Title: Review of Vehicles of Historical Interest (VHIs) road-worthiness testing **IA No:** DfT00347 **RPC Reference No:** RPC15-DFT-3771(1) **Lead department or agency:** Department for Transport **Other departments or agencies:** Drive and Vehicle Standards Agency	**Impact Assessment (IA)** **Date:** 15/08/2017 **Stage:** Final Stage **Source of intervention:** EU **Type of measure:** Secondary legislation **Contact for enquiries:** David Pope 020 7944 8797
Summary: Intervention and Options	**RPC Opinion:** GREEN

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANDCB in 2014 prices)	**One-In, Three-Out**	**Business Impact Target Status**
-£17.82	£3.15	-£0.3	In scope	Non qualifying provision

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

In Great Britain all vehicles manufactured before 1960 are exempt from regular roadworthiness testing. EU Directive 2014/45 changes the rules around this. The new rules allow Member States to exempt vehicles of historical interest (VHIs) from testing if they are at least 30 years old, no longer in production and have not had substantial changes made to them. Great Britain is currently inconsistent with this Directive as it exempts all pre 1960 vehicle regardless of whether they have been 'substantially altered'. If we wish to continue to exempt VHIs from regular testing to implement the new EU requirements we will need to update GB law. This is not possible through other means such as voluntary measures. The minimum regulation would be to exempt 30 year old vehicles that are not 'substantially changed'. The new Directive also allows Member States to determine the periodicity of testing for VHIs if not exempt. Implementing the requirements by doing this will allow GB to de-regulate in this area.

What are the policy objectives and the intended effects?

The objective is to review the current VHI exemption and how we might amend GB law to implement the new EU requirements. The purpose of the new proposals is to ensure only vehicles of genuine historical interest that are no substantially changed are allowed exemption from testing. Judging from responses to the consultation, these vehicles are more likely to be well maintained and used less frequently.

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

Option 0: Baseline. Leave the current exemption for pre-1960 manufactured vehicles (baseline). This goes beyond the 30 year EU exemption but does not address the inconsistency between domestic and the new EU law leaving GB liable to infraction.

Option 1: Exempt 40 year old VHIs from annual testing and introduce a VHI certification process to ensure a vehicle has not been substantially altered.

Option 2: Exempt 30 year old VHIs from annual testing and introduce a VHI certification process to ensure a vehicle has not been substantially altered.(EU Minimum)

Option 3: Continue to exempt pre-1960 VHI, introducing a VHI certification process to ensure a vehicle has not been substantially altered. Biennially test all 1960 to 40 year old vehicles with a full road-worthiness test.

Option 1 is the governments preferred option.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: May/2023

Does implementation go beyond minimum EU requirements?		Yes		
Are any of these organisations in scope?	**Micro** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)		**Traded:** N/Q	**Non-traded:** N/Q	

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

Signed by the responsible Minister: Jesse Norman **Date :** 11 September 2017

Summary: Analysis & Evidence

Policy Option 1

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

FULL ECONOMIC ASSESSMENT

Price Base Year: 2015	PV Base Year: 2017	Time Period Years: 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -28.17	**High:** -9.26	**Best Estimate:** -17.82

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.1	1	17.5	**149.7**Optional
High	0.1		19.6	**167.4**
Best Estimate	0.1		18.5	**157.7**

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

There are costs to society as removing the MOT test from vehicles constructed or first registered between 1960 and 1977 could have a negative impact on road safety .

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

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

There will be a familiarisation cost to all vehicle owners of vehicles constructed or first registered over 40 years ago.

There will be a revenue loss to garages due to exemption of vehicles first registered between 1960 and 40 years old vehicles from MOT testing. This will be a transfer to vehicle owners but an indirect effect and is not included in the EANDCB.

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

There will be some transitional costs for MOT test stations to familiarise themselves with the certification process, these are estimated to be negligible.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	N/Q	Insert	16.3	**139.2**
High	N/Q		16.5	**140.4**
Best Estimate	N/Q		16.4	**139.8**

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

There will be benefits to owners of vehicles constructed or first registered since 1960 but more than 40 years ago as they will not have to pay the MOT test fee. This will be a transfer from garages but an indirect effect and is not included in the EANDCB.

Time and fuel saving to exempt vehicle owners from no longer going to and from test stations.

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

Maximum of 5 lines

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

The MOT test fees remain unchanged. An estimated 288,847 vehicles will be made exempt from testing in 2017, with this number increasing over time due to the rolling yearly mechanism. The lower bound estimate for safety impacts makes the assumption that half of vehicle owners would routinely check their vehicles regardless of the MOT test frequency or criteria. Without an MOT test, the number of vehicles with defects in the first year of MOT exemption would increase by about a half. The upper bound assumes 100% non-compliance.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m: N/A
Costs: 0.3	Benefits: 0.6	Net: 0.3	

Evidence Base

1 Problem under Consideration

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

The government respected the EU referendum result and triggered Article 50 of the Treaty on European Union on 29th March 2017 to begin the process of exit. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will also continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in the future once the UK has left the EU.

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

If we wish to continue to exempt VHIs we will need to implement EU requirements and amend GB law. The Road Traffic Act 1988 provides the legislative basis for MOT testing of cars, other light vehicles (including some light goods vehicles), private buses/coaches, and motorcycles. Heavy Goods Vehicles are required to have a statutory road-worthiness test under the Goods Vehicles (Plating and Testing) Regulations 1988. We do not propose to exempt HGVs and PSVs from road-worthiness testing.

