Title: Review of Vehicles of Historical Interest (VHIs) roadworthiness testing **IA No:** DfT00347 **Lead department or agency:** Department for Transport **Other departments or agencies:** Drive and Vehicle Standards Agency	**Impact Assessment (IA)** **Date:** 15/09/2016 **Stage:** Consultation **Source of intervention: EU** **Type of measure: Secondary legislation** **Contact for enquiries: Elizabeth Shovelton Tel: 020 7944 3211**

Summary: Intervention and Options

RPC Opinion: Green

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2014 prices)	**In scope of One-In, Three-Out?**	**Measure qualifies as**
£89.6m	£0m	£0m	Yes	Neutral

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

In Great Britain all vehicles manufactured before 1960 are exempt from regular road-worthiness testing. EU Directive 2014/45 changes the rules around this. The new rules allow Member States to exempt vehicles of historical interest (VHIs) from testing if they are at least 30 years old, no longer in production and have not had substantial changes made to them. If we wish to continue to exempt VHIs from regular testing to implement the new EU requirements we'll need to update GB law. The new Directive also allows Member States to determine the periodicity of testing for VHIs if not exempt. Implementing the requirements by doing this will allow GB to de-regulate in this area.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in the future once the UK has left the EU.

What are the policy objectives and the intended effects?

The objective is to review the current VHI exemption and how we might amend GB law to implement the new EU requirements. The purpose of the new proposals is to ensure only vehicles of genuine historical interest are allowed exemption from testing as these vehicles are more likely to be well maintained and used less frequently.

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

Option 0: Baseline. Leave the current exemption for pre-1960 manufactured vehicles (baseline). However this will not address the inconsistency between domestic and the new EU law.

Option 1: Remove the current exemption for pre-1960 manufactured vehicles and in doing so make all vehicles that are currently exempt subject to full annual roadworthiness testing.

Option 2: Introduce a basic VHI roadworthiness 'safety' test - (either annual or biennial) for 40 year old vehicles.

Option 3: Exempt 40 year old VHIs from annual testing and introduce a VHI certification process to ensure a vehicle has not been substantially altered (could be based on self-certification or independent inspection or a combination).

Option 4: Introduce a biennial VHI roadworthiness test for 40 year old vehicles. Heavy Goods Vehicles, buses and coaches would need to be certified that they have not been substantially altered.

Option 5: Exempt 30 year old VHIs from annual testing and introduce a VHI certification process to ensure a vehicle has not been substantially altered (could be based on self-certification or independent inspection or a combination).

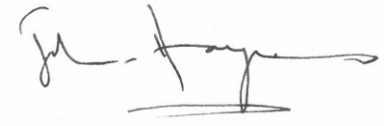
Option 3 is the preferred option.

Will the policy be reviewed? It will be reviewed If applicable, set review date: 08 2021

Does implementation go beyond minimum EU requirements?	Yes

Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** **No**	**< 20** No	**Small** **No**	**Mediu m** No	**Large** No
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/Q	**Non-traded:** N/Q	

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:  Date: 15th September 2016:

Summary: Analysis & Evidence

Policy Option 1

Description: Remove the current exemption for pre-1960 manufactured vehicles and in doing so make all vehicles that are currently exempt subject to full annual roadworthiness testing.

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -81.54	High: -80.60	Best Estimate: -81.07

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.2		9.6	**82.5**
High	0.2		9.6	**82.5**
Best estimate	0.2		9.6	**82.5**

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

Any change to the MOT test would require updating DVSA IT system and publicity materials which would incur a one-off cost.
There will be a cost to owners of pre-1960 vehicles who will need to get their vehicles tested.
All of these costs are additional to the minimum EU requirement.

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

There will be a small environmental impact caused by drivers of pre-1960s vehicles going to test centres.
There will be a fuel and time cost to vehicle owners going to and from test centres.
This would be disproportionate to quantify.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0		0.1	**1.0**
High	0		0.2	**1.9**
Best Estimate	0		0.2	**1.5**

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

There will be a benefit to society in increased safety from introducing an MOT test. With an MOT the vehicle failure rate will be lower and we assume there will be a proportionate decrease in the costs of accidents attributable to pre-1960 vehicles. In 2014 pre-1960 vehicles were involved in road traffic incidents in which 20 individuals were either killed or seriously injured. As suggested in the TRL report, mechanical failure is a contributory factor in 3% of accidents overall. A small number of these accidents may have been prevented if a test were reintroduced.

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

There will be a social benefit to improved air quality and CO2 emissions benefits from possible full compliance with MOT emissions tests, or cars that failed their MOT test being removed from the road. Increased MOT tests will be a benefit to small MOT test garages from additional testing of pre-1960 vehicles. However, we cannot say whether or not this would be additional or displaced business.

