

<b>Title:</b> Vehicle Driver (Certificate of Professional Competence) Regulations – additional exemptions <b>IA No:</b> DFT 00226  <b>Lead department or agency:</b> Department for Transport  <b>Other departments or agencies:</b> Driving Standards Agency	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 09/07/2013		
	<b>Stage:</b> Final		
	<b>Source of intervention:</b> Domestic		
	<b>Type of measure:</b> Secondary legislation		
<b>Contact for enquiries:</b> alanna.barber@dft.gsi.gov.uk; steve.blackmore@dft.gsi.gov.uk			
<b>Summary: Intervention and Options</b>		<b>RPC Opinion:</b> Not Applicable	

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, Two-Out? Measure qualifies as
£249.68m	£249.68m	-23.94m	Yes   OUT

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

Most drivers of Heavy Goods Vehicles (HGV - lorry) and Public Service Vehicles (PSV – buses and coaches) are required under EU legislation (Directive 2003/59/EC) to undertake 35 hours of periodic training every five years to hold a Driver Certificate of Professional Competence (CPC). Drivers entering the industry must also obtain an initial qualification. As there is no evidence to suggest that making drivers who drive vehicles as an incidental part of their job obtain a Driver CPC yields any improvements to road safety, there are clear benefits associated with removing these burdensome requirements. Government intervention is necessary because these requirements are regulated by Government.

**What are the policy objectives and the intended effects?**

The objective is to remove unnecessary burdens on those that drive lorries, buses and coaches as an incidental part of a job otherwise unconnected with driving by removing the requirement to obtain a CPC. This proposal would reduce the regulatory burden on these groups and their employers and fit with the approach taken by other EU member states. Such drivers would still need to have the correct driving entitlement on their driving licence for the class of vehicle they are driving, ensuring road safety standards are maintained.

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

Implementing this policy objective requires legislative change. There is no non-legislative option. The preferred option is comprised of two parts - (a) a distance exemption - A CPC would not be required by drivers of vehicles travelling relatively short distances - up to 50 kilometres from the driver's base without passengers or goods and where driving the vehicle was not the driver's principle work; and (b) Taking vehicles to test - allowing vehicles to be driven on a direct route to and from vehicle testing facilities without the driver (typically a mechanic), requiring a CPC.

We considered restricting the exemption to particular classes of driver (eg mechanics, valets), but the Directive offers no scope for class exemptions. We also considered including drivers delivering new vehicles, but consider that compliance and enforcement would be problematic.

<b>Will the policy be reviewed?</b> It will be reviewed. <b>If applicable, set review date:</b> 06/2016					
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.	<b>Micro</b> Yes	<b>&lt; 20</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b> N/A	<b>Non-traded:</b> N/Q	

***I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.***

Signed by the responsible Minister:

STEPHEN HAMMOND Date: 16/07/2013

# Summary: Analysis & Evidence

# Policy Option 1

**Description:** Exempt affected drivers from the requirement to obtain and retain a Driver CPC

## FULL ECONOMIC ASSESSMENT

Price Base Year 2013	PV Base Year 2013	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 57.27	High: 618.64	Best Estimate: 249.68

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

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

There are no monetised costs associated with this option.

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

The only potential cost associated with this option would be a decrease in road safety standards. However we expect these costs to be either negligible or non-existent, as other countries which have adopted similar changes have not experienced such impacts and there is no evidence to suggest that there are any safety benefits arising from mandating the drivers in question to undertake a Driver CPC.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0	6.8	57.3
High	0.0	73.8	618.6
Best Estimate	0.0	29.8	249.7

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

There are two monetised benefits arising from this proposal:

The training and tests which will no longer need to take place as a result of the proposed exemptions, (£177 million over 10 years).

The productivity savings arising from drivers no longer having to take time off work to undertake the relevant training and tests, (£127 million over 10 years).

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

There are also benefits in the form of travel savings from no longer needing to travel to training and test centres. However, the lack of evidence regarding the magnitude of these savings has resulted in us being unable to quantify and monetise these benefits.

### Key assumptions/sensitivities/risks

Discount rate (%)

3.5

Any changes to road safety resulting from these exemptions will be negligible.

There is no net growth in employment within the sectors in question over the next 10 years.

The proportion of drivers voluntarily choosing to obtain a driver CPC is very low.

