehicle registration documents and taxation reminders. There are a number of simple solutions to help remove this paper burden, which will not require a great deal of investment or government funding but could vitally save UK Plc millions of pounds each year in improved efficiencies and reductions in administration.

The additional benefit for Government would be that there would be significant savings, in the form of processing reductions and improved efficiencies within the Government's executive agencies. This would surely be welcomed given the size of the public debt.

These business costs impact on the competitive pressures of our members, the size of the costs are particularly damaging to smaller members who are often unable to compete with larger members who can shoulder the burden in a more efficient manner. The regulatory burdens that we have described in detail below are impacting on our members' ability to deliver the service that UK businesses need to ensure they can operate an effective business.

### Background

The current Department for Transport simplification plan contains the following amendments which we are interested in:

- Change legislation to abolish paper counterpart to driver licence.
- Provide online access for car rental companies to check customers' driver licence entitlement.



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- Amendments to London Road User Charging Regulations to ensure fair approach on liability for charges incurred for hired/leased vehicles.
- Changes to legislation to allow self-certification of rectifying actions following minor test failures for HGV/PSV operators.

The two main areas of focus have been the legislation for the London congestion charging scheme and the legislation for bus lane fines inside London. Both of these areas were accepted and included on the Department for Transport's simplification plan in 2006. We demonstrated that the road user charging regulations without amendment would save £9.5 million per annum for Government and business and the bus lane regulation which would save £2 million per annum.

Our feedback on the simplification plan process is there are areas which need improving to ensure real benefits are delivered, as it appears that Government departments do not have to justify the removal of an item from their plan or the regular movement in delivery dates for items on a simplification plan.

The above has happened on the two issues we have highlighted above. With the road user charging regulations, in the 2006 Simplification Plan DfT were proposing to make changes by the end of 2007. In the 2008 update that had changed to 2009 and then in the 2009 Simplification Plan the timescale had again shifted to 2010. This is unacceptable given that these changes were first promised in 2003, we would urge the Department for Business, Innovation and Skills to consider how this can be addressed perhaps with some form of penalty for missed deadlines.

We would also urge BIS to consider how Government department's can be stopped from simply removing areas from their simplification plans without completing them. The bus lane regulations have not been amended and are still causing a compliance burden for our members yet they are no longer part of the DfT's simplification plan. We would welcome advice from BIS as to the best approach to ensure that the amendments are included again. In addition, we would urge the department to ensure steps are taken to prevent departments from removing items from the simplification plan without consultation.

### **The next five years**

The key legislative areas for our members in the next five years are:

- The administration burden caused by compliance with DVLA legislation



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- The administration burden caused by compliance with road traffic legislation
- Corporation Tax Act 2009 - the lease rental restriction
- The Vehicle Drivers (Certificates of Professional Competence) Regulations 2007 SI No. 605
- Goods Vehicles (Plating and Testing) Regulations 1988

### DVLA legislation

For our rental and leasing members the administration burden of dealing with DVLA in excess of £50 million each year. To put this into context we have provided below a case study of the processes, procedures and costs which our rental members suffer each year.

We have explained in detail below the legislation which requires amendment and the reason the compliance burden is so costly.

#### DVLA procedures for one year

##### Daily rental large member

Our larger members will on average purchase 75,000 new vehicles during one year, paying over £4 million in First Registration Fees. During the life of these vehicles, 6-8 months is the average life of a vehicle on a rental fleet, the member will handle the following DVLA documents:

DVLA document	Quantity
V5C – Vehicle Registration Certificates	75,000
V14 – Road Fund Tax refunds/ SORN applications	65,000
Road Fund Tax refund cheques	65,000
SORN applications	5,000
SORN acceptance letters	70,000 <sup>1</sup>
Transfer to Trade notifications	75,000
Letters acknowledging transfer of the vehicle into the trade	75,000
<b>Total</b>	<b>430,000</b>

<sup>1</sup> – 5,000 vehicles per year may be disposed of immediately with no tax needing to be refunded or for the vehicles to be SORN'd.

That is 6 documents for every single vehicle, each document may have to be filled in,

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acknowledged, action take and filed etc.

