



Written Evidence

The work of the Vehicle and Operator Services Agency

Response from:

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1. Overview of response

- 1.1. This memorandum is submitted by the British Vehicle Rental and Leasing Association on behalf of its members who own or manage over 133,000 heavy goods vehicle in the UK.
- 1.2. Our submission focusses on two key areas of the committee's inquiry – Firstly to highlight how we believe VOSA is able to improve the arrangements for vehicle test sites and secondly to raise our concerns with the manner in which the HGV Road User Levy is to be implemented and enforced.

2. Who we are and what we do

- 2.1. The BVRLA is the trade body for companies engaged in the leasing and rental of cars and commercial vehicles. Our members provide rental, leasing and fleet management services to corporate users and consumers.
- 2.2. We represent the interest of members who large and small, publically listed and family-owned - who are all united in their support for the industry and its ability to provide affordable, sustainable and safe road transport.
- 2.3. BVRLA Members adhere to a mandatory Code of Conduct which helps to ensure customers receive high level of professional standards across and quality assurance. The Code is fully backed by an independent audit and a conciliation service.

3. How should arrangements for vehicle test sites be improved

- 3.1. We support the introduction of Authorised Testing Facility (“ATF”) scheme in so far as it helps to ensure that the location a heavy goods vehicles (“HGV”) can be tested is closer to the point of maintenance and inspection.
- 3.2. To ensure this objective is truly effective, HGV operators, owners or maintainers, as applicable, will need to make the necessary investment to develop their premises into ATFs. Under this arrangement VOSA will need to ensure that it is able to supply testing staff at levels that are sufficient to meet the ATF owner's testing requirements and needs. We have real concerns whether VOSA is in fact able to meet this requirement. The reliance and dependency placed on VOSA by ATF site owners is likely to dilute the effectiveness of the scheme and weaken the business case to become at ATF site owner.

- 3.3. We remain concerned that VOSA's will be unable to fully deliver the benefits for vehicle owners and operators, as it will, for example, be unable to provide testers during periods of high demands and on a day or time required by the ATF owner. This mismatch between demand and supply of HGV testing requirements is likely to erode VOSA's key objective and will undermine growth in the number of ATF sites being available across the UK. Unless this situation is carefully rebalanced then we believe it will lead to a reduction in testing sites being widely available and an erosion of choice leading to an uncompetitive testing environment.
- 3.4. It is on this basis that we strongly suggest that the Government considers the proposal which the BVRLA, together with other industry trade bodies, outlined in a letter to the Transport Minister in 2010. Under this proposal it was suggested that the Department for Transport should adopt the testing model currently available today for motor cars and light commercial vehicles where roadworthiness test is carried out by approved individuals or accredited testers as employees of the ATFs owner.
- 3.5. Adopting our suggested approach will not only enhance the choice of testing locations available, but will help to foster healthy growth of ATFs sites across the UK. The success of this approach will be supported by the fact that ATF owners will be in direct control of the time and day the tester is available to meet fully satisfy the testing needs. Despite VOSA's best efforts, we do not believe this level of flexibility can be realistically delivered by VOSA staff without radically changing the terms of existing employment contracts.
- 3.6. The existing testing model for car and vans already has stringent approvals and is fully overseen and audited by VOSA. This approach has stood the test of time in terms of both standards and road safety outcomes. Furthermore, the cost savings under this approach will benefit truck owners, operators and the UK economy as a whole. These cost savings can be realised through the following:-
- greater flexibility as to the time and day when testing can take place
 - improved efficiency through less restrictive employment requirements for the testers
 - reduced fees for testing
 - greater choice in testing locations
- 3.7. In addition, this approach towards testing of HGVs in the UK can be fully supported from a road safety perspective especially as GB-registered trucks are already maintained to a high standard and annual test failure rates, both before and after minor rectification, are at a record low level.

- 3.8. It should also be noted that due to the stringent procedures in place of a full mechanical inspection of a HGV every 6 to 8 weeks, then the annual roadworthiness test in effect an audit of the inspection and rectification process for HGVs. If one of the key objectives of the ATF approach by VOSA is to help bring the location of the vehicle test closer to where the vehicle is being inspected and maintained, then unfortunately we do not believe this is being delivered today. We say this as some of our members are reporting to us the difficulties they are experiencing in being able to book and find an ATF site which is able to meet their needs local to where the vehicle is being inspected or maintained.
- 3.9. We also regret to report to the committee that the situation will only get worse as VOSA continues with its strategy of closing its testing sites and there is a poor take up and growth of 'open' ATF across the UK. It is therefore time for the industry to be given, and to accept, unequivocal responsibility for high standards of maintenance. The risks and penalties would be much higher in commercial vehicles than for cars and vans – for an in-house workshop, the risk of directly losing good repute; and for a third party workshop, the risk both to reputation and of putting at risk a customer's good repute. Moving towards a system similar to that of cars and vans would, we believe, lead to a further strengthening rather than a diminution of safety standards.
- 3.10. We therefore respectfully urge the committee to recommend fully transferring HGV testing to the private sector, with standards monitored and enforced by an independent body such as VOSA as opposed to the current policy which is only move location to private sector premises.