In the "do nothing" scenario, the requirement to undertake a Driver CPC does not act as a deterrent for employers to hire new employees or deter employees from entering the relevant sectors.

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.0	Benefits: 23.9	Net: 23.9	Yes	OUT

# Evidence Base (for summary sheets)

## Problem under consideration

The Driver Certificate of Professional Competence (CPC) was implemented as a result of Directive 2003/59/EC<sup>1</sup>. This introduced a requirement across the EU for professional Heavy Goods Vehicles (HGV – lorries), and Passenger Service Vehicles (PSV - buses and coaches) drivers to hold a CPC in addition to their vocational driving licence. The main aim behind the CPC is to improve road safety, providing better qualified drivers to help reduce road casualties and also to bring an improved professional and positive image to the industries.

The Directive came into force for bus and coach drivers in September 2008, and for lorry drivers in September 2009. UK transposition was via The Vehicle Drivers (Certificates of Professional Competence) Regulations 2007<sup>2</sup> (as amended). So, from 2008-09, new drivers are required to obtain an initial qualification before they can start driving – comprising a four-module test comprising both theory and practical (driving) elements. They are then required to undertake 35 hours of periodic training every five years thereafter to retain the CPC. Existing professional drivers can continue driving without obtaining an initial qualification under ‘acquired rights’ for five years after the Directive came into force. During that time, they must undertake their 35 hours of periodic training before the ‘acquired rights’ period ends – which is September 2013 for bus drivers and September 2014 for lorry drivers and continue taking 35 hours training every 5 years thereafter.

The training and certification of existing drivers imposes an ongoing cost for the drivers concerned and their employers. Whilst this is appropriate for professional drivers spending up to 9-10 hours a day driving (driving time is regulated under a separate EC Regulation – 561/2006), it is disproportionate for others where driving is a minor part of a job that is largely unrelated to driving. Consequently, representations from trade bodies have highlighted situations such as vehicle engineers taking vehicles to a vehicle testing (MOT) station, valets delivering or collecting leased or rental vehicles, engineers delivering changeover buses, and employees moving vehicles in the environs of depots where the requirement to hold a CPC is perceived to be a disproportionate burden. A number of other EU Member States also already exempt vehicle mechanics from the CPC rules – notably France, Germany, Republic of Ireland and the Netherlands.

## Rationale for intervention

It is clear that there are little to no benefits associated with mandating that a Driver CPC be obtained by people where driving such vehicles is only an incidental part of their job – such as vehicle mechanics, fitters, valets and self-drive hire operatives. This proposal is a proportionate response and would reduce the regulatory burden on these groups without compromising road safety as we do not consider the road safety risk will be increased, (as this will involve occasional driving only, by those with the correct entitlement on their driving licence). This would also fit with the approach taken by other EU member states.

Government intervention is necessary as the current requirements are mandated by the state.

## Policy objective

These proposals would affect two classes of drivers:

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<sup>1</sup> Directive 2003/59/EC <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2003L0059:20081211:EN:PDF>

<sup>2</sup> The Vehicle Drivers (Certificates of Professional Competence) Regulations 2007 (original, as made) <http://www.legislation.gov.uk/ukxi/2007/605/made> These regulations were amended in 2011 (but not in relation to exemptions) <http://www.legislation.gov.uk/ukxi/2011/2324/made>

- Those driving buses/coaches and lorries as an incidental part of their job and who could satisfy the following requirements:
  1. The vehicle remained within a 50 km radius of the driver's base;
  2. The driver had the consent of the vehicle operator or lessor (as appropriate) to drive the vehicle;
  3. The vehicle was not being used for hire and reward;
  4. No goods or passengers were being carried on the vehicle; and
  5. Driving such vehicles was not the driver's principal work.
- Those driving HGVs and PSVs to and from a vehicle testing (MOT) facility.

In neither case would these drivers need to obtain and retain a CPC. New drivers would not be required to obtain the initial CPC qualification or undertake the additional 35 hours training every five years to retain it. Existing drivers would not be required to undertake the first tranche of 35 hours training to retain the entitlement, nor the subsequent 35 hours training every five years to continue retaining it. This means that those affected would only need to undertake driver training to obtain the relevant driving entitlement: something they would need to do regardless of whether or not these exemptions are introduced. Drivers would also not need to undergo any periodic training, as the current ongoing training requirements involves classroom based training aimed at full-time drivers that is not relevant to the occasional drivers that are the subject of this exemption.

