

Title: Measures to address the shortage of HGV drivers – Manoeuvres outsourcing Date: 17-02-2022 DMA No: DfTDMA233 Lead department or agency: Department for Transport Other departments or agencies: Driver and Vehicle Standards Agency		De Minimis Assessment (DMA)		
		Stage: Final		
		Source of intervention: Domestic		
		Type of measure: Secondary		
Summary: Rationale and Options		Contact for enquiries: lianne.parkinson@dvs.gov.uk		
Total Net Present Value £-13.0m	Business Net Present Value £-10.1m	Net cost to business per year <small>(EANDCB in 2019 prices)</small> £0.1m		

Rationale for intervention and intended outcomes

At present, the United Kingdom (UK) is experiencing a chronic shortage of HGV (heavy goods vehicle) drivers. Various issues have been developing over several years, which have contributed to the current shortage, for example long and anti-social working hours, relatively low pay and poor facilities available to HGV drivers when travelling. This longer-term shortage was exacerbated by the suspension of driving tests during the Covid-19 pandemic, which led to drivers waiting to take a test, and European drivers leaving Britain following the departure from the European Union (EU). Without government intervention, the driver shortage is likely to remain in place over a longer period of time and therefore has the potential to prevent the public from accessing necessities. The shortage has had, and continues to have, an impact on the supply chain for delivery of products, impacting on many industries, in particular, the fresh foods industry, medical supplies and fuel. Government intervention will only help in part to address this shortfall and mitigate the negative externalities that the shortages are causing on other economic sectors; wider measures from both government and industry to deal with ongoing recruitment and retention are underway.

This intervention creates a new module 3 (a) for the off-road manoeuvres element of the HGV driving test, which can be conducted by third party assessors, likely to be HGV trainers. The intended outcomes of this intervention include reducing the amount of time required by Driver and Vehicle Standards Agency (DVSA) to conduct the remaining elements of the HGV driving test i.e. on-road elements (module 3b). This will increase testing capacity which should help DVSA meet the high demand for tests which has developed with the pandemic, speeding up the entrance of new drivers into the logistics sector. While the underlying shortage of HGV drivers will not be solved by this alone, the measure will help alleviate the current shortage.

Describe the policy options considered

Option 0 – Do nothing. This option involves taking no additional action to address the shortage of drivers apart from those operational measures taken by DVSA. Under this scenario, DVSA would continue to conduct the off-road manoeuvres section of the test, along with the on-road one. There would be no time saving and no additional capacity to meet. As no time is liberated, the reduction of tests in the backlog and entrance of new drivers would only rely on the contingency measures that DVSA has taken.

Option 1 (preferred) – creating a new module 3a, comprising the off-road manoeuvres elements of the HGV test, which can be undertaken by approved third-party assessors. Candidates will need to pass this test in order to take the new module 3b, the on-road section with DVSA. The measure will reduce the time of each test taken by DVSA which will increase the Agency's testing capacity and the throughput of candidates. In addition to testing the on-road element of the test, DVSA will be responsible for monitoring those trainers conducting the manoeuvres. The aim is to address any road safety concerns that might arise from the introduction of this measure.

Rationale for DMA rating

The monetised direct costs to business are expected to be below the £5m threshold, as most of the costs are deemed to be indirect. Trainers will not be compelled to become registered to carry out the new module 3(a) assessment. Those who wish to do so will need to apply to be registered, attend online training sessions and update candidates' results, as appropriate. DVSA will have additional operating costs in terms of monitoring private sector assessors. Candidates will be able to choose whether the module 3(a) will be conducted by DVSA or external assessors. A £40 non-statutory fee will apply for module 3(a).

The social costs of the new non-statutory fee are considered to be low, compared to the overall cost of becoming an HGV driver. The analysis has not found any significant distributional impact. Finally, there are no new direct burdens on small and medium businesses, as well as no significant or contentious elements.

Will the policy be reviewed? Yes	If applicable, set review date: At 3 and 5 years			
Are these organisations in scope?	Micro Yes	Small Yes	Medium Yes	Large Yes

Senior Policy Sign-off:	✓	Date:	24/02/2022
Peer Review Sign-off:	✓	Date:	17/02/2022
Better Regulation Unit Sign-off:	✓	Date:	17/02/2022

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 Minister:

Vere

Date:

06/04/2022

1.0 Policy Rationale

Policy background

1. The Driver and Vehicle Standards Agency (DVSA) is responsible for carrying out driving tests, including for those who wish to ride a motorcycle and drive cars, lorries, buses and coaches. The legislation defining those tests is contained in Part III of The Motor Vehicles (Driving Licences) Regulations 1999, which is underpinned by Part III of Road Traffic Act 1988. Directive 2000/56 EC informed the content and conduct of the tests and is still relevant in terms of mutual recognition of driving licences for drivers travelling in Europe.
2. An HGV test has until now been composed of one practical test, taken as a single event, conducted by DVSA driving examiners, who assesses two sections, both of which must be satisfactorily passed:
 - a. The large vehicle off-road manoeuvres, which takes around 15 minutes. This exercise involves an 'S' shaped reverse into a bay and, for those candidates taking a test with a trailer, the practical test also includes a test of uncoupling and recoupling the vehicle and trailer.
 - b. the large vehicle on-road driving test, which takes around 45 minutes.
3. The amendment to this regulation creates the new module 3a, which is a practical demonstration of reversing exercise. If the vehicle includes a +E category, the test also includes an uncouple and recouple exercise. This module represents the off-road manoeuvre section of the test, which, as a result of this intervention, can now be undertaken by approved private sector assessors from a suitable organisation. These organisations can be:
 - Large Good Vehicles (LGV) and Passenger Carrying Vehicles (PCV) training organisations,
 - Haulage companies with driver training centre,
 - Bus/Coach companies with driver training centre,
 - LGV/PCV industry training associations, and
 - Driver Certificate of Professional Competence (CPC) periodic training centres.
4. This De Minimis Assessment comprises proposals to amend the arrangements whereby the HGV test is necessarily taken as a single event. The reason for doing so is to increase the testing capacity of DVSA driving examiners. The testing system was adversely affected during the Covid-19 pandemic due to the numerous national lockdowns, which caused delays in candidates testing, and enlarged its backlog in driving tests. Estimates vary about the precise level of the driver shortfall. ONS figures¹ indicate there was a fall in the number of HGV drivers between June 2019 and June 2021 of around 39,000 HGV drivers, which DfT have inferred as a measure of the acute shortage. Furthermore, according to ONS, in June 2021 there were 52,000 vacancies for transport and storage. The current shortage has been exacerbated by:
 - a number of drivers retiring from or leaving the sector (the average age of HGV drivers is in their fifties² which means that many will be approaching retirement in the next few years) and approximately 12,000³ EU drivers leaving the UK since July 2019,
 - the growth in demand with the reopening of the economy,

