Title: Future of the Vehicle Identity Check Scheme **IA No:** DfT00104 **Lead department or agency:** Department for Transport **Other departments or agencies:**	**Impact Assessment (IA)** **Date:** 10/11/2011 **Stage:** Consultation **Source of intervention:** Domestic **Type of measure:** Other **Contact for enquiries**: Giada.Covallero@dft.gsi.gov.uk

Summary: Intervention and Options

RPC: AMBER

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, One-Out?**	**Measure qualifies as**
£125.3m	£n/a m	£0m	Yes	Zero Net Cost

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

Since scheme inception in 2003, 38 confirmed ringers have been detected from 717,000 checks. The cost to motorists (test fee is currently £41) has been about £30m. The Vehicle Identity Check (VIC) test currently targets mainly low value and elderly vehicles (75% of vehicles in 2009/10 were 7 years old or older) that are written off because the cost of even small repairs is greater than the value of the vehicle. It may have brought more people into scope that originally intended, particularly amongst the less well-off. Government intervention is necessary to ensure high risk vehicles are targeted and the scheme does not continue to be a burden on motorists, especially owners of low risk vehicles which tend to be more than 3 years old.

What are the policy objectives and the intended effects?

The objective is to ensure the current scheme is fit for purpose. As HGV testing stations which perform VIC tests cease testing and may be disposed of over time, alternative provision of VIC testing also needs to be found. This also raises the question of who should carry out these checks. Possible criteria for narrowing down the number of vehicles required to have a VIC test include: (Pre-accident) market value, length of time in same keepership, and age of vehicle. The most practical criterion seems to be age. By targeting vehicles 3 yrs old and under, most of the vehicles likely to be rung would be caught or deterred.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

The policy options that have been considered are:

Policy Option 1: Retaining the scheme as it is (Do nothing - baseline);

Policy Option 2: Reduce its scope to focus on cars which are most likely to be subject of vehicle ringing;

Policy Option 3: Abolish the scheme;

Currently, Option 2 is preferred because it is believed that the scheme is overly burdensome - for many honest motorists, it has become an unnecessary procedure, particularly when the vehicle has been in the hands of the same keeper for several years. We believe that this option would command the support of key interested parties. It would also reduce the burden on motorists, especially the owners of low risk vehicles, which tend to be more than three years old.

Will the policy be reviewed? It will/will not be reviewed. **If applicable, set review date:** Month/Year

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** Yes	**< 20** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:**	**Non-traded:**	

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: _____

Summary: Analysis & Evidence — Policy Option 2

Description: Reduce its scope to focus on the cars which are likely to be the subject of vehicle ringing.

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 98.1	**High:** 146.2	**Best Estimate:** 125.3

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		0.15m	**1.5m**
High	Optional		0.4m	**4.1m**
Best Estimate			0.3m	**2.7m**

Description and scale of key monetised costs by 'main affected groups'

Funding by taxpayer to VOSA over and above base case

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		10.0m	**99.6m**
High	Optional		15.0m	**150.2m**
Best Estimate			12.8m	**128.0m**

Description and scale of key monetised benefits by 'main affected groups'

Cost savings to VOSA
Fuel and time savings to motorists avoiding burden of VIC
Environmental benefits from avoiding burden of VIC

Other key non-monetised benefits by 'main affected groups'

Maximum of 5 lines

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5%

Assumptions: 1) VIC fees unchanged. 2) 5,700 VIC/year 3) In our central scenario (CS) time saving from not having to have a VIC inspection (including travel time) is 4 hours (3 hours in our low scenario and 5 in our high. 4) Those individuals who still need VIC travel on average 35 additional miles (25 miles in Low and 45 in High). 5) VIC staff requirements fall from 40.77 FTE to 2.11 FTE

Risk: Increased ringing, but less than that for Option 3

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs:	**Benefits:**	**Net:** n/a	Yes	Zero net cost

Summary: Analysis & Evidence

Policy Option 3

Description: Abolishing VIC

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 96.7	**High:** 155.7	**Best Estimate:** 132.2

