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|--|---|
| <p><b>Title:</b><br/><b>DVLA Fees Consultation 2012</b></p> <p><b>Lead department or agency:</b><br/>Driver and Vehicle Licensing Agency (DVLA)</p> <p><b>Other departments or agencies:</b></p> | <p><b>IA No:</b> DfT00117</p> <p><b>Date:</b> 22/05/12</p> <p><b>Stage:</b> Consultation</p> <p><b>Source of intervention:</b> EU</p> |
|--|---|

## Summary: Intervention and Options

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

Implementing the EU Third Directive on Driving Licences (EU3D) 2006/126 to combat driving licence fraud, improve road safety and facilitate the free movement of people between member states, will require changes to DVLA's IT systems and operational processes. These will impose costs that are not covered by existing fee levels. Government intervention is required to amend regulations to increase fees to cover the anticipated funding shortfall.

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

The policy objective is to increase DVLA's revenue to cover the extra costs arising from implementation of the Directive. The intended effect is to raise around £19m from extra driving licence fees between 2011/12 and 2020/21 - meeting the "user pays" principal - to fund the IT development and operating costs required to deliver the changes.

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

- (1) include first provisional and the 5 yearly renewal of vocational driving licences in the list of common driver services charged at £20;
- (2) increase the fee for a first driving licence to £52.25; and
- (3) increase the fee for current common driver services to £20.70.
- (4) do nothing;

Option 1 is the preferred option as it raises the required revenue to fill the anticipated funding shortfall from vocational drivers, who are the drivers to which the costs of the DVLA changes primarily relate.

**Will the policy be reviewed?** It will be reviewed. **If applicable, set review date:** 04/2014

**What is the basis for this review?** Please select. **If applicable, set sunset clause date:** Month/Year

**Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?**

Yes

**SELECT SIGNATORY Sign-off** For consultation stage Impact Assessments:

*I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.*

Signed by the responsible SELECT SIGNATORY: \_\_\_\_\_ Date: \_\_\_\_\_

# Summary: Analysis and Evidence

# Policy Option 1

## Description:

Apply the £20 'Common Driver Fee' to the '5-yearly renewal of vocational entitlement' transaction.

| Price Base Year | PV Base Year | Time Period | Net Benefit (Present Value (PV)) (£m) |                |                       |
|-----------------|--------------|-------------|---------------------------------------|----------------|-----------------------|
|                 |              |             | Low: Optional                         | High: Optional | Best Estimate: -£0.2m |

| COSTS (£m)    | Total Transition (Constant Price) Year | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---------------|--|--|----------------------------|
| Low           | Optional                               | Optional   | Optional                   |
| High          | Optional                               | Optional   | Optional                   |
| Best Estimate | £0.2                                   | £2.4m  | £16.1m                     |

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

There is a small transitional cost relating to making amendments to printed leaflets with the fee scale and changing the fees tables within the Drivers systems. Vocational drivers renewing their entitlement will be impacted by this change in fees. The total cost to all these drivers will be £2.4m p.a.

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

A fee to renew their entitlement may encourage vocational drivers to not comply with vocational licensing requirements. However the vocational entitlement to drive is a key employment qualification that is checked by current and prospective employers.

| BENEFITS (£m) | Total Transition (Constant Price) Year | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---------------|--|--|-------------------------------|
| Low           | Optional                               | Optional   | Optional                      |
| High          | Optional                               | Optional   | Optional                      |
| Best Estimate | nil                                    | £2.4m  | £15.9m                        |

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

DVLA's fee income will increase by around £2.4m p.a. under current volume forecasts. Income generated over the period from April 2013 to March 2021 will cover implementation and operating costs of around £19m to March 2021.

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

None identified.

