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Exemption from Periodic Roadworthiness Testing for Vehicles of Historical Interest

Draft Regulatory Impact Assessment

February 2019



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Title: Review of Vehicles of Historical Interest (VHIs) roadworthiness testing	Regulatory Impact Assessment (RIA)	
	Date: 9/5/2018	
	Type of measure: Subordinate Legislation	
Lead department or agency: Department for Infrastructure	Stage: Consultation	
	Source of intervention: EU	
Other departments or agencies: Driver & Vehicle Agency (DVA) Driver and Vehicle Licensing Agency (DVLA)	Contact details: Alex Boyle, telephone: 02890 541194	

Summary Intervention and Options

What is the problem under consideration? Why is government intervention necessary? In Northern Ireland, all vehicles manufactured before 1960 are currently exempt from roadworthiness testing. EU Directive 2014/45 permits 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. GB has updated its legislation to exempt vehicles constructed or first registered more than 40 years ago, on a rolling basis, from the annual roadworthiness testing and that have not been substantially altered. Vehicles which have been substantially altered, regardless of their age, will <u>not</u> be exempt from the roadworthiness testing. The Department is consulting on proposals to amend domestic legislation in a manner which broadly aligns with GB.				
What are the policy objectives and the intended effects? The policy objective is to review the current VHI exemption currently in place in NI and to establish whether the Department should replicate GB legislation and consider what special requirements would be necessary in respect of its implementation in Northern Ireland. The purpose and intended effect of the consultation proposals is to ensure only vehicles of genuine historical interest that are not substantially changed are allowed exemption from roadworthiness testing.				
What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base) Option 1: Do Nothing. Continue to exempt pre-1960 manufactured vehicles from the roadworthiness testing. Option 2: Exempt 30 year old VHIs, on a rolling basis, from annual testing and introduce a VHI certification process to ensure a vehicle has not been substantially altered (EU Minimum). Option 3: Introduce a rolling exemption from periodic roadworthiness testing for vehicles which are more than 40 years old and have not been substantially altered. Vehicle owners in possession of a vehicle which is more than 40 years old and has not been altered substantially, would not have to apply for an MOT test. This relates to those motor vehicles and light goods vehicles (LGVs). Heavy Goods Vehicles (HGVs) and Public Service Vehicles (PSV buses) falling under operator licensing regulations will remain within the scope of the roadworthiness testing. Vehicles that have been substantially changed, regardless of their age, will not be exempt from the annual roadworthiness testing. Decisions on a preferred option will be informed by responses to public consultation.				
Will the policy be reviewed: No			If applicable, set review date:	
Cost of Preferred (or more likely) Option				
Total cost for business -£1.00m		Total net cost to business per year -£0.10m		Cost for implementation by Regulator £0.05m
Does Implementation go beyond minimum EU requirements?				
Are any of these organisations in scope?			NO <input type="checkbox"/>	YES <input checked="" type="checkbox"/>
Micro Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		Small Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		Medium Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
				Large Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

The final RIA supporting legislation must be attached to the Explanatory Memorandum and published with it.

Approved by: Liz Loughran, Grade 5 Date: 25 August 2018

Description: Exempt 40 year old in-scope vehicles from annual testing

ECONOMIC ASSESSMENT (Option 3)

Price Base Year	PV Base Year	Discount Rate	Net Present Cost
2018/19	2018/19	3.5%	£0.61m over 10 years

Costs (£m)	Total Transitional (Policy) (constant price) Years	Average Annual (recurring) (excl. transitional) (constant price)	Total Cost (Present Value)
Best Estimate	0.05	1	0.59

Description and scale of key monetised costs by ‘main affected groups’ Maximum 5 lines
 Changes to the MOT test will generally require updating of the DVA IT systems. DVA has confirmed that the estimated costs for changes to DVA’s booking system to implement the exemption provisions for VHIs is estimated at around £5,000. There will be small one-off costs in respect of publicising the changes but these are considered negligible. There will be a revenue loss to DVA due to a reduction in the overall numbers of vehicles that are submitted for MOT testing (this applies to vehicles which were first registered before 1960 and which are more than 40 years old). However there will be an equivalent saving for owners of these vehicles as they will have no longer have to pay for the annual MOT test.

Other key non-monetised costs by ‘main affected groups’ Maximum 5 lines
 No other key non-monetised costs have been identified.

