

Proposed Amendment to the Fees Charged by Approved Tachograph Centres

Regulatory Impact Assessment

May 2023

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Title: Proposed Amendment to the Fees Charged by Approved Tachograph Centres	Regulatory Impact Assessment (RIA)			
	Date: May 2023			
	Type of measure: non - Legislative			
Lead department or agency: Driver and Vehicle Agency (DVA)	Stage: Consultation			
	Source of intervention: Domestic NI			
Other departments or agencies: Department for Infrastructure	Contact details: Jonathan McCullough Telephone: 02890254028			

Summary Intervention and Options

What is the problem under consideration? Why is government intervention necessary?				
<p>The Department currently sets the maximum fees which Approved Tachograph Centres (ATCs) can charge their customers for their tachograph calibration services. These fees, which are set by policy in the approved tachograph centre manual, have not been changed since 2006 and therefore need to be reviewed as a matter of urgency to safeguard the business interests of the ATC network in Northern Ireland. Since then, as well as increases in business running costs, a number of changes in tachograph technology have required significant investment by the ATCs, for which they have been unable to recoup costs.</p>				
What are the policy objectives and the intended effects?				
<p>The objective is to allow ATCs to charge a fee for their calibration services which adequately compensates them for the work carried out, the investments made in premises, equipment and technicians, and which protects the future of the ATC scheme. Their work is required by operators in order to meet their legal obligation of using a calibrated tachograph. The intention is to ensure that the ATCs are able to maintain a high quality of service, offer improved service and ensure that, in future, the fees they can charge are able to respond adequately to required investment and economic conditions.</p>				
What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)				
<p>Three options are being considered:</p> <ol style="list-style-type: none"> 0. Do nothing 1. Increase the maximum allowable fees in line with inflation 2. De-regulate the fees which ATCs can charge for calibration services <p>Option 2, de-regulating the fees, is the preferred option. This option is supported by the better regulation principles and would result in a fee which is controlled by market forces, and which is flexible enough to very quickly accommodate changes in technology which require additional investment, for example. This approach would also ensure that NI ATCs are not at disadvantage compared to those in the rest of the UK, where the maximum calibration fees were de-regulated in 2012. Calibrations fees in ROI are also not regulated. Option 1 is not detailed in this assessment as inflationary increases are outside the scope of Regulatory Impact Assessments, however it is clear that an inflationary increase will not recompense ATCs for past and future investments made since the last time the maximum fee was calculated.</p>				
Will the policy be reviewed: Yes		If applicable, set review date: Five years after legislation comes into force (2025)		
Does implementation go beyond minimum EU requirements?		N/A		
Is this measure likely to impact on trade and investment?		No		
Are any of these organisations in scope?		Micro Yes	Small Yes	Medium Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded: 0		Non-traded: 0

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 SELECT SIGNATORY: _____ Date: _____

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Description: To amend The Approved Tachograph Centre Manual to **remove the maximum chargeable fees** for calibration services. This will de-regulate the fees which Approved Tachograph Centres are allowed to charge for calibration services, creating parity with GB and much of Europe, including ROI.

ECONOMIC ASSESSMENT (Option 2)

Price Base Year	PV Base Year	Time Period	Net Benefit
2019	2021	5 years	3.64m

Costs (£m)	Total Transitional (Policy) (constant price)	Years	Average Annual (recurring) (excl. transitional) (constant price)	Total Cost (Present Value)
Best Estimate	0	0	0.92	4.29

Description and scale of key monetised costs by ‘main affected groups’ Maximum 5 lines
 The cost to commercial vehicle operators has been calculated as a potential increase in fees charged to the value of £29.25 per annum for each vehicle. This cost is a transferred benefit to the tachograph centres.
 The Net Benefit is calculated as the benefit received by the vehicle operators for the reduced vehicle down-time that would result in relation to the do nothing option.

Other key non-monetised costs by ‘main affected groups’ Maximum 5 lines
 N/A

Benefits (£m)	Total Transitional (Policy) (constant price)	Years	Average Annual (recurring) (excl. transitional) (constant price)	Total Benefit (Present Value)
Best Estimate	0		1.70	7.93

Description and scale of key monetised benefits by ‘main affected groups’ Maximum 5 lines
 The effect of making no change to the calibration fee is the potential reduction in the number of Approved Tachograph Centres resulting in vehicle operators having to travel further and increased vehicle down-time. It would be reasonable to expect that operators would have an average increase in vehicle down-time of 1hr per vehicle per annum, which equates to a cost of £24.82/annum (2008 figure updated to 2021 using GDP deflators). This equates to £0.78 million (recalculated from GB figure and GDP deflators) benefit per annum to the vehicle operators.

