Title: Exemptions from annual roadworthiness testing rules **IA No:** DfT00279 **Lead department or agency:** Department for Transport **Other departments or agencies:** Driver and Vehicle Standards Agency	**Impact Assessment (IA)** **Date:** 25 November 2014 **Stage:** Consultation **Source of intervention:** EU **Type of measure:** Secondary legislation **Contact for enquiries:** Matthew Hammond Matthew.hammond@dft.gsi.gov.uk

Summary: Intervention and Options

RPC Opinion: RPC Opinion Status

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**
-£99.50m	-£99.50m	£9.05m	No	n/a

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

Certain classes of heavy goods vehicles (HGVs) benefit from an exemption from annual roadworthiness testing allowed under GB legislation. This appears to be incompatible with EU law and leaves the Department liable to be challenged in the European Court. Government intervention would be needed to remove the exemptions. Furthermore, since roadworthiness testing of vehicles helps to reduce the number of accidents caused by defective vehicles, reducing the number of exemptions will benefit road safety. It will also help to ensure a level playing field in certain sectors.

What are the policy objectives and the intended effects?

The objective is to review the exemptions from HGV testing and ensure that GB law is fully compliant with EU law whilst avoiding any gold plating. The effect will be to subject certain classes of currently exempt HGV to annual testing. The result will be an increase of around 10% of the total number of HGVs currently subjected to testing. This will ensure that all 'HGV-based vehicles' are subjected to testing and that all vehicle operators are required to demonstrate compliance with minimum maintenance requirements in future for the benefit of road safety.

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

Option Zero: Make no changes (baseline). This is not assessed as it would not address the inconsistency between domestic and EU law.

Option One: Remove or modify all current annual test exemptions that appear to be incompatible with EU rules and in so doing make vehicles that are exempt subject to annual testing in future.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 03/2019

Does implementation go beyond minimum EU requirements?			No		
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:** NQ	**Non-traded:** NQ	

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: Claire Perry Date: 10/12/2014

Summary: Analysis & Evidence

Policy Option 1

Description: Remove or modify any exemptions that appear incompatible with EU rules

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -123.49	**High:** -77.02	**Best Estimate:** -99.50

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0		9.0	**77.0**
High	0		14.5	**123.5**
Best Estimate	0		11.6	**99.5**

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

Cost to business of testing vehicles which are no longer exempt. This includes the test fee, and also the cost of down-time for the vehicle and for the accompanying driver. Some vehicles will have to make a special trip to an approved testing facility; vehicle running costs (fuel, tyres, maintenance) have been included for these vehicles. The number of vehicles affected is expected to grow through time, so costs are expected to increase through the appraisal period.

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

Small environmental cost of extra fuel burn and resultant emission of gaseous pollutants due to taking additional vehicles to and from testing stations.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low				
High				
Best Estimate	n/a		n/a	**n/a**

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

None

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

Reduction in road accidents caused by improperly maintained vehicles. This cannot be monetised because it is not possible to identify accidents involving the classes of vehicles under consideration in the department's collisions data.
More level playing field for HGV operators.

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

We do not have good data on the number of vehicles affected, so have used a best estimate (40,000) provided by the DVLA and assumed a range of different growth rates. We have assumed that 60-80% of vehicles can receive the test as part of their regular maintenance check, while the remaining 20-40% must make a special trip to a DVSA approved testing centre. Values for the driver and vehicle time used are based on vehicle and employee costs provided by the Freight Transport Association.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:						In scope of OITO?	Measure qualifies as
Costs:	9.1	**Benefits:**	0.0	**Net:**	-9.1	No	Out

Evidence Base (for summary sheets)

Problem under consideration

1. Annual roadworthiness testing of HGVs was introduced in Britain in 1968. At that time, a decision was taken specifically to exempt a number of categories of vehicle from testing – we think primarily because they were then 'non-standard types of vehicle', or vehicles which were limited in number or use. The exempt categories included the following that we are planning to remove or modify; mobile cranes, electric vehicles, road construction vehicles, breakdown vehicles, vehicles containing engineering plant or health, tarmac trailers, tower wagons, road construction vehicles, education or display equipment, HGV tractor units drawing exempt trailers and vehicles based in seven Scottish islands.