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<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/fallinhgvdriverslargestamongmiddleagedworkers/2021-10-19>

² <https://www.returnloads.net/hgv-driver-shortage/>

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<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/fallinhgvdriverslargestamongmiddleagedworkers/2021-10-19>

- the backlog of tests as a consequence of DVSA having to stop testing for six months due to the pandemic,
- deeper recruitment issues around anti-social hours, relatively low pay, poor diversity, poor driver facilities which remain a hindrance to attracting a new generation of recruits and retaining existing drivers⁴.

Problem under consideration

5. The UK is currently facing an acute shortage of HGV drivers, coupled with a long backlog of tests for driver licences. The HGV driver shortage has been a long-running issue but has reached a critical point due to a combination of factors that have exacerbated its impact within the last 18 months. ONS estimate 12,000 EU drivers left the UK between March 2020 and 2021⁵. In addition, DVSA was unable to carry out as many tests as usual due to various lockdowns caused by the Covid-19 pandemic⁶. These factors combined with many UK drivers leaving the industry through retirement, poor working conditions and facilities, and a lack of new drivers entering the labour market⁷. Other factors are likely to affect the demand for HGV drivers, such as the reopening of the economy from the easing of pandemic restrictions during the summer onwards and the growth in demand in the run-up to Christmas.
6. The HGV driver shortage is having a negative impact on the rest of the economy, where certain industries' supply is struggling to meet demand and causing delays, shortages and inflation. The industry could not meet the short-run supply of labour from seasonal workers or recruit quickly enough to meet demand. The vocational testing backlog is expected by DVSA's forecasts to take up until June 2022 to be cleared, without any mitigation attempts under the current legislation on driver testing. This will be insufficient in restoring the number of drivers required to keep goods moving around the country.
7. The aim of the change in regulation is to increase the capacity of DVSA's testing system and enable examiners to clear the testing shortfall more quickly, and thereby helping to alleviate the HGV driver shortages and their associated negative impact on supply chains and the economy. DVSA's modelling predicted that allowing the manoeuvre section of the test to be overseen by third party assessors from November 2021, along with other measures such as the removal of "staging" to acquire an HGV licence from December 2021 and removing the requirement for B+E testing from September 2021, it would likely be able to clear the backlog of vocational tests by December 2021. The model forecast the supply of tests from DVSA, which considers the availability and usage of their examiners, and the demand for tests, which uses a mixture of published and internal historical data. This set of measures would ease the pressures caused by driver shortages by allowing a larger inflow of new drivers with 'vocational' licences (which are the licences needed to drive HGVs) into the industry⁸.
8. A number of areas of the economy have reported a struggle to secure drivers, but it has been felt most acutely in fresh food delivery which operates on tight timings and margins which represented

⁴ <https://www.csrf.ac.uk/wp-content/uploads/2021/10/SRF-HGV-Driver-Shortage-Draft-Report-30-09-2021.pdf>

⁵ ONS analysis, available at:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/13633hgvdriersbynationality>

⁶ DVSA: <https://www.gov.uk/government/statistical-data-sets/large-goods-vehicle-driving-test-data-by-test-centre#data-tables>

⁷ <https://www.csrf.ac.uk/wp-content/uploads/2021/10/SRF-HGV-Driver-Shortage-Draft-Report-30-09-2021.pdf>

⁸ Although the model is based on the best evidence-available, such as a mixture of published and internal historical data, there remains underlying uncertainty in these forecasts as these trends might not be as applicable to the current climate with the pandemic. Any further unforeseen events, for example from further pandemic lockdowns or restrictions, could impact on demand forecasts and predicted timelines for clearing the driver testing backlog. Furthermore the driver shortage situation is changing at a fast pace and additional measures implemented to tackle the HGV testing backlog will impact on the modelling's precision and also likely lower the impact of these regulatory measures towards tackling the backlog.

around 19% of all goods lifted during 2020⁹. Securing supply is particularly acute for smaller and rural retailers and businesses who rely on regular deliveries in order to offer their services, which can be an issue, due in part, to such factors as access to distribution hubs. If not addressed, the industry states that the shortage of drivers has the potential to affect the delivery of goods within the UK¹⁰.

9. The road haulage sector is integral to the smooth functioning of the UK economy and its supply chains, moving 1.4bn tonnes of goods domestically in 2019¹¹. The sector is also a key contributor to the UK economy contributing £13.6bn gross value added in 2019¹². Additionally, Micro, Small and Medium Enterprises represent around 99.8% of the total businesses, and they make around 75% of the total employment in this sector, at risk if the market fails to be addressed.
10. The haulage sector is highly connected within domestic supply chains and is a primary mode, moving 90% of the goods in the UK¹³. As a result of this, the problem of the driver shortage can have far-reaching impacts across other sectors. This creates a high potential cost to society, with risks to critical supply chains for food, medicines, and other products. Government intervention may be justified to mitigate these risks.