### Key assumptions/sensitivities/risks

Discount rate (%) 3.5

The major uncertainty is around the volumes on enquiries and additional work required from 2013. This is when applicants for a first vocational provisional licence will pay a fee, and from 2018 onwards, when those vocational drivers under 45 will start to pay for their five yearly renewals. The first 5 yearly licences will be issued for under 45s from January 2013 onwards but these would have been charged for anyway when previously issued for a 10 year period. This will be 5 to 6 years after the proposed fee changes and several annual reviews of fees would have taken place before then to validate the fee levels.

| Direct impact on business (Equivalent Annual) £m): |             |             | In scope of | Measure qualifies |
|--|-------------|-------------|-------------|-------------------|
| Costs: £.24m                                       | Benefits: - | Net: -£.24m | No          | NA                |

## Enforcement, Implementation and Wider Impacts

|   |                       |                |                           |               |              |
|---|-----------------------|----------------|---------------------------|---------------|--------------|
| What is the geographic coverage of the policy/option?   | Great Britain         |                |                           |               |              |
| From what date will the policy be implemented?  | 01/04/2013            |                |                           |               |              |
| Which organisation(s) will enforce the policy?  | DVLA                  |                |                           |               |              |
| What is the annual change in enforcement cost (£m)?   | N/A                   |                |                           |               |              |
| Does enforcement comply with Hampton principles?  | Yes                   |                |                           |               |              |
| Does implementation go beyond minimum EU requirements?  | No                    |                |                           |               |              |
| What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions?<br>(Million tonnes CO <sub>2</sub> equivalent) | <b>Traded:</b><br>N/A |                | <b>Non-traded:</b><br>N/A |               |              |
| Does the proposal have an impact on competition?  | No                    |                |                           |               |              |
| What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?            | <b>Costs:</b><br>N/A  |                | <b>Benefits:</b><br>N/A   |               |              |
| Distribution of annual cost (%) by organisation size<br>(excl. Transition) (Constant Price)                               | <b>Micro</b><br>£20   | <b>&lt; 20</b> | <b>Small</b>              | <b>Medium</b> | <b>Large</b> |
| Are any of these organisations exempt?  | No                    | No             | No                        | No            | No           |

## Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

| Does your policy option/proposal have an impact on...?   | Impact | Page ref within IA |
|--|--------|--------------------|
| <b>Statutory equality duties<sup>1</sup></b><br><a href="#">Statutory Equality Duties Impact Test guidance</a> | No     | P14                |
| <b>Economic impacts</b>  |        |                    |
| Competition <a href="#">Competition Assessment Impact Test guidance</a>  | No     | -                  |
| Small firms <a href="#">Small Firms Impact Test guidance</a>   | Yes    | P14                |
| <b>Environmental impacts</b>   |        |                    |
| Greenhouse gas assessment <a href="#">Greenhouse Gas Assessment Impact Test guidance</a>                       | No     | -                  |
| Wider environmental issues <a href="#">Wider Environmental Issues Impact Test guidance</a>                     | No     | -                  |
| <b>Social impacts</b>  |        |                    |
| Health and well-being <a href="#">Health and Well-being Impact Test guidance</a>                               | No     | -                  |
| Human rights <a href="#">Human Rights Impact Test guidance</a>   | No     | -                  |
| Justice system <a href="#">Justice Impact Test guidance</a>  | No     | -                  |
| Rural proofing <a href="#">Rural Proofing Impact Test guidance</a>   | No     | -                  |
| <b>Sustainable development</b><br><a href="#">Sustainable Development Impact Test guidance</a>                 | No     | P14                |

<sup>1</sup> Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

# Summary: Analysis and Evidence

# Policy Option 2

## Description:

Increasing the Drivers First Application Fee to £52.25

| Price Base Year | PV Base Year | Time Period | Net Benefit (Present Value (PV)) (£m) |                |                       |
|-----------------|--------------|-------------|---------------------------------------|----------------|-----------------------|
|                 |              |             | Low: Optional                         | High: Optional | Best Estimate: -£0.2m |

| COSTS (£m)    | Total Transition (Constant Price) Year | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---------------|--|--|----------------------------|
| Low           | Optional                               | Optional   | Optional                   |
| High          | Optional                               | Optional   | Optional                   |
| Best Estimate | 0.2m                                   | £2.5m  | £16.7m                     |

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

There is a small transitional cost relating to making amendments to printed leaflets with the fee scale and changing the fees tables within the Drivers systems. Those drivers applying for a first provisional driving licence will be impacted by the change in fees. The total cost to all these drivers will around £2.5m p.a.