4. How should the HGV Road User Levy Bill be implemented?

- 4.1. From an enforcement perspective, we question whether the Government has given sufficient attention to the issue of non-compliance by foreign hauliers. We say this as we feel there is a real threat that foreign hauliers will simply find it cheaper to take the risk of being caught and then pay a fine rather than pay the proposed £10 daily charge.
- 4.2. We do not believe that the proposed £200 penalty is set at a sufficiently high enough level to deter non-compliance by foreign haulier operating on UK roads. At this level we believe there will be a high percentage of foreign hauliers who will take the risk of being caught rather than pay the daily charge. BVRLA has as a consequence given oral evidence to the Public Bill Committee recommending that a penalty is raised to £1000 to help ensure that it sends out a clear and effective deterrence message.
- 4.3. We also believe that VOSA, as the lead enforcement agency, needs to be given a robust and ring-fenced enforcement budget to help ensure a high level of compliance. It is vital that VOSA are visible to help reduce the threat of non-compliance. The department will also need to recognise that if the enforcement

budget was to be substantially increased, then the overall net revenues would be reduced further. This of course would bring into question the overall cost benefit of introducing the scheme and move the dynamics from a financial contribution argument to a principles argument which we discuss in detail below.

- 4.4. Unless the HGV Road User Levy Bill is amended to address our key concerns then we do not believe the Government's primary objective of delivering a fairer arrangement for UK HGV owners or operators will be secured. In particular, we continue to have some serious concerns that the proposed Levy, in its current form, is likely to result in a high number of UK HGV owners being financially worse off, which we detail below.
- 4.5. Firstly, for truck owners that are operating the greenest truck are currently financial incentivised to do so through the Reduced Pollution Certificate ("RPC"). The RPC enables the truck owner to obtain discount against the cost of their VED which we explain below is likely to be eroded through the introduction of the HGV Road User Levy.
- 4.6. Specifically, we believe the proposals will adversely impact owners, with a fleet of 50 or more vehicles, as they may be unable to retain the current financial benefits arising from the Reduced Pollution Certificate (RPC). As outlined, the proposals state that the existing VED reductions for vehicles holding a valid RPC will be replaced with grants of the same economic value. However, we believe that doing so could leave some UK HGV owners being exposed to the prospect that the proposed grant system may be incompatible with European State Aid rules which describe the rules for providing "de minimis" aid. We have calculated the direct financial loss of the RPC on our members, who own more than 50 HGVs on their fleet, to be **£3.7 million per annum**. We have provided a detailed calculation on how we have arrived at this impact at Annex A.
- 4.7. Secondly, as drafted in clause 7 of the Bill, UK truck owner will be restricted from being able to claim a refund on whole used months of the Levy when they either take the vehicle off the road or is sold. Clause 7 restricts the vehicle owner to only be able to claim 1/10th of the annual HGV levy paid. This moves away the principle of a taxpayer being able to claim a refund on their road tax for any unused whole months. This will normally be the case when the vehicle is sold or subject to a statutory off the road notice (SORN).
- 4.8. We estimate that that the proposal to restrict the amount a vehicle owner to obtain a refund on the unused portion of the Levy could cost our industry **£2.7 million per annum**, which is broadly equivalent to the amount of VED refund our members who dispose or sell 20,000 HGV vehicles each year.
- 4.9. When these cost impact on UK businesses is taken into consideration with the Department for Transport's own estimates of £500,000 additional costs on UK HGV owners, could see an estimated increase in costs of **£6.9 million per annum**.

- 4.10. We also note that the proposed charge will, when paid by foreign hauliers, bring in an estimated gross revenue of £40 million and net revenue of £18-23 million each year. Whilst we appreciate the uncertainties in accurately estimating such figures, we wish to express our concerns over the cost effectiveness of the scheme and indeed question whether the proposed scheme will be effective enough to help to secure the Government's primary objective of ensuring foreign hauliers make a fair contribution for using the UK road network.
- 4.11. We therefore respectfully suggest that the Transport Select committee carefully reviews the cost impact the proposals will have both VOSA and UK businesses and that it urges the Department for Transport to ensure the necessary amendments are made to the Bill to ensure the proposals are broadly cost neutral to the UK taxpayers.

5. What effect will this new work have on VOSA?

- 5.1. As we have mentioned we believe that without a robust enforcement budget to help ensure a high level of compliance the scheme will not be successful. VOSA will need additional budget to fund resources to enforce the HGV road user charge.
- 5.2. Therefore the effect on VOSA if the department want the charge to be successful will be significant as VOSA will need to ensure there is permanent resource available at UK Ports to ensure foreign hauliers are deterred from avoiding paying the charge.
- 5.3. We would also suggest that any penalty or fines raised from non-compliance are hypothecated towards VOSA's enforcement budget and not to the Exchequer.
- 5.4. We would therefore urge the committee to make the necessary recommendations to the Department for Transport to help ensure the enforcement is both effective and implemented in a way to send a clear deterrent message.

6. Closing Comments

- 6.1. We trust our comments add value to the scrutiny of the Vehicle and Operator Services Agency and in particular that the committee makes the necessary recommendations to help strengthen the ATF scheme and that it fully recognises the impact the introduction of the HGV Road User Levy could have on VOSA's limited resources.