Implementing the EU minimum would involve introducing a certification process to determine if a vehicle has been 'substantially changed' and exempting vehicles using a 30 year rolling mechanism (exempting vehicles from 1987 in 2017). We will also have to define 'substantial change' as there is no definition in the Directive. If we continue to exempt VHIs that were manufactured or registered before 1960 we will still have to define 'substantial change', as it is a requirement of the Directive. DVLA uses an 8-point rule to determine whether vehicles that have been radically altered should be re-registered. In our consultation of 2016, we proposed using this rule to determine whether a vehicle has been substantially changed.

We received a variety of comments from respondents. A number said that the rule had been used for some time and was established. Others said that some amendments would be needed and/or that modifications could make a vehicle safer. We have amended DVLA's rule to meet these concerns.

The revised definition reads:

To be considered as a VHI the vehicle must have been first registered over 40 years ago and the following components need to be of a design of which would have been fitted to that vehicle at the time of its manufacture.

- the original unmodified chassis or body shell (including any sub frames) or,
- a new chassis or monocoque bodyshell (including any subframes) of the same specification as the original
- suspension (front and back)
- steering assembly
- all axles
- transmission
- engine

For M2, M3, N2, N3, O3 & O4 vehicles that have been subject to alteration, the vehicle may still be considered as a VHI if it has been the subject of a notifiable alteration.

In the case of a motor bicycle

- the original unmodified frame or,
- a new frame of the same specification as the original

- forks
- wheels
- engine
- gear box

It will not be considered to be a VHI if it;

- has been issued with a registration number with a 'Q' pre-fix,
- is a kit car assembled from components from different makes and model of vehicle or,
- is a kit conversion where a kit of new parts is added to an existing vehicle, or old parts are added to a kit of a manufactured body, chassis or monocoque bodyshell changing the general appearance of the vehicle.

We have no evidence available to indicate how many vehicles have been 'substantially changed' and would therefore not be exempt from MoT testing. The consultation asked for comments but most respondents had no idea of the number of vehicles that might be affected.

In 2014 the Department for Transport ("the Department") held an informal web based consultation seeking opinions and ideas on policy options for historical vehicle exemptions on which we could base our proposals for formal consultation. The informal consultation generated 650 comments and over 2800 survey responses. There was a wide range of views expressed in the responses, which assisted in narrowing numerous options to those being considered here. A formal consultation was held in 2016. Over 2,000 responses were received.

2 Rationale for intervention

This is a two part policy. Firstly, the 'substantial change' provision in the Directive means we will need to amend GB legislation so that vehicles that have been substantially changed are not exempt from MoT testing. A process of certification will need to be introduced to ensure that vehicles that are exempted from testing have not been 'substantially changed'. Secondly, the Directive gives the UK the ability to exempt VHIs from testing using a minimum of a 30 year rolling exemption.

At the moment GB legislation simply allows all vehicles manufactured before 1960 to be exempt from road-worthiness testing. There are no additional requirements or criteria to be met.

Substantial changes to a vehicle can affect its performance, e.g. when braking or manoeuvring. For major changes, it is vital that vehicles are tested to ensure the alterations are not potentially dangerous. The current regulation (which exempts vehicles that have been substantially changed) can lead to potentially dangerous vehicles being used on the roads. Introducing a certification process to ensure that these vehicles are no longer exempt from MOT testing could have safety benefits and prevents these vehicle owners from imposing an external social cost. The Government regulates annual testing to ensure high road safety standards and reduce the loss of lives.

The option to move from the current 1960 exempt to a rolling mechanism for 40 year old vehicles increases the number of vehicles exempted from MOT testing. There is evidence that VHIs are well-maintained and have lower annual mileage than younger vehicles. This was backed up by responses from consultation. 1,597 respondents agreed that most private owners of VHIs kept their vehicles in good condition and used them for short trips such as fairs and exhibitions. Therefore there was less need for annual testing. 305 disagreed. 50 owners of VHIs said that while they kept their vehicles in good condition, they felt the need for assurance via an annual MoT. The current regulation may be overly burdensome imposing unnecessary costs on vehicle owners. Government intervention will remove this cost.

3 Policy Objective

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

4 Description of options considered (including do nothing)

Option 0: Do nothing. This is the baseline, relative to which the costs and benefits in this IA are appraised. Leave the current exemption for pre-1960 manufactured vehicles (baseline). This goes beyond the 30 year EU exemption but does not address the inconsistency between domestic and the new EU law leaving GB liable to infraction.

Option 1 (preferred option): Exempt 40 year old VHIs from annual testing and introduce a VHI certification process to ensure a vehicle has not been substantially altered. Domestic legislation would need to be amended for this option. PSVs and HGVs would not be exempted.

Option 2: Exempt 30 year old VHIs from annual testing and introduce a VHI certification process to ensure a vehicle has not been substantially altered. (EU Minimum). PSVs and HGVs would not be exempted.

Option 3: Continue to exempt pre-1960 VHIs, introducing a VHI certification process to ensure a vehicle has not been substantially altered. Biennially test all 1960 to 40 year old vehicles with a full road-worthiness test. PSVs and HGVs would not be exempted.

Option 1, to exempt vehicles from 40 years, is the government preferred option. This goes beyond the EU minimum requirement, which would be to exempt vehicles over 30 years old from road-worthiness testing, so there is an element of gold plating.

The preferred option in consultation, to introduce a rolling exemption from road-worthiness tests for vehicles constructed more than 40 years ago (option 1) is the final preferred option. This option was opposed at consultation by a majority (57% to 43%) with many respondent highlighting the safety risk of exempting these vehicles. In consultation, opponents of this proposal argued that any vehicle is capable of causing a fatal accident and thus all should be tested annually. Others stated that no matter how well owners maintain their vehicles, they cannot detect all faults and cannot conduct all aspects of the MoT at home.