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		0.1m	**1.4m**
High	Optional		0.8m	**8.1m**
Best Estimate			0.2m	**1.7m**

Description and scale of key monetised costs by 'main affected groups'

Funding by taxpayer to VOSA over and above base case in event of abolition of VIC

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		10.5m	**104.8m**
High	Optional		15.7m	**156.9m**
Best Estimate			13.4m	**133.9m**

Description and scale of key monetised benefits by 'main affected groups'

Cost savings to VOSA

Fuel and time savings to motorists avoiding burden of VIC

Environmental benefits from avoiding burden of VIC

Other key non-monetised benefits by 'main affected groups'

Key assumptions/sensitivities/risks **Discount rate (%)** 3.5%

Same as option 2, but all 40.77 VOSA staff would need to be redeployed

Risk of increased ringing

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs:	**Benefits:**	**Net:** n/a	Yes	OUT

Evidence Base (for summary sheets)

I) Background

One of the measures taken by the previous administration in the early 2000s to combat vehicle crime was the Vehicles Crime Act 2001. Among other things, this led to Regulations that gave VOSA the power to inspect "written off vehicles" where the cost of repairing exceeds the pre-accident market value of the car (where 'market value' is used in the IA, this will mean pre-accident value unless otherwise stated). The VIC scheme was introduced in 2003.

The purpose of the scheme was to deter the crime of vehicle ringing. Typically, this involves the theft of a high value vehicle, which is given the identity of a similar vehicle (make, model, colour etc) which has been the subject of an insurance write-off. The written-off vehicle is obtained cheaply; its identity (VIN and registration numbers) is then transferred to a higher value stolen vehicle, which, now apparently genuine, can be sold at market price.

Proposals to identify the future of the scheme

The Department for Transport is seeking to determine the future of the vehicle identity scheme and this is being reviewed as part of the de-regulation agenda. The review and forthcoming consultation(s) will be on the following:

a) Consideration of whether the scheme is fit for purpose;
b) Future options: whether to abolish it, reduce its scope, or retain it as it is;
c) Who should carry out the VIC tests and where?

The consultation will in the first instance focus predominantly on a) and b) and this Impact Assessment (IA) primarily concerns these two points. A further consultation and possibly another IA will be required to determine c). This will enable government to take into consideration the outcome of the Agencies efficiency review.

Existing Scheme Arrangements

Insurers log details of all written off vehicles and pass the information to DVLA (385,000 vehicles per year). DVLA place a "VIC marker" on that vehicle's computer record, preventing issue of a replacement Vehicle Registration Document (V5C) or licensing reminder (V11) until the VIC marker has been removed. For this to happen, the vehicle must undergo and pass a VIC check conducted by VOSA.

The VIC test is carried out screened from the vehicle keeper, so that they cannot see the techniques used by the tester to establish the identity of the vehicle although the standard location of the VIN number is freely available to the public. It has been recognised by some key players, in particular the police, the insurance industry and the salvage industry, that the scheme was too broadly defined and included vehicles with a very low risk of being rung, i.e. low value vehicles. For many honest motorists, it has become an unnecessary procedure, particularly when a vehicle has been in the hands of the same keeper for several years and the market value is low.

In addition, the effectiveness of VIC is difficult to quantify due to the way the police record vehicle crime related offences. Data provided from the British Crime Survey (BCS) has demonstrated that theft continues to fall and has been doing so since the 1990's even before the VIC scheme started. Police recovery rates of stolen vehicles are very poor (approx 50%) with around 75,000 cars either: exported, cloned, or stripped for parts in 2009.

II) Problem under consideration and rationale for intervention

Under the current VIC most vehicles checked are low-value and elderly (according to VOSA, in 2009/10 76% of cars that went through VIC were 7 years old or older: they have been written off because the cost of even small repairs is greater than the value of the vehicle. Vehicle age data suggest that the VIC test has tended therefore to fall on the less well-off members of society, while the high pass rate means it has included many compliant motorists.