### **Description of options considered (including do nothing)**

#### *Do Nothing*

Not extending these exemptions to the categories of drivers in question would mean that those undertaking this type of driving would continue to need to meet the CPC requirements. This represents an on-going cost, both in terms of obtaining the one-off initial qualification and then undergoing 35 hours of training every five years thereafter. This represents an unnecessary ongoing burden to industry when:

(a) Exemption is possible under EU law (and has already been implemented in other member states); and

(b) There are sound, practical reasons for exempting this type of driving without compromising road safety.

There is also no possibility to simply not sanction those drivers for not having a CPC because, as it is currently a legal requirement, the drivers would be driving unlawfully and would therefore not be insured to do so.

Do nothing is therefore not a viable option and is only included here as a baseline for comparison.

#### *Discounted Option: Applying the exemption to particular professions*

The existing EU Directive does not allow us to apply the exemptions to particular classes of driver. Even if this were not the case, it would be difficult to arrive at a comprehensive list of exempted professions, and unfair for the CPC requirements to apply to a driver that may not be on a list but is equally only driving a vehicle as part of a principal occupation unrelated to driving. So there would be the on-going burden of periodically updating the list. This option is therefore not considered further in this Impact Assessment.

#### *Preferred option*

(a) Distance exemption

A CPC would not be required by drivers of vehicles travelling relatively short distances - up to 50 kilometres from the driver's base without passengers or goods and where driving the vehicle was not the driver's principal work. Provided they had the appropriate driving licence, this would enable drivers without a CPC to, for example, move vehicles around a bus, coach or lorry depot, permit valets working

for leasing and rental firms to drive empty vehicles within 50 km of their operating base and staff to changeover buses and pick up or drop off vehicles at maintenance facilities within a 50 kilometre radius of their depot. Staff employed by self drive rental and leasing companies would be able to deliver, collect and refuel vehicles as part of their more general employment duties without the need for a CPC.

The conditions applying to this exemption would be that:

- The vehicle remained within a 50 km radius of the driver's base;
- The driver had the consent of the vehicle operator or lessor (as appropriate) to drive the vehicle;
- The vehicle was not being used for hire and reward;
- No goods or passengers were being carried on the vehicle; and
- Driving such vehicles was not the driver's principal work.

(b) Taking vehicles to test

We also propose to allow vehicles to be driven on a direct route to and from vehicle testing facilities without the driver (typically a mechanic), requiring a CPC. We do not propose to limit this exemption to empty vehicles (because some tests require the vehicle to be loaded), or a maximum distance because distances to an available test facility can vary greatly. This exemption is clearly limited in scope and compliance can be checked readily for enforcement purposes.

**Figures obtained from DSA and Industry and assumptions used in the analysis**

Industry bodies have provided us with the following information regarding the number of employees affected in each of the three sectors considered, the expected annual turnover in these sectors and the cost of employing somebody in each of these sectors per day, (note: this includes any variable costs associated with employing somebody, such as national insurance contributions):

Table 1 (Industry figures)

Sector	Drivers in Industry	Expected entry per year	Cost of employing per day
PSV	2,100	190	£125.00
HGV	24,000	500	£140.00
Self Drive and Valet	49,978	12,495	£90.91

As evident above, the Self Drive and Valet industry has a substantially higher turnover than the PSV and HGV industries. This is because most people choose not to make a career in this sector, but usually take on employment temporarily whilst transitioning between different jobs or when they have just entered the job market before moving into a more stable position.

We have also obtained information on the costs of CPC courses and training, course failure rates and the time taken to undertake CPC courses and training. These are shown below:

Table 2 (Figures from DSA)

Training and test costs	
Training for initial CPC qualification	£850
1 (Theory test)	£50
2 (Case studies)	£30
3 (Driving ability)	£115
4 (Practical test)	£55
Card costs	£25
35 hours training	£350

**All figures above are in 2013 prices.**

Table 3 (Figures from DSA, except for failure rates in the Self Drive and Valet sector which are assumed to equal the average for those in the PSV and HGV sectors. Industry representatives have confirmed they are content with this assumption.)