Other key non-monetised benefits by ‘main affected groups’ Maximum 5 lines
 This is the only option that removes the need for future Government intervention. The tachograph centres would be able to work more flexibly and charge depending on demand, thus being able to provide an out of hours service at times more convenient to the vehicle operator. It is believed the tachograph centre numbers could grow to further support the operators and reduce vehicle downtime.

Key Assumptions, Sensitivities, Risks
 De-regulation of fees could result in an increase to fees that would be in excess of what would be acceptable to the vehicle operators. The mitigating assumption is that suitable levels of competition exist (29 centres in NI, and the possibility to avail of calibration services in ROI and GB) to keep fees to a suitable level. There is a risk that an insufficient rise in the fee that subsequently does not represent the cost to the tachograph centres will result in tachograph centres ceasing to act as tachograph centres; most tachographs are now digital, and a new variant of digital tachograph has since been introduced, both of which would have the effect of increasing costs to ATCs. Key assumptions were made in the GB assessment around the percentage of the vehicle fleet currently using digital tachographs and the number using analogue. 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 and could cause an increase in carbon emissions due to hauliers having to travel further for tachograph services. There is the risk that the DVA may not have sufficient resources to progress further fee increases in future in an adequately responsive manner. If DVA were to progress such increases, they would have to rely on data from the ATCs relating to the actual cost of conducting a calibration, and then determine the maximum fee, in effect regulating the ATCs profit margin.

BUSINESS ASSESSMENT (Option 2)

Direct Impact on business (Equivalent Annual) £m		
Costs: 4.29	Benefits: 7.93	Net: 3.64

Evidence Base

1) Problem under consideration

Tachographs fitted in Goods Vehicles, Buses and Coaches record information about drivers' driving time, break and rest times, as well as time spent by the driver doing other work. They are used to ensure that drivers and employers follow the rules on drivers' hours to safeguard road safety and ensure fair competition. Tachographs can only be installed, checked, repaired, and calibrated by an Approved Tachograph Centre (ATC). The Department for Infrastructure is designated as the competent body responsible for the approval and regulation of tachograph fitters and ATC workshops under the retained version of EU Directive 165/2014. There are currently 29 ATCs spread across Northern Ireland.

DVA officials have met with several ATC representatives who outlined that they have been unable to recoup their capital investment costs or even cover operational running costs from the current fees structure for many years. The current financial pressures are compounding this issue and putting the provision of this essential service at risk.

Within the Department, the DVA is responsible for approving and regulating ATCs. In addition, DVA is responsible for setting the maximum level of fees centres can charge for tachograph calibrations and periodic inspections by virtue of The Passenger and Goods Vehicles (Recording Equipment) Regulations (Northern Ireland) 1996 (regulation 8 (4) (a)). These maximum fees are published within the NI Approved Tachograph Centre Manual and have remained unchanged since approximately 2006. There is no policy regarding the periodicity or formulation of fee increases. The current maximum fees for NI are set out in the table below.

Activity	Fee
Analogue Tachograph 6 yearly calibration	£46.00 + VAT
Analogue Tachograph 2 yearly inspection	£32.00 + VAT
Digital Tachograph 2 yearly calibration	£46.00 + VAT

Notwithstanding increases in inflation since 2006, it is recognised that from 2015, many ATCs have made significant capital investment to upgrade their calibration equipment and retrain their tachograph technicians to keep pace with modern tachograph technology. The impact of the cost-of-living crisis, energy crisis and repercussions from COVID-19 have further increased the costs borne by ATCs for conducting this work.

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In 2010 the Driver & Vehicle Standards Agency (DVSA, previously VOSA) carried out a review of the fees which ATCs could charge for calibrations in GB; the result of this review was deregulation of the fee from 1 January 2012, enabling workshops to levy their own charges. Historic information on the formulation of the maximum fees can be found in the GB impact assessment, which the NI scheme mirrored up until the point the GB scheme was de-regulated. The GB impact assessment is available here: <https://www.legislation.gov.uk/ukia/2011/589>

Communication with the National Standards Authority of Ireland (NSAI) has highlighted that their fee is similarly not regulated. The result is that the fees in GB and Ireland are determined by market forces.