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

Increasing this fee may also put further financial pressure on access to driving and the benefits associated with it. It may also increase the number of unlicensed drivers on the road.

| BENEFITS (£m) | Total Transition (Constant Price) Year | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---------------|--|--|-------------------------------|
| Low           | Optional                               | Optional   | Optional                      |
| High          | Optional                               | Optional   | Optional                      |
| Best Estimate | nil                                    | £2.5m  | £16.5m                        |

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

The fee income received by DVLA will increase by around £2.5m p.a.

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

None identified.

### Key assumptions/sensitivities/risks

It is assumed that the number of licensing transactions will continue at current levels.

Discount rate (%)

3.5

|  |           |      |                    |                          |
|--|-----------|------|--------------------|--------------------------|
| Direct impact on business (Equivalent Annual) £m): |           |      | In scope of Yes/No | Measure qualifies IN/OUT |
| Costs:   | Benefits: | Net: |                    |                          |

## Enforcement, Implementation and Wider Impacts

|   |                |           |                    |             |            |
|---|----------------|-----------|--------------------|-------------|------------|
| What is the geographic coverage of the policy/option?   | Options        |           |                    |             |            |
| From what date will the policy be implemented?  | 01/04/2013     |           |                    |             |            |
| Which organisation(s) will enforce the policy?  | N/A            |           |                    |             |            |
| What is the annual change in enforcement cost (£m)?   | N/A            |           |                    |             |            |
| Does enforcement comply with Hampton principles?  | Yes            |           |                    |             |            |
| Does implementation go beyond minimum EU requirements?  | No             |           |                    |             |            |
| What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions?<br>(Million tonnes CO <sub>2</sub> equivalent) | Traded:<br>N/A |           | Non-traded:<br>N/A |             |            |
| Does the proposal have an impact on competition?  | No             |           |                    |             |            |
| What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?            | Costs:         |           | Benefits:          |             |            |
| Distribution of annual cost (%) by organisation size<br>(excl. Transition) (Constant Price)                               | Micro<br>-     | < 20<br>- | Small<br>-         | Medium<br>- | Large<br>- |
| Are any of these organisations exempt?  | Yes/No         | Yes/No    | Yes/No             | Yes/No      | Yes/No     |

## Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

| Does your policy option/proposal have an impact on...?   | Impact | Page ref within IA |
|--|--------|--------------------|
| <b>Statutory equality duties<sup>1</sup></b><br><a href="#">Statutory Equality Duties Impact Test guidance</a> | Yes    | P14                |
| <b>Economic impacts</b>  |        |                    |
| Competition <a href="#">Competition Assessment Impact Test guidance</a>  | No     | -                  |
| Small firms <a href="#">Small Firms Impact Test guidance</a>   | No     | P14                |
| <b>Environmental impacts</b>   |        |                    |
| Greenhouse gas assessment <a href="#">Greenhouse Gas Assessment Impact Test guidance</a>                       | No     | -                  |
| Wider environmental issues <a href="#">Wider Environmental Issues Impact Test guidance</a>                     | No     | -                  |
| <b>Social impacts</b>  |        |                    |
| Health and well-being <a href="#">Health and Well-being Impact Test guidance</a>                               | No     | -                  |
| Human rights <a href="#">Human Rights Impact Test guidance</a>   | No     | -                  |
| Justice system <a href="#">Justice Impact Test guidance</a>  | No     | -                  |
| Rural proofing <a href="#">Rural Proofing Impact Test guidance</a>   | No     | -                  |
| <b>Sustainable development</b><br><a href="#">Sustainable Development Impact Test guidance</a>                 | No     | P14                |

<sup>1</sup> Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

# Summary: Analysis and Evidence

# Policy Option 3

## Description:

Increasing the Common Drivers Fee to £20.70

| Price Base Year | PV Base Year | Time Period | Net Benefit (Present Value (PV)) (£m) |                |                       |
|-----------------|--------------|-------------|---------------------------------------|----------------|-----------------------|
|                 |              |             | Low: Optional                         | High: Optional | Best Estimate: -£0.2m |

| COSTS (£m)    | Total Transition (Constant Price) Year | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---------------|--|--|----------------------------|
| Low           | Optional                               | Optional   | Optional                   |
| High          | Optional                               | Optional   | Optional                   |
| Best Estimate | £0.2m                                  | £2.6m  | £17.2m                     |

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

There is a small transitional cost relating to making amendments to printed leaflets with the fee scale and changing the fees tables within the Drivers systems. All applicants subject to the common fee will be impacted by the change in fees. The total cost to all these people will be around £2.6m pa.