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

This policy would affect all of the 191,577 registered pre-1960 vehicles. The lower bound estimate for safety impacts makes the conservative assumption that half of vehicle owners would routinely check their vehicles regardless of the MOT test frequency or criteria. Without an MOT test, the number of vehicles with defects in the first year of MOT exemption would increase by about a half. The upper bound assumes no compliance. MOT test fees remain unchanged.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OI3O?	Measure qualifies as
Costs: 0	**Benefits:** 0	**Net:** 0	YES	

Summary: Analysis & Evidence

Policy Option 2

Description: Introduce a basic VHI roadworthiness 'safety' test - (biennial) for 40 year old vehicles.

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 18.58	**High:** 20.32	**Best Estimate:** 19.55

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.2		4.8	**41.4**
High	1.0		4.8	**42.2**
Best Estimate	0.5		4.8	**41.7**

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

There will be costs to vehicle owners for testing pre-1960 vehicles biennially, when in the baseline these would be exempt.
Introducing a biennial classic test is likely to increase costs to the government and DVSA, so that required amendments to the system, could be made.

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

There will be transition costs for MOT garages to adjust to the change. It would be disproportionate to estimate these.
There will be a time and fuel cost for owners of pre-1960 vehicles travelling to and from test centres.
There will be a social cost of carbon emissions and poor air quality from pre-1960 vehicles travelling to test centres.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		7.1	**60.8**
High	Optional		7.2	**61.7**
Best Estimate			7.2	**61.2**

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

There will be a benefit to owners of vehicles first registered between 1960 and 1977. They will be able to test their vehicles biennially rather than annually, saving on MOT tests.

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

There will be a carbon and air quality benefit from maintaining previously unmaintained pre-1960 vehicles or taking failed vehicles off the road. It would be disproportionate to monetise this.

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

We assume that a biennial test is fit for purpose and will have no effect on safety. This means the safety benefits will be equal to those of annual testing.
The costs of a VHI test are assumed to be identical to those of an annual test.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OI3O?	Measure qualifies as
Costs: 0	**Benefits:** 0	**Net:** 0	YES	Neutral

Summary: Analysis & Evidence

Policy Option 3

Description: Exempt 40 year old VHIs from annual testing and introduce a VHI certification process to ensure a vehicle has not been substantially changed (could be based on self-certification or independent inspection of a combination). **(Preferred option)**

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 75.71	**High:** 103.30	**Best Estimate:** **89.60**

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.2		1.9	**16.2**
High	1.0		5.0	**43.8**
Best Estimate	0.5		3.4	**29.9**

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

There may be costs to society as removing the MOT test could have a negative impact on road safety.

Any changes to the MOT test would require updating of DVSA IT systems and publicity materials which would incur a one-off cost.

There will be a new costs to vehicle owners for self-certification.

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

There will be some transitional costs for MOT test stations. However, we think MOT test stations can adapt to diversify their businesses within the time period.

There will be a social cost from untested vehicles on the road that fail to meet MOT emissions standards.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		14.0	**119.5**
High	Optional		14.0	**119.5**
Best Estimate			14.0	**119.5**

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

There will be benefits to owners of pre-1978 vehicles as they will not have to pay the MOT test fee.

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

Cost saving in time and fuel to motorists from not going to and from test stations.

Social benefits of emission savings of motorists not going to and from test stations.

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

The MOT test fees remain unchanged. An estimated 277,943 vehicles will be made exempt from testing. The lower bound estimate for safety impacts makes the conservative assumption that half of vehicle owners would routinely check their vehicles regardless of the MOT test frequency or criteria. Without an MOT test, the number of vehicles with defects in the first year of MOT exemption would increase by about a half. The upper bound assumes no compliance. MOT test fees remain unchanged.

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:				In scope of OI3O?	Measure qualifies as
Costs: 0	**Benefits:** 0	**Net:** 0		Yes	Neutral

Summary: Analysis & Evidence

Policy Option 3a

Description: Is a sensitivity test of the preferred option 3 above. It compares the option to exempt 40 year old VHIs from annual testing and introduce a VHI certification process to ensure a vehicle has not been substantially changed (relative to a 30 year baseline, which is the EU minimum.)

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -46.0	**High:** -30.02	**Best Estimate: -38.0**

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0		6.9	**58.9**
High	0		6.9	**58.9**
Best Estimate	0		6.9	**58.9**

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

Relative to the EU minimum, there will be an additional cost for the additional vehicles left in scope for testing.

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

We have not monetised the costs to motorists of driving to and from test centres in terms of fuel and time for motorists.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0		1.5	**12.8**
High	0		3.4	**28.9**
Best Estimate	0		2.4	**20.9**

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

There will be a social benefit to testing 1978 to 1987 vehicles in terms of road safety. In the absence of testing accidents in this category of vehicle attributable to vehicle failure will be more likely.

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

We have not estimated the value of maintaining tested cars and removing cars from the road that failed emissions tests.
There are wider strategic benefits to government for this option such as bringing it more in line with the Vehicle Excise Duty exemption for 40 year old vehicles.