2. There are also two other categories of vehicle that are essentially exempt from the requirement to undergo an annual roadworthiness test: one is exempt by virtue of restricted use; the other is exempt by virtue of vehicles being classified as haulage vehicles (locomotives) rather than as a goods-carrying vehicles.

3. EU law on roadworthiness testing is set out in Directive 2009/40/EC and new Directive 2014/45/EU. HGV related exemptions in Directive 2014/45 are similar to those in 2009/40 are limited to:

- vehicles used by armed forces, forces responsible for law and order, fire services, civil protection services and emergency or rescue services;
- vehicles used for agricultural, horticultural, forestry, farming or fishery purposes only on the territory of the Member State concerned and mainly on the terrain of such where such activity takes place, including agricultural roads, forestry roads or agricultural fields;
- vehicles used exclusively in small islands or sparsely populated areas;
- specialised vehicles transporting circus and funfair equipment, with a maximum design speed not exceeding 40 km/h, and only operating on the territory of the Member State concerned; and
- vehicles operated or used in exceptional conditions and vehicles which are never, or hardly ever, used on public roads, such as vehicles of historical interest or competition vehicles.

Rationale for intervention

4. One major reason for reviewing the list of exemptions now is because the number of exempt vehicles is growing[1]. This further raises concerns about road safety – and also of fairness, as between operators of vehicles that are currently tested, and operators of vehicles which are currently exempt from testing. We also have a legal obligation to ensure compatibility between the list of exempt vehicle classes and EU law on testing. The former is detailed in Schedule 2 to the Goods Vehicles (Plating and Testing) Regulations 1988 ('the Regulations'); the latter is provided for under Article 4 of Directive 2009/40/EC.

5. It is difficult to give a precise estimate of the number of vehicles currently classified under exemptions which we think are incompatible with EU legislation. In total we estimate that around 40,000 vehicles are involved – which is of the order of 10% of HGVs that are currently subjected to annual roadworthiness testing. That estimate is based on DVLA data where available and otherwise a best guess for vehicle categories where specific data is not collated.

[1] We do not have data for all of the vehicle types that would be affected. One of the most numerous vehicle types that will be affected is breakdown vehicles (i.e. vehicles designed to transport a car or other broken-down vehicle). DVLA data shows that the number of break down vehicles has been growing over time: In 2009 there were 14,342 break down vehicles, rising to 16,660 in 2014. The number of "Tower wagons" has also increased by about 800 in the same period.

Policy objective

6. The overarching objective is to ensure domestic legislation is compliant with European law so as to avoid infraction proceedings against the UK for failure to implement either Directive 2009/40/EC or Directive 2014/45/EU when it comes in to force around April 2018. It is also about improving road safety and helping to ensure fair competition. On the latter point, currently each lorry that is tested helps fund roadside enforcement. However any vehicle whether in or out of the testing regime may be subject to enforcement action. Therefore, by increasing the pool of vehicles that are paying annual testing fees, the cost of enforcement is spread across a larger number of HGV operators. Any vehicles that are currently exempt will, by coming in to scope of annual roadworthiness testing will also by default fall within scope of vehicle plating. This will help to provide greater clarity to enforcement authorities as to whether a particular vehicle is being operated within the maximum permitted weight. There are no separate costs for the plating element of plating and testing as plating is conducted as part of a vehicle's first test.

Policy options considered including alternatives to regulation

7. Do nothing is not assessed as this would not address inconsistencies between domestic and EU Regulations. The option considered is the minimum we must do to comply with EU legislation and that is to remove or modify all current annual test exemptions that appear to be incompatible with EU rules and in so doing make certain types of vehicles that are currently exempt under UK regulations, be subject to annual testing in future.