The 40 year option continues to be preferred (as opposed to the 30 year EU minimum), mainly for safety reasons. Vehicles first registered between 1978 and 1987 (i.e. 30-40 years old) fail 30.3% of MOT tests, more than vehicles registered between 1961 and 1977 (i.e. 41 to 56 years old) where the failure rate is 22.6%. In 2015 there were 215 casualties in personal injury accidents involving 1961-1977 vehicles compared with 455 casualties involving 1978-1987 vehicles. The 40 year old vehicle option is also in line with the current rolling 40 year exemptions from Vehicle Excise Duty, so vehicle owners would be able to apply for VED exemption at the same time as their vehicle becomes exempt from MoT tests. One key theme that was mentioned repeatedly in the consultation was the road safety implications of the proposed exemption. The consultation asked if there were safety reasons for exempting 40 year old vehicles rather than those that were 30 years old. A clear majority of respondents replied ‘No’ although many noted that they did so simply because they objected to any exemption. This objection to any exemption highlights the importance of road safety. Some of those replying ‘yes’ pointed to the lower MoT failure rate for VHIs over 40 years old. Others stated that vehicles 30 years old were more powerful than their older counterparts and were thus potentially more dangerous; therefore there was less of a case for exempting the younger vehicles.

Given the safety risk of exempting vehicles the EU minimum (option 3) is no longer considered a viable option. The EANDCB of gold plating is contained later in the direct costs and benefits to business calculations.

Option 4, in conjunction with a 40 year threshold, reduces the MOT frequency for all 1960 to 40 year old vehicles from every year to every other year. This reflects their lower failure rates and lower involvement in safety incidents. This is not a viable option, as it cannot be implemented in time for May 2018, because it requires a change in primary legislation to allow tests to be done less frequently than annually. Developing this alternative and securing a suitable opportunity to amend primary legislation is liable to take some time and is not possible before the May 2018.

5 Assumptions

Number of Vehicles affected under each policy option

Table 1 below gives the breakdown of the number of licensed vehicles exempt from testing in 2016.

Table 1: Number of licensed vehicles exempt from testing in 2016 in the do nothing.

Vehicle first registered	Cars	Motorcycles	Buses & Coaches	LGVs	HGVs	All
All pre-1960	95,593	75,974	1,830	23,224	759	197,380

Source: DfT Vehicle Stats

In 2016 there were 197,380 pre-1960 vehicles exempted from MOTs. Table 2 below gives a summary of the annual vehicles affected in 2017 by policy option. Under option 1 40 year old vehicles are exempted. In 2017 this refers to pre 1977 vehicles. The number of vehicles affected will change over the 10 year period due to the rolling mechanism. This has been incorporated into the analysis. Annex C includes the estimated number of vehicles affected over the 10 year period.

Table 2: Annual vehicles affected, in the first year, under different policy options

Policy Option	Vehicles with reduced testing	Vehicles requiring certification
Option 1 – 40 year exemption	288,847	483,638
Option 2 – 30 year exemption	433,530	628,321

Source: DfT Vehicle Stats

There are three caveats to these estimates numbers. Firstly, since there is lack of data on the number of vehicles which currently have alterations, it has been assumed that no pre 1987 vehicles (i.e. 30 year old vehicle) have substantial alterations. During consultation we sought evidence on how many vehicles have been 'substantially changed' and would therefore not be exempt from MoT testing. The consultation asked for comments but most respondents had no idea of the number of vehicles that might be affected. This overstates the number of vehicles exempt from testing in the do something. We sought information on this during consultation but did not receive any information.

Secondly, under the new regulation only vehicles that were substantially altered after 1988 will require certification. Due to lack of data on the year of alternations this overstates the number of vehicles that require certification.

Finally, since there is a move from a fixed pre-1960 limit to a rolling limit based on vehicle age there will be an increasing number of vehicles exempt from testing each year. For example in 2017 a 40 year exemption will exempt vehicles registered before 1977, in 2018 this will move to 1978. Data on the number of vehicles registered by vehicle age in 2017 has been used to create an expected profile of exempted vehicles over the next 10 years. However this profile will overestimate the number of exempt vehicles since some of the stock of vehicles in 2017 will be declared off road in the next 10 years. Data on licensed cars by years since first registration can be used to calculate a proxy for the annual scrappage rate of vehicles. The average scrappage rate for 30 to 40 year old vehicles is calculated at 4%. Therefore to take account of car scrappage rate, the profile of expected number of vehicles exempt in each year has been reduced by 4%. Overall, as shown in Appendix B, the annual number of vehicles exempted increases over the 10 year period.

Voluntary testing

a) Despite being exempt from testing, 11,330 pre-1960 vehicles voluntarily undertook an MOT test in 2016, approximately 6% of the number of exempt vehicles. Table A1 in the appendix gives a full breakdown on MOT numbers and failure rates. Vehicle owners may voluntarily test their vehicles for business and insurance purposes.

b) *Voluntary testing for business purposes*. We anticipate that the majority of VHIs used for business purposes would be sent for an annual MOT even if they were exempted to help ensure they are in a roadworthy condition and keep insurance premiums at a minimum. These include businesses, such as television, film work and mobile catering that use historic light vehicles and business that use VHIs for

weddings. We tested this assumption in the consultation. A clear majority of 1,627 to 425, agreed, arguing or assuming that insurance companies would require that the vehicles have an annual MoT. A handful argued that some businesses would look for any opportunities to cut costs and therefore would not submit VHIs for a voluntary MoT. Some respondents answered 'No' because they disagreed with any exemption; others said they had no information upon which they could base an answer. The preferred option will not affect legislation for licensed Private Hire Vehicles, which will still stipulate a requirement for regular MOT testing. Voluntary testing for business purpose is treated as an indirect effect.

c) *Voluntary testing for insurance purposes*. All car owners may benefit from undertaking an annual MOT to reduce insurance premiums. Evidence from the insurance industry suggests that the financial benefit of voluntarily undertaking an MOT will be small. The British Insurance Broker Association has advised insurance premiums for over 40 year old vehicles, relative to modern vehicles, are much smaller (roughly around £100-150), so a discount incentive to take an MOT would probably not work (as any discount would be much less in monetary terms compared to the cost of an MOT and any corrective work) so would not encourage owners to voluntarily take the test.