The checks are carried out at 52 VOSA sites across Britain. Almost all are co-located at VOSA's goods vehicle testing stations, some of which have already or are likely to cease HGV/PSV testing over the new few years as testing moves to private sector-owned authorised testing facilities (ATFs).

Government intervention is required to deter vehicle crime. This intervention is designed to obtain the correct balance and scope of the scheme so that it deters ringing and to ensure it does not continue to be a burden on motorists both; in terms of fees and the time that is needed to travel to and from a test centre and wait while the vehicle is tested. Changing the number of VIC tests also means that consideration must be given to where these tests will be performed..

III) Intended effect

The proposed objective is two-fold: firstly to challenge whether the VIC scheme is required at all and secondly to ensure that any scheme remains fit for purpose by ensuring that the right vehicles are targeted. For this, we have two options: abolishing and re-scoping by introducing a specific criterion in-order to limit the number of vehicles being checked. Therefore, tests being undertaken in proportion to vehicles being identified as 'rung' would be more comparable making it less burdensome for many honest motorists where the scheme had become an unnecessary procedure. This includes a viable 'do nothing' option.

At present, the possible criteria for re-scoping includes: Market value of vehicle, length of time in same keepership, and age of vehicle. By targeting, VIC tests on vehicles three years old and under, most of the vehicles likely to be 'rung' would still be caught or deterred..

IV) Description of options considered in this IA and costs and benefits

We have discussed informally with VOSA, Home Office and key industry representatives options, which might make the scheme less burdensome. Our priorities have been to explore the feasibility of the following options:

Option One (baseline): Retain the scheme, as it is - A 'do nothing' approach where the Department continues with the existing scheme and makes no changes to improve the burdens unnecessarily imposed on motorists.

Option Two: Keep the scheme, but narrow its scope to focus on those vehicles most likely to be ringers (preferred option): Possible criteria for narrowing down the number of vehicles required to have the VIC test include market value, length of time in same keepership, and age of vehicle. The most practical criterion seems to be age and, therefore, this the criterion assessed in this IA[1]. By targeting VIC tests on vehicles three years old and under, most of the vehicles likely to be, "rung" (given their higher value - all other things being equal) would be caught or deterred.

From our exploratory discussions, this option would command the support of the police, Home Office and would be acceptable to the salvage and insurance industries. It would also reduce the burden on motorists (108,000 cars during 2010/11 undertook a VIC check), especially the owners of low risk vehicles which tend to be more than three years old.

Consideration in determining who should carry out the VIC tests and where, will be included as part of a further consultation. The following various scenarios are possible:

(i) VOSA continues to conduct VIC checks, but at leased or shared premises;
(ii) VIC checks are carried out by an independent organisation at their own premises;
(iii) VIC checks are carried out by MOT testers at (probably a limited number of) MOT garages

However, this IA will models VIC checks being carried out in the same premises – with the number of these premises being reduced given that the number of vehicles tested would fall. The reason why we do not fully assess here all the options in terms of whom should carry out the VIC tests and where is because, firstly, the criteria for narrowing down the number of vehicles would affect the number of vehicles being checked and, therefore, the costing. Alternative providers' ability to replace the current system (a very low number of vehicles required to have the VIC test) might put off private providers. Secondly, we need to gather information from possible private providers and MOT providers to be able

[1] The consultation will be asking to consider which one of these criteria is the most suitable. Based on the consultation responses we will update this IA.

to fully costs of the options and, again, we expect to obtain this information partly through a further consultation exercise.

The scheme's fee level has also not been included within the scope of this IA. This would be a matter for VOSA to decide based on the costs of conducting tests.

Option three: Abolition – This option is favoured by the vehicle salvage trade, who say that VIC has had no impact on preventing crime. The Association of British Insurers is also lukewarm about the utility of the scheme. Although vehicle crime has fallen since the inception of the scheme, the precise contribution of VIC, if any, is difficult to quantify. The downward trend was visible before VIC's introduction. The Association of Chief Police Officers (ACPO) and the ACPO Vehicle Crime Intelligence Service (AVCIS) agree that the level of ringing detected by VIC is minuscule but believe that abolishing the scheme would risk criminals once again using ringing to legitimise stolen vehicles.