Key assumptions/sensitivities/risks **Discount rate** 3.5

We do not know the precise relationship between mechanical failure and the proportion of accidents attributable to mechanical failure for any particular vehicle type. However, we do know the MOT test failure rate for cars is higher for those first used from 1978 to 1987 (40%) compared with those first used from 1960 to 1977. It is possible that the benefits of testing cars aged 1978 to 1987 will be closer to the higher end. Light goods vehicles of this vintage are also particularly prone to test failure (50%). Although relatively costly to motorists, we argue this option is not costly to business. At most, very few of the vehicles concerned will be used for business purposes.

BUSINESS ASSESSMENT (Option 3a)

Direct impact on business (Equivalent Annual) £m:			In scope of OI3O?	Measure qualifies as
Costs: 0	**Benefits:** 0	**Net:** 0	YES	Neutral

Summary: Analysis & Evidence

Policy Option 4

Description: Introduce a biennial VHI roadworthiness test for 40 year old vehicles. Heavy Goods Vehicles, buses and coaches would need to be certified that they have not been substantially altered.

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 57.98	High: 58.79	Best Estimate:58.48

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.2		0.0	**0.2**
High	1.0		0.0	**1.0**
Best Estimate	0.5		0.0	**0.5**

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

Any changes to the MOT test would require updating of DVSA IT systems and publicity materials which would incur a one-off cost.

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

MOT testing stations might incur transition costs for diversifying their businesses if they have less revenues from tests. It would be disproportionate to monetise these. Few vehicles would be affected by this policy, relative to the total numbers on the road.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0		6.9	**59.0**
High	0.0		6.9	**59.0**
Best Estimate	0.0		6.9	**59.0**

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

The main benefit of this test will be for vehicle owners who now only have to test their vehicles biennially, rather than annually.

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

Vehicle owners will also benefit from the fuel and time savings of not having to travel to and from testing centres. There will be a social benefit in terms of carbon emissions and air quality from not having to travel to and from test centres.

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

This will affect 274,381 vehicles. Because we assume a biennial test is fit for purpose, there will be no safety cost to this policy relative to the baseline. Costs of tests are assumed to remain the same over time.

BUSINESS ASSESSMENT (Option 4)

Direct impact on business (Equivalent Annual) £m:			In scope of OI3O?	Measure qualifies as
Costs: 0	**Benefits:** 0	**Net:** 0	Yes	Neutral

Summary: Analysis & Evidence

Policy Option 5

Description: Exempt 30 year old VHIs from annual testing and introduce a VHI certification process to ensure a vehicle has not been substantially altered (could be based on self-certification or independent inspection of a combination).

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 105.74	**High:** 149.36	**Best Estimate:** 129.64

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.2		3.4	**29.0**
High	1.0		8.4	**72.7**
Best Estimate	0.5		5.9	**50.8**

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

There may be costs to society as removing the MOT test could have a negative impact on road safety.
Any changes to the MOT test would require updating of DVSA IT systems and publicity materials which would incur a one-off cost.
There will be a new costs to vehicle owners for self-certification.

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

There will be some transitional costs for MOT test stations. However, we think MOT test stations can adapt to diversify their businesses within the time period.
There be a social cost from untested vehicles on the road that fail to meet MOT emissions standards.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0		20.9	**178.4**
High	0		20.9	**178.4**
Best Estimate	0		20.9	**178.4**

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

There will be benefits to owners of pre-1987 vehicles as they will not have to pay the MOT test fee.

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

Cost saving in time and fuel to motorists from not going to and from test stations.
Social benefits of emission savings of motorists not going to and from test stations (carbon and air quality).

Key assumptions/sensitivities/risks

Discount rate 3.5%

This will affect 414,977 vehicles. Because we assume a biennial test is fit for purpose, there will be no safety cost to this policy relative to the baseline. Costs of tests are assumed to remain the same over time.

BUSINESS ASSESSMENT (Option 5)

Direct impact on business (Equivalent Annual) £m:						In scope of OI3O?	Measure qualifies as
Costs:	0	**Benefits:**	0	**Net:**	0	Yes	Neutral

Evidence Base (for summary sheets)

1) Problem under consideration

New EU Directive 2014/45 ("the Directive") sets out minimum requirements for periodic road-worthiness testing of vehicles used on public roads. Vehicles are categorised by type and the rules differ for each category. Cars and vans must be tested at least biennially, unless exempted. Heavy goods vehicles, buses and coaches that are not exempted must be tested annually.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in the future once the UK has left the EU.

Under current GB and EU law all vehicles that were manufactured or registered before 1960 can be exempted from periodic testing. The new EU directive still enables exemptions from regular testing, but vehicles must be at least 30 years old, no longer in production and should not be substantially changed.