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

The increased fee may impact on the on the level of driver licence transactions which could increase the number of unlicensed drivers on the road.

| BENEFITS (£m) | Total Transition (Constant Price) Year | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---------------|--|--|-------------------------------|
| Low           | Optional                               | Optional   | Optional                      |
| High          | Optional                               | Optional   | Optional                      |
| Best Estimate | nil                                    | £2.6m  | £17.0m                        |

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

The fee income received by DVLA will increase by around £2.6m p.a.

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

None identified.

### Key assumptions/sensitivities/risks

It is assumed that the number of licensing transactions will continue at current levels.

Discount rate (%)

3.5

|  |             |                   |
|--|-------------|-------------------|
| Direct impact on business (Equivalent Annual) £m): | In scope of | Measure qualifies |
| Costs: the   | Yes/No      | IN/OUT            |
| Benefits: -  |             |                   |
| Net: -   |             |                   |

## Enforcement, Implementation and Wider Impacts

|   |              |           |                  |             |            |
|---|--------------|-----------|------------------|-------------|------------|
| What is the geographic coverage of the policy/option?   | Options      |           |                  |             |            |
| From what date will the policy be implemented?  | 01/04/2013   |           |                  |             |            |
| Which organisation(s) will enforce the policy?  | N/A          |           |                  |             |            |
| What is the annual change in enforcement cost (£m)?   | N/A          |           |                  |             |            |
| Does enforcement comply with Hampton principles?  | Yes          |           |                  |             |            |
| Does implementation go beyond minimum EU requirements?  | No           |           |                  |             |            |
| What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions?<br>(Million tonnes CO <sub>2</sub> equivalent) | Traded:<br>- |           | Non-traded:<br>- |             |            |
| Does the proposal have an impact on competition?  | No           |           |                  |             |            |
| What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?            | Costs:       |           | Benefits:        |             |            |
| Distribution of annual cost (%) by organisation size<br>(excl. Transition) (Constant Price)                               | Micro<br>-   | < 20<br>- | Small<br>-       | Medium<br>- | Large<br>- |
| Are any of these organisations exempt?  | Yes/No       | Yes/No    | Yes/No           | Yes/No      | Yes/No     |

## Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

| Does your policy option/proposal have an impact on...?   | Impact | Page ref within IA |
|--|--------|--------------------|
| <b>Statutory equality duties<sup>1</sup></b><br><a href="#">Statutory Equality Duties Impact Test guidance</a> | No     | P14                |
| <b>Economic impacts</b>  |        |                    |
| Competition <a href="#">Competition Assessment Impact Test guidance</a>  | No     | -                  |
| Small firms <a href="#">Small Firms Impact Test guidance</a>   | No     | P14                |
| <b>Environmental impacts</b>   |        |                    |
| Greenhouse gas assessment <a href="#">Greenhouse Gas Assessment Impact Test guidance</a>                       | No     | -                  |
| Wider environmental issues <a href="#">Wider Environmental Issues Impact Test guidance</a>                     | No     | -                  |
| <b>Social impacts</b>  |        |                    |
| Health and well-being <a href="#">Health and Well-being Impact Test guidance</a>                               | No     | -                  |
| Human rights <a href="#">Human Rights Impact Test guidance</a>   | No     | -                  |
| Justice system <a href="#">Justice Impact Test guidance</a>  | No     | -                  |
| Rural proofing <a href="#">Rural Proofing Impact Test guidance</a>   | No     | -                  |
| <b>Sustainable development</b><br><a href="#">Sustainable Development Impact Test guidance</a>                 | No     | P14                |

<sup>1</sup> Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

## Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

### References

Include the links to relevant legislation and publications, such as public impact assessments of earlier stages (e.g. Consultation, Final, Enactment) and those of the matching IN or OUTs measures.