Key Evidence Sources

- GB Regulatory Impact Assessment (RIA)¹
- Discussions with and data provided by ATC representatives
- Desktop research of costs of calibrations services in ROI
- Sample of invoices for calibration services in GB
- Communication with NSAI
- Communication with DVSA

2) Rationale for intervention

Road Safety

A tachograph is a measuring device which records a driver's driving and rest periods and helps to ensure that drivers don't drive longer than they are legally allowed to, and take the legally required rests, thus improving road safety by reducing driver fatigue. These devices are required by most Heavy Goods Vehicles (HGVs) and many Minibuses, Buses and Coaches.

The road safety charity "Brake" estimates that between 10% – 20% of all crashes are caused by driver fatigue². The loss of the service of the ATCs and the inability to regulate the calibration of tachographs in HGVs, Buses and Coaches could have serious implications for road safety, by rendering the Department unable to ensure that tachographs are working correctly.

¹ https://www.legislation.gov.uk/ukia/2011/589/pdfs/ukia_20110589_en.pdf

² <https://www.brake.org.uk/get-involved/take-action/mybrake/knowledge-centre/driver-fatigue>

Sustainability

The current maximum fee arrangement is not sustainable, and does not allow ATCs to charge a fair price for their services. It is worth noting that some ATCs in NI view calibrations as a loss leader, and that there are some ATCs which do not perform general maintenance, who are more acutely affected by the current maximum fees.

Changes in technology

Since the last fee increase, which was done to allow for the implementation of digital tachographs, 2 further generations of tachographs have been released, known as smart tachograph 1 and smart tachograph 2. These have necessitated further investment in equipment and training for which the ATCs have no way to recoup costs.

Costs in NI are Comparatively low

Recent research has shown that fees for equivalent services are much lower in NI than in ROI (sample range from €170 - €200) and lower than in GB (sample range £90 - £130). The 2011 GB assessment identified fees in the EU in a range from €150 - €200, which will very likely have increased since that time. The result will also however involve an increase in costs to heavy passenger and goods vehicle operators.

Quality of service

Without a suitable fee for the calibration work, centres are likely to be apathetic about their ability to have a positive effect on road safety, increasing the chances of cutting corners and reducing the likelihood of the centres reporting incidents of tachograph manipulation discovery at the time of calibration. It is also worth highlighting that the main deterrent for ATCs who consider acting improperly is revocation of their approval; currently the efficacy of this deterrent is limited. The current maximum fee structure does not encourage ATCs to perform calibrations outside normal working hours. Out of hours calibrations may be beneficial to some operators.

Quality of network

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 time and vehicle operators will not have the support required. Thus, vehicle down time and travel time to centres would increase as they may be required to travel further to their nearest centre. This cost is far greater than the actual fee charged by the centres for the calibration of the tachograph. This may also result in increased emissions of carbon dioxide and other pollutants.

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Future flexibility

A suitable fee structure is required in order to support the introduction of future tachograph technologies at a much faster rate than fees can be revised to account for additional burdens on tachograph centres arising from the technological advances.

Better Regulation

Remove the need for future Government intervention and legislation where possible, in line with the better regulation principles, and ensure that ATCs in NI are not at a disadvantage when compared to UK or ROI counterparts.

De-regulation of the maximum fees is the preferred option to address these issues.

Whilst an inflationary increase (Option 1) would ease the immediate pressures being experienced by the ATCs, it would not make up for the period of shortfall, and it would not allow centres to adequately recoup the costs borne by them for investment in new equipment and training, due to technological advances. It also improves parity with ROI and GB, and other EU member states. The Do Nothing option (Option 0) would result in the real risk of a loss of ATCs and the collapse of the network.

Review

DVA will continue to monitor the scheme effectiveness and has the option of re-introducing the maximum fee should it be required. We have given details of a five-year post-implementation review for this policy.

3) Policy Objectives

The objectives are:

1. To enable ATCs to receive a fair sum of money for the work they perform, to enable them to carry on providing this vital service which is required by operators in order to meet their legal obligation of using a calibrated tachograph.
2. To enable a fee structure that supports the rapid change in calibration costs that arise from changes in tachograph technology, and other factors.
3. To enable ATCs flexibility to provide out of hours calibrations at a higher rate, which may be beneficial to some operators, and other improvements to service provision.

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4. To maintain a network of ATCs in Northern Ireland to ensure local provision of service to local operators.

4) Description of options considered (including do minimum)

Baseline (Do Nothing)

Option 0 (Do Nothing): This is the counterfactual scenario, where the situation is left in its current state. It is thought that this scenario would result in the loss of available ATCs and potentially the eventual collapse of the service.

Option 1: Increase the maximum allowable fees in line with inflation.