MOT Test Fees Revenue and Profit

a) The level of profit made from an MOT is unclear.

When the MOT fee was introduced, the cost of the MOT test was calculated using the actual (average) time to conduct the test, the average labour cost rates and the recovery of the investment required to provide and equip a garage to DfT/DVSA specifications. This would suggest that there is no profit made from MOT fees. Furthermore, the MOT test fee has not been increased since 2010 while inflation since then has increased by 12% (ONS). The MOT market is highly competitive and anecdotal evidence suggests that garages offer MOT tests at less than the standard fee and use this as a loss-leader to attract customers and offer them additional services. The maximum charge for a car MOT is £54.85 per test, MOT garages are free to charge any fee below this with some garages charging as low as £10. The average is estimated to be around £45 (DVSA).

On the other hand if garages are willing to provide MOTs at a loss there must be an incentive for them to do this. Anecdotal evidence suggests that MOT test centres tend to make profit from carrying out repairs to vehicles that fail the MOT test or minor repairs to vehicles before and after a MOT test. They may also profit from carrying out other additional services on cars while they undergo their MOT. During consultation we sought information on the level of profit associated with MOTs and the associated repairs and additional services but did not receive any additional information. Some garages disputed our suggestion that they did not make a profit from MoT test fees. However, we do not see how the £10 fees charged by some garages can be seen as anything other than a loss-leader to attract custom.

It is therefore difficult to determine the impact on garages profits of conducting less MOTs.

If VHIs are exempted from the MOT test, vehicle owners may carry out vehicle repairs in non-MOT test centres. If this is the case, it would simply mean transfer of business / profit from MOT test stations to non-MOT test stations. It is difficult to calculate how many of the owners of VHIs would never repair their vehicles if their vehicles are exempted from the MOT test. There may also be a delay in seeking repairs. If vehicles are never repaired then this could be a net loss to business/MOT test centres. There may also be a knock on effect to businesses that supply classic car parts and modifications.

There are currently over 22,000 MOT garages and over 450 HGV/PSV testing stations. Most of the HGV/PSV test stations are 'Authorised Testing Facilities' run by privately-owned businesses where a DVSA tester carries out annual tests on heavy goods and passenger service vehicle.

b) Changing the number of MOTs will impact on garages revenue

If VHIs are exempted from MOTs, this will cause a reduction in revenue for MOT garages. This will be a transfer from MOT garages to vehicle owners.

During consultation we received many responses on the impact of exemptions on MOT garages. We sought evidence on the level of MOT profits but did not receive any further information. Due to lack of data on profit levels revenue losses have been included in NPV. This is treated as an indirect effect on business and is not included in the EANDCB.

MOT testing and Classic roadworthiness 'safety' test

a) We anticipate that existing MOT testing stations will be able to carry out any VHI roadworthiness 'safety test'. The full MoT test covers vehicle identity, registration plates, lights, steering, suspension, wipers, windscreen, horn, seat belts, safety of front seats, fuel system, emissions, bodywork, doors, mirrors, wheels and tyres, brakes. The simplified test would cover vehicle identity, brakes, tyres, lights and steering.

b) For calculation purposes we have estimated that the fee for the 'safety' test would be the same as the normal MOT test, around £45 (DVSA). The maximum MOT fee is £54.85. However many garages charge below this, with some garages offering MOTs from £10. £45 is an average figure. This is assumed since the safety test would cover many similar elements to an MOT test. It is also assumed the road safety benefits of an MOT and a 'safety test' will be equal.

6 Calculations of the Monetised Costs and Benefits

Fuel and Time Costs of MOTs

It has been assumed that on average it takes 30 minutes to travel to and from an MOT garage, travelling at 30 miles per hour. This is based on DfT analysis of the number of MOT garages (22,000), the average distance travelled and the types of local roads travelled on.

The petrol price per litre is 38p (2015 price, WebTAG Table A 1.3.7) and the fuel consumption is 0.07 litre/km (Appendix C). The value of leisure time per hour is £4.78 (2015 price base, 2010 values, WebTAG Table A 1.3.1). This gives the fuel cost per MOT of £0.61 and the time cost of £2.43.

Exempt or reintroducing MOT testing - calculation of additional road casualties and accidents

Option 1 introduces a 40 year rolling exemption and option 2 introduces a 30 year rolling exemption.

Table 3 shows the number of casualties in 2015 for vehicles of different ages. A full break down of these figures is shown in table A2 in the appendix.