CPC Individual Test Failure Rates
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Module	PSV	HGV	Self Drive and Valet
1 (Theory test)	22%	20%	21%
2 (Case studies)	38%	42%	40%
3 (Driving ability)	47%	47%	47%
4 (Practical test)	10%	13%	12%

Table 4 (Figures from industry)

Time taken to:	Undertake training for initial qualification	Travel to test area and take CPC tests	Travel to test area and take ONLY ONE CPC test	Time taken for 7 hours annual ongoing training
Days:	5	1	0.5	1

The item in table 2 entitled “Card Costs” refers to the cost of the card needed to demonstrate that a driver is CPC certified. The percentages showing failure rates for individual components of the CPC tests for drivers in the PSV and HGV sectors were provided by DSA, with the Self Drive and Valet industry figures assumed to equal the average of the two. The last column of table 4 shows the time taken to undertake only *seven* hours of *annual* ongoing training as opposed 35 hours of training every 5 years, as industry bodies have indicated that their members would probably distribute the 35 hours of training evenly across the five years rather than skew it more closely to the start or end of the 5 year period.

Finally, we also have estimates of the number of people affected who – following the introduction of these exemptions – might still choose to undertake a driver CPC:

Table 5 (Figures derived from Industry estimates)

Number of people still choosing to do CPC		
PSV	HGV	Self Drive and Valet
0.50%	7.50%	0.50%

**NOTE: these figures are NOT factored into the calculations below until the end (under the section entitled: “Total Monetised Net Benefits resulting from the exemptions”, where the savings to each of the relevant sectors are multiplied by  $(1 - X\%)$  to account for the fact that some people will still choose to do the CPC voluntarily.**

The figures in table 5 represent our interpretation in ranges of industry’s broad estimates. The representatives for those affected in the HGV sector have said that somewhere between 90-95% would not get CPC if they didn’t have to. Those representing the Self Drive and Valet sector have indicated that the figure is probably less than 1% and for the PSV sector the figure is probably similar. Therefore, the “high” and “low” estimates for those in the HGV sector are 10% - 5% and for the other two 1% to 0%, with mid point estimates being the average of the two.

The ranges used for the purposes of sensitivity testing have been generated as follows: where a range has been provided, it has been used. Where it hasn’t, a range of 50% has been applied to the inputs in question.

The following inputs have been varied for the sensitivity testing, with ranges shown in brackets where they have been provided:

- The number Of people affected in each sector.
- The expected entry and exit per year into each of the sectors.
- The cost of employing somebody per day, (only the Self Drive and Valet representatives provided us with a range: “high” and “low” of £100.00 and £81.82 respectively).
- The test and training costs, (DSA provided us with a range for the cost of 35 hours training: a “high” and “low” of £450 and £250 respectively).
- The proportion of people in each sector still choosing to do CPC, (the HGV and PSV representatives provided us with ranges here: “highs” and “lows” were 10% and 5% for HGV and

1% and 0% for PSV. An assumption has been made that the PSV figures are also representative for those affected in the Self Drive and Valet sector).

- The time taken to do tests and training.

A complete list of the assumptions used in the analysis which follows is included in Annex 1.

## **Monetised and non-monetised costs and benefits of the preferred option;**

### Monetised Costs

There are no monetised costs associated with this option.

### Non-Monetised Costs

#### *Safety Implications:*

As mentioned above, the only potential cost associated with introducing these exemptions is a decrease in road safety standards. However, given that other countries have already adopted such exemptions with no resulting deterioration in road safety standards and that it is reasonable to assume that people whose primary occupation is not driving are unlikely to pose major threats to road safety, (as they will still need to hold an appropriate entitlement on their driving licence and are – by definition – on the road infrequently and not for very long), the safety costs resulting from the introduction of these exemptions are either negligible or zero.

### Monetised Benefits

#### *Eliminating the costs of Training and Courses:*

The savings here arise from the fact that – as a result of these exemptions – the drivers in question will no longer need to undertake the necessary training prior to obtaining the initial CPC qualification, will not have to undertake the tests for the CPC (and not have to re-take any tests if they fail) and will no longer have to undertake 35 hours of ongoing training every five years thereafter.