If we wish to continue to exempt VHIs we will need to implement EU requirements and amend GB law. The Road Traffic Act 1988 provides the legislative basis for MOT testing of cars, other light vehicles (including some light goods vehicles), private buses/coaches, and motorcycles. Heavy Goods Vehicles are required to have a statutory roadworthiness test under the Goods Vehicles (Plating and Testing) Regulations 1988.

If we continue to exempt VHIs from testing, we can decide how old they should be (once they are at least 30 years old and no longer in production) before they're exempted from testing. We will also have to decide how to define 'substantial change'. The consultation will cover how "substantial change" is defined. The Directive does not contain a definition. We suggest one option is to use DVLA's 8-point rule for registering radically altered vehicles. We have no evidence available to indicate how many vehicles would be in scope for this option but will ask for comments in the consultation document and for any suggestions on the number of vehicles that might be affected.

In 2014 the Department for Transport ("the Department") held an informal web based consultation seeking opinions and ideas on which we could base our proposals for formal consultation. The informal consultation generated 650 comments and over 2800 survey responses. There was a wide range of views expressed in the responses, which assisted in narrowing numerous options to those being considered here.

2) Rationale for intervention

At the moment GB legislation simply allows all vehicles manufactured before 1960 to be exempt from roadworthiness testing. There are no additional requirements or criteria to be met. The 'substantial change' provision in the Directive means we will need to amend GB legislation to implement the requirements of the Directive, to continue to exempt VHIs from MOT testing. Our preferred option goes beyond the EU minimum requirement, which would be to exempt vehicles over 30 years old from MOT testing so there is an element of gold plating. Primarily, the MOT test failure rate is higher for vehicles which were manufactured or registered between 30 to 40 years ago, than for vehicles which were manufactured or registered 40 years ago. Our modelling is limited by available data linking accident rates to vehicle vintage, but we think the safety risks of exempting these older vehicles are higher than

our modelling suggests. We will seek further information about this at consultation. Secondly, 40 years is the threshold for exempting vehicles for Vehicle Excise Duty.

3) Policy objective

To make changes to the VHI exemption in domestic legislation to implement the requirements of the Directive, whilst minimising burdens on owners of VHIs and ensuring any changes do not have the potential to adversely impact on road safety.

4) Description of options considered (including do nothing)

Option 0: Do nothing. This is the baseline, relative to which the costs and benefits in this IA are appraised. Leave the existing exemption for pre-1960 vehicles. Although the Directive EU does allow Member States to exempt pre-1960 vehicles from testing, the requirement that vehicles 'have not substantially changed' is a new provision. If we wish to continue to exempt VHIs to reflect the requirements of the Directive domestic legislation will have to be amended.

Option 1: Remove the current exemption for pre-1960 manufactured vehicles and in doing so make all vehicles that are currently exempt subject to full annual roadworthiness testing. Domestic legislation will need to be amended to remove the exemption.

Option 2: Introduce a basic VHI roadworthiness 'safety' test - (either annual or biennial) for 40 year old vehicles. Domestic legislation would need to be amended to remove the current exemption.

Option 3 (preferred option): Exempt 40 year old VHIs from annual testing and introduce a VHI certification process to ensure a vehicle has not been substantially changed (could be based on self-certification or independent inspection or a combination). Domestic legislation would need to be amended for this option.

Option 4: Introduce a biennial VHI roadworthiness test for 40 year old vehicles. Heavy goods vehicles, buses and coaches would need to be certified that they have not been substantially changed.

Option 5: Exempt 30 year old VHIs from annual testing and introduce a VHI certification process to ensure a vehicle has not been substantially changed (could be based on self-certification or independent inspection or a combination).

5) Data

i) Number of licensed vehicles

Table 1

Number of licensed vehicles as at December 2014 in Great Britain

Vehicle first registered	MOT/HGV testing required					MOT not required			Total
	Cars	Motorcycles	Buses & Coaches	LGVs requiring MOT	HGVs	Hackney Carriages	Agricul.	Others	
Post-1987	29,302,176	1,014,891	157,485	3,373,004	463,730	43,126	262,561	177,623	34,794,596
Pre-1960	92,610	74329	1793	22,088	757	110	30407	7627	229,721
1960-1977	154,378	77,607	2133	42,396	1,429	67	46,350	7,186	331,546
1978-1987	59,468	44,207	1,586	27,245	4,528	16	37,613	7,243	181,906
Unknown	2,857	5,134	54	6,547	3,488	3	7,438	69,817	95,338
Total	**29,611,489**	**1,216,168**	**163,051**	**3,471,280**	**473,932**	**43,322**	**384,369**	**269,496**	**35,633,107**

Source: DfT

Table 2

Further breakdown of number of licensed vehicles requiring MOT/HGV testing as at December 2014 for all pre-1960, all pre-1977 and all pre-1978 vehicles (cumulative)