Benefits (£m)	Total Transitional (Policy) (constant price) Years	Average Annual (recurring) (excl. transitional) (constant price)	Total Benefit (Present Value)
Best Estimate	0 (all recurring)	0.52	4.49

Description and scale of key monetised benefits by ‘main affected groups’ Maximum 5 lines
 There will be benefits to owners of vehicles constructed or first registered more than 40 years ago as they will not have to pay the annual MOT test fee. Vehicle owners will not have to travel to and from the MOT test stations, thereby saving on fuel.

Other key non-monetised benefits by ‘main affected groups’ Maximum 5 lines
 Vehicle owners will not have to travel to and from the MOT test stations, thereby saving on time and fuel costs. There will also be a reduction in carbon emissions and air pollution.

Key Assumptions, Sensitivities, Risks
 The MOT test fees will remain unchanged. An estimated 2,520 vehicles in NI will be made exempt from testing in 2018 with this number increasing over time due to the rolling yearly mechanism.

BUSINESS ASSESSMENT (Option 3)

Direct Impact on business (Equivalent Annual) £m		
Costs: £0.01	Benefits: £0.02	Net: £0.01

Cross Border Issues (Option 3)

How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland) Maximum 3 lines

In GB, from May 2018, a rolling exemption from periodic roadworthiness testing for vehicles which are more than 40 years old and have not been substantially altered will be put in place. In Ireland, from May 2018, for all vehicles registered post 1st January 1980 that are over 30 years old, but less than 40, the requirement to undergo a compulsory annual roadworthiness test will be reduced to a biennial test i.e. every 2 years. From January 2020 onwards, any vehicle 40 years or older will not require a test.

Evidence Base

1) Problem under consideration

This Regulatory Impact Assessment (RIA) considers amending Northern Ireland legislation to exempt in-scope vehicles of historical interest, from the annual roadworthiness test.

EU Directive 2014/45 (“the Directive”) has replaced previous EU Roadworthiness Directives and introduced a number of new provisions. One of these provisions permitted Member States to introduce an exemption for VHIs from periodic roadworthiness testing. Such vehicles were defined in the Directive as being more than 30 years old, which had not undergone substantial change since new, and which were considered historical by the Member State.

The Department for Transport in GB consulted in 2016 on proposals to introduce revised legislation. A variety of options were considered, taking into account the fact that vehicles first registered prior to 1960 are already exempt from periodic testing. Following the consultation, GB decided to introduce legislation which will exempt in-scope vehicles constructed or first registered more than 40 years ago, on a rolling basis, from the annual road worthiness test. Vehicles which have been substantially altered, regardless of their age, will not be exempt from the roadworthiness testing. Implementing this legislation would involve introducing a self-certification system. This certification process is required to ensure a vehicle has not been substantially changed since original manufacture. The onus of assessing whether a vehicle has been substantially changed is being left to the owner to assess and declare as appropriate.

Heavy Goods Vehicles (HGVs) and Public Service Vehicles (PSVs) falling under operator licensing regulations will remain within the scope of the roadworthiness testing.

To be considered as a VHI the vehicle must have been first registered or constructed 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

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

The vehicle will not be considered 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 body shell changing the general appearance of the vehicle.

Given there is currently no Minister in place, the Department is not proposing a preferred option. Decisions on the next steps will be informed by responses to public consultation. At this stage, it is envisaged that those decisions will best be taken by ministers but the need and timeframe for any decisions will be kept under review by officials, bearing in mind the wider public interest.

2) Rationale for intervention

In Northern Ireland all vehicles manufactured before 1960 are currently exempt from roadworthiness 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 exemption regulation (which exempts vehicles that may have been substantially changed) can lead to potentially dangerous vehicles being used on the roads.

Introducing a self-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 Department regulates annual testing to ensure road safety requirements are of an optimum standard and therefore there should be a reduction in road safety casualties. The option to move from the current 1960 exemption to a rolling mechanism increases the number of vehicles exempted from MOT testing. There has been previous anecdotal evidence that VHIs are well-maintained and have lower annual mileage than younger vehicles. The current legislative requirements can be viewed as overly burdensome by imposing unnecessary costs on owners of vehicles of historical interest. Amending domestic legislation would help to reduce this cost.

3) Policy Objective

To consider a rolling exemption scheme for vehicles of historical interest which have not been substantially altered, as required, to the Northern Ireland legislative context.