| No. | Legislation or publication  |
|-----|---|
| 1   | The Department for Transport (Driver Licensing and Vehicle Registration Fees) Order 2003 [2003 No 2994]   |
| 2   | Section 97 (1) of the Road Traffic Act 1988 provides for the payment of fees, prescribed by the Motor Vehicles (Driving Licences) Regulations 1999. |
| 3   | The EU Third Directive on Driving Licences (EU3D) 2006/126  |
| 4   |   |

+ Add another row

### Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

#### Annual profile of monetised costs and benefits\* - (£m) constant prices

|                                  | Y <sub>0</sub> | Y <sub>1</sub> | Y <sub>2</sub> | Y <sub>3</sub> | Y <sub>4</sub> | Y <sub>5</sub> | Y <sub>6</sub> | Y <sub>7</sub> | Y <sub>8</sub> | Y <sub>9</sub> |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Transition costs</b>          | 0.2            |                |                |                |                |                |                |                |                |                |
| <b>Annual recurring cost</b>     |                | 2.4            | 2.4            | 2.4            | 2.4            | 2.4            | 2.4            | 2.4            |                |                |
| <b>Total annual costs</b>        | 0.2            | 2.4            | 2.4            | 2.4            | 2.4            | 2.4            | 2.4            | 2.4            |                |                |
| <b>Transition benefits</b>       |                |                |                |                |                |                |                |                |                |                |
| <b>Annual recurring benefits</b> |                | 2.4            | 2.4            | 2.4            | 2.4            | 2.4            | 2.4            | 2.4            |                |                |
| <b>Total annual benefits</b>     |                | 2.4            | 2.4            | 2.4            | 2.4            | 2.4            | 2.4            | 2.4            |                |                |

\* For non-monetised benefits please see summary pages and main evidence base section



Microsoft Office  
Excel Worksheet

## Evidence Base (for summary sheets)

### Problem under consideration

The EU Third Directive on Driving Licences (EU3D) 2006/126 came into force in 2007, to combat driving licence fraud, improve road safety and to facilitate free movement of people between member states. It harmonises driving licence rules, driver testing and training standards. Implementation of this Directive will require DVLA to make changes which include:

(a) Systems – amendments to drivers’ transaction systems and links with partner databases to reflect the revised licence categories, minimum age of access to categories and administrative validity periods.

(b) Business Processes – new and revised internal procedures across the drivers business supported by forms, leaflets and systems to capture and process new information.

(c) Customer and Stakeholder Engagement – the potential (or perceived) impacts of EU3D on the 43 million drivers in Great Britain will require a range of engagement activities to inform the public and mitigate the impact of enquiries.

These changes are estimated to cost about £19m between 2011/12 and 2020/21 (see table below). DVLA’s projected fee income over this period from driving licence transactions will not meet IT development and operating costs and therefore additional income needs to be raised to meet the anticipated shortfall.

|                 | 11/12 | 12/13 | 13/14 | 14/15 | 15/16 | 16/17 | 17/18 | 18/19 | 19/20 | 20/21 | Total |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| EU3D Costs (£m) | 4.5   | 3.3   | 1.7   | 1.4   | 1.1   | 1.1   | 1.1   | 1.8   | 1.8   | 1.8   | 19.6  |

Source: DVLA. See also Annex 2.

### Rationale for intervention and objectives

In line with the principles of Government finance, DVLA is required to cover its operating costs through its statutory fees. In addition, the Department for Transport (Driver Licensing and Vehicle Registration Fees) Order 2003 [2003 No 2994] enables the DVLA to take into account certain functions and matters when setting a fee. Government intervention is therefore needed to amend regulations to increase fees and raise revenue to fill the identified funding shortfall.

Driving licence rules provide benefits to all road users. Requirements are set to address risks and will differ across the range of driver categories. For example, vocational drivers must renew their licence more frequently than others so their fitness can be regularly checked. This is because of the greater risk to road safety posed by the larger vehicles they drive and the longer time they tend to spend behind the wheel.

Where possible, fees are set on the 'user pays' principle, as encouraged by HM Treasury, so that driver groups cover the costs of the requirements relevant to them. However, DVLA's fee structure also has to reflect other policy goals. For example, the fee for obtaining and for every renewal of a vocational licence which did not coincide with the renewal of a 10 year photocard, was reduced from £27.50 to nil in 2004 to help the transport industry with driver recruitment and retention issues it was facing at the time. Likewise, there is no fee for renewing a car or motorcycle licence every three years from age 70. This is because of the social importance of driving and the risk that a charge would make access to it difficult for this group. The result is

that there is a degree of cross-subsidy with the fee burden falling on particular transactions and the groups who are subject to them.