Vehicle first registered	Cars	Morcycles	Buses & Coaches	LGVs	HGVs
All pre-1960	92,610	74,329	1,793	22,088	757
All pre-1977	246,988	151,936	3,926	64,484	2,186
All pre-1987	306,456	196,143	5,512	91,729	6,714

Source: DfT

ii) Number of road casualties

Table 3

Number of casualties resulting from reported personal injury road accidents by casualty severity and year of vehicle registration/manufacture, GB: 2014

Accidents involving at least one of the following type of vehicle	Vehicle first registered or manufacture[2]	Number of casualties resulting accidents by severity			
		Killed	Serious injured	Slight injured	Damage only
Car	<1960	2	8	19	39
	1961-1977	3	21	105	172
	1978-1987	2	31	205	317
	1988-2014	1,298	16,104	138,821	207,777
Buses/Coaches	<1960	0	1	0	1
	1961-1977	0	0	8	11
	1978-1987	0	0	13	17
	1988-2014	59	615	6,349	9,341
Motorcycles	<1960	1	6	36	57
	1961-1977	0	40	77	156
	1978-1987	7	92	154	336
	1988-2014	311	4,794	14,567	26,164
HGV	<1960	1	1	0	3
	1961-1977	0	0	0	0
	1978-1987	0	2	8	13
	1988-2014	234	848	5629	8,926
LGV	<1960	0	0	0	0
	1961-1977	0	0	8	11
	1978-1987	0	2	8	13
	1988-2014	158	1,551	13,489	20,213
All vehicles	<1960	4	16	55	100
	1961-1977	3	61	198	348
	1978-1987	9	127	388	697
	1988-2014	1,620	19,636	153,536	232,473
Total in all accidents (including accidents with vehicles of an unknown age)		1,775	22,807	169,895	

1- only includes vehicles that were probably or fully matched to the DVLA data that contains vehicle registration year

2- based on year of registration, except in cases where the year of registration was prior to 1974 and the manufacture year was before 1960, in which case the year of manufacture was used.

3 - casualties can be included in multiple categories as multiple vehicles of different ages can be involved in a single accident

Source: DfT

iii) Road casualty costs

Table 4 - *Total value of prevention of reported accidents by severity and cost element Source: www.gov.uk/government/uploads/system/uploads/attachment_data/file/462547/ras60003.xls*

£ million (2014 prices)							
	Cost Elements						
	Casualty related costs			Accident related costs			
Accident severity	Lost output	Medical and Ambulance	Human costs	Police costs	Insurance and admin	Damage to property	Total
Fatal	1,134	10	2,229	32	1	20	3,427
Serious	560	336	3,812	47	4	116	4,875
Slight	418	177	1,991	73	16	412	3,086
All injury accidents	2,112	523	8,032	152	21	548	11,388
Damage only accidents	0	0	0	84	135	4,701	4,920
All accidents	**2,112**	**523**	**8,032**	**236**	**156**	**5,249**	**16,307**

1 The costs were based on 2014 prices and values
2 The number of reported road accidents were based on 2014 data

The figures in this table are National Statistics

Source: DfT, WebTAG Databook

Table 5 - *MOT initial failure rates 1 April 2014 to 31 March 2015*

Class of vehicle	Main category of vehicle included in the class	Vehicle first registered			
		Pre-1960	1960-1977	1978-1987	1988-2014
C 1&2	Motorcycles	2,808	56,046	52,744	898,990
MOT Failed		293	6,266	9,946	180,247
MOT Failure %		10.4%	11.2%	18.9%	20.0%
C 3&4	Cars	11,341	186,027	123,308	27,193,009
MOT Failed	Three-wheeled vehicles LGVs <3,000kg	1,806	54,967	49,286	10,628,679
MOT Failure %		15.9%	29.5%	40.0%	39.1%
C5	Private buses & coaches	100	709	396	45,771
MOT Failed		10	132	118	16,142
MOT Failure %		10.0%	18.6%	29.8%	35.3%
C7	LGVs 3,000kg-3,500kg	15	470	1,391	606,021
MOT Failed		0	154	702	300,517
MOT Failure %		0.0%	32.8%	50.5%	49.6%
HGVs	HGVs over 3,500kg	11	501	3,386	393,555
MOT Failed		5	116	1,167	44,558
MOT Failure %		45.5%	23.1%	34.5%	11.3%
PSVs	Commercial buses & coaches	116	427	749	72,888
MOT Failed		19	59	141	6,601
MOT Failure %		16.4%	13.8%	18.8%	9.1%
Total		14,391	244,180	181,974	29,210,234
Total MOT Failed		2,133	61,694	61,360	11,176,744
Total MOT Failure		14.8%	25.3%	33.7%	38.3%

Source: DVSA

6) Assumptions

Voluntary testing

a) Despite being exempt from testing, 14,264 pre-1960 vehicles voluntarily undertook an MOT test in the period from 1 April 2014 to 31 March 2015, approximately 7% of the number of exempt vehicles. We would expect a similar percentage of exempted vehicles to take the MOT test if the exemption was extended to 40 year old vehicles.

b) *Voluntary testing for business purposes.* We anticipate that the majority of classic vehicles used for business purposes would be sent for an annual MOT even if they were exempted to help ensure they are in a roadworthy condition and keep insurance premiums at a minimum. We will test this assumption in the consultation. The preferred option will not affect legislation for licensed Private Hire Vehicles, which may still stipulate a requirement for regular MOT testing.