In 2013, only a third of those who usually enter the industry every year will be affected. This is because we expect the exemptions will come into force on September 1<sup>st</sup> and that all other drivers in the affected sectors have already undertaken the required tests and training for that year. In subsequent years (under the do nothing), every new entrant into the industry would have had to take the training for the initial qualification, the tests for the initial qualification (including any re-takes), purchase the card demonstrating they have obtained the initial qualification and complete 7 of the 35 hours of ongoing training. (Note that this does *not* apply to the final year in the appraisal (2023), as this year only considers the impacts occurring between January and August. This is done to ensure that the appraisal period is exactly 10 years long, (as the policy comes into force in September 2013). Further information regarding the treatment of the figures for 2023 can be found located in Annex 1.)

Accordingly, the savings from no longer having to undertake the requisite training and tests are as follows (these are gross cost savings that are not yet adjusted for those drivers that decide to voluntarily obtain a driver CPC, as this is done later in tables 8, 9 and 10):

Table 6

	PSV	HGV	Self Drive and Valet
2013	£80,873.50	£213,133.33	£5,030,799.38
2014	£376,320.50	£2,284,400.00	£15,092,398.13
2015	£376,320.50	£2,284,400.00	£15,092,398.13
2016	£376,320.50	£2,284,400.00	£15,092,398.13
2017	£376,320.50	£2,284,400.00	£15,092,398.13
2018	£376,320.50	£2,284,400.00	£15,092,398.13
2019	£376,320.50	£2,284,400.00	£15,092,398.13
2020	£376,320.50	£2,284,400.00	£15,092,398.13
2021	£376,320.50	£2,284,400.00	£15,092,398.13
2022	£376,320.50	£2,284,400.00	£15,092,398.13
2023	£250,880.33	£1,522,933.33	£10,061,598.75

**All figures above are in 2013 non-discounted prices.**

*Productivity gains from no longer spending time attending Training and Courses:*

These savings arise from the fact that businesses will no longer incur productivity losses associated with having employees undertaking unnecessary training and tests when they could otherwise be working. They are calculated by multiplying the number of working days forgone whilst undertaking these unproductive activities by the estimated working value of a day for employees in each of the different sectors, (which vary through time in line with changes in real GDP per capita). These savings are shown below:

Table 7 (as in table 6 above, these are gross cost savings that are not yet adjusted for those drivers that decide to voluntarily obtain a driver CPC, as this is done later in tables 8, 9 and 10)

	PSV	HGV	Self Drive and Valet
2013	£58,781.25	£173,716.67	£2,436,525.00
2014	£423,312.61	£3,886,610.77	£7,454,304.59
2015	£433,048.80	£3,976,002.82	£7,625,753.59
2016	£443,138.83	£4,068,643.68	£7,803,433.65
2017	£452,577.69	£4,155,305.79	£7,969,646.79
2018	£459,954.71	£4,223,037.28	£8,099,552.03
2019	£467,497.96	£4,292,295.09	£8,232,384.68
2020	£475,164.93	£4,362,688.73	£8,367,395.79
2021	£483,955.48	£4,443,398.47	£8,522,192.61
2022	£492,473.10	£4,521,602.28	£8,672,183.20
2023	£334,126.58	£3,067,756.43	£5,883,787.23

**All figures above are in 2013 non-discounted prices.**

### Non-Monetised Benefits

*Travel savings from no longer travelling to training and test centres:*

It is clear that travel savings would result from drivers no longer having to travel to training and test centres. This is regardless of whether or not these savings accrue to the businesses paying for the training and tests (as they could cover their driver's travel costs), the businesses providing the training, (as they could pay to send their instructors over to the sites of the workers receiving the training) or the drivers themselves.



Unfortunately however, insufficient evidence was received from industry groups regarding the potential magnitude of these savings, in large part due to the uncertainty surrounding the geographical distribution of training and test sites. We have therefore been unable to quantify these savings.

*Total Monetised Net Benefits resulting from the exemptions*

The total monetised net benefits resulting from the introduction of these exemptions in the central scenario are as follows:

Table 8

**BEST ESTIMATE**

Savings	PSV	HGV	Self Drive and Valet	Total
2013	£138,956	£357,836	£7,429,988	£7,926,780
2014	£795,635	£5,708,185	£22,433,969	£28,937,789
2015	£805,322	£5,790,873	£22,604,561	£29,200,756
2016	£815,362	£5,876,565	£22,781,353	£29,473,280
2017	£824,754	£5,956,728	£22,946,735	£29,728,216
2018	£832,094	£6,019,379	£23,075,990	£29,927,464
2019	£839,599	£6,083,443	£23,208,159	£30,131,201
2020	£847,228	£6,148,557	£23,342,495	£30,338,280
2021	£855,975	£6,223,214	£23,496,518	£30,575,706
2022	£864,450	£6,295,552	£23,645,758	£30,805,760
2023	£582,082	£4,246,388	£15,865,659	£20,694,129

**All figures above are in 2013 non-discounted prices.**

Note that the figures in table 8 are not equal to the sum of the figures in tables 6 and 7, as the figures in table 8 take into account the number of people in each of the three sectors who might choose to continue taking the Driver CPC voluntarily.