### **Vehicle registered to one of our members**

Vehicles on the rental fleet are either registered by the manufacturer or a dealer via AFRL (automated first registration and licensing system. Each time a new vehicle is added to the fleet the following checks have to be made:

- Is the V5 received for a vehicle on our members' fleet?
- Are all the details correct on the V5?
- In addition, it is possible for a vehicle to be on our members' fleet and the V5 document not received. This needs to be checked within 3 months of the vehicle being added to the fleet or members' have to pay a £25 fee.

### **Disposal of vehicles**

The majority of members' vehicles are under buy back arrangements with the manufacturers, therefore when the vehicle is disposed of it will be moved to various "disposal preparation sites" around the country. Upon arrival at these sites, the tax discs are removed from the vehicles, and then a road tax refund and SORN are applied for. The vehicle(s) then continue through the disposal preparation / inspection process. Each vehicle has to be SORN'd as the member does not know if it will take 2 days, 2 weeks or even 2 months before vehicles are sold.

Once vehicles are accepted by the manufacturer and distributed to a dealer, used vehicle invoices are raised by our members, the V5C dispatched with the used vehicle invoice to the dealer. The member will complete the V5C/3 "transfer to trade". These are then sent to the DVLA, in bulk, via Royal Mail, Special Delivery on a weekly basis.

### **Disposed of Vehicles**

Once vehicles are disposed of, all computer records are archived, with limited data available for various enquiries only from DVLA, Police, Motor Traders & Trading Standards etc. No paper records are retained.

After vehicles are sold, the following are received from the DVLA:

- SORN acceptance letters
- SORN rejection letters
- Letters acknowledging transfer of the vehicle into the trade

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### Fine handling

The above letters all need to be stored and archived in case a fine is received from DVLA for being the registered keeper of an untaxed vehicle. These fines are normally received because the SORN application or the notification of the vehicle being in trade has gone astray. Out of a fleet of 75,000 vehicles on average 85 fines are received for this offence. Each fine costs our members £105 in fine cost, administration and road fund tax arrears. The staffing and document storage costs for the above letters are £30,000 per annum.

### Members staffing levels

Currently, this member employs 4 full time members of staff to handle:

- Monitor V5C documents received
- Chase up missing V5C documents
- Resolving mis-registered vehicles
- Filing of V5C documents
- Completion of V5C/3 — transfer to trade.
- V11 RFT renewal notices
- V14 RFT refund and SORN applications
- V33 RFT refund applications (disc missing/destroyed)
- Monitoring and recording receipt of RFT refund cheques.
- DVLA Penalty Notices

### Costs per annum

Item	Cost	No. of items	Total Cost
Staff member	£13,000	4	£52,000
Special delivery postage	£2.00	500	£1,000
Normal postage	£0.39	70,000	£27,300
Banking (paying in cheques)	£0.50	65,000	£32,500
Banking (raising cheques)	£1.00	5,000	£50,000
First registration fee	£55.00	75,000	£4,100,000
Road fund licence (averaged)	£83.65	75,000	£6,273,750
Continuous registration fines	£105	85	£8,925
		<b>Total</b>	<b>£10,545,475.00</b>

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### Total rental membership

Taking our daily rental membership as whole, 350,000 vehicles, an assumption based on the above can therefore be made that our members are incurring nearly £50 million per annum in tax, registration fees, administration and costs in dealing with DVLA.

To reduce this administration burden we are recommending the following changes to legislation:

	Legislation change	Benefits
<b>Pre-funded accounts</b>	General	A pre-funded account would allow our members to pay VED and receive a refund of VED with no requirement for forms to be filled in or cheques issued by DVLA. Cost savings would be in the region of £12 million per annum for both members and DVLA
<b>V5 issuance</b>	The Road Vehicles (Registration and Licensing) Regulations 2002	Our members have no requirements for the V5 document while the vehicle is on lease if legislation could be changed so that the V5 could be suppressed and the data issued electronically this would save members and DVLA £3 million per annum
<b>V5 amendments</b>	The Road Vehicles (Registration and Licensing) Regulations 2002	When errors are made on registration details or minor amendments need making to the V5 it would save on administration if these could be made electronically. This would save our members and DVLA a £1 million per annum.

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<b>Electronic notification of vehicle disposal</b>	The Road Vehicles (Registration and Licensing) Regulations 2002	Being able to notify DVLA electronically that a vehicle had been disposed of would save our members, auction houses and DVLA £6 million per annum in reducing administration burdens.
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We are happy to expand on the above information in more detail to show the administration reductions which could be achieved for both members and Government agencies by these simple changes.