MOT Test Fees

a) Originally the cost of the MOT test was calculated using the actual (average) time to conduct the test, the average labour cost rates and the recovery of the investment required to provide and equip a garage to DfT/DVSA specifications. As there is no profit element in the MOT test and it is purely a cost to

business, we assume that there would be minimal impact on MOT test centres if classic vehicles are exempted from the MOT test. There are currently over 22,000 MOT garages and over 450 HGV/PSV testing stations. Most of the HGV/PSV test stations are Authorised Testing Facilities run by privately-owned businesses where a DVSA tester carries out annual tests on heavy goods and passenger service vehicle.

b) Anecdotal evidence suggests that MOT test centres tend to make profit from carrying out repairs to vehicles that fail the MOT test or minor repairs to vehicles before and after a MOT test. We assume that if VHIs are exempted from the MOT test, vehicle owners may carry out vehicle repairs in non-MOT test centres. If this is the case, it would simply mean transfer of business / profit from MOT test stations to non-MOT test stations. It is difficult to calculate how many of the owners of VHIs would never repair their vehicles if their vehicles are exempted from the MOT test. If vehicles are never repaired then this could be a net loss to business/MOT test centres.

c) The maximum charge for a car MOT is £54.85 per test, however many garages offer a lower, more competitive fee and the average is estimated to be around £45**.**

Classic roadworthiness 'safety' test

a) We anticipate that existing MOT testing stations will be able to carry out any VHI roadworthiness 'safety test'.

b) For calculation purposes we have estimated that the fee for the 'safety' test would be the same as the normal MOT test, around £45.

Calculation of additional road casualties and accidents

a) According to the TRL report on the Effect of Vehicle Defects in Road Accident[1] about 3% of road casualties could be associated with vehicle defects. The TRL report examined in detail, how road casualty figures are recorded and compiled and looked at the reasons why vehicles failed their MOT test.

[1] Cuerden et all (2011) Effect of Vehicle Defects in Road Accidents, Transport Research Laboratory, March 2011

Table 6

Number of casualties resulting from reported personal injury road accidents by casualty severity and the year of vehicle registration/manufacture linked to vehicle defects

Accidents involving at least one of the following type of vehicle	Vehicle first registered or manufacture	Number of casualties resulting accidents by severity			
		Killed	Serious injured	Slight injured	Damage only
Car	<1960	0.06	0.24	0.57	1.17
	1961-1977	0.09	0.63	3.15	5.16
	1978-1987	0.06	0.93	6.15	9.51
	1988-2014	38.94	483.12	4,164.63	6,233.31
Buses/Coaches	<1960	0.00	0.03	0.00	0.03
	1961-1977	0.00	0.00	0.24	0.33
	1978-1987	0.00	0.00	0.39	0.51
	1988-2014	1.77	18.45	190.47	280.23
Motorcycles	<1960	0.03	0.18	1.08	1.71
	1961-1977	0.00	1.2	2.31	4.68
	1978-1987	0.21	2.76	4.62	10.08
	1988-2014	9.33	143.82	437.01	784.92
HGV	<1960	0.03	0.03	0.00	0.09
	1961-1977	0.00	0.00	0.00	0.00
	1978-1987	0.00	0.06	0.24	0.36
	1988-2014	7.02	25.44	168.87	267.78
LGV	<1960	0.00	0.00	0.00	0.00
	1961-1977	0.00	0.00	0.24	0.33
	1978-1987	0.00	0.06	0.24	0.39
	1988-2014	4.74	46.53	404.67	606.39
All vehicles	<1960	0.12	0.48	1.65	3.00
	1961-1977	0.09	1.83	5.94	10.44
	1978-1987	0.27	3.81	11.64	20.91
	1988-2014	48.60	589.08	4,606.08	6,974.19

1- only includes vehicles that were probably or fully matched to the DVLA data that contains vehicle registration year
2- based on year of registration, except in cases where the year of registration was prior to 1974 and the manufacture year was before 1960, in which case the year of manufacture was used.
3 - casualties can be included in multiple categories as multiple vehicles of different ages can be involved in a single accident

Source: DfT

b) The TRL report's half-conform assumption (conservative assumption) assumes that half of vehicle owners routinely check their vehicles regardless of the MOT test frequency or criteria, and half use the MOT test time to annually trigger any necessary maintenance or service work required. The TRL report assumes that without a MOT test, the number of vehicles with defects in the first year of MOT exemption

would increase by about half, and consequently, the number of road casualties caused by vehicle defect would increase proportionally. This assumption is used to represent a lower bound.

c) Using the estimated number of road casualties and accidents linked to vehicle defects in Table 6 as a base, Table 8 below applies the TRL report's half-conform assumption to calculate the number of additional road casualties and accidents that may arise in the first year of MOT test exemption.