The vast majority of the savings occur after 2013, when *all* new entrants into each sector per annum are able to avoid the burdensome CPC training and testing requirements. The total savings continue to rise every year from 2014 onwards because of the increasing values of time of the employees affected. The associated Net Present Value is £249.68 million.

However – as mentioned previously – due to the uncertainty regarding the figures provided we have conducted sensitivity testing to generate a range around these figures. The “Low” and “high” estimates of the net savings resulting from these exemptions are accordingly as follows, (these also include estimates of the people who might choose to continue taking the Driver CPC voluntarily, with the relevant ranges applied):

Table 9

**LOW ESTIMATE**

Savings	PSV	HGV	Self Drive and Valet	Total
2013	£27,761	£68,623	£1,787,859	£1,884,243
2014	£161,117	£1,113,234	£5,395,815	£6,670,165
2015	£162,322	£1,123,290	£5,434,005	£6,719,617
2016	£163,570	£1,133,712	£5,473,583	£6,770,866
2017	£164,738	£1,143,462	£5,510,607	£6,818,808
2018	£165,651	£1,151,082	£5,539,544	£6,856,277
2019	£166,585	£1,158,873	£5,569,132	£6,894,590
2020	£167,533	£1,166,792	£5,599,206	£6,933,532
2021	£168,621	£1,175,872	£5,633,687	£6,978,181

2022	£169,675	£1,184,670	£5,667,097	£7,021,443
2023	£113,836	£795,783	£3,800,859	£4,710,478

All figures above are in 2013 non-discounted prices.

Table 10

**HIGH ESTIMATE**

Savings	PSV	HGV	Self Drive and Valet	Total
2013	£378,927	£1,008,989	£17,349,698	£18,737,614
2014	£2,228,151	£16,831,351	£52,407,300	£71,466,802
2015	£2,261,011	£17,117,964	£52,831,636	£72,210,611
2016	£2,295,065	£17,414,994	£53,271,394	£72,981,453
2017	£2,326,921	£17,692,854	£53,682,772	£73,702,547
2018	£2,351,818	£17,910,018	£54,004,287	£74,266,124
2019	£2,377,277	£18,132,076	£54,333,048	£74,842,401
2020	£2,403,153	£18,357,776	£54,667,200	£75,428,129
2021	£2,432,821	£18,616,551	£55,050,322	£76,099,695
2022	£2,461,568	£18,867,292	£55,421,549	£76,750,409
2023	£1,660,658	£12,749,264	£37,200,971	£51,610,893

All figures above are in 2013 non-discounted prices.

The resulting Net Present Values are £57.27 million and £618.64 million, respectively.

**Direct costs and benefits to business calculations (following OITO methodology);**

As employers would be expected to pay for the training and tests undertaken by their employees in future and they would also incur the productivity losses associated with having their employees spend time doing unnecessary testing and training, *all* of the monetised benefits calculated above are considered direct benefits to UK businesses resulting from the introduction of these exemptions. Accordingly, the Business Net Present Value in our central scenario is £249.68 million, with a resulting Equivalent Annual Net Cost to business of -£23.94 million, (i.e. an annual net benefit to UK business of £23.94 million).

It is worth noting that because we were unable to estimate the travel savings resulting from the introduction of these exemptions (specifically, the instances where businesses *would* cover the travel costs of their employees when attending training and testing), and as a result of the conservative assumptions used in the analysis, (such as assumption 8 in Annex 1, which means the *lowest possible* number of days is assumed to be lost by employees re-taking CPC tests), **the actual savings to business are likely to be significantly larger.**

We believe the proposed exemptions should be classed as an 'Out' in accordance with the One in One out Methodology because – despite the fact that the original regulations (which came into force prior to the introduction of One-in, One-out) are European in nature – by making a deregulatory change to domestic legislation we are eliminating unnecessary burdens to business.