Rationale for intervention

11. Government intervention may be required where there is a backlog in tests for vocational licences due to the period of suspended testing during the Covid-19 pandemic and the acute shortage in HGV drivers the industry is facing. The rationale in doing so is to strike the right balance between the externalities associated with road safety, getting rid of any excessive bureaucracy and giving more flexibility to deal with the current situation of a backlog in testing to avoid the wider negative economic impacts from the HGV driver shortage. The current legislation means the testing regime does not offer sufficient flexibility to respond to a higher demand for drivers. By allowing private professionals to assess the off-road section of the test, there would be a better balance between these three factors as the current standards of quality can be maintained, while achieving the objectives of increasing capacity by better utilising examiner and trainer resources. In fact, this policy could improve the market efficiency, as it would allow HGV trainers to undertake certain tasks that they are now excluded from.
12. A shortage of HGV drivers has knock-on implications to the sectors they serve, and this shortage presents negative externalities on other sectors of the UK's economy that the Government ought to mitigate. Over the last years, the haulage and logistic sector have become more necessary, as both consumers¹⁴ and businesses¹⁵ rely more on their services. Online shopping and global production chains are examples of this dependency. UK's economy is weakened by having an unreliable or expensive logistics sector. If distributors and manufacturers are unprovided of stocks, businesses might not be able to keep working as usual. Not having enough stocks might push them to cease their activity, triggering a wave of businesses bankruptcies that could also affect the financial sector. A lack of supply would also push up the inflation of the country. Both consequences rebound negatively on the economic performance. The Government is in the sole position to reform the testing system due to its regulatory powers, along with wider industry improvements, to avoid further spread of these negative externalities.

⁹ <https://www.gov.uk/government/statistics/road-freight-statistics-2020>

¹⁰ [UK truck driver shortage 'reaches crisis point' - Lloyd's Loading List \(lloydsloadinglist.com\)](https://www.loydsloadinglist.com/news/uk-truck-driver-shortage-reaches-crisis-point)

¹¹ DfT, Road Freight Statistics: <https://www.gov.uk/government/statistics/road-freight-statistics-april-2020-to-march-2021>

¹² ONS, Non-financial business economy stats

¹³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945362/tsqb0403.ods

¹⁴ <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi>

¹⁵ https://tritaxsymmetry.com/wp-content/uploads/2020/02/GDS0535-BPF-Delivering-Goods-in-2020_FINAL.pdf

13. Therefore, this intervention is required to increase the overall DVSA's testing capacity and accelerate the introduction of new HGV drivers, easing the current shortage and avoiding further economic disruption. An approved third-party examiner would be able to perform the off-site manoeuvres module of the exam, while DVSA's officials would still oversee the on-road driving element of the driving test. By channelling part of the test to external providers, DVSA's examiners would be freed up to conduct extra number of tests and quicken the entrance of drivers in the workforce.

Policy objective

14. The aims of this policy are to alleviate, along with other measures being taken, the shortage of HGV drivers, restore the British supply chains and avoid further negative effects in other sectors in the economy.

15. Allowing approved third-party assessors to oversee the off-road section of the HGV driving test would free up time for DVSA officials to perform the on-road section. This measure would therefore increase the testing capacity of the system, especially when bottlenecks caused by unexpected events such as Covid-19 pandemic take place.

16. With greater testing capacity, clearing the backlog in tests would be accelerated, increasing the number of HGV drivers in the market and easing the shortage crisis and its negative consequences.

Options considered

Option 0 – Do Nothing

17. This option implies that no changes are applied to the current regulation. Thus, DVSA would deal with the backlog in tests for vocational licensing through the current testing requirements and only apply mitigation operational measures to increase capacity in the short-term within the agency.

18. With no further disruption in the economy, the backlog system would be cleared by June 2022 at the current testing date according to DVSA modelling. The modelling is held by DVSA, but it takes into consideration the available working days on a month, the number of DVSA officials available and the daily number of tests that each can undertake, and the expected demand for tests. Furthermore, the testing system would still be too rigid to accommodate the extra demand caused by unexpected events in the future. Therefore, this option is not recommended.

Option 1 – Change in regulation

19. This option implies that the government changes the current DVSA testing regulation. This means that DVSA and third-party providers will be able to include a new £40 (maximum) fee for the off-road manoeuvres module and third-party test providers will be allowed to conduct this section of the HGV driving test. This measure would allow DVSA testing capacity to increase up to 25%, according to DVSA estimates. Along with the other measures taken, the backlog created as a result of the Covid-19 pandemic would be cleared by December 2021, instead of June 2022.

20. Other regulatory changes are being implemented to help DVSA tackle its driver test backlog and alleviate the HGV driver shortage crisis. These are 'removal of staging' and 'removal of B+E', both of which are covered in different Impact Assessments.

21. Licences issued in Great Britain (GB) should continue to be compliant with the 1968 Vienna Convention on Road Traffic for the purposes of driving abroad as visitors. We are not expecting any impact from these changes, but it may impact on mutual recognition and exchange of licences in EU countries. This is explored in the section "Risks and intended consequences".

2.0 Rationale for De Minimis Rating

22. This policy change is deemed to have a direct impact on businesses below the £5m per year threshold. Therefore, a De Minimis Assessment is appropriate for this level of impact.
23. The rationale behind changing this policy is to allow third-party assessors to conduct the off-road elements of HGV driving tests, thereby reducing the amount of time spent by DVSA examiners in conducting the on-road section of the test. This would increase capacity for DVSA to carry out tests, reducing the backlog and providing a platform for the number of drivers in the haulage sector to be restored.
24. The social impacts of this policy are deemed to be low. There will be a £40 fee for the off-road manoeuvre section on top of the current cost of the test regardless of the scenario and the test provider (either DVSA or a private sector assessor) which would be charged on a non-statutory basis. This does not represent a significant increase compared to the overall cost of becoming an HGV driver. It will amount to around £2.9m per year overall based on the average number of tests conducted between 2015/16 and 2019/20.
25. The impacts on small and medium businesses are expected to be null or very low. On the hauliers' side, the new regulation does not impose any new direct burden on them rather, the impact they might face as a result of the increase in fees is indirect. On the HGV training schools side, they would directly benefit from this regulatory change, as they would be able to undertake a business activity that were expelled from and from which they can make some revenues. There are some familiarisation costs regarding the new electronic system to communicate the candidates' results to DVSA that have not been included in the net cost to businesses per year calculation due to the uncertainty of when the system will be launched. However, these costs are deemed to be very low and will not breach the de-minimis threshold for direct business impacts.
26. Hence, these imply that the overall gross effect is small, with no significant distributional impacts across sectors and economic agents.
27. Finally, this regulatory change is not considered to be controversial. Under Her Majesty's Treasury's (HMT) Green Book, a 100% compliance should be assumed. This means that private sector assessors would assess candidates' off-road section of the test as a DVSA official would do with no further impact on road safety.