Option 1 – Modify the list of exemptions

Monetised and non-monetised costs and benefits of option 1

8. Assumptions used in the analysis:

a) 40,000 vehicles are affected by the legislation in year 1 (2014)

b) The number of vehicles affected rises throughout the appraisal period. The lower-bound growth rate is an additional 500 vehicles per annum (one estimate suggests this is the current growth rate). The upper-bound growth rate is 3.0% per annum (based on growth in breakdown vehicles, which grew by 3.04% per year over the period 2009-2014[2]. We believe that breakdown vehicles are one of the dominant vehicle types affected). The best estimate is the average between upper and lower bound.

c) 30% of vehicles will travel to a DVSA test facility to receive the roadworthiness test[3]. For these vehicles, a special trip is made for the test. We assume that this takes half a day of driver and vehicle time, plus vehicle costs (fuel, tyres, maintenance) incurred for a 30-70 mile round trip to the nearest DVSA facility.

d) For the remaining 70% of vehicles, the test takes place at an Approved Testing Facility (ATF)[4]. We assume that this group is made up of two parts: the majority (50% of the total) must make a special trip to their nearest ATF for the test, and the nearest ATF is a 15-35 mile round trip away[5]. For the remaining vehicles (20% of the total), we assume the test is performed alongside the vehicle's regular maintenance check[6]. For these vehicles, there are no travel costs associated with the test, only the fees and time costs while the test takes place.

[2] DVLA data showed there were 14,342 break down vehicles in 2009, rising to 16,660 in 2014

[3] DVSA data shows that in 2013/14 (up to March 10th 2014), 29.95% of vehicles received their roadworthiness test at a DVSA testing facility

[4] DVSA data shows that in 2013/14 (up to March 10th 2014), 70.05% of vehicles received their roadworthiness test at an Approved Testing Facility.

[5] One of the advantages of ATFs is that they are more numerous so normally closer than the nearest DVSA facility. Here we have assumed that the ATF is 50% closer than the nearest DVSA facility.

[6] Another advantage of ATFs is that maintenance can be performed at the same location

e) The test takes 55 minutes to complete (this is based on average test time for a 4-axle motor vehicle without trailer)[7].

f) The cost of the test ranges from £98-£188 (average £143), depending on the number of axles and on what day and/or at what time the test is booked. Vehicles using an ATF pay an additional 'pit fee' of £55 excluding VAT[8].

g) Values of the driver and vehicle time, plus running costs per mile (fuel, tyres and maintenance) are based on 2013 Freight Transport Association (FTA) tables for a 16-18 tonne box or curtain sided HGV, with average mileage. They are uprated to 2014 prices using the Treasury GDP deflators.

h) Value of driver's time increases through the appraisal period in line with forecast GDP/capita.

i) The value of the vehicle's time (i.e. the opportunity cost of HGV utilisation) is calculated under the assumption that the commercial value of operating an HGV is greater than or equal to the cost of running an HGV. The cost of running an HGV is calculated as fixed costs (Vehicle Excise Duty, insurance, depreciation and transport overheads) plus running costs (fuel, tyres, maintenance). These are divided over a working year of 250 days, 9 hours per day to estimate an hourly rate. Running costs are subtracted from the final hourly rate since while attending the testing centre, the vehicle avoids the marginal costs associated with commercial activity. As explained above, running costs associated with the return journey to the testing facility have been included separately.

j) There is no cost to business of complying with annual test instructions over and above what is already required of an operator in complying with the legal requirement that a vehicle must be safely maintained at all times.

Monetised costs to business

Number of vehicles affected

9. In total we estimate that there are currently around 40,000 vehicles which would be affected by the change. These vehicles are currently exempt from annual roadworthiness testing, but would no longer be exempt under the new regulations. One allowable exemption under EU Directive 2014/45/EU is for vehicles used exclusively on "small islands". Small islands are subject to a standard EU definition. We believe this will allow us to keep existing small island exemptions for at least six of the seven islands in Scotland which are currently exempted but further consideration will be required.