In addressing these additional costs, DVLA is looking to strike a justifiable balance between existing cross-subsidy and the 'user pays' principle.'

### **Options Being Considered**

Continuing with the current level of fees is estimated to leave DVLA with a £19.6m shortfall in the period 2011/12 to 2020/21. For this reason this option, which represents the 'do-nothing' option, has been discounted. However, all the options that we have considered are assessed against the do-nothing option.

We have considered three 'do-something' options:

Option 1: apply the common drivers' fee to the application for a provisional vocational licence and 5-yearly renewal of vocational entitlement.

Option 2: increase the Drivers First Application for a Provisional Licence (FAP) fee to £52.25.

Option 3: increase the Common Drivers Fee to £20.70.

The table below describes the fees for driving licences in 2012/13 and how these would differ for each of the options considered. These options are described in the next section, along with their benefits and costs.

| Transaction                                      | Fees 12/13 | Fees Options 13/14+ |        |        |
|--|------------|---------------------|--------|--------|
|  |            | 1                   | 2      | 3      |
| <i>Driving licence:</i>                          |            |                     |        |        |
| First Driving Licence (inc. Provisional to Full) | £50        | £50                 | £52.25 | £50    |
| Renewals from Age 70                             | Free       | Free                | Free   | Free   |
| Renewals for Medical Reasons                     | Free       | Free                | Free   | Free   |
| Replacement DL for change of details             | Free       | Free                | Free   | Free   |
| Duplicate DL for lost / stolen or destroyed      | £20        | £20                 | £20    | £20.70 |
| <b><i>Exchange Licence:</i></b>                  |            |                     |        |        |
| Exchange from overseas jurisdiction              | £50        | £50                 | £50    | £50    |
| Paper Licence traded in for POL DL*              | £20        | £20                 | £20    | £20.70 |
| Remove Endorsements                              | £20        | £20                 | £20    | £20.70 |
| "Vanity" renewal (photograph change only)        | £20        | £20                 | £20    | £20.70 |
| 10-Yearly Renewal of POL DL*                     | £20        | £20                 | £20    | £20.70 |

|   |      |      |      |      |
|---|------|------|------|------|
| Additional Entitlements                     | Free | Free | Free | Free |
| Provisional Vocational DL (from full DL)    | Free | £20  | Free | Free |
| Full Vocational DL                          | Free | Free | Free | Free |
| Renewal of Vocational entitlement           | N/A  | £20  | Free | Free |
| <b><i>Driving Licence Renewals:</i></b>     |      |      |      |      |
| After revocation                            | £50  | £50  | £50  | £50  |
| High Risk Offenders after Disqualifications | £90  | £90  | £90  | £90  |
| After Disqualification                      | £65  | £65  | £65  | £65  |

Source: DVLA

## Benefits and Costs

In this section we describe the benefits and costs of the three options described above. These options are being consulted on and further information may be received that will be incorporated into the impact assessment accompanying legislation.

**Option 1: Apply the common drivers' fee to the application for a provisional vocational licence and 5-yearly renewal of vocational entitlement.**

From April 2013 applicants for a provisional vocational licence, and existing vocational licence holders up to the age of 65 making a five-yearly renewal would have to pay a £20 fee. Both these applications are currently free. There would continue to be no charge for those applying to renew a vocational licence from age 65.

## Costs

Based on current DVLA transaction volumes we project that each year there would be about an extra 120,000 transaction to which a fee would now apply. Of these 69,000 would relate to five-yearly declarations and 51,000 would be first vocational licence applications.

Those subject to the new requirement to renew a vocational licence every five years below the age of 45 would also pay a £20 fee, but the first of these would not be renewing until 2018. Applying the common drivers fee to existing vocational licence transaction will generate £2.4m per year (120,000 x £20 = £2.4m), which is sufficient income to cover EU3D costs over the period they are incurred i.e. 2011/12 – 2020/21.