3.0 Costs and Benefits

Option 0 – Do Nothing

28. This option is the counterfactual scenario to which option 1 is compared and therefore assumes no regulatory changes. The 'Do Nothing' scenario consists of no further costs and benefits to the current situation, as DVSA would have to deal with the backlog in the testing system for vocational licenses with no additional mitigations. The speed at which the backlog is cleared would be slower than in the 'Do Something' scenario indicating that the current wider impacts would be felt over an extended period.
29. This option already includes the changes the DVSA has implemented themselves. The operational measures implemented include employing additional examiners, restricting access to non-vocational tests to enable additional HGV tests to be conducted, buying back annual leave, increasing overtime pay until the backlog is cleared, and increasing examiner vocational training by stopping delegated training from July 2021 to March 2022, specifically for this last measure. Within this scenario, the backlog would be likely to be cleared by June 2022.

Option 1 – Regulatory changes: Outsourcing of the off-road manoeuvres section

30. This option considers that the regulatory measures are applied. The regulatory change consists of allowing third-party assessors to perform the off-road manoeuvre section of the test, increasing the capacity of the system, and speeding up the clearance of the backlog. Restoring the logistic sector and securing the supply chain would avoid further negative externalities.
31. The costs and benefits of this policy will depend on the number of tests that the private sector assessors are able to perform and the time that it is being freed for DVSA officials to perform more HGV driving tests. As an extreme example useful to show this risk, if no candidates decide to go through the private sector assessor, DVSA officials will have to evaluate both the off and on-road sections. This means that there won't be any time left to increase the testing capacity compared with the Do-Nothing scenario. The benefits will be null because the speed at which the backlog in tests is cleared will remain untouched. On the other hand, the costs will slightly be positive, as DVSA and trainers will have set up the testing system and completed the online package, respectively.
32. Nonetheless, it is expected that a great percentage of candidates will undertake the off-road section of the test with the private sector assessors. The only difference that candidates would face between the two options is who the assessor is, hence, outcomes of the test shouldn't differ. While both options lead to the same result, individuals may prefer to undertake the test with their trainer during the training process to reduce the elements to prepare for at the DVSA test.

Summary

33. This summary references the costs and benefits for policy option 1, where the regulatory changes take place.

Monetised Costs

- Direct familiarisation costs on business (trainers and HGV driving schools)
- Direct training costs for prospective assessors
- Direct monitoring costs (DVSA)
- Direct administrative costs to business related to updating the results
- Indirect off-road section fee faced by HGV companies

Unmonetised Costs

- Direct familiarisation costs for the prospective candidates
- Direct IT costs faced by DVSA associated with setting up the new platform to update the results

Unmonetised Benefits

- Direct benefit for HGV schools and trainers associated with providing the off-road section of the test
- Direct benefit of an increased testing capacity for DVSA to help clear the backlog in driver tests
- Indirect benefit of avoiding further negative externalities because of the HGV driver's shortage crisis

34. The appraisal of this policy option consists of a best estimate scenario, along with a low and a high cost scenarios. While the costs and benefits considered are explained below, the following table shows the total net present value over a 10-years period and its average annual per scenario:

2021 prices, 2021 PV	Best Case scenario	Low cost scenario	High cost scenario
Total Cost	£14.4m	£11.1m	£18.3m
Average Annual	£1.7m	£1.3m	£2.1m

Costs

Transition Costs

Direct familiarisation costs on business (trainers and HGV driving schools)

35. Trainers and HGV driving schools will have to familiarise themselves with the new regulation and decide whether becoming assessors is a business option to consider. These costs will affect all the training schools in the UK, which DVSA estimate to be around 800.

36. It will be necessary for office managers at each training school to read the regulatory change, understand it and decide whether it is sensible to enter into a business arrangement to conduct the manoeuvres, taking into account the costs and benefits of this new economic activity. It is assumed that, although not being monetised, part of this process might involve internal negotiation with colleagues. It has been assumed a range between 1 and 3 employees from each school (800), each of them needing 3 hours to do so. The UK median hourly pay gross of office managers (£15.74¹⁶) uplifted to account for the non-wage costs (26.5%¹⁷ more) has been used to monetise these hours. Non-wage costs are some costs that businesses face as a result of employing workers but are not accounted as wages. These costs include sickness, maternity and paternity pay, National Insurance contributions and pension contributions¹⁸. These costs will only be faced the first year once the new regulation is approved, and training schools and trainers are allowed to become private sector assessors.

Best case scenario	Low cost scenario	High cost scenario
£94,541 (2 employees*3 hours*salary)	£47,271 (1 employees*3 hours*salary)	£141,812 (3 employees*3 hours*salary)

37. There are further familiarisation costs to businesses that have not been included in the net cost to business per year calculation due to the uncertainty of when they would occur. These costs are related to how private assessors communicate the results to DVSA, explored in the section “Direct administrative costs to business related to updating the results” and already monetised. DVSA has advised that, along with DVLA and in the longer term, they will create an electronic system to ease and improve the communication with private assessors to upload the candidates’ results on the test.

38. This new system will require private assessors to become familiar with it. It is unknown when this will occur, but it will represent a one-off direct cost to businesses. Those employees who have become private assessors will have to spend some time, assumed to be between 30 min and an hour and a half, to understand how the new system works. It should be expected that the system will be straightforward and easy to follow with guidance provided by DVSA on its introduction to minimise the burden, and hence this range is proportionate. To monetise the costs, the uplifted (26.5%) salary for vocational and industrial trainers and instructors has been used (£19.32 per hour). The following table shows the expected familiarisation costs faced by trainers and businesses, which will occur when the system is set up.