Table 3: Number of casualties resulting from reported personal injury road accidents involving at least one historic vehicles by casualty severity and year of vehicle registration/manufacture, GB, 2015

Vehicle first registered or manufacture	Age of vehicle in 2017	Killed	Serious injured	Slight injured
<1960	58+	1	20	36
1960-1967	50 to 57	0	24	53
1968-1977	40 to 49	2	27	109
1978-1987	30 to 39	15	87	353
1988-2014	3 to 29	1,505	18,140	140,740

Source: DfT Road Safety Stats

To calculate the impact of exempting vehicles from annual road-worthiness testing a link between road-worthiness testing, mechanical failure rates and accident rates needs to be determine. According to the TRL (Transport Research Laboratory) report on the Effect of Vehicle Defects in Road Accidents[1] about 3% of road casualties could be associated with vehicle defects. The TRL report examined in detail, how road casualty figures are recorded and compiled and looked at the reasons why vehicles failed their MOT test.

As the numbers of VHIs in accidents are very low, there is no way of establishing the link between MOT test failure rates and accidents attributable to mechanical failure for every vehicle type. Instead we take the aggregate rate of accidents attributable to mechanical defects shown in table 4. If the accident rate attributable to mechanical failure in VHI is higher than the aggregate rate this will lead to an underestimation of the road safety costs.

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

Table 4: Vehicle defects as a contributory factor in reported accidents by severity, GB 2015

Vehicle first registered or manufacture	Killed	Serious injured	Slight injured
Rate attributable to mechanical failure	2.4%	1.9%	1.6%

Source: DfT Road Safety Stats

The TRL report's assumes a linear relationship between the accident rate and the MOT failure rate. The estimated impact of removing MOT testing on the decision of owners to maintain vehicles uses scenario analysis: these are half-conform and non-conform.

Under the low cost scenario the half-conform assumption assumes that half of vehicle owners routinely check their vehicles regardless of the MOT test frequency or criteria, and half use the MOT test time to annually trigger any necessary maintenance or service work required. The TRL report assumes that without a MOT test, the number of vehicles with defects in the first year of MOT exemption would increase by about half, and consequently, the number of road casualties caused by vehicle defect would increase proportionally. This assumption is used to represent a lower bound.

As an upper limit, the high cost scenario assumes that no vehicle owners routinely check their vehicle in the absence of an MOT test. The accident rate attributable to mechanical failure increases proportionally by 100%.

In practice the roadworthiness of vehicle when an MOT is no longer required is unknown. It is likely to lie between the non-conform and half-conform assumption. Currently 6% of pre 1960 vehicle owners voluntarily test their vehicle, with an MOT failure rate of 15%. A full conform scenario is not used since this would assume an MOT failure rate of 0%.

The TRL methodology described above has been applied. Using the estimated number of road casualties in Table 3 and accidents linked to vehicle defects in Table 4 as a base, Table 5 below applies the TRL report's half-conform and non-conform assumption to calculate the number of additional road casualties and accidents that may arise in the first year of MOT test exemption.

Under the half-conform and non-conform assumption, the accident rates increase in proportion to the rate of mechanical failure.

Table 5: Accident rate attributable to mechanical failure VHI are exempt from testing

	Killed	Seriously Injured	Slight Injury
Do Nothing	2.4%	1.9%	1.6%
Non-Conform	3.6%	2.8%	2.5%
Half-Conform	7.2%	5.7%	5.0%

Source: DfT Analysis

Using the difference in the accident rate (Table 3) the changes in total accidents per year can be calculated as shown in Table 6 and Table 7.

Table 6: Half Conform Estimates of the increase in casualties in Year 1

	Killed	Seriously Injured	Slight Injury
Option 1 – 40 year exemption	0.02	0.48	1.33
Option 2 – 30 year exemption	0.20	1.30	4.23

Source: DfT Analysis

Table 7: Non-Conform Estimates of the increase in casualties in Year 1

	Killed	Seriously Injured	Slight Injury
Option 1 – 40 year exemption	0.08	1.71	4.75

Option 2 – 30 year exemption	0.72	4.61	14.99

Source: DfT Analysis

The social value of accidents is taken from WebTAG table A.4.1.3, in 2015 prices and 2010 values. A fatal casualty is valued at £1,675,274, a serious injury is valued at £188,254 and a slight injury is valued at £14,512. These are combined with estimated increase in casualties to give the monetised road safety costs in Table 8.

Table 8: Road Safety costs in Year 1

	Half-Conform	Non-Conform
Option 1 – 40 year exemption	£149,775	£530,902
Option 2 – 30 year exemption	£645,677	£2,529,150

Source: DfT Analysis

These estimated safety costs are increased in proportion to number of vehicles exempted from to testing (Table A3) to give a 10 year profile of costs.

Cost of Self-Certification

There is an admin cost to VHI owners since they must now certify that their vehicle has not been substantially altered. To be considered as a VHI a number of components of the vehicle need to be of a design of which would have been fitted to that vehicle at the time of its manufacture. For example the vehicle must have the original unmodified chassis, suspension and steering assembly. The vehicle owner must consult the 8 point rule and verify that their vehicle meets these conditions. They must then inform DVSA that they are exempt from testing. The exact details of this process have not yet been determined. Vehicles that are currently exempt from MOT testing must fill out a V112 form to declare that they are exempt and must produce this form when they taxing a vehicle. Vehicles that are exempt from tax must annually declare this online. It is likely that the self-certification process will follow a similar process. The length of time that the self-certification process will take is uncertain and it is likely to vary by individual. It has been conservatively assumed that the process will take around 60 minutes. Due to the uncertainty a range is taken around this value, from 45 to 75mins. This is likely to be an overestimate but the conservative approach of not understating any costs has been taken due to lack of details on the self-certification process at the time of this analysis. Non-business time is valued at £4.89 per hour (WebTAG1, unit 3.5.6, 2010 values, 2015 prices).