10. The number of vehicles affected is likely to be increasing through time. Given the unavailability of data for many of the vehicle categories affected, it is difficult to estimate exact growth rates. One estimate suggests they are growing by around 500 per annum. We have used this for the lower-bound growth rate. Another estimate suggests they are growing at a rate of around 3%[9]. We have used this for the upper-bound. For our best estimate, we have used an average between these two rates. Table 1 shows the estimated number of vehicles affected for each year of the appraisal period.

	lower	*central*	*upper*
2014	40,000	40,000	40,000
2015	40,500	40,858	41,217
2016	41,000	41,735	42,470
2017	41,500	42,631	43,762
2018	42,000	43,547	45,093
2019	42,500	44,482	46,465
2020	43,000	45,439	47,878
2021	43,500	46,417	49,335
2022	44,000	47,418	50,835
2023	44,500	48,441	52,381

[7] VOSA (now DVSA) HGV annual test timing exercise 2008 (provisional results for 2014 exercise suggest similar timings)

[8] DVSA regulate the pit fee that an ATF can charge for performing a roadworthiness test. The maximum pit fee for an HGV is currently £55.

[9] DVLA data showed there were 14,342 break down vehicles (one of the vehicle types affected) in 2009, rising to 16,660 in 2014. This is equivalent to growth of 3.04% per annum.

Table 1: Estimated number of vehicles affected, 2014-2023

11. We have divided the vehicles affected into three different groups based on the options available to vehicle operators. These are to test the vehicle either at a DVSA facility or at an ATF, and, for those using an ATF, whether to make a special trip for the test or to perform it alongside the vehicle's regular maintenance check. Note that DVSA facilities do not offer maintenance.

Vehicles that make a special trip to the nearest DVSA facility (30%)

12. At present around 30% of annual roadworthiness tests are performed at DVSA facilities, however this number is expected to decrease through time as the number of ATFs grows. For simplicity we assume that throughout the appraisal period the number of vehicles tested at DVSA facilities stays constant at 30%. This is a conservative approach because it means our estimated costs to business remain static over time, whereas in fact they are likely to fall. We feel this is appropriate because we do not have evidence to estimate how quickly the shift will happen.

13. For the purpose of this impact assessment, we have allowed half a day of the driver and vehicle's time for the return trip and testing procedure to take place. We also include vehicle costs for the trip – fuel costs plus tyres and maintenance. These are based on FTA estimates for the average pence per mile of a 16-18 tonne box or curtain sided HGV – further details are in Annex A. We assume that the round-trip is 30-70 miles long.

14. The monetised value of the time used by the driver and vehicle are estimated to be £15.30 and £6.57 per hour respectively. For the driver, this is based on estimates from the FTA of the annual employment cost for a driver of a 16-18 tonne box or curtain sided HGV. An hourly figure is reached by assuming that employees work 250 days per year, 9 hour per day. The value of a driver's time is assumed to increase through time in line with GDP per capita.

15. The cost of the down-time for the vehicle is calculated using a similar set of assumptions. The annual fixed costs of operating an HGV (Vehicle Excise Duty, insurance, depreciation, transport overheads) are divided over the same number of working hours as for drivers. Further details of these calculations can be found in Annex A.

16. Total costs per vehicle for this group are made up of the test fee, the driver and vehicle time, and the journey costs, as follows:

Table 2: Cost per vehicle (2014 prices and values) for vehicles that make a special trip to the nearest DVSA facility

	lower	*central*	*upper*
Test Fee	£ 98.00	£ 143.00	£ 188.00
Driver's time: 4.5 hours at £15.30 per hour	£ 68.85	£ 68.85	£ 68.85
Vehicle time: 4.5 hours at £6.57 per hour	£ 29.58	£ 29.58	£ 29.58
Journey costs: 30-70 mile round trip at 55p per mile	£ 16.77	£ 27.95	£ 39.14
TOTAL	£ 213.20	£ 269.38	£ 325.56

Vehicles that make a special trip to the nearest ATF (50%)

17. For this group of vehicles, we assume that a special trip is made for testing as above, but in this case the testing takes place at an ATF. The nearest ATF is assumed to be a 15-35 mile round trip away. Travel time is therefore half that used above, plus testing time of 55 minutes.

18. Unlike DVSA facilities, the ATF may charge a 'pit fee' of up to £55 in addition to the test fee. For the cost estimates below, we have assumed that all ATFs charge the full amount. In reality, some may charge less or no fee at all.