Best case scenario	Low cost scenario	High cost scenario
£17,385 (900 employees*1 hour*salary)	£6,519 (675 employees*30 minutes*salary)	£32,597

¹⁶ Occupation SOC10 Table 14.5a, 4112: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashtable14>

¹⁷ TAG Unit A4.1: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1007447/tag-unit-a-4-1.pdf

¹⁸ ONS: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/indexoflabourcostsperhourilch/apriltojune2019experimentalstatistics#:~:text=Non%2Dwage%20costs%20include%20sickness,Insurance%20contributions%20and%20pension%20contributions>

		(1,125 employees*1.5 hours*salary)
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39. Given the relatively low magnitude of these costs, they are insignificant in affecting the net direct impacts on business threshold of this De-Minimis Assessment, and therefore we expect the direct impact to businesses will remain below the £5m per year threshold, regardless of which year these fall within.

Direct training costs for prospective assessors

40. Schools and trainers that decide to implement this business option will need to attend and complete an online training course offered by DVSA. Businesses and trainers will pay the opportunity cost of attending the course. In this context, this means the monetised cost of time that will be spent on the training instead of doing something else. The total cost will depend on the number of trainers attending the course, the number of hours spent on it, and the cost of this time.

41. At present, DVSA has advised that circa 900 trainers have already applied for the training course. Due to the lack of evidence, a +/-25% rate has been used for the sensitivity test. This results in between 675 and 1,125 of trainers attending the course. DVSA has also advised that the amount of content in the training course would take around 1 hour to complete, at least. Therefore, it is assumed a range between 1 and 2 hours. These two ranges are used to evidence how variable the costs are when small changes, in absolute terms, are applied to its inputs: number of trainers and time. In order to monetise the opportunity cost, the uplifted (26.5% factor) median hourly salary of vocational and industrial trainers and instructors (£15.27) has been used. This is assumed to be a one-off direct transition cost, given that legislation is the only deterrent for trainers to become private sector assessors.

Best case scenario	Low cost scenario	High cost scenario
£26,077 (900 * 1.5 hours * uplifted hourly salary)	£13,039 (675 of trainers * 1 hours* uplifted hourly salary)	£43,462 (1,125 of trainers * 2 hours * uplifted hourly salary)

On-going Costs

Direct monitoring costs (DVSA)

42. DVSA will need to establish a monitoring system to quality assure appointed assessors at the outset and on an ongoing basis. As these costs will apply from the introduction of the policy, they are considered as direct costs.

43. Although the system has not yet been established, DVSA has advised that it will probably be composed of 8 full-time equivalent (FTE) at EO level and 2 FTE at HEO level. According to DfT statistics¹⁹, EO 's salary range between £26,126 and £30,175, while HEO's salaries range between £30,734 and £37,659. The total costs are calculated using the average salary for both grades and uplifting them to account for the non-wage costs (26.5% more). A 20%-factor has been applied to account for the uncertainty around these costs and uptake of the off-road test.

Best case scenario	Low cost scenario	High cost scenario
£374,133	£299,306	£448,959

¹⁹ <https://data.gov.uk/dataset/17d5c23d-f431-48e8-802a-b987431c8d92/organogram-of-staff-roles-salaries/>

(8 EO + 2 HEO * uplifted annual salary salary)	(8 EO + 2 HEO * uplifted annual salary salary) * 80%	(8 EO + 2 HEO * uplifted annual salary salary) * 120%
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Direct administrative costs to business related to updating the results

44. Schools and trainers that become external assessors of the off-road test will need to advise DVSA the outcome of each test. This new task, which will be recurrent, will take a certain amount of time that needs to be monetised. These costs are considered to be direct because assessing candidates, and hence facing these costs, have not been possible under legislation historically. Therefore, by becoming assessors, businesses will face the cost of updating the results and this requirement is directly attributable to the new regulation.
45. This procedure is not expected to be time consuming and it is assumed that it should require between two and four minutes per candidate to update the results. The analysis uses the median gross salary per hour for a vocational and industrial instructor (£15.57), which has been uplifted (26.5% more) to account for the non-wage costs that companies face. The monetised cost of this task results in a range between £0.64 and £1.29.

Best case scenario	Low cost scenario	High cost scenario
£0.97 (uplifted salary per hour * 26.5% * 3 min)	£0.64 (uplifted salary per hour * 26.5% * 2 min)	£1.29 (uplifted salary per hour * 26.5% * 4 min)

46. The total cost, though, will depend on the number of tests that will be conducted by the assessors. For instance, if the last year before the Covid-19 pandemic outbreak, 2019/20, is used as an example, 70,288 tests were conducted. Depending on the number of off-road tests being conducted by private sector assessors, expected to be between 85% and 95% by DVSA, the total annual costs will range between £38,69 and £85,989.

Best case scenario	Low cost scenario	High cost scenario
£61,097 (cost of updating*num of tests*90% of tests)	£38,469 (cost of updating*num of tests*85% of tests)	£85,989 (cost of updating*num of tests*95% of tests)

Indirect Off-road section fee faced by companies

47. It is possible that logistic and haulage companies that are short of personnel might decide to fund this part of the test for prospective candidates in order to, first, secure new drivers and, second, to accelerate the testing procedure for their own interest. Although this option is more probable in the current environment, some companies might decide to offer this incentive permanently.
48. These costs are assumed to be indirect. Under the new regulation, both candidates and companies will just see an increase in the test fee. Currently, the candidate pays for the test and, although it is possible that some businesses may provide funding. However, there is no evidence to support this. Companies are not facing any cost related to the driving license, as this is self-funded by candidates, and they are not expected to act differently with a higher fee. Hence, it is assumed that, currently, the majority of candidates pay for their own HGV test, and this scenario can be extrapolated to the

future. However, it is helpful to consider some conservative scenarios where the cost was transferred to the companies to contextualise the costs of the policy.