An advantage of the scheme is that it can make potential vehicle purchasers aware that the vehicle has previously been a total loss (where DVLA issue a post-VIC V5C registration document) and confirms its identity, providing some protection against purchasing a stolen or unroadworthy accident damaged vehicle.

Options two and three will help to address the equality issue surrounding the VIC scheme, i.e. in its current format this scheme falls predominantly on old vehicles and therefore potentially on less well-off members of society.

V) Data

a) Value of Working Time per person (£ per hour, 2011 prices and values) = £25.95[2]

b) Value of Non- Working (Non-commuting) Time per person (£ per hour, 2011 prices and values) = £5.29[3]

c) Average distance travelled to VIC premises = 45.3 mile[4] (90.6 miles return).

d) VIC fees: £41 during working hours and £50 during out of hours[5].

e) 4.2% of VIC inspections were conducted out of hours between 1st April 2003 and 31st October 2010.[6]

f) 5.7 % of cars that had a VIC inspection between 1st April 2005 and 31st October 2010 were 3 years old or newer.

g) The proportion of petrol cars in 2015 will be approximately 65%[7].

h) Fuel prices projections from DECC (http://www.decc.gov.uk/assets/decc/Statistics/analysis_group/81-iag-toolkit-tables-1-29.xls), uplifted to 2011 prices using HMT GDP deflators[8].

Prices excluding taxes:

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ROAD TRANSPORT - Variable element: petrol	p/litre (2011)	38.12	38.57	39.02	39.47	39.91	40.36	40.81	41.26	41.70	42.15
ROAD TRANSPORT - Variable element: DERV	p/litre (2011)	40.75	41.25	41.74	42.23	42.73	43.22	43.71	44.21	44.70	45.19

[2] Source: WebTAG, section 3.5.6: Values of Time and Operating Costs 2002 prices (paragraph 1.2.10) and Forecast Growth in the Working and Non-Working Values of Time (paragraph 1.2.21)

[3] Source: WebTAG, section 3.5.6: Values of Time and Operating Costs 2002 prices (paragraph 1.2.20) and Forecast Growth in the Working and Non-Working Values of Time (paragraph 1.2.21)

[4] Source: VOSA

[5] Source: VOSA

[6] Source: VOSA

[7] Estimates based on WebTAG figures, unit 3.5, table 12 (http://www.dft.gov.uk/webtag/documents/expert/unit3.5.6.php)

[8] Figures were in 2009 prices and were uplifted to 2011 prices using HMT deflactors: http://www.hm-treasury.gov.uk/d/gdp_deflators.csv

i) DECC non-traded carbon prices (http://www.decc.gov.uk/assets/decc/what%20we%20do/a%20low%20carbon%20uk/carbon%20valuation/1_20100610131858_e_@@_carbonvalues.pdf) uplifted to 2011 prices using HMT GPD deflators.

Uplifted non-traded carbon prices:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Non-traded carbon prices (£2011)	55.6	56.4	57.3	58.1	59.0	59.8	60.8	61.6	62.6	63.5

j) DEFRA kgCO2 per litre:

	Defra Company Reporting guidelines - August 2010
	kgCO2/ litre
Diesel	2.6413
Petrol	2.3018

k) VOSA's current deficit: £140,000 (Source: VOSA)

VI) Costs and benefits

Option 2 – VIC scheme scope reduced

- Assumptions for Option 2

a) VIC fees remain unchanged over the 10 year period at £41 and £50 as indicated above[9].

b) 5,700 vehicles will have to have a VIC inspection[10]. Based on VOSA current figures.

c) In our central scenario, we assume that time saving from not having to have a VIC inspection (including travel time) is 4 hours[11]. In our low scenario, we assume that time savings are 3 hours on average. In the high scenario, we assume that the time saved is 5 hours.

d) We assume that those having a VIC inspection out of hours did it during their non-working, non-commuting time.