This option would enable a fee increase which would help alleviate current issues, however it does not allow for the investments made by ATCs to keep up with tachograph technology, nor is it flexible enough to cope with fast changing market conditions. Further information relating to the costs incurred by centres in 2008 can be found in the 2011 GB Regulatory Impact Assessment³. An indication of the maximum fees with inflationary increases as at March 2023 are shown in the table below:

Activity	Fee
Analogue Tachograph 6 yearly calibration	£74.16 + VAT
Analogue Tachograph 2 yearly inspection	£51.59 + VAT
Digital Tachograph 2 yearly calibration	£74.16 + VAT

Whilst this would no doubt be an improvement for ATCs and could be implemented reasonably quickly, it does not accurately reflect the increased costs incurred by them since the last fee was set around 2006, nor would it necessarily secure the future of the service. These fees are also lower than the fees identified by the timing exercise conducted in the GB Regulatory Impact Assessment⁴ in 2011.

³ https://www.legislation.gov.uk/ukia/2011/589/pdfs/ukia_20110589_en.pdf

⁴ https://www.legislation.gov.uk/ukia/2011/589/pdfs/ukia_20110589_en.pdf

Inspection type	Time (minutes)	Hourly rate (£) +VAT	Total commercial labour charge (inc VAT)	Total charge including £4.00 (inc VAT)	% increase over current fee
Digital Initial	62.91	55.04	67.81	71.81	33
Digital 2 Year	75.46	55.04	81.34	85.34	58
Analogue 2 Year	70.29	55.04	75.76	79.76	112
Analogue 6 Year	100.66	55.04	108.50	112.50	108

Option 1 would need to be supported by a review of the fee structure at least annually. Such a process is time consuming, expensive and the result will once again have a finite life having been introduced a substantial amount of time after the demands are placed on the ATCs. This option also does not allow for ATCs to provide out of hours calibrations, as it would not compensate for costs such as overtime payments for technicians. Historically, the maximum fees in NI have been a replication of the GB maximum fees. Details of how those fees were calculated can be found in the GB RIA, but it is clear that, due to the passage of time and industry changes, the initial calculations are no longer fit for purpose; it would not be viewed as appropriate or defensible to base a future maximum fee on those calculations. It is also worth noting that the GB timing exercise highlighted that it takes longer to conduct an analogue 6-year calibration than an digital 2 year calibration, yet the current fee structure has the same maximum fee for both.

Option 2 (preferred): De-regulate fees

This option would see the maximum chargeable fees as published in the ATC manual removed, allowing the fees to be set by the centres based on their own individual costs for providing the service and taking account of market conditions. It would also allow ATCs to provide out of hours calibrations at additional cost to suit operator's needs. This is the only option which addresses all the points in the rationale for intervention.

There is a risk that fees could become too high, however this is mitigated by the future review, and the fact that operators could engage calibration services in ROI or GB, especially if their vehicles already enter those jurisdictions.

Benefits:

- ATCs 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.

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- 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 ATCs.
- Loss of “approval” as a tachograph centre remains a deterrent to rogue ATC managers.
- Calibration fees will increase with inflation rates automatically, reducing the need for future government intervention.
- Less administrative work for ATCs, operators or Government bodies.
- Better parity with GB and ROI, with NI ATCs not being at a disadvantage.
- Greater scope for service improvement as ATCs are able to offer services out of hours.
- Geographical differences in commercial costs would be accounted for.

Disbenefits:

- The cost of calibration work may increase substantially for operators (although these increases are liable to be only a very small part of the annual running costs for operators, and most likely will be passed on to the end users of their services. A possible increase in costs of £29.25 per vehicle, per year has been identified. For comparison, annual standing costs (not including fuel and other consumables) for a heavy goods vehicle exceeded £80,000 in 2020⁵. This increase represents approximately 0.04% of annual standing costs.
- ATCs which only perform tachograph calibration work may not be able to compete with centres which also perform maintenance work, as they can subsidise their tachograph work with maintenance profits (although this is the case for all options).

Alternatives to regulation considered

The maximum chargeable fee has been regulated since its inception in GB in 1986; de-regulation is being considered at this stage. Initially the NI scheme mirrored the GB scheme, including the maximum chargeable fees; those fees have now been de-regulated in GB since 2012. There is little evidence or justification to support continued regulation of the maximum chargeable fee in NI.

Policy specifics and exemptions

Some vehicles are exempt from requiring a tachograph, as are some specific types of vehicle use. Any vehicles and uses which are exempt from tachograph use will also be exempt from regular calibrations.