19. Total costs per vehicle for this group are as follows:

Table 3: Cost per vehicle (2014 prices and values) for vehicles that make a special trip to the nearest ATF

	lower	*central*	*upper*
Test Fee + Pit Fee	£ 153.00	£ 198.00	£ 243.00
Driver's time: 2h43mins at £15.30 per hour	£ 41.44	£ 41.44	£ 41.44
Vehicle time:2hr43mins at £6.57 per hour	£ 17.80	£ 17.80	£ 17.80
Journey costs: 15-35 mile round trip at 55p per mile	£ 8.39	£ 13.98	£ 19.57
TOTAL	£ 220.63	£ 271.22	£ 321.81

Vehicles that receive the test alongside their regular maintenance check (20%)

20. All of the vehicles affected should already be receiving a full maintenance service at least once per year. For many of them, this maintenance service is likely to be taking place at an ATF. Therefore, vehicle operators may choose to combine the roadworthiness test with the maintenance check, thus avoiding having to make a special trip.

21. For these vehicles, the cost of this policy is made up of the test fee, pit fee and driver/vehicle waiting time while the test takes place. There is no travel cost since the trip would have taken place anyway.

22. Total costs per vehicle for this group are as follows:

Table 4: Cost per vehicle (2014 prices and values) for vehicles that receive the test alongside their regular maintenance check

	lower	*central*	*upper*
Test Fee + Pit Fee	£ 153.00	£ 198.00	£ 243.00
Driver's time: 55 minutes at £15.30 per hour	£ 14.02	£ 14.02	£ 14.02
Vehicle time: 55 minutes at £6.57 per hour	£ 6.03	£ 6.03	£ 6.03
TOTAL	£ 173.05	£ 218.05	£ 263.05

23. The costs per vehicle are multiplied by the number of vehicles affected (Table 1) and the proportion of vehicles in each group to give total costs for all vehicles. Estimated annual costs for all vehicles for the entire appraisal period are shown below:

	lower	*central*	*upper*
2014	£8.4m	£10.4m	£12.4m
2015	£8.5m	£10.6m	£12.8m
2016	£8.6m	£10.9m	£13.3m
2017	£8.8m	£11.2m	£13.7m
2018	£8.9m	£11.5m	£14.2m
2019	£9.1m	£11.8m	£14.7m
2020	£9.2m	£12.1m	£15.1m
2021	£9.4m	£12.4m	£15.7m
2022	£9.5m	£12.7m	£16.2m
2023	£9.7m	£13.0m	£16.7m
TOTAL	**£89.9m**	**£116.4m**	**£144.8m**

Table 5: Total Cost to business per year (2014 prices, non-discounted)

24. To calculate these costs, we have assumed that the policy places additional burden on *all* vehicles affected. However, in reality some operators already subject their vehicles to voluntary tests either for the brakes only, headlamp aim only, the smoke test only or some undertake a multipoint test. There is no

separate figure for voluntary HGV checks but Table 6, extracted from VOSA effectiveness report 2012/13, details voluntary tests by type for both HGV and PSV:

HGVs & PSVs	2012/13	2011/12	2010/11
Brake (axles)	21,378	21,398	17,741
Headlamp aim	37,711	38,720	32,929
Smoke	122	253	201
Multi check	10,465	13,421	13,124

Table 6: Number of voluntary tests undertaken per year in the HGV and PSV sector

25. Other vehicles that fall within the exempt annual testing categories may be tested by private vehicle dealerships etc. that will not be recorded by DVSA, so these figures are likely to under-represent the number of voluntary checks taking place. The total cost to business of option 1 is therefore likely to be an over-estimate, since it does not take into account the fact that some voluntary testing already takes place.

26. We do not anticipate any transition costs to business or to the public sector. Communications regarding the changes will be made through trade associations and web material.

Consultation question: Do you agree with the estimates of the costs above or do you have evidence that conflicts with these estimates?

Non-Monetised costs

27. There may theoretically be some environmental cost involved in testing additional HGVs. This would principally arise due to the extra fuel burn and resultant emission of gaseous pollutants due to taking additional vehicles to and from testing stations (although the consequential costs involved would be minimised if most of these additional vehicles could be tested at Authorised Testing Facilities). However, these emissions may be entirely offset by the fact that the vehicles in question would have been in use on the road anyway even if they had not been travelling to a testing station. Therefore we believe that the overall environmental impact of the proposal may be neutral, or, if not, that it is likely to be negligible.