Familiarisation Costs to Vehicle Owners

There is a familiarisation cost to all vehicle owners of VHI of reading and familiarising themselves with the guidelines. It has not been possible to obtain exact information on the length of the familiarisation time. It has been assumed that the process will take 30 minutes. Due to the uncertainty a range from 20 to 40 minutes has been taken. Non-business time is valued at £4.89 per hour and therefore £2.44 for 30 minutes (WebTAG1, unit 3.5.6, 2010 values, 2015 prices). In the first year all VHI owners will incur this cost, in the following year it will be incurred by vehicles owners that enter the range for the exemption. It is therefore on-going.

Familiarisation Costs to MOT testing centres

There will be some transitional costs for MOT test stations to familiarise themselves with the certification process, these are estimated to be negligible. The certification process will be undertaken by vehicle owners and testing centres already have a technical understanding of the 8 point rule.

Transition Costs to DVSA

There is a one of cost to DVSA of updating the system and material. DVSA estimate the total manpower to cost £34,000, the change to the IT system is estimated to cost £38,000 while the re-issue of fees poster to all MOT garages is estimated to cost £22,000. Overall the transition costs are estimated at £93,000.

7 Summary of the Monetised and non-monetised costs and benefits of each option

Table 9 and 10 show the total costs by each option over the 10 year period in 2015 prices, the scenarios are shown in brackets below).

Table 9: Cost million £ discounted over 10 years compared to Do Nothing

	Option 1	**Option 2**
Transition costs to DVSA	0.1	0.1
Familiarisation Costs to Vehicle Owners	1.0 (1.4 to 1.9)	1.8 (2.7-3.6)
Cost of self-certification	24.0 (17.5 to 30.9)	39.9 (26.8 to 47.4)
Safety cost of exempting vehicles	3.4 (1.5-5.3)	19.2 (7.8-30.6)
Revenue loss to garages	129.2	237.2

Source: DfT Analysis

Table 10: Benefits million £ discounted over 10 years, compared to Do Nothing

	Option 1	**Option 2**
MOT test fee savings	129.2	237.2
Time and Fuel Savings	12.4 (11.2-13.6)	19.5 (18.4-20.6)

Source: DfT Analysis

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

The main cost of the preferred option is the revenue loss to garages, this is a direct transfer from garages to vehicle owners. In the formal consultation we had suggested there might be no cost to garages. We received a few responses from garage owners that disagreed strongly. We sought information during consultation on the level of profit earned by MOT garages but received no extra information. We have treated the revenue transfer to garages as an indirect effect and included this in the NPV to demonstrate the cost imposed on these garages.

A high profile cost is the extent to which untested vehicles will cause a rise in accidents. This is very hard to estimate with any certainty. Relatively few people are killed or seriously injured by VHIs over the course of a year which makes a meaningful link between mechanical defects and the number of accidents affected hard to quantify with high levels of analytical assurance. It is also hard to know how people will behave without the requirement to test their vehicles in a counterfactual scenario. DfT commissioned the TRL research on the link between MOT testing and accidents. Commissioning further evidence on VHIs would be disproportionate.

A relatively small number of cars fail their MOT tests for failure to meet emissions standards, as opposed to mechanical failures. For 1960 to 1977 the failure rate is 1.7% (DVSA). This is why we thought it was disproportionate to monetise the benefit of removing these vehicles from the road.

An uncertainty in this IA is the cost of self-certification. It has not been possible to obtain evidence on this cost. Currently vehicle owners must take an annual MOT that will cost, on average, £45. The cost of self-

certification will be lower than this cost, or else the vehicle owner would rationally choose to undertake an MOT rather than self-certification.

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

Passenger carrying vehicles which are used for fare paying passengers will not be exempted from MOT testing. If they were they would revert into a category of legislation for Private Hire Vehicles, for which a requirement for regular MOT testing is likely to apply in the baseline and preferred option scenarios. These would incur these costs in both the preferred option and if we were to transpose minimum EU requirement.

Exceptions to this include VHI chauffeur driven for weddings and funerals and VHIs leased out on a self-drive only basis.

We think business users accounts for a substantial proportion of the 6% of pre-1960 vehicles that continue to be tested “voluntarily”. The consultation asked if we were correct in thinking that either no, or very few VHIs used for business purposes would be exempt from testing if we were to transpose the minimum EU requirements. Most respondents thought that insurance companies would require annual MoTs for business vehicles but others said they had no idea if this was the case. Insurance for voluntarily purpose has been treated as an indirect effect and is not included in the EANDCB.

During consultation we sought information on the number of businesses that use VHIs but did not receive any useful information. We directly contacted stakeholders including the Federation of British Historic Vehicles Club. They estimated that generally VHI are not used for business purposes, however there are a small number of businesses, such as television and film work and mobile catering that use historic light vans and a small but significant number of VHI are used for weddings. We also contacted The National Association of Wedding Car Professionals and the Department for Culture, Media and Sport but no information was received. It has not been possible to obtain any further data on the types owners of VHI. Due to this lack of available data on business use of VHIs and based on the ‘small but significant’ number of VHIs used by business it is assumed that 3% of all VHIs are used for business purposes, a high and low scenario of 4% and 2% are also applied. There is low analytical assurance around these numbers and they are indicative.

Business owners of VHIs that have reduced testing will incur savings per MOT of £69. These include:

- No longer paying the MOT fee £45
- Time savings – travel time to and from MOT centre (0.5 hours) and the 1 hour of test time, this is valued at £15.78 (2010 values, 2015 prices, WebTAG Table A 1.3.1) using the PSV driver value of time from WebTAG. This is most representative of a VHI used for wedding purposes.
- Fuel Savings - £0.64 per trip (Appendix D).