e) We assume that those individuals who still will have to have their vehicle VIC checked will have to travel on average 160 miles[12] (140 miles in our low scenario and 180 in our high scenario), i.e., 70 additional miles, because it is expected that the number of VIC premises will reduce substantially as the number of vehicle that have to have a VIC inspection will reduce about 95 %. Because of this assumption, drivers who will still have to have VIC inspection will spend more time to have their car checked as they will have to travel longer distances. In our central scenario, we assume that it takes 6 hours (including travel, waiting and checking time) for drivers to have their vehicle checked, i.e., 2 additional hours. We assume it takes them 4 hours in the low scenario, i.e. 1 additional hour, and 8 hours in our high scenario, i.e., 3 additional hours.

f) The number of staff carrying out VIC duties will be reduced. We assume that the approximately 39 FTE staff would be redeployed.

g) Vehicle speed of 70 miles per hour. We used WebTAG guidance to estimate fuel consumption given this assumed speed.

h) In our central case, we assume that VOSA sells within 5 years the assets that become redundant because of the scale down. In our high scenario, VOSA is able to sell these assets within 2

[9] An additional consultation (with its own IA) will look into the different options to fund VOSA's deficit.

[10] This assumption is based on VOSA current figures (5.7% of cars that had a VIC inspection between 1st April 2005 and 31st October 2010 were 3 years old or newer.

[11] We do not have any evidence to support this assumption and it will be one of the points that will be asking in the consultation.

[12] We expect an increase in the average distance travelled to VIC premises but we do not have data/evidence to support a particular figure. We'll be asking about this point in the consultation.

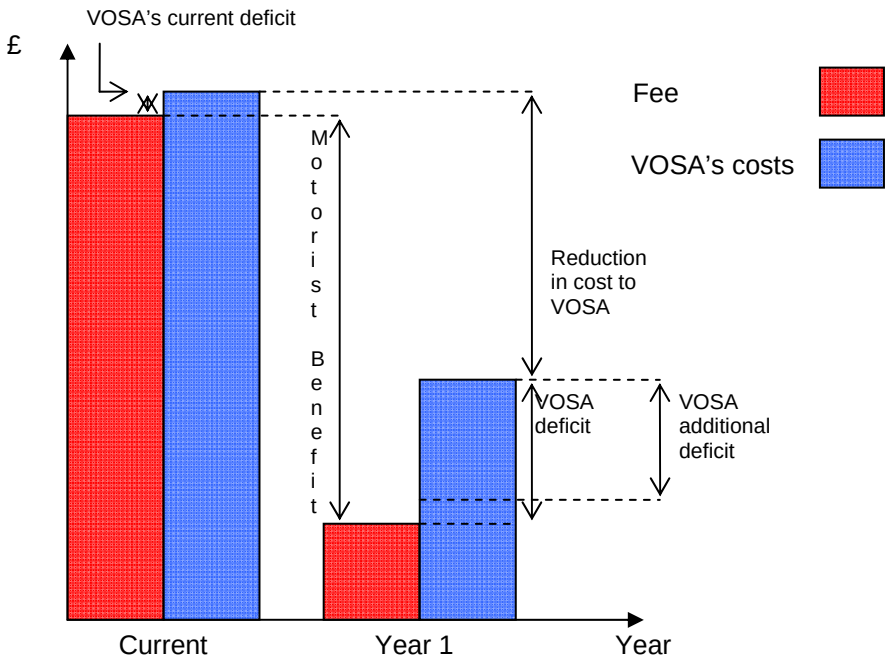
years. In our low scenario, VOSA is unable to sell these assets and, therefore, has to assume their cost.

i) VOSA's deficit would remain unchanged (£140,000) over the years, if this policy were not implemented.

- Monetised costs and benefits

There are benefits to those individuals who will not have to go through VOSA inspections and, therefore, will not have to travel to the VIC premises (saving time and fuel) and, obviously, will not have to pay the fee. However, the savings from the fee have not been included as we considered it partly as a transfer from VOSA to motorists. The true benefit is the costs saved by VOSA for not having to carry out the additional tests, and including the avoided fees (which would have been used to cover costs) would double count the benefits. There is also an element of transfer from tax payers to motorist (as we assume that VOSA additional deficit will be financed through public funding and not through an increase in fees[13]). The following diagram attempts to explain this.