The burden will be placed on the sector mostly covered by the EU3D changes. It would also allow further cross subsidies to be retained. However, it means spreading the costs across a relatively small number of drivers, so the costs for the individuals affected are higher than with other options.

This assessment makes the assumption that most drivers will be responsible for paying for the renewal of their vocational licence. However, we estimate from DVLA data that around 10% of vocational licence holders are self employed traders. Option 1 will place an additional burden on business of £240,000 pa (12,000x £20).

The cost of amending fee leaflets and fees tables within DVLA's business systems is estimated to cost £200k. This can be met from existing DVLA budgets.

There is a potential non-monetised cost if the vocational licence fee encouraged increased non-compliance with vocational licensing requirements. At this stage we do not have the information to quantify this impact although we would expect it to be minimal since it is the case that vocational entitlement to drive is a key employment qualification that is checked by current and prospective employers.

## Benefits

The cost to applicants described above is a transfer of funds from applicants to DVLA and therefore DVLA will receive an extra £2.4m pa in fees to cover the costs of the EU3D project.

Cost and benefits have been discounted in accordance with Treasury guidance by 3.5% pa up to 2020/21.



DJM Opt1 184.xls

**Option 2:** Increase the Drivers First Application for a Provisional licence (FAP) fee to £52.25.

From April 2013, applicants for a first car or motorcycle licence would pay an extra £2.25.

## Costs

Based on current DVLA transaction volumes we project that there will be 1.088m first applications for a provisional licence per annum. At an additional cost of £2.25 per application this will cost applicants an additional £2.5m per annum ( $1.088m \times £2.25 = £2.45m$ ). This option would spread the burden across a greater number of drivers and so reduce the cost for each individual affected. It would allow all transactions that are currently free to remain so, including the five yearly renewal of vocational licences. This would avoid further pressure on transport industry costs, but it would increase existing cross subsidy.

Licence applicants would only have to pay the additional £2.25 once in the period up to 2020/21 and beyond. Given these are new car or motorcycle drivers, these costs are unlikely to be a direct burden on businesses or other organisations. However, the majority of applicants are likely to be young and so the burden would be placed on this particular social group.

Increasing this fee would also put further pressure on access to driving and the benefits associated with it. However, we do not currently have the data to estimate the number of people who might decide that they cannot afford to learn to drive.

As with option 1, the costs of amending fee leaflets and fee tables within DVLA's business systems is estimated to cost £200k. This can be met from existing DVLA funds.

## Benefits

The cost to applicants described above is a transfer of funds from applicants to DVLA and therefore DVLA will receive an extra £2.5m pa in fees to cover the costs of the EU3D project.

Cost and benefits have been discounted in accordance with Treasury guidance by 3.5% pa up to 2020/21.



DJM Opt2 184.xls

### **Option3: Raise the Common Drivers Fee to £20.70.**

This would mean that from April 2013 all current payers of the common fee would see a rise of £0.70p per transaction.

#### **Costs**

Based on current DVLA transactions volume we project that they will be 3.661m common fee payments per annum. A 70p increase to the common fee will cost the motoring public £2.6m pa ( $3.661m * £0.70 = £2.6m$ ). The increase is 3.5% on a fee that was last increased in April 2009.

There is the potential that an increase in the fee may reduce the number of transactions as people are discouraged from making the respective notifications, but we currently do not have data to allow us to estimate this impact.

This Option spreads the burden amongst those driver transactions which attract the common Drivers fee of £20. Whilst this spreads the burden more widely than either of the other two options, there would remain an element of cross subsidy in respect of the EU3D changes.

#### **Benefits**

The £2.6m income for DVLA covers the Agency's EU3D costs.

Cost and benefits have been discounted in accordance with Treasury guidance by 3.5% pa up to 2020/21.



DJMOpt3 184.xls

#### **Risks/sensitivities and uncertainties**

Although DVLA has reasonable confidence in the estimates of the number of vocational drivers who will be affected each year by this proposed fee change there is greater uncertainty around the level of customer enquiries, and renewal rates from 2018 onwards. Between April and September 2008, the volume of chargeable drivers' transactions fell by 18%. It is assumed that this reduced level of transaction will continue, and the income per transaction required has been calculated accordingly. However, such volume forecasts carry a level of uncertainty, especially in the current economic climate. The 2003 Fees Order allows DVLA to use any under or over recovery to cover the cost of wider registration services in the short term. If future transaction volumes indicate that fee levels require significant adjustment, the Agency will consult further. At the conclusion of this, and any subsequent consultation, the findings will be reported to Ministers so that precise fee levels can be set.