### Road traffic legislation

As our members are the registered keepers of their vehicles they receive details of the fines for the road traffic offences their customers commit. However, as they are not the person committing the offence they are able through legislation to transfer the fine to the customer. The process of transferring the fine to the customer is essential from an enforcement perspective as it ensures the true offender is held accountable for their actions.

The process of transferring the fine is set out in legislation and is very prescriptive. Our members have to check 14 separate pieces of information on their agreements to ensure compliance prior to submitting in writing copies of their agreements if they are compliant.

The BVRLA membership incurs costs of over £11million per annum in handling the fines which their customers have incurred.

### Simplification

The whole process could be simplified through an amendment to legislation to encourage firstly the submission of evidence of the customers' details electronically and secondly a reduction in the requirement for all the details of the hire agreement. We have provided below in detail the requirements of the current legislation and our suggestion would be that this is amended to include simply the hirers' name or company name along with their address. If any information was provided which turned out to be inaccurate our members would accept full liability for the fine. This is all that is provided for speeding fines and we therefore see no reason why any further information is required. In addition, there is no data to suggest that our members are sending inaccurate information to local authorities today.

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Current legislation	Future proposals
<b>A. Particulars of person signing statement of liability*</b>	
1. Full Name.	1. Full Name.
2. Date of birth.	2. Date of birth.
3. Permanent Address.	3. Permanent Address.
4. Address at time of hiring (if different from 3 above and stay is likely to be more than two months from date of hiring).	4. Address at time of hiring (if different from 3 above and stay is likely to be more than two months from date of hiring).
5. Details of driving licence: (a) country where issued (if not UK), (b) serial number or driver's number, (c) date of expiry (which should be no later than date specified in B7 below).	
<b>B. Particulars of hiring agreements</b>	
1. Registration mark of vehicle hired under the hiring agreement.	
2. Make and model of vehicle hired under the hiring agreement.	
3. Registration mark of any vehicle substituted for the above during the currency of the hiring agreement.	
4. Make and model of any vehicle substituted for the above during the currency of the hiring agreement.	
5. Time and date of any change of vehicle.	
6. Time and date of commencement of original hiring period.	
7. Expected time and date of expiry of original hiring period.	
8. Time and date of commencement of authorised extension of hiring period.	
9. Expected time and date of expiry of authorised extension of hiring period.	
10. Actual time and date of return of vehicle (or when vehicle returned out of hours time and date on which vehicle-hire firm next opened for business). This requirement applies only to the vehicle hire firm's copy of the hiring agreement.	



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If there was a problem and the driver was claiming he had not hired a vehicle the authority could approach the company for more information. The legislation which would need amending is the statutory instrument number 2546 criminal procedure, The Road Traffic (Owner Liability) Regulations 2000.

We anticipate this would save our membership £9 million per annum and local authorities would see similar savings by reducing the number of fines they handled and individual representations.

### Lease rental restriction

In 2008 HM Treasury announced plans to modernise and simplify the taxation of business cars. Previously cars were taxed on the basis of cost but this was changed to be based on the CO<sub>2</sub> emissions of the car. As part of the taxation of business cars a lease rental restriction was in place which restricted the amount of rental payments which can be offset against profits. We have lobbied for a number of years for the restriction to be removed as it is discriminating towards a single source of funding method. In addition it is a double emission tax, as there is a CO<sub>2</sub> linked writing down allowance as well as a lease rental restriction, thus making this tax wholly inequitable.

Rather than delivering the overarching principle of simplification, this specific proposal has produced an additional compliance burden, and created a behavioural change whereby leasing is not as attractive for the high polluting cars, and businesses are switching to hire purchase or outright purchase thereby escaping the additional emission tax.

The justification by Government for keeping the lease rental restriction is that it ensures that a UK lessee, leasing a car emitting more than 160g/km from a lessor outside the UK does not undermine any environmental impact of the stated policy aims.

The continuation of the lease rental restriction is inconsistent with the clear message that tax consideration should not influence a company's financing decision<sup>1</sup>.