Business that own VHIs will incur costs of certifying that their vehicle has not been substantially altered. They will also incur a transition cost of familiarising themselves with the exemptions. The same time assumptions and sensitivity testing is applied for businesses users. Business time is valued at an average of £20.74 per hour (WebTAG1, unit 3.5.6, 2010 values, 2015) prices).

The estimated business NPV and EANDCB (2014 prices, 2015 present value) of each policy option is shown in table 11.

Table 11: Business NPV and EANDCB, £ million

	NPV	EANDCB
Option 1	3.15	-0.3
Option 2	6.62	-0.7

Source: DfT Analysis

Safety Reasons for Gold Plating

Our modelling is limited by available data linking accident rates to vehicle vintage.. Table 12 below shows the road safety cost under a 30 and a 40year exemption. The benefits of gold plating to a 40 year exemption are estimated at between £500,000 and £2,000,000 in the first year of the policy (2017).

Table 12: Annual Road Safety Benefits of Gold Plating in 2017, £ in first year

	High	Best	Low
30 year exemption – road safety cost	£2,529,150	£1,587,413	£645,677
40 year exemption – road safety cost	£530,902	£340,338	£149,775
Benefit of Gold Plating (40 year)	£1,998,248	£1,247,075	£495,902

Source: DfT Analysis

It has been assumed that between 2% to 4% of VHIs are owned by business. These will benefit from a 30 year exemption since an additional 144,683 vehicles are exempt from testing in 2017.

NPV and EANDCB of Gold Plating above the EU Minimum

Table 13 shows that there are benefit to businesses of moving to a 30 year exemption but the NPV is lower under the EU minimum.

Table 13: Gold Plating NPV and EANDCB, £ million

	NPV	EANDCB (2014 prices, 2015 present value)
Do nothing – 40 year exemption Do something – 30 year exemption	-20.63	-0.4

Source: DfT Analysis

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

The policy is in scope of OI3O. The Department's preferred option would be recorded as a non-qualifying regulatory provision. Although the preferred option gold-plates an EU directive, it seeks to maintain existing higher standards and under existing interpretations of the guidance, will not score under the business impact target. Overall the proposal is expected to be a Domestic OUT as it reduces exiting higher UK standards.

Wider impacts

Small and Micro Business Assessment (SaMBA)

These include business users of VHIs. We think most of these would be required to test their vehicles under legislation that covers Private Hire in each of the baseline, transposition of minimum EU requirements and preferred option scenarios, and so this would not represent either a benefit or a burden to these businesses.

The businesses that benefit are, television and film work and mobile catering that use historic light vans and a small but significant number of VHIs are used for weddings. Based on information from The Federation of British Historic Vehicles Club it has been assumed that between 2% to 4% of VHIs are owned by business. Of these businesses there is no data available on the size. Given the small proportion it would be disproportionate to seek to monetise this effect.

Relative to the baseline scenario, garages that specialise only in MOT testing will lose some business if fewer vehicles need to be tested. Of the 30 million vehicles that had an MOT in 2016, only 250,000 were

1960 to 1977 vehicles, representing 0.82% of vehicles. Since this policy affects such a small proportion of vehicles on the road it would be disproportionate to seek to monetise this effect.

Family Test

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

Equalities

Not-applicable

Competition

Not –applicable

Wider Environmental Issues

Exempting cars from MOT testing is expected to have a negligible impact on air quality and CO2 emissions.

Vehicles first used before 1 August 1975 are subject to a visual test rather than a metered test as part of the MOT. The vast majority of newly-exempt vehicles are therefore currently subject only to a visual test. A visual test checks for visible dense blue or black smoke. The exemption from MOT testing does not exempt vehicles from the underlying roadworthiness and emissions requirements, which can be still be enforced by the relevant authorities. This means that a car emitting visible smoke whilst on the road continues to be liable to be stopped by the police and subject to enforcement action. It should also be noted that the vast majority of vehicles of this age are petrol rather than diesel fuelled.

In addition, as previously discussed, the average mileage done by classic vehicles is very low compared with the general fleet, making both their current and future impact likely to be negligible. The exemption from MOTs will have the effect of reducing these vehicles' mileage further, by avoiding the need to travel to and from garages.

Health and Well-Being

Not applicable

Justice System

Not applicable

Human Rights

Not-applicable

Rural Proofing

Not-applicable

Sustainable Development

Not applicable

Summary and preferred option with description of implementation plan

The preferred option will exempt approximately 289,000 vehicles from testing in the first year, 144,000 vehicles less than the 30 year rolling mechanism. The primary reason for this preferred option is safety. The analysis shows that the 40 year rolling exemption leads to a road safety benefit over the 30 year option of

around £1.2 billion over 10 years (discounted).. Of the 670 personal injury accident involving 1961-1987 vehicles, only 32% of these were 1961-1977 vehicles.

Implementation will be by an amendment to existing regulations in spring 2017, with changes taking effect in May 2018. Administrative measures will be agreed by DfT, DVLA and DVSA.