## **Wider Impacts**

### Statutory Equality Duties

An initial screening of equality impact issues has been completed. No impacts were identified in respect of Options 1 and 3. However, in Option 2, raising the fee for first provisional licences would impact disproportionately on younger people. Whilst an increase of £2.25 might be considered reasonably modest, it does add to the total cost of learning to drive. At this stage a full equality assessment of Option 2 has not been completed, as this is not the preferred option.

### One-in One-out (OIOO) Methodology

Option 1 will increase business costs to the extent that extra fees will be paid by self-employed drivers - £240,000 pa. But the proposal is out of scope as it relates to changes to fee levels, where the proposed regulatory change is driven by EU legislation.

Options 2 and 3 will not increase business costs.

### Small Business Impact

Small businesses will be impacted by Option 1, as owner drivers would have to pay the new vocational licence fees. This will total £240,000 pa, but this will not be a significant impact on individual businesses - only £20 every 10 years (every-other '5 year renewal' will coincide with the 10 year renewal of the driver's ordinary driving licence).

Options 2 and 3 will have no impact on small businesses.

### Sustainable Development

No negative impacts have been identified.



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## Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

### Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

|  |
|--|
| <p><b>Basis of the review:</b> [The basis of the review could be statutory (forming part of the legislation), i.e. a sunset clause or a duty to review, or there could be a political commitment to review (PIR)];</p> <p>Annual review of DVLA fees.</p>  |
| <p><b>Review objective:</b> [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]</p> <p>The annual review of DVLA fees ensures that fees and transaction volumes are meeting current transaction costs.</p> |
| <p><b>Review approach and rationale:</b> [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]</p> <p>Monitoring data is reviewed to ensure that long term costs and income are matched.</p>  |
| <p><b>Baseline:</b> [The current (baseline) position against which the change introduced by the legislation can be measured]</p> <p>Annual review as part of the Agency accounting processes.</p>  |
| <p><b>Success criteria:</b> [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]</p> <p>Long term balance of fees and transaction costs.</p>  |
| <p><b>Monitoring information arrangements:</b> [Provide further details of the planned/existing arrangements in place that will allow a systematic collection of monitoring information for future policy review]</p> <p>DVLA's annual business plan and annual accounts will provide the required data.</p>   |
| <p><b>Reasons for not planning a review:</b> [If there is no plan to do a PIR please provide reasons here]</p> <p>N/A - a review will be undertaken.</p>   |

## **ANNEX 2: EU3D Costs**

The costs mainly arise from changes to requirements for Group 2 (Vocational) drivers of goods vehicles and buses. Currently, Group 2 drivers renew their driving entitlement at age 45 and every five years until age 65, then annually. At each renewal, they must submit a doctor's report to confirm the required health standards. The Directive requires all Group 2 licence holders to renew their licence every five years, although drivers under the age of 45 will not need a medical report – they will only have to make a formal declaration as to their health.

The DVLA costs are based on the following estimates and assumptions:

- £6.3m one-off IT costs to cover Revised Licence Entitlement. Additional one-off costs will include £0.3m for publicity and £0.1m for training.
- More staff will need to be deployed in the operational units from the end of 2017 when DVLA starts to receive the first applications for 5-yearly renewals. It is also estimated that the changes will prompt a 5% increase in the number of customer enquiries in the period 2012-2015. It is anticipated that drivers will seek information about the changes as soon as the Directive is implemented, although the first renewals will not be until 2018. Volumes of enquiries will then dip slightly, increasing again when the first reminders are sent out in 2018, before levelling off as customers become accustomed to the changes. Existing vocational drivers under 45 years of age will be informed about the new requirements using low cost awareness channels funded out of existing DVLA budgets.
- Staff resource estimates include salary and office infrastructure (desk, equipment etc) per person.
- Staff training will be required.
- Changes to DVLA forms and guidance will be required.

Add annexes here.