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<sup>1</sup> Reform of Corporation Tax – August 2002 (Page 6, Para1.5), Corporation Tax Reform – August 2003, (page 25, para C.46), Corporation Tax Reform – Technical Note – July 2005 (page 4, para 15), Modernising Tax Relief for Business Expenditure on Cars (March 2006 – page 11, para 3.15)



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We would therefore call for the lease rental restriction to be removed from the Corporation Tax Act 2009. The administration burden for UK businesses in calculating the restriction is in the region of £800 million which is excessive when compared with the fact that cross border car leasing represents less than 1% of the total leases within the UK.

### **Driver certificate of professional competency**

The driver certificate of professional competency regulation was introduced as a standard for professional drivers to achieve in 2008. The regulations include a number of exemptions one which includes: 'A vehicle carrying material or equipment to be used by that person in the course of his or her work, provided that driving that vehicle is not that person's principal activity. For example, a brick layer who drives a load of bricks from the builder's yard to the building site and then spends their working day laying bricks. In this case, driving a lorry is incidental to their main occupation.'

This exemption does not extend to our rental and leasing members' employees who occasionally drive vehicles to customers' sites and between branches as the vehicles are not carrying any equipment.

The estimated cost for affected members completing the periodic training for all employees who may be driving commercial vehicles or minibuses is calculated to be around £5 million per annum. The cost of training just one new driver with relevant category on their driving licence is estimated to be around £1700.

Our members' employees do very little driving it is not the main task which they are employed to do. It therefore seems an unnecessary legislative burden for members' when other industry affected drivers are exempt.

We would therefore call for this regulation to be amended to include members' drivers who drive on an ad hoc basis.

### **Commercial vehicle annual testing**

New commercial vehicles are now safer than ever with the developments in technology it is possible for somebody who is maintaining a commercial vehicle to predict when various parts will need replacing. This technology is used when a commercial vehicle is brought in for its routine inspection which normally occurs every 6-8 weeks. The vehicle then has a full service on average every three to six months to ensure all defects are rectified and all parts are in working order. Due to this rigorous inspection and service



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regime the annual test of new commercial vehicles, certainly in the first two years is somewhat irrelevant and we would ask the Government to consider an amendment to the legislation for an annual test to take place after the vehicle is two years old. The benefits of this change for UK Plc would be less downtime for the commercial vehicle, cost savings in fees and vehicle preparation and more efficient operation. We have only just been alerted to this simplification issue and will therefore send a detailed cost benefit analysis shortly.

### **Closing Comments**

We hope our comments help to demonstrate the administrative burden which is placed on our members when they deal with DVLA paperwork and road traffic offences and that this gains recognition on the simplification agenda for Government.

We would also request that the Government seriously consider how to address the issues we have highlighted with regards to deadline shifting or removal of items from the simplification agenda without consultation with impacted stakeholders.

### **Leasing Members**

In general, vehicle leasing, sometimes referred to as long term rental, is an arrangement where the user (the hirer) simply hires the use of the vehicle and assumes operational responsibility for a predetermined period and mileage at fixed monthly rental from the owner (the leasing company). Legal ownership is, in the majority of cases, retained by the leasing company.

### **Short Term Rental Members**

Rental Members offer daily, weekly and monthly rental of vehicles to corporate and retail customers. As explained above, the contract hire and daily rental Members are the owners of the vehicle.



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**Response from:** British Vehicle Rental and Leasing Association  
**Address:** River Lodge  
Badminton Court  
AMERSHAM  
Bucks HP7 0DD

**Contact:** Mr Jay Parmar, Head of Legal Services

**Phone:** +44 1494 434747

**Fax:** +44 1494 434499

**Email:** [jay@bvrla.co.uk](mailto:jay@bvrla.co.uk)

***Bona-fides*** **BVRLA, the Industry and its Members**

- The BVRLA is the trade body for companies engaged in the leasing and rental of cars and commercial vehicles. Its Members provide rental, leasing and fleet management services to corporate users and consumers. They operate a combined fleet of 2.6 million cars, vans and trucks, buying 44% of all new vehicles sold in the UK.
- Through its Members and their customers, the BVRLA represents the interests of more than two million business car drivers and the 10 million people who use a rental vehicle each year. As well as informing the Government and policy makers on key issues affecting the sector, the BVRLA regulates the industry through a mandatory code of conduct.