⁵ <https://motortransport.co.uk/wp-content/uploads/2021/01/Cost-Tables-2020.pdf>

Consultation and other discounted policy options

In 2019, the DVSA (then VOSA) consulted on options to amend the fees charged by ATCs, the result of which was the de-regulation of fees in GB. A Northern Ireland consultation will explore a condensed range of options, as some of the options in the GB consultation are no longer relevant.

Other policy options considered include:

- A single one-off increase pending further review
- Regular inflationary increases
- Calculation of a new maximum fee
- An increased based on the GB 2010 timing exercise

None of these options met the objectives of the policy. The most appropriate option would be the calculation of a new maximum fee. This would have involved on the DVA relying heavily on the ATCs to determine the cost of a calibration, and then adding a percentage on top of that, in effect regulating the ATC's profit margin. This approach would have the advantage of ensuring that the maximum fee was at the correct level, but may not be complaint with the better regulation principles, and would be based on the original maximum fee calculations which are no longer relevant. It would also involve a burden on the ATCs to provide data on a regular basis, and a resource in DVA to review the data and calculate the new maximum fee.

The timing exercise carried out in GB is no loner appropriate, due to the introduction of the next generation of tachographs and would have to be repeated if this option were to be used. Again, DVA would rely heavily on data provided by the ATCs to conduct this exercise.

5) Assumptions/Explanation of Costs and Benefits

The GB RIA⁶ undertook a full economic assessment to quantify the costs and benefits of the options under consideration; given the relatively smaller scale of the impacts in NI and unavailability of some of the data, it has been decided to use the GB costs and benefits as a proxy to estimate/quantify the impacts in NI. A figure of 6% has been assumed based on the number of

⁶ <https://www.legislation.gov.uk/ukia/2011/589>

goods vehicles licensed (NI had 5.99% of the number of licensed HGVs in GB 2019^{7,8}). Bus/Coach numbers have not been taken into account for this calculation as a portion of those used on certain services are exempt from tachograph requirements, and statistics do not separate these.

As the GB RIA had a base year of 2010, HMT deflators⁹ were used to uplift prices to 2021 values. Below provides a brief explanation of some changes since the GB assessment. For more information consult the GB RIA.

Equipment Costs

The GB RIA calculated that an additional £5000+ VAT per centre investment would be required to offset the additional equipment required for digital tachograph calibration. Since that assessment, ATCs have had to further invest to cater for the next generation tachographs. This includes DSRC equipment at approx. £2000+VAT plus additional training to calibrate this version of tachograph. We also need to consider that those costs will also have increased due to inflation, and some costs will have increased above inflation. Some analogue tachograph seals are now £12+VAT, which significantly impacts on the viability of calibrating such devices at the current maximum fee.

7. Wider Impacts

Competition Assessment

In view of the deregulatory nature of the preferred option, which does not entail any costs, it is considered that there are no competition impacts.

Small and Micro Business Assessment

Currently, all ATCs fall under the small and micro business category. Discussions with representatives have highlighted that the current regulatory system places a burden on them and

⁷https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/898747/domestic-road-freight-statistics-2019.pdf

⁸ <https://www.northernireland.gov.uk/news/dfi-driver-vehicle-operator-and-enforcement-statistics-2019-20-quarter-four>

⁹ <https://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp>

restricts development, which other areas in the UK and in Ireland are not subjected to. De-regulation supports the principles of better regulation, and any potential issues can be easily mitigated.

Currently, the fee structure acts as a barrier to cross-border trade, as it is not in the interests of ATCs to carry out calibration for vehicles from other jurisdictions at a loss. De-regulation may allow opportunities for NI business to compete for cross-border work.

Equalities Assessment

A Section 75 equality impact screening exercise indicated that there are minor impacts by any option, other than the “do nothing option”. The EQIA screening assessment screened this policy out from a full EQIA.

Rural Needs Impact Assessment

Many of the needs noted are likely to be positively affected and any negative effects have been very unlikely to differ compared to urban settings.

Enforcement

The preferred option of de-regulation would remove the need for enforcement checks on fees specifically and action on incorrect fee charging. Other options would require enforcement to continue as present, with sanctions including the restriction or loss of an ATC’s approval which are part of the current ATC monitoring process.

Policy Review

A review to ensure that the policy objectives are being met will be conducted after a period of 5 years. The review will take into account the fees being charged to operators, the number of ATCs against the current baseline of 29 centres, and the quality of service being provided. This will include consultation with ATCs and industry stakeholders/representatives.

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