As the numbers involved are very low, there is no way of establishing the link between MOT test failure rates and accidents attributable to mechanical failure for every vehicle type. Instead we take the aggregate rate of accidents attributable to mechanical defects and the aggregate rate of mechanical failure for all vehicles. We assume a linear relationship between mechanical failure and accident rates.

The social value of accidents is taken from WebTAG table A.4.1.3, in 2014 prices and values.

Table 7) *Estimated annual social value of accidents attributable to mechanical value, by age of vehicle.*

	Killed	Seriously Injured	Slight Injury	Damage Only
Rate attributable to mechanical failure	2.5%	2.2%	1.7%	1.8%
<1960	£208,074	£82,772	£23,606	£3,995
1961-1977	£156,056	£315,568	£84,983	£13,956
1978-1987	£468,167	£657,002	£166,533	£27,911

Proportionate changes to the accident rate attributable to mechanical failure, give us the estimated value of MOT tests.

Table 8) *Half-conform assumption*

	Killed	Seriously Injured	Slight Injury	Damage Only
Original accident rate attributable to mechanical failure	2.5%	2.2%	1.7%	1.8%
Accident rate for vehicles if MOT test was taken away (1961-1987)	3.8%	3.3%	2.6%	2.7%
Accident rate for pre-1960 vehicles if MOT test was reintroduced.	1.7%	1.5%	1.2%	1.2%

Under the half-conform assumption, the accident rates increase in proportion to the rate of mechanical failure (a half). Hence the social cost of accidents in table 7, increase for 1961 to 1987 vehicles in the scenarios in which MOT tests are removed, modelling options 3 and 5. To model options 1 and 2 accident rates attributable to mechanical failure fall proportionately for pre-1960 vehicles. This reduces the social cost of accidents involving these vehicles.

Table 9) *Non-Conform Assumption*

As an upper limit, we assume that in the absence of an MOT test, no vehicles would be maintained if there were no MOT test, meaning there would be a 100% mechanical failure rate. Consequently, we model the effects of accident rate attributable to mechanical failure rising and falling proportionately.

	Killed	Seriously Injured	Slight Injury	Damage Only
Original accident rate attributable to mechanical failure	2.5%	2.2%	1.7%	1.8%
Accident rate for vehicles if MOT test was taken away (1961-1987)	7.0%	6.1%	4.8%	5.0%
Accident rate for pre-1960 vehicles if MOT test was reintroduced.	0.9%	0.8%	0.6%	0.7%

Monetised and non-monetised costs and benefits of each option (including administrative burden)

Option 1)

Table 14 shows the total costs by each option over the 10 year period.

2014 Prices and Values

Cost- Low Estimates

	Option 1	Option 2	Option 3	Option 4	Option 5
Transition costs to the DVSA	£0.19 m	£0.19 m	£0.19m	£0.19m	£0.19m
Cost of testing vehicles	£82.4m	£41.2m	N/A	N/A	N/A
Cost of self-certification	N/A	N/A	£13.3m	N/A	£19.8m
Safety cost of exempting vehicles	N/A	N/A	£2.7m	N/A	£9.0

Cost- Best Estimates

	Option 1	Option 2	Option 3	Option 4	Option 5
Transition costs to the DVSA	£0.19 m	£0.5 m	£0.5 m	£0.5 m	£0.5 m
Cost of testing vehicles	£82.4m	£41.2m	N/A	N/A	N/A
Cost of self-certification	N/A	N/A	£13.3m	N/A	£19.8m
Safety cost of exempting vehicles	N/A	N/A	£16.1m	N/A	£30.4m

Cost- High Estimates

	Option 1	Option 2	Option 3	Option 4	Option 5
Transition costs to the DVSA	£0.19 m	£1 m	£1 m	£1 m	£1 m
Cost of testing vehicles	£82.4m	£41.2m	N/A	N/A	N/A
Cost of self-certification	N/A	N/A	£13.3m	N/A	£19.8m
Safety cost of exempting vehicles	N/A	N/A	£29.5m	N/A	£51.8m

Benefits- Low Estimates

	Option 1	Option 2	Option 3	Option 4	Option 5
Savings from reduced vehicle testing	N/A	£59.7m	£119.5m	£59.0m	£178.4m
Value of prevented accidents from additional vehicle testing	£1.0m	£1.0m	N/A	N/A	N/A