49. The private sector assessor fee, assumed to be up to £40, would not represent a significant burden to larger companies. However, it is expected that smaller companies, who may have more limited access to liquidity, might be more reluctant to fund this. Three scenarios have therefore been assumed: the low cost one, in which large companies and half of the medium ones offer to contribute with the fee, the best case scenario, in which both large and medium companies contribute with the fee, and the high cost, in which the large, medium and half of the small companies contribute with the fee.
50. The size of the companies that will hire candidates is unknown, and whether these will be reimbursed. The analysis uses the current employment distribution based on the company size. For instance, using data released on October 2021, 44% of employees in the freight industry work for a large or medium-sized company²⁰. For the purpose of this exercise, it is assumed that 44% of new HGV drivers will work for them and therefore will be reimbursed in the best case scenario. The following table shows these costs if 72,654 tests, the average number of tests between 2015/16 and 2019/20, were undertaken every year:

Best case scenario	Low cost scenario	High cost scenario
£1,280,724 (num of tests*44% of tests reimbursed*£40)	£1,011,143 (num of tests*35% of tests reimbursed*£40)	£1,622,795 (num of tests*56% of tests reimbursed*£40)

51. These three scenarios are deemed to be conservative. They do, however, indicate that the impact on hauliers remains low and below the threshold. This regulatory intervention will not mandate any change to who funds a test and the ongoing cost is assumed to remain primarily on candidates. Companies may fund if this is considered profitable for the business in order to secure new drivers.

Unmonetised Costs

Direct familiarisation costs for the prospective candidates

52. Potential candidates will need to become familiar with this new option and decide with whom they wish to undertake the test: either with an external assessor or a DVSA official. However, these costs have been assumed to be negligible because most candidates are familiar with the existing regime and a series of public statements have been made to raise awareness. Hence, they have not been monetised due to proportionality and because they have neither a direct nor indirect impact on businesses.

Direct IT costs faced by DVSA associated with setting up the new platform to update the results

53. To allow the new procedure to be introduced, whereby third-party assessors evaluate the off-road section, a manual system of certification has been implemented. In the longer term, it may be desirable for DVSA and DVLA to work to set up an electronic system in which results are recorded and communicated automatically, enabling candidates to proceed seamlessly to take the rest of the test. The costs of establishing such a system are yet to be determined and is likely to be carried out internally within DVSA and DVLA.

Benefits

²⁰ <https://www.gov.uk/government/statistics/business-population-estimates-2021>, table 7

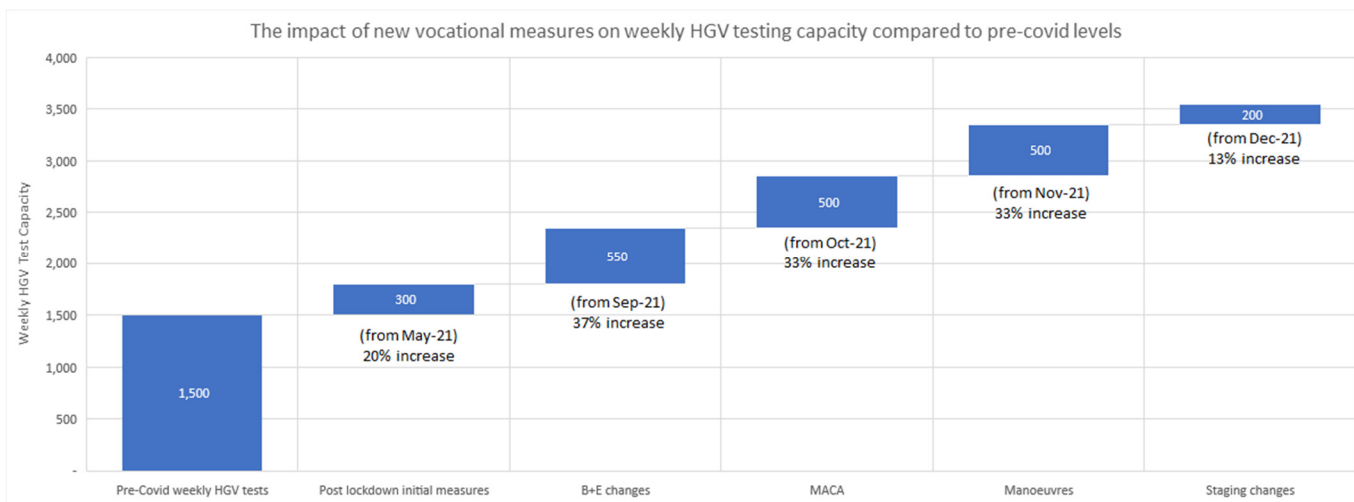
Unmonetised Benefits

Direct benefits for HGV schools and trainers associated with providing the off-road section of the test

- 54. For HGV training schools, this regulatory change represents a direct benefit. As the Regulatory Policy Committee clarifies in this document²¹, an impact “is likely to be direct if the measure liberalises the business activity, and the impact falls on those businesses subject to regulation”. In this case, the change will allow HGV training schools to undertake the off-road manoeuvre section of the test, which they were unable to do previously.
- 55. The HGV training sector is assumed to be competitive. This means that schools and trainers will offer this service if the costs are lower than the benefits, and the benefits are higher than any other alternative. These benefits are direct because they are attributable to this regulatory change and the fact that the schools will now be allowed to offer a new service.
- 56. These benefits have not been monetised due to the proportionality and the lack of data. There is a high degree of uncertainty around all the factors in place in this analysis. We have sought information from industry via DVSA, but do not have robust evidence that can be used for this assessment.

Direct benefit of an increased testing capacity for DVSA to help clear the backlog in driver tests

- 57. DVSA’s modelling, explained in paragraph 7, estimates that allowing third-party assessors to undertake the off-road manoeuvres section of the test would increase DVSA’s examiners’ capacity by 33% compared to pre-Covid levels. This will allow DVSA to focus on the on-road section of the test and clear the backlog quicker.



- 58. In addition to this regulatory change, other measures such as the removal of B+E and staging of vocational tests, both assessed in separate documents, will also help increase DVSA’s testing capacity. Should the three measures be in place, DVSA predicts that the backlog would be cleared by December 2021, instead of June 2022.

Indirect benefit of avoiding further negative externalities because of the HGV driver’s shortage crisis

- 59. The benefit of this regulatory change is to accelerate the recovery of the haulage industry while avoiding further negative externalities on other economic sectors. The policy aims to increase the testing capacity of DVSA to clean the backlog and accelerate the entrance of new HGV drivers to ease the current shortage that is causing supply disruptions.

²¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/790016/RPC_case_histories_-_direct_and_indirect_impacts__March_2019__1_.pdf

60. While clearing the backlog and returning to normality might happen regardless, the important consideration in this scenario is the speed at which recovery takes place. DVSA estimates that, without any regulatory change including the ceasing of staging for vocational tests and removing B+E tests, the backlog will be cleared by June 2022, instead of December 2021. During this time, the haulage industry and all the economic sectors to which are dependent on it are at risk of facing intermittent periods under pressure. This means that the probability of being unable to supply stock to businesses or consumers is higher. The introduction of these measures could address demand earlier, avoiding these costs and those associated with unexpected events such as Covid-19 pandemic.
61. The benefits have not been monetised due to proportionality and the lack of information. It is also due to the Green Book's advice of not allowing for the benefits, of tackling DVSA's backlog of tests and its further impact on the HGV driver shortage, to be monetised as the use of GVA (Gross Value Added) is prohibited. However, restoring the supply chain represents an improvement to the economic situation and is a direct objective of this measure. Even if monetisation of this was possible, this benefit would be considered indirect due to numerous steps required to realise the benefit from the initial change to the HGV examination process.

Business Impact Target Calculations

62. The impact of the regulatory change on the Business Impact Targets is very limited, amounting to less than £1m per year. The policy expands the testing options available to HGV test candidates. As the new regulation is implemented, HGV driver trainers will be able to become private sector assessors, if they choose to do so. Hence, companies will only face a direct familiarisation and training costs. If they decide to become private sector assessors, it is expected that revenues will be greater than the costs, hence facing a direct benefit rather than costs. This results in a BIT score of 0.5.

Indirect Costs and Benefits

63. The impact on businesses is deemed to be low, given that the main cost is the familiarisation costs stated in paragraph 49. Candidates will have to fund the £40 fee on top of the current £115 to conduct the off-road manoeuvre section of the test, but businesses might decide to finance it. This is relevant once the crisis is eased and economic activity goes back to normal.
64. The impact on candidates will be around £2.9m in any given year after 2022 (when the backlog in tests will be cleaned), from which a percentage might be funded by companies. This is the result of £40 per candidate multiplied by the number of tests performed each year. In the extreme case these costs were passed to companies, this would still be below the £5m EANDCB per year threshold for this to require an IA.
65. The number of tests has been forecasted using the average number of HGV driving tests between 2015/16 to 2019/20, the 5 years previous to the outbreak of Covid-19 pandemic, and the average growth rate between the first and last year of the series.
66. The following table shows the cost that candidates will face as a result of the £40 fee for the off-road manoeuvre module for the period 2021-2030, the assumed 10-year appraisal period.

Best case scenario	Low cost	High cost
£27,050,065	£26,950,662	£27,149,468

Risks and unintended consequences

67. During consultation, some stakeholders raised a possible conflict of interest arising from the dual role of both assessors and instructors. It was considered possible that trainers assessing candidates might be under pressure to pass them. To ensure that the quality is maintained throughout the industry, it would be necessary to ensure that the rules applying to the conduct of assessment are enforced.
68. Under Her Majesty's Treasury's (HMT) Green Book assumptions, private sector assessors should be expected to be fully compliant with the new regulation. This means that candidates would be assessed like a DVSA official would do and hence everybody who passes the off-road section has the expected standards of quality and therefore not lead to an impact on road safety (either positive or negative).
69. But in the unlikely situation that this was not the case, the risk of a fall in road safety as a result of some unprepared candidates obtaining a license is considered to be low. The risk is limited by the fact that candidates will only be permitted to perform the on-road section, where road accidents take place, once the off-road part is passed. Furthermore, the on-road section is assessed by DVSA officials.
70. It is possible that the change may affect arrangements for driving outside the UK. Road traffic conventions cover licencing arrangements when drivers travel to other countries. This regulatory change may concern some countries, particularly in the EU, about the potential for an adverse road safety impact from visiting drivers. In the longer term, there could be an impact on mutual recognition of GB licenses abroad. The UK is in discussion at an international level to help mitigate these risks.
71. Finally, there is the risk around the effectiveness of this measure. While the desired outcome is to increase the testing capacity of the system by delegating off-road elements of the test to private sector assessors, the results will depend on how many candidates choose to use private sector assessors instead of DVSA officials. Should this be low, insufficient time would be freed for DVSA officials to undertake more on-road sections, resulting in a policy not fully meeting its intended objectives.

Wider impacts

Innovation

72. It is not expected that this proposal would have any effect on innovation.

Small and Micro Business Assessment

Impacts of the regulation on haulage businesses

73. According to the ONS data released on October 2021 on business population²², the UK's haulage sector is composed of 29,865 companies. Around 98% of them (25,620) had 49 employees or less, hence they are considered as small or micro businesses. As explained in the Business Impact Target accounting section, we do not expect many businesses to be impacted by this regulation.
74. It is expected that licence acquisition is typically funded by individual drivers, rather than as part of a business activity. However, small and micro businesses might negatively be affected if larger companies were to refund this section of the test in order to secure the drivers as such action would make it more difficult for smaller and micro businesses to attract workers. However, some mitigation may occur if small and micro businesses felt disadvantaged by this, as they could choose to offer this small incentive should there be clear benefits for them doing so.

²² <https://www.gov.uk/government/statistics/business-population-estimates-2021>

75. Whilst true, this problem cannot be attributed just to this specific policy. Larger companies are already capable of providing working conditions which cannot be matched by smaller ones. Hence, the situation is not expected neither to significantly improve nor worsen as a result of this change.

Impacts of the regulation on training providers

76. According to DVSA, there are around 800 HGV driving schools in the UK. However, there is not enough data to infer the market structure and hence the weight of small and medium businesses.
77. This policy will cause a small direct impact on businesses during the first year, when they will need to become familiar with the new regulation, but it will not introduce any new burden. On the contrary, it might open new business options for trainers and schools.
78. There is, however, no guarantee that all training organisations will be able to offer this service. As it has been stated previously, this service will be offered if the expected benefits are higher than those reported by the rest of the alternatives. Larger schools might already own a site and lorries, and hence can be easily accessed to undertake the tests with no further costs. Smaller companies, though, might need to rent, or pay to access, some of these assets, which limits the capacity to take advantage of this new regulation as the profit would be lower which may create distributional effects on smaller businesses.
79. To counteract this, smaller businesses might reorganise their activities in order to make a more efficient use of their assets. For instance, they might reorganise the schedule so that free gaps are avoided, maximising the use of resources they have already rented, such as vehicles and sites.