Consultation question: Are you able to identify any other costs of removing any of the exemptions that you are unable to quantify?

Monetised Benefits

28. Due to data limitations, we have not been able to monetise the expected benefits from improvements to road safety and fairer competition.

Consultation question: Are you able to provide evidenced monetised benefits of removing any of the exemptions?

Non-Monetised benefits

<u>Reduced road casualties</u>

29. During recent enforcement activity[10] in London targeted at construction traffic, over 80% of inspected vehicles were prohibited from continuing their journeys due to road safety faults or being severely overloaded. Dealing with volumetric concrete mixers as a specific set of vehicles, during October and November last year, six vehicles were stopped all of which would not be legally obliged to have been annually tested. Five of these vehicles received immediate prohibitions for mechanical defects and three were also prohibited because of either overloading or an insecure load - in one case 15 faults were found. This is a much higher rate than even the targeted prohibition rates for the industry of around 31%.[11]

[10] The Industrial Heavy Goods Vehicle Task Force unit was formed at the end of the summer including officers/examiners from the Metropolitan and City of London Police forces and DVSA respectively

[11] DVSA figures for April/ May/ June 2013 were 32,660 vehicle checked with 10,149 receiving prohibitions.

30. It is expected that by improving the roadworthiness of vehicles, this policy will result in a reduction in road accidents. The benefits from reducing accidents are wide-ranging, including avoiding loss of life and serious injury, human grief, lost earnings, property damage and emergency response costs. There are also some congestion costs associated with accidents that would be avoided.

31. It has not been possible to estimate the number of accidents that might be prevented as a result of this policy. This is because accident statistics data (recorded by the police and published in the department's STATS19 data releases) do not allow us to reliably identify accidents involving the vehicle types to be exempted. Vehicles involved in road accidents can only be identified using the body type identified in DVLA vehicle records, and for many of the vehicle types of concern there is no relevant body type defined in the DVLA vehicle records.

32. We also considered using a 'top-down approach' by estimating a proportion of, for example, HGV accidents. However, this was deemed inappropriate because no single vehicle type in the STATS19 data captures all of the vehicle types to be exempted. For example, a breakdown vehicle could easily be categorised as either as an HGV or an LGV depending on the size and weight of the vehicle.

33. Any vehicles that are currently exempt will, by coming in to scope of annual roadworthiness testing will also by default fall within scope of vehicle plating. This will help to provide greater clarity to enforcement authorities as to whether a particular vehicle is being operated within the maximum permitted weight.

Reduced risk of Infraction proceedings

34. The risk of infraction proceedings is probably quite small, given that no action has been taken over the last 40 years in respect of the list of UK exemptions from testing. However, the risk is thought to be increasing, primarily due to the increase in the number of vehicles in respect of which exemption is being claimed (for example hydraulic platform and electric vehicles). The consequence of any proceedings would inevitably be that the Department would have to take the action it is proposing to take – namely to remove the incompatible exemptions. We would therefore seek to phase in any changes between 2015 and 2018. Where changes are needed to clearly comply with earlier directives these will be phased in as soon as is practicable. Changes only required by 2014/45 would take place in accordance with the implementation requirements of that Directive.

Consultation question: Are you able to identify any other benefits of removing any of the exemptions that you are unable to quantify?

Rationale and evidence that justify the level of analysis used in the IA

35. The Government does not hold records of the number of vehicles operated on public roads for each of the exempt categories of vehicles that this consultation proposes to remove. However, we have used records where they do exist and made estimates for the remaining vehicle types that will be subject to scrutiny as part of the consultation process.

36. The changes are being made to ensure domestic legislation is in compliant with EU Directive 2014/45/EU.

Risks

37. The main uncertainty is that there are no records of numbers of vehicles for many of the vehicle types referred to in paragraph one above. This is partly why we are planning to undertake a full consultation so as to allow time for consultees to provide any evidence based data that may assist with these estimates.

38. Given that we are uncertain as to precise numbers of vehicles that may be affected if the exemptions referred to in paragraph one above were removed, we can also not accurately estimate how many more vehicles may be benefitting from those exemptions year on year.