4) Description of options considered (including do nothing)

Option 1: do nothing. Vehicles first registered before 1960 will continue to be exempt from periodic testing. All other vehicles will be subject to periodic testing. PSV buses and HGVs would not be exempted.

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

Option 3: Exempt 40 year old in-scope vehicles which have not been substantially altered (on a rolling basis) from annual testing. PSV buses and HGVs falling under operator licensing regulations would not be exempted.

Vehicles manufactured between 1978 and 1987 (i.e. 30-40 years old) fail 17.8% of MOT tests. Vehicles manufactured between 1960 and 1977 (i.e. 41-58 years old) fail 14.6% of MOT tests. In GB, the MOT test failures were 30.3% and 22.6% respectively.

The Department is unable to produce statistical information to produce a report of the road casualties involving vehicles of historical interest. However, in GB, it was found that in 2015 there were 215 casualties in personal injury accidents involving 1961-1977 vehicles compared with 455 casualties involving 1978-1987 vehicles.

In GB, the new vehicle exemption provisions (operative from 20 May 2018) align with the current rolling 40 year exemptions from Vehicle Excise Duty (VED), so vehicle owners in GB are able to apply for VED exemption at the same time as their vehicle becomes exempt from MOT tests.

Anecdotal evidence suggests that vehicles which are 30 years old are more powerful than their older counterparts and therefore potentially more dangerous.

5) Assumptions/Explanation of Costs and Benefits

The GB RIA¹ undertook a full economic assessment to quantify the costs and benefits of the options under consideration; given the relatively smaller scale of the impacts in NI and unavailability of some of the data, it has been decided to use the GB costs and benefits as a proxy to estimate/quantify the impacts in NI. A figure of 3% has been assumed based on number of MOTs conducted (NI had 2.8% of the number of GB MOTs conducted in 2016) and population (NI's population is 2.9% of GB population figure) – 3% seems a reasonable assumption and it is a figure that has been used before in other RIAs when comparing NI to GB.

As the GB RIA had a base year of 2015, HMT deflators² were used to uplift prices to 2018/19 values. Below provides a brief explanation of the cost and benefits included in the GB assessment. For more information consult the GB RIA.

Costs

Loss of Fee Income & Revenue

An exemption from MOT testing for vehicles of historic interest would result in a loss of fee income for DVA. However, it should be noted that fees are based around the assumption of full cost

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/644732/impact-assessment-review-of-vehicles-of-historical-interest-road-worthiness-testing.pdf

² <https://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp>

recovery for DVA. Therefore any reduction in vehicles should in theory equate to a reduction in costs to DVA.

Should less vehicles require testing, this is likely to mean a reduction of income for garages who may otherwise have undertaken repairs or prepare vehicles for the MOT. Note vehicle owners benefit as there would be no requirement to pay the costs associated with repairs so this cost is assumed to be cancelled out by the benefits to vehicle owners.

Using figures provided by DVA, despite being exempt there were 140 pre-1960 vehicles tested in 2016. This shows that a portion of vehicle owners may voluntarily test their vehicles for business and insurance purposes and therefore some exempt vehicles will actually be tested.

Road Safety Costs

There are road safety costs to consider, given the link between accidents and a lower level of testing. This has been quantified and explained in the GB RIA but essentially uses accident stats and places a value on these to estimate the impact.

Familiarisation Costs

There is also a familiarisation cost to all vehicle owners of VHI of reading and familiarising themselves with the guidelines.

Transition Costs

There is a one off cost to DVA of updating the system and material. DVA has confirmed that the estimated costs for changes to DVA's booking system to implement the exemption provisions for VHIs is estimated at approximately £5,000.

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 DVA that they are exempt from testing. The exact details of this process have not yet been determined. The GB RIA places a value on the time taken to complete the process and suggests the length of time that the self-certification process will take is uncertain and 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.

In 2016, there were 3,811 cars registered in Northern Ireland before 1979. There were 2,520 of these cars first registered after 1960 but before 1979.

Benefits

The Department is committed in ensuring all vehicles in Northern Ireland are roadworthy and safe to use on our roads. Northern Ireland legislation will be required to be updated to enable an option to be implemented. Given there is currently no Minister in place, the Department is not proposing a preferred option. Decisions on the next steps will be informed by responses to public consultation. At this stage, it is envisaged that those decisions will best be taken by ministers but the need and timeframe for any decisions will be kept under review by officials, bearing in mind the wider public interest.