Equalities Impact Assessment

80. No negative effects on those with protected characteristics have been identified. None of the proposals will result in discrimination against any kind, unlawful or otherwise, in terms of age, disability, sex, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion or belief, or sexual orientation.

Justice Impact Test

81. It is not considered that the regulation change will have a negative effect judicially.

Trade Impact

82. There is a risk that the outsourcing part of the HGV driving test may be seen in the EU and elsewhere as degradation of testing standards and therefore reduce confidence in GB testing integrity. As explored in paragraphs 21 and 68, not recognising HGV driving licenses would add a burden to trade between commercial partners, given that some GB license holders couldn't drive in these regions. However, we have assessed that this measure will have a negligible impact on road safety given enforcement and compliance, the ground for not recognising the GB driving license. Any deviations from this may lead to a slight impact on road safety, but it is expected to be low risk.

3.0 Post implementation review

1. Review status: Please classify with an 'x' and provide any explanations below.									
	Sunset clause	x	Other review clause		Political commitment		Other reason		No plan to review
Regulations to be reviewed every five years to ensure continued suitability.									

2. **Expected review date** (month and year, xx/xx):

1	0	/	2	4
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Three and five years from when the Regulations come into force

3. **Rationale for PIR approach:**

The regulation will be reviewed at 3 and 5 years post implementation due to potential impacts on safety. Reviewing at 3 years would enable us to get an early indication of emerging safety issues, which can inform policy interventions to respond. The reviews will also consider the impact of the policy on its key objective, to increase DVSA HGV testing capacity in order to reduce the HGV driver shortage

For the first review at the 3 year point, this should be kept proportional and focus on any potential safety impact observed in the data, and immediate concerns on the implementation of the measure. A fuller review should be undertaken at the 5 year point when the impacts would be more measurable.

Due to the similarities, we advise that this policy's road safety impacts are evaluated together with the removal of the staged HGV test policy and the removal of B+E testing policy.

• **What forms of monitoring data will be collected?**

The following existing sources of data will be explored for the PIR

- DVSA vocational testing data
- STATS19 reported road casualty data

We will also consider new data collection, likely through:

- Surveys and interviews with examiners, trainers and employers
- Stakeholder consultation
- Surveys or interviews with HGV drivers

Further scoping will inform whether these projects are feasible (e.g. whether there are data protection issues), whether they will provide suitable sample sizes and comparator groups for analysis, and whether the cost to achieve results is proportionate.

More information about the rationale for the use of these sources is outlined below:

For **safety impacts**,

- the STATS19 reported road casualty data should be explored when conducting the PIR, to see whether there has been an increment of accidents involving HGV following this measure.
- Records of drivers completing the new streamlined test, comparing with records from previous staged test, should be explored including reasons for failure
- Potentially, investigatory data from the existing RAIDs study, current ongoing Road Collision Investigation Project and the potential new collision investigation branch could also be used to examine safety impacts.
- We will also explore undertaking new data collection, namely surveys with drivers, examiners and employers/ trainers to understand drivers' knowledge and behaviour which can be an indicator of potential safety issues, but as flagged above this is subject to further scoping work.

To explore **impact on DVSA testing capacity**, the PIR should consider DVSA data on number of tests available and waiting times for tests. Though additional data from the Annual Population Survey on the current numbers of working HGV drivers could in theory be used to consider impacts on the numbers of working HGV drivers, to assess whether the policy contributed to reducing the HGV driver shortage, we do not recommend this is part of the PIR. HGV driver numbers shortages will be influenced by other external factors and other policies so it will not be possible to attribute the impact of this specific measure alone on

numbers of HGV drivers. Therefore, to assess whether the policy contributed to this we will focus on the key aspect of this it is seeking to influence – DVSA vocational testing capacity – however we will also explore the feasibility of conducting surveys with stakeholders, employers, trainers and drivers in order to consider the influence of the increased testing capacity on entry to the HGV driver profession.

To monitor whether this measure has had an impact on mutual recognition of GB licenses internationally, we will explore industry stakeholders’ opinion and feedback through surveys.

- **What evaluation approaches will be used? (e.g. impact, process, economic)**

Impact evaluation, considering observed safety data, potential safety impacts and impacts on vocational testing capacity.

New primary data sources will be necessary to understand impact on some interim outcomes, i.e. indications of driver behaviour, volume of training conducted. We will explore conducting surveys and interviews with drivers, employers and examiners to investigate this.

- **How will stakeholder views be collected? (e.g. feedback mechanisms, consultations, research)**

DVSA examiners, wider industry stakeholders, and potentially new drivers, employers and trainers consulted via surveyed and interviews.

Rationale for not conducting a PIR:

n/a

Key Objectives, Research Questions and Evidence collection plans			
Key objectives of the regulation(s)	Key research questions to measure success of objective	Existing evidence/data	Any plans to collect primary data to answer questions?
Contribute to reducing driver shortage	Has the DVSA backlog in driver tests been reduced?	Backlog in tests (DVSA vocational test data)	(subject to feasibility) Wider industry stakeholder consultation Survey / interviews with drivers and employers
Maintain Road Safety	Are drivers who undertook the streamlined test more likely to have accidents	STATS19 casualty data Records of drivers completing the streamlined test and records of drivers completing older staged test prior to regulation change (including information on reasons for failure) (DVSA vocational test data)	(subject to feasibility) survey / interviews with drivers and examiners, including to collect data on behaviour and understanding of key road safety risks

<p>Maintain mutual recognition of GB licenses internationally</p>	<p>Has this measure had an an impact on mutual recognition of GB licenses internationally?_</p>	<p>n/a</p>	<p>Wider industry stakeholder consultation</p> <p>(subject to feasibility) Survey / interviews with drivers, trainers and employers)</p>
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