Diagram 1 -



Motorists' benefit from not having to pay fee = Reduction in costs to VOSA + VOSA's additional deficit

In short, we use the reduction in costs to estimate the benefits of the policy rather than the fees avoided by the motorist, as that would double count some of the benefits.

We will provide the net reduction in costs for VOSA over the period, combined with the 'additional deficit' which shows the impact on public finances of this policy (under the assumption that fees will remain unchanged and taxpayers pick up the deficit).

There will be additional cost to those drivers who still will have to have a VIC inspection, as we expect the number of VIC sites to reduce and, therefore, the distance travelled for these drivers will increase.

As follows, we show the benefits/saving to individuals, VOSA's deficit and social benefits in the form of CO2 emission reduction over 10 years in the central case.

Costs

[13] In this IA we assume for simplicity that the additional deficit is funded by the taxpayer. An additional consultation, with its own IA, will deal with this matter.

Costs will be:

- The additional costs imposed on VOSA from the reduction in scope of the scheme, that will be funded by the taxpayer
- The additional costs to the drivers who would have to do a VIC inspection in both the 'do nothing' and the option – they now have to go further and spend more time having the VIC.

Table 1 – VIC scheme's income and expenditure under Option 2 over 10 years (2011 prices)

	Total
VOSA income	**1,304,530**
VOSA expenditure	**4,871,676**
VOSA deficit if change wasn't implemented	**1,400,000**
Vosa additional deficit	**2,167,146**
Vosa additional deficit (NPV)	**2,260,301**

NB. It is worth noting that the additional deficit accrues over the first couple of years, after that, the deficit is actually smaller that it was originally (this explains why the NPV is greater than before discounting) but not big enough to cancel out the initial increase.

Table 2 – Costs to drivers who still have to have a VIC inspection over 10 years (2011 prices)

	Total (over 10 yrs)
Additional time spent	**3,057,852**
Additional fuel cost	**130,981**
Total additional cost	**3,188,833**
NPV total add cost	**2,733,035**

Benefits

Benefits will be:

- The reduction in costs for VOSA from the reduced number of tests carried out
- Time and fuel saved by drivers who would have had to obtain a VIC in the 'do nothing' but avoid it under the option
- Environmental benefits from drivers avoiding have to obtain VICs

Table 4 – Reduction in costs to VOSA over 10 years (2011 prices)

	Total
VOSA costs saved	**37,825,351**

Table 4 – Benefits to individuals over 10 years (2011 prices)

	Total (over 10 yrs)
Total value time save	**101,484,194**
Total value fuel saved	**2,813,140**
Total savings	**104,297,334**
NPV total savings	**89,388,056**

Table 5 – Social benefits: Reduction in CO2 emissions over ten years (2011 prices)

	Total (over 10 yrs)
Net CO2 reduction	15,745
Net CO2 reduction (£2011)	£ 936,443
NPV Net CO2 reduction	£ 802,691

Therefore, the **net present value of Option 2 is £125.3m in the central case**. In the low scenario, the net present benefits are £98.1m, whereas in the high scenario benefits amount to £146.2m.

- Non-monetised costs and benefits.

We have not identified non-monetised costs or benefits

Option 3 – VIC scheme abolished

- Assumptions under Option 3

a) VIC fees remain unchanged over the 10 year period at £41 and £50 as indicated above.

b) We assume the average distance travelled to VIC premises is 45.3 miles (90.6 miles return).

c) Vehicle speed of 70 miles per hour. We used WebTAG guidance to estimate fuel consumption given this assumed speed.

d) In our central scenario, we assume that time saving from not having to have a VIC inspection (including travel time) is 4 hours. In our low scenario, we assume that time savings are 3 hours in average. In the high scenario, we assume that the time save is 5 hours.

e) We assume that those having a VIC inspection out of hours did it during their non-working, non-commuting time.

f) We assume that any full time equivalent staff not required to conduct VIC would be redeployed

g) In our central case, we assume that VOSA sells within 5 years the assets that become redundant as a result of the scale down. In our high scenario, VOSA is able to sell these assets within 2 years. In our low scenario, VOSA is unable to sell these assets and, therefore, has to assume their cost.

h) VOSA's deficit would remain unchanged (£140,000) over the years, if this policy were not implemented.