Implementation of this revised legislation will have benefits for the driver. Drivers of in-scope VHI will be exempt from roadworthiness testing and therefore they will not be required to pay for an MOT test, therefore saving the test fee which is currently £30.50. There would also be potential savings, both financially and in time as drivers will not have to travel to DVA test centres and so will save on fuel costs and their own time which can be valued.

As mentioned above, VHI owners can apply, voluntarily, for an MOT test if required.

There would be a minor benefit to DVA, as the exemption of historic vehicles from periodic testing would free up time to provide tests for other vehicles, which could lead to a decrease in waiting times for test appointments.

Anecdotal evidence suggests 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. As mentioned above, VHI owners can apply, voluntarily, for an MOT test if required but implementation of this revised legislation is likely to cut down on the number of MOTs.

Scale of Impact

Option 2: to exempt 30 year old in-scope vehicles from annual testing (on a rolling basis)

Between 1 January and 31 December 2016 a total of 6329 vehicles which were over 30 years' old, were submitted for MOT test. Had these vehicles been exempt from periodic testing, the loss of income for DVA would have been almost £179k on an annual basis. However as mentioned above, due to principle of full cost recovery, any reduction in the number of vehicles tested should in theory equate to a commensurate reduction in costs.

Option 3: to exempt 40 year old in-scope vehicles from annual testing (on a rolling basis)

Between 1 January and 31 December 2016 a total of 3218 vehicles which were over 40 years' old, were submitted for MOT test. Had these vehicles been exempt from periodic testing, the loss of income for DVA would have been almost £93k on an annual basis. However as mentioned above, due to principle of full cost recovery, any reduction in the number of vehicles tested should in theory equate to a commensurate reduction in costs.

6. Quantifying the Costs and Benefits

As explained above, with the exception of transition costs the GB figures were used to estimate the impact in NI by taking 3% of costs outlined in the GB RIA. The results are summarised in the table below.

	Option 2	Option 3
Costs		
Transition costs to DVA	0.05	0.05
Familiarisation time costs	0.03	0.06
Self-cert time costs	0.76	1.27
Safety cost of additional exemptions	0.11	0.61
Revenue loss to garages	4.10	7.52
Benefits		
MOT and garage fee savings	4.10	7.52
Time and fuel savings	0.39	0.62
Net Present Cost (Costs – Bens)	0.56	1.37

7. Wider Impacts

Competition Assessment

In view of the deregulatory nature of the preferred option, which does not entail any costs, it is considered that there are no competition impacts.

Small and Micro Business Assessment

These include business users of VHIs. The Department considers that all of these would be required to test their vehicles under legislation that covers commercial use and so this would not represent either a benefit or a burden to these businesses. The businesses that benefit are, e.g., television and film work and mobile catering that use historic light vans. It is deemed that this would only be a small percentage of the VHI market and it is difficult to obtain a precise figure of

how many of these vehicles are operational in NI. Given the likely small proportion, it would be disproportionate to seek to monetise this effect. Since this policy affects a small proportion of all vehicles on the road, it would also be disproportionate to seek to monetise this effect.

Equalities Assessment

It is considered that there are no race, gender or disability equality impacts to the preferred option.

Policy Review

The Department is committed in ensuring all vehicles in Northern Ireland are roadworthy and safe to use on our roads. This measure can be reviewed, after a particular period of time, if there are any causes for concern from vehicle owners.

8. Summary

The Department is committed in ensuring all vehicles in Northern Ireland are roadworthy and safe to use on our roads. It is proposed that Northern Ireland legislation will be updated to enable an option to be implemented. Given there is currently no Minister in place, the Department is not proposing a preferred option. Decisions on the next steps will be informed by responses to public consultation. At this stage, it is envisaged that those decisions will best be taken by ministers but the need and timeframe for any decisions will be kept under review by officials, bearing in mind the wider public interest.

Implementation of this revised legislation will have benefits for the driver. Drivers of in-scope vehicles of historical interest will be exempt from roadworthiness testing and therefore they will not be required to pay for an MOT test (however, these vehicles must continue to be maintained in a roadworthy condition). Vehicles which have been substantially altered, regardless of their age, will not be exempt from roadworthiness testing. Implementing this legislation would involve introducing a certification. The certification process is required to ensure a vehicle has not been substantially changed. The onus of assessing whether a vehicle has been substantially changed is being left to the owner to assess.