Appendix A: Data Tables

Table A1: MOT numbers and MOT failure rates for 2016 (DVSA)

Class of vehicle	Main category of vehicle included in the class	Vehicle Pre-1960	1960-1977	1978-1987	1988-2016
C 1&2		1,965	58,275	49,941	893,336
MOT Failed	Motorcycles	178	6,069	8,322	164,416
MOT Failure %		9.1%	10.4%	16.7%	18.4%
C 3&4	Cars	9,161	188,679	114,993	28,088,139
MOT Failed	Three-wheeled vehicles LGVs <3,000kg	1,490	49,660	41,032	10,081,895
MOT Failure %		16.3%	26.3%	35.7%	35.9%
C5		92	677	365	46,879
MOT Failed	Private buses & coaches	11	94	87	15,212
MOT Failure %		12.0%	13.9%	23.8%	32.4%
C7	LGVs	9	460	1,160	666,256
MOT Failed	3,000kg-3,500kg	1	132	542	305,435
MOT Failure %		11.1%	28.7%	46.7%	45.8%
HGVs	HGVs	12	470	2,924	397,323
MOT Failed	over 3,500kg	5	136	1,357	68,274
MOT Failure %		41.7%	28.9%	46.4%	17.2%
PSVs	Commercial buses	91	402	569	72,666
MOT Failed	& coaches	24	94	162	10,423
MOT Failure %		26.4%	23.4%	28.5%	14.3%
Total		11,330	248,963	169,952	30,164,599
Total MOT Failed		1,709	56,185	51,502	10,645,655
Total MOT Failure		15.1%	22.6%	30.3%	35.3%

These number differ slightly to number of licenced vehicles in Table 1 since some vehicles may have 2 MOTs, some miss an MOT and some are registered off road. We would expect a similar percentage of exempted vehicles to take the MOT test if the exemption was extended to 40 year old vehicles (DVSA).

Source: DVSA

Table A2: Number of Casualties resulting from reported personal injury road accidents by casualty severity and year of vehicle registration/manufacture (DfT)

Number of casualties resulting from reported personal injury road accidents involving at least one historic vehicles[1] by casualty severity and year of vehicle registration/manufacture, GB: 2015

Accidents involving at least one of the following type of	Vehicle first registered or manufacture[2]	Number of casualties resulting accidents by severity		
		Killed	Serious injured	Slight injured
Car	<1960	1	7	18
	1961-1967	0	6	26
	1968-1977	2	9	64
	1978-1987	8	31	199
	1988-2015	1,177	14,777	126,667
Buses/Coaches	<1960	0	0	0
	1961-1967	0	0	0
	1968-1977	0	0	1
	1978-1987	0	0	5
	1988-2015	59	574	5,597
Motorcycles	<1960	0	13	13
	1961-1967	0	18	26
	1968-1977	0	18	43
	1978-1987	7	54	134
	1988-2015	327	4,436	14,175
HGV	<1960	0	0	3
	1961-1967	0	0	1
	1968-1977	0	0	0
	1978-1987	0	0	3
	1988-2015	235	837	4,950
LGV	<1960	0	0	2
	1961-1967	0	0	0
	1968-1977	0	0	1
	1978-1987	0	2	12
	1988-2015	139	1,492	12,858
All vehicles	<1960	1	20	36
	1961-1967	0	24	53
	1968-1977	2	27	109
	1978-1987	15	87	353
	1988-2015	1,505	18,140	140,740
Total in all accidents (including accidents with vehicles of an unknown age)		1,730	22,144	162,315

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

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

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

Source: DfT Road Safety Stats

Appendix B: Annual vehicles affected under each policy option

Table A3: Annual vehicle numbers exempt from testing

	Option 1	Option 2
2017	288,847	433,530
2018	289,487	441,294
2019	303,053	477,083
2020	316,340	519,635
2021	328,706	565,326
2022	339,916	610,812
2023	351,971	665,533
2024	364,405	737,719
2025	379,581	837,386
2026	396,703	973,754

Source: DfT Analysis

Table A4: Annual vehicle numbers requiring certification

	Option 1	Option 2
2017	483,638	628,321
2018	476,486	628,293
2019	490,052	664,082
2020	503,340	706,634
2021	515,705	752,325
2022	526,915	797,811
2023	538,970	852,533
2024	551,405	924,718
2025	566,580	1,024,385
2026	583,702	1,160,753

Source: DfT Analysis

Appendix C: Petrol Price per MOT Trip

Petrol Price per MOT Trip

Fuel consumption is estimated using a function of the form:

- L = a/v + b + c.v + d.v2

Where:

- L = consumption, expressed in litres per kilometre;
- v = average speed in kilometres per hour; and
- a, b, c, d are parameters defined for each vehicle category.

For a petrol car:

Table A5:

a	1.11932239320862
b	0.0440047704089497
c	-0.0000813834474888197
d	2.44908328418021E-06

Source: WebTag

V = 48.28032 km / hour

This gives the fuel consumption in litre per km as 0.069. Using a 30 mile trip the journey price is calculated at 0.637 per MOT trip.

Annex D - Post Implementation Review (PIR) Plan

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

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

0	5	/	2	3

Rationale for PIR approach:

Describe the rationale for the evidence that will be sought and the level of resources that will be used to collect it.

- Will the level of evidence and resourcing be low, medium or high? (See Guidance for Conducting PIRs)

The post implementation review will follow a low evidence approach, it will be light tough and completed in-house. This regulation is low impact, affecting only around 1% of the vehicle fleet. The main risks are the safety cost, these are considered low risk with an annual cost, in the first year, of £48,930 to £173,440 (2015 prices).

- What forms of monitoring data will be collected?

The review will use existing monitoring data covering:

- MOT Data
- Accident Data (KSI Data)
- Stakeholder feedback – feedback for MOT garages, historical vehicle owners.

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

The post-implementation review will use process evaluation and light-touch impact evaluation. The process evaluation will draw upon stakeholder feedback while the light-touch impact evaluation will involve comparing available monitoring data pre-implementation. It will review trends in the accident rates for this vehicles in scope to assess the safety impacts. It will also review stakeholder feedback to assess the process of self-certification.

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

A feedback mechanism will be used to collect data.