Benefits- Best Estimates

	Option 1	Option 2	Option 3	Option 4	Option 5
Savings from reduced vehicle testing	N/A	£59.7m	£119.5m	£59.0m	£178.4m
Value of prevented accidents from additional vehicle testing	£1.5m	£1.5m	N/A	N/A	N/A

Benefits- High Estimates

	Option 1	Option 2	Option 3	Option 4	Option 5
Savings from reduced vehicle testing	N/A	£59.7m	£119.5m	£59.0m	£178.4m
Value of prevented accidents from additional vehicle testing	£1.9m	£1.9m	N/A	N/A	N/A

Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)

The main cost of the preferred option is the extent to which untested vehicles will cause a rise in accidents. This is very hard to estimate with any certainty. Relatively few people are killed or seriously injured by classic vehicles over the course of a year which makes a meaningful link between mechanical defects and the number of accidents affected hard to quantify with high levels of analytical assurance. It is also hard to know how people will behave without the requirement to test their vehicles in a counterfactual scenario. This analysis shows that even with conservative assumptions, the benefits of removing the requirement to test vehicles are far greater that the potential costs in terms of increased accidents. Commissioning further evidence would be disproportionate.

A relatively small number of cars fail their MOT tests for failure to meet emissions standards, as opposed to mechanical failures. This is why we thought it was disproportionate to monetise the benefit of removing these vehicles from the road. Similarly, we also thought it disproportionate to monetise the costs of driving to and from test centres in terms of carbon and air quality.

Direct costs and benefits to business calculations (following OI3O methodology)

There are no monetised costs to business. Historical vehicles used for business purposes are likely to fall into a category of legislation for Private Hire Vehicles, for which a requirement for regular MOT

testing is likely to apply in the baseline and preferred option scenarios. They will also incur these costs in both the preferred option and if we were to transpose minimum EU requirement. Exceptions to this include historical vehicles chauffeur driven for weddings and funerals and VHIs leased out on a self-drive only basis. However, we expect that most of these vehicles would continue to be MOT tested, even if it were not required by law. Companies would have an incentive to do this for insurance and civil liability purposes.

We think business users accounts for a substantial proportion of the 7% of pre-1960 vehicles that continue to be tested “voluntarily”.

One-In-Three-Out (OI3O) and the Business Impact Target (BIT)

The policy is in scope of OI3O but at this stage there are no monetised direct costs or benefits to business so the measure has been classified as neutral. The preferred option deviates from EU law and therefore would represent some level of Gold Plating. If this remains the preferred option after consultation there will be a full justification for this approach in the final stage IA. We will consult to see whether we are correct in thinking that either no, or very few VHIs used for business purposes would be exempt from testing if we were to transpose the minimum EU requirements. The measure is also a Qualifying Regulatory Provision (QRP) so will score against the BIT.

Wider impacts

Small and Micro Business Assessment (SaMBA)

We will seek further information at consultation stage at the effect this proposal will have on small businesses. These include business users of VHIs. We think most, if not all, of these would be required to test their vehicles under legislation that covers Private Hire in each of the the baseline, transposition of minimum EU requirements and preferred option scenarios, and so this would not represent either a benefit or a burden to these businesses. Relative to the baseline scenario, garages that specialise only in MOT testing will lose some business if fewer vehicles need to be tested. We think they will be able to diversify their businesses. This policy affects such a small proportion of vehicles on the road it would be disproportionate to seek to monetise this effect at this stage, although further evidence will be sought at consultation.

Family Test

We have considered this and there are no policy implications for families.

Equalities

Not-applicable

Competition

Not -applicable

Wider Environmental Issues

Exempting cars from MOT testing could potentially have a negative impact on air quality. A small number of cars fail MOT tests due to failing to meet emissions standards. This impact could be matched by the benefit of fewer cars having to drive to and from test centres. Early evidence, which we would seek to

confirm at consultation suggests that most VHIs are kept by private owners in a well maintained condition.

Health and Well-Being

Not applicable

Justice System

Not applicable

Human Rights

Not-applicable

Rural Proofing

Not-applicable

Sustainable Development

Not applicable

Summary and preferred option with description of implementation plan

The preferred option will exempt approximately 277,000 vehicles from testing and will be aligned with the 40 year VED age exemption. Although the preferred option goes beyond the 30 year exemption allowed under the new EU Regulation, the road safety concerns surrounding 30 year old vehicles compared to 40 year old vehicles was factored in to the decision. The MOT test failure rate is higher for 30 to 40 year old vehicles than for vehicles aged 40 and over. Our modelling is limited by available data linking accident rates to vehicle vintage, but we think the safety risks of exempting these older vehicles are higher than our modelling suggests. We will seek further information about this at consultation. Secondly, 40 years is the threshold for exempting vehicles for Vehicle Excise Duty.

Post Implementation Review (PIR)

We plan to review this policy five years after its implementation and will include a completed Post-Implementation Review template in the final IA.