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

Due to the uncertainty associated with the figures provided, inputs were varied by 50% to conduct the sensitivity testing where industry representatives were unable to provide ranges. Conservative assumptions were also made to ensure estimates of the benefits were not too high, in particular assumption 8 in Annex 1, (which – if incorrect – means the time savings resulting from no longer having to take CPC re-tests are actually much higher than stated above). Furthermore, the travel savings resulting from these exemptions have been left un-quantified, meaning the total savings are likely to be greater than stated here. Nevertheless we feel the analysis conducted here is proportionate, as

attempting to estimate the net benefits of this policy with more accuracy and precision would not change the conclusion the analysis: that the proposed exemptions have large savings attached to them with no resulting costs.

### **Risks and assumptions;**

A complete list of assumptions used in the analysis above is provided in Annex 1.

### **Wider impacts:**

#### **Equalities**

The CPC exemption would be available to anyone whose professional driving role could take advantage of it, and so it would not advantage or disadvantage particular sectors, individuals or businesses. We therefore feel there are no impacts on equalities arising from these proposals.

#### **Carbon Impacts**

We do not expect there will be any changes in traded CO2 emissions arising from these proposals. There could be a decrease in non-traded CO2 emissions arising from the travel savings mentioned earlier. However, such impacts would likely be minor and we have been unable to quantify them.

### **Summary and preferred option with description of implementation plan.**

The preferred option is to exempt two types of driving from the requirement to obtain a CPC. These are:

- (a) Those driving HGVs and PSVs on journeys that are no more than 50 km radius of the driver's base; and
- (b) Those taking these vehicles to be tested at a vehicle testing (MOT) station (usually a mechanic).

These exemptions would apply only to those people that drive such vehicles as part of an occupation that is otherwise unconnected with driving. For example, those that move vehicles around a bus, coach or lorry depot, permit valets working for leasing and rental firms to drive empty vehicles within 50 km of their operating base and staff to changeover buses, pick up and drop off vehicles at maintenance facilities within a 50 kilometre radius of their depot. Staff employed by self drive rental and leasing companies would be able to deliver, collect and refuel vehicles as part of their more general employment duties.

The implementation plan is divided into two activities:

1. *Ensuring that enforcement authorities are aware of the new exemption.*

Enforcement of the CPC requirement is via roadside checks by the appropriate enforcement authorities. These are the Vehicle Operator and Services Agency (VOSA – an executive agency of the Department for Transport) and the police. Both agencies are aware of the proposals and that they will no longer be required to enforce the CPC requirement against this type of driving once the legislative change is made.

2. *Adequately publicising the exemption to affected industries and individuals*

The individuals affected by these proposals fall within four trade bodies. We have kept them fully informed of intention to introduce this exemption as well as progress on implementation. The legislative changes and implementation date will be publicised through their media channels, as well as through the DfT and VOSA press offices. As the individuals affected are exclusively within the HGV and PSV industries, we are confident that publicity for the change within that industry should achieve adequate penetration.

Although the new exemption will be monitored following introduction to ensure it meets its objectives, there will also be a formal review three years after implementation. This is to ensure that the new exemption is working as planned and continues to achieve its objectives – which is that it exempts, in

practice, the classes of occasional driver that it is aimed at. This review will involve discussions with the industry trade bodies to assess whether the exemption has worked as intended.

### **Rationale for exempting micro-businesses**

As the proposals are entirely deregulatory, we would not wish to exempt micro-businesses from the change. Doing so would result in them facing unnecessary burdens that other businesses wouldn't.