Direct costs and benefits to business calculations

39. The average annual cost to business in estimated to be in the range £9.0m - £14.5m, with a best estimate of £11.6m.Table 5.

40. The EANCB on 2009 prices is £9.05m, and the business net present value is -£99.50m.

Small and Micro Business Assessment

41. Businesses that operate between 1 and 5 vehicles make up a large percentage, around 90-95% of all businesses that operate HGVs. For example the number of all HGV operators who are "one man bands" is 50%, with a further 35% operating between 2 and 5 vehicles. Assuming (a) that the vehicle fleets currently exempted mirror the fleet size distribution for all HGV operators and (b) that there is a direct correlation between the average fleet size of a HGV operator and the number of employees then 90-95% of businesses impacted with be small businesses.

42. As each vehicle that is currently exempted would need to be annually tested if the exemptions were removed, and the same testing arrangements are available to all operators regardless of fleet size, we consider these proposed changes would impact equally on all operators.

Consultation question: Are vehicles you operate that are subject to exemption voluntarily submitted for exemption?

Distributional impacts

43. The policy of reducing the number of exemptions will redistribute costs of enforcement across operators, creating a more level playing field. This is because a certain percentage of the test fee goes towards funding DVSA enforcement. Therefore those operators who do have to test all their HGVs help fund DVSA enforcement whereas those who don't may still be enforced against but are not helping to fund that enforcement.

44. There are many different fees depending on the number of axles and where the test is conducted. However on average the amount of the test fees that goes towards enforcement is calculated at £38.52 for every tractor unit and £14.98 for every trailer.

One-In, Two-Out

45. This measure has been classified as out of scope of one in two out as it is an EU-derived measure and we believe what we are proposing is in line with the Government's transposition principles. In particular proposed implementation complements domestic legislative objectives in terms of road safety and fair competition and proposed implementation delivers the outcomes required by the directive, but does so in a way that avoids going beyond the minimum requirements; thereby minimising the cost to business. We would, from a practical perspective, need to phase in any changes needed to comply with Directive 2009/40 over a number of months. This is to support the transition for businesses and the Government agency that will need to plate circa 40,000 new vehicles that will require annual testing.

Summary and preferred option with description of implementation plan

46. It has been easier to quantify the costs more accurately than the benefits of removing certain HGV annual test exemptions. However, and regardless of EU legislation, it is undesirable from a road safety perspective that certain heavy vehicles that are frequently used on public roads are exempt from basic annual testing requirements. The cost of compliance in this instance is a very small percentage of the overall cost of owning and operating a heavy vehicle and the benefits are potentially very significant. Our preferred option on which to consult is to remove or modify any exemptions so as to preclude vehicles based on an HGV chassis from being exempted in the future.

47. The next stage will be a full public consultation. We would plan to bring any changes no later than the coming in to force of EU Directive 2014/45/EU anticipated to be sometime in April 2018.

Annex A: Vehicle Operating Costs Used in the Calculations.

Source: Freight Transport Association Operating Costs Estimates for a 16-18 tonne box or curtain sided HGV, with average mileage

Total Annual Vehicle Costs[12]

Standing Costs	VED	£650
	Insurance	£2,371
	Depreciation	£6,232
Overheads	Transport	£5,276
	Total annual cost	£14,529
	Vehicle Cost per hour (£2013)[13]	£6.46
	Vehicle Cost per hour (uprated to £2014)	**£6.57**

Employment Cost of Driver

Employment cost of driver (£/annum)	£33,815
Driver cost per hour[14] (£2013)	£15.03
Driver cost per hour (uprated to £2013)	**£15.30**

Running costs – Pence per mile

Fuel	42.17
Tyres	2.34
Maintenance	10.41
Total Running Cost (pence per mile, 2013)	54.92
Total Running Cost (pence per mile, 2014)	55.91

[12] Based on fixed costs only. Running costs (fuel, tyres, maintenance) are excluded on the basis that these costs associated with commercial activity would not be incurred while the vehicle is attending the test centre.

[13] Based on assumed working time of 250 days per year, 9 hours per day.

[14] Based on assumed working time of 250 days per year, 9 hours per day.