As follows, we show the benefits/saving to individuals and VOSA's deficit over 10 years in the central case.

Costs

Costs will be:

- The additional costs imposed on VOSA from the abolition of the scheme, that will be funded by the taxpayer

Table 6 – VIC scheme's additional deficit under Option 3 over 10 years (2011 prices)

	Total
VOSA income	**-**
VOSA expenditure	**2,966,084**
VOSA deficit if change wasn't implemented	**1,400,000**
Vosa additional deficit	**1,566,084**
Vosa additional deficit (NPV)	**1,723,258**

NB. Again, as in option two, the additional deficit accrues over the first couple of years. After that, VOSA actually reduces its deficit – although not enough to cancel out the initial increase.

Benefits

Benefits will be:

- The reduction in costs for VOSA from the reduced number of tests carried out
- Time and fuel saved by drivers who would have had to obtain a VIC in the 'do nothing' but avoid it under the option
- Environmental benefits from drivers avoiding have to obtain VICs

Table 7 – Reduction in costs to VOSA over 10 years (2011 prices)

	Total
VOSA costs saved	**39,485,292**

Table 8 – Benefits to individuals over 10 years (2011 prices)

	Total
Total time cost saved	**106,110,657**
Total fuel cost saved	**2,982,667**
Total savings	**109,093,324**
NPV total savings	**93,520,391**

Table 9 – Social benefits: Reduction in CO2 emissions over ten years (2011 prices)

		Total
CO2 reduction		17,509
Net CO2 reduction (£2011)	£	1,041,346
NPV Net CO2 reduction	£	892,611

Therefore, the **net present benefits of Option 3 (i.e. benefits to individual and social benefits) are £133.9m in its central case**. In the low scenario, the net present benefits are £104.8m, whereas in the high scenario benefits amount to £156.9m.

- Non-monetised costs and benefits.

We have not identified non-monetised costs or benefits

VII) Risks and sensitivity analysis.

The main risk of Option 2, and particularly of Option 3 is that the number cars being 'rung' increases. This will impose a cost to those members of society affected by this criminal activity and to the police as they might need to deploy additional resources on this type of crime. Therefore, if this were the case, the net benefit of this policy would be smaller than stated in this impact assessment. Since the schemes inception vehicle crime has fallen, the precise contribution of VIC, if any, is difficult to quantify. The Association of Chief Police Officers (ACPO) and the APCO Vehicle Crime Intelligence Service (AVCIS) agree that the level of ringing detected by VIC is minuscule, but believe that abolishing the scheme would potentially risk criminals once again using ringing to legitimise stolen vehicles.

During the consultation exercise, we will be asking about this risk and will try to quantify, if possible, its impact.

VIII) Specific Impact Tests

A greenhouse gas assessment test has been considered for options 2 and 3. According to our estimates, option 2 will mean a reduction of 0.016 million tonnes of CO^2 emissions over 10 years, whereas option 3 will reduce 0.018 million tonnes of CO^2 emissions over the same period.

IX) Direct cost to business - One In one Out

Both options in this impact assessment are de-regulatory and will not impose direct costs on business. Any impact on business, for example for those that rent out their properties to VOSA and those

businesses that provided service/products linked to VIC will be indirect and therefore will not be in scope of the One In One Out rule.

X) Summary and preferred option with description of implementation plan

Policy option 2 is preferred because many low risk vehicles, which have often been in the hands of the same keeper for several years, are being subjected to VIC. Therefore, this is the policy option that would best reflect the interests of key interested parties and meet the government's agenda on de-regulation. Views on the criteria applied to achieve the goals of deregulation and reducing the burden on honest motorists whilst deterring ringing will be sought during the consultation.

In terms of implementation, this is dependant on the outcome of the Consultation.