## Annex 1: Assumption used in the analysis

1. The cost of 35 hours training is equal to the average of DSA high £450 and low £250 (£350).
2. Failure rates for all 4 CPC tests for Self Drive and Valet employees are equal to the average for PSV and HGV employees.
3. Sector sizes remain constant through time (i.e. those entering profession in any given year equal to those exiting in that same year).
4. Those engaged in the ongoing training (i.e. the 35 hours every 5 years) spread it out over the 5 years (7 hours per year).
5. Those engaged in the ongoing training do the yearly 7 hours in one day per year (i.e. 1 working day is lost).
6. If a driver fails even one of the CPC tests (and therefore needs to repeat), they can repeat the subsequent day.
7. Drivers take all CPC tests on the same day regardless of whether or not they fail one of the tests that day, (for instance, if a driver fails the Theory test on their first attempt they still take the other three tests throughout the remainder of the day). These drivers then take the relevant re-tests the subsequent day.
8. The test failure rate figures supplied by DSA are assumed to apply for first attempts only. Second attempt failure rates are assumed to equal zero. So all drivers who fail any of the CPC tests the first time around re-take the tests they failed the next day and pass.
9. Failing one of the CPC tests does not discourage any of the drivers from re-taking the tests.
10. The number of people failing is assumed as follows: a driver who fails the test with the lowest failure rate (e.g. the practical test for PSV drivers), is assumed to fail all of the tests in that round. Then - for the remaining drivers - a driver who fails the test with the second lowest failure rate is assumed to also fail the test with the third lowest failure rate and the highest failure rate (and so on).
11. A driver who fails at least one or more of the CPC tests only takes the necessary test(s) again but does not undergo any further training for preparation.
12. A driver who fails 2 or more tests takes one full day off for re-takes. If he fails only 1 test then takes off only 0.5 days for re-takes.
13. Employment turnover is such that - in each sector - the people being replaced are always the people who have been there the longest (e.g. within 5 years the Self Drive and Valet Industry is comprised of an entirely different set of people).
14. The cost of the card, training and courses are constant through time in real terms.
15. The daily cost of employing people in the HGV, PSV and self drive/valet sectors increases through time in line with forecast changes in real GDP per capita, (via WebTag).
16. Working value of time for the affected employees are assumed to equal the industry provided figures and not the standard driver working values of time located in WebTag for two reasons: first, the values obtained from industry are likely to be more accurate as they have the exact expertise on what it costs to employ people in their relevant sectors at present and secondly, the values in WebTag apply only to people who are drivers only whilst the industry figures represent values for people in the relevant industry who are only drivers for some of their working time.
17. For those sectors with the lowest turnover (i.e. PSV and HGV), businesses continue paying for the yearly ongoing training of their employees even if they might leave the industry in time for them not to be caught out by the 5 year 35 hour rolling requirement.
18. Companies never pay for ongoing training in the self-drive and valet industry because the turnover is so high that - within 5 years - nobody is caught out by the 35 hour requirement.

19. There is an even distribution of new starters throughout the year, (so a third of annual entrants enter the industry from September 2013 to December 2013).
20. As the appraisal is based over 10 calendar years (and the policy starts in September 2013), the appraisal period ends in August 2023. Therefore - given the assumption of uniform entry into each sector over the course of a year - it is assumed that two thirds of annual entrants enter the industry from January 2023 to August 2023).
21. The number of people required to take training and tests for initial CPC in 2013 is a third of total annual entrants, (because the target date to introduce these exemptions is 1st Sept 2013).
22. All entrants in each sector require CPC training and initial qualification before they can start working.
23. All employees who were in the three sectors BEFORE September 2013 have already done their 7 hours for 2013, (so the only savings in 2013 relating to ongoing training are for those new entrants who enter from Sept 2013 onwards).
24. As the last year of the appraisal period only covers two thirds of the year (2023), for the purposes of this analysis it has been assumed that only two thirds of the drivers in each sector complete their 7 hours of annual ongoing training between January and August 2023, (except for those in the self-drive and valet sector, who never do the training).
25. There are 220 working days per year (this assumes 8 weeks' per year not spent working - combination of annual leave and sick leave). This has been used to calculate the daily cost of employing somebody in instances where industry bodies have only provided annual figures.
26. The number of affected people still choosing to obtain a Driver CPC in PSV, HGV and self drive/valet in the "high" and "low" scenarios are as follows: PSV and valet = 1% and 0%, HGV = 10% and 5% with the average used for centre point estimates.
27. For Sensitivity Testing, where ranges have been provided they have been used to generate the relevant ranges. Elsewhere, inputs have been varied by 50% up and down due to uncertainty regarding the numbers provided.
28. In the "do nothing", employers are not reluctant to hire due to CPC requirements and prospective employees are not deterred from entering sectors due to requirements either.
29. Course failure rates are constant through time.
30. Industry pay for courses and training.
31. Industry incur the productivity losses associated with drivers having to attend training and courses.
32. Drivers who originally would have had to take the requisite CPC tests and training – and would rather not – do not substitute into other forms of training once the exemptions are introduced.