

DVLA Drivers Fees Public Consultation



October 2008



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1. Scope and purpose of the consultation

Context

- 1.1. The Driver and Vehicle Licensing Agency (DVLA) is required both through its status as an Executive Agency / Trading Fund and by the HM Treasury Fees and Charges Guidance to recover the costs of its operations through fees collected for the statutory services it delivers. In circumstances where it makes a deficit on such services and fees, it has a statutory duty and explicit HMT guidance imposed upon it, to make good such deficits as quickly as possible. It has explicit statutory powers to collect each of these fees, mainly set out in the Road Traffic Act 1988, as amended, most recently by the Road Safety Act 2006.
- 1.2. The Secretary of State for Transport has responsibility for keeping complete, accurate and up-to-date registers of drivers and vehicles in Great Britain (GB) and the vehicle register in Northern Ireland (NI), undertaking these through DVLA. Hence, this consultation covers the drivers fees only for GB since NI has devolved responsibility for driver licensing, fees and charges (The Driver Vehicle Agency (DVA) is responsible for the driver register in NI). DVLA's contribution to road safety and crime reduction is primarily achieved through the maintenance of accurate records, thus enabling enforcement direct from the drivers register by the police and the tracing of drivers and vehicle keepers by police, courts and local authorities. In addition, we wish to ensure better regulation and reduce the overall administrative burden, especially for businesses.
- 1.3. A number of DVLA services are fee bearing whilst it delivers others free at the point of demand. We have made sure that fees will still not be charged for drivers who notify the Agency of a change of name or address, drivers over the age of 70, extension of vocational driving entitlements or for any medical renewals or notifications. DVLA has consulted on a long-term strategy in recent years and the resulting report and Ministerial decisions on fees for 2007-08 and 2008-09 are available on the DVLA web-site at **www.dvla.gov.uk/consultations**.
- 1.4. The rationalisation of fee structures gained external support through the 2007 consultation. Ministers subsequently approved regulations to introduce a common fee for five of our driver transactions:
 - Provision of a duplicate for a lost, stolen or destroyed driving licence;
 - The provision of a "vanity" exchange - only the photograph is changed on the licence;
 - Exchange of a driving licence for removal of endorsements;
 - Processing the 10-yearly renewal of the photograph on the driving licence;
 - Exchanging a paper licence for a photocard licence.

- 1.5. The regulations came into force early in the financial year 2008-09. It was not our intention to increase the total funding delivered through introducing this common fee level and, indeed, for the first year we planned for a small decrease in income.
- 1.6. However, as the UK entered a more general slowdown in the economy during 2008, DVLA has seen a very significant decrease in its chargeable transactions amounting to 16% in the year to date. This has entailed a reduction in Drivers income in the region of £21m against total costs in the region of £135m, with the transactions requiring fees to be paid seeing a greater reduction in volumes proportionally than those that do not. As we have been automating many of our processes over recent years, we are also seeing variable costs decrease much slower with volume reductions than the income. Looking forward cautiously to 2009/10 our forecast volumes have assumed that we will not see a recovery back to previous levels of activity in volumes until at least the end of the next financial year.
- 1.7. We have considered the options open to the Agency in complying with HMT Guidance and have instituted a robust cost management regime to manage the impact of the decrease in volumes. Over the period between 2004 and 2008, we had already reduced total DVLA costs by £50m from the 2004 baseline and continue to move transactions to less costly electronic channels. In terms of Driver fees we set these to recover costs and developments rather than establish a cushion of surplus so we do not believe that on its own, cost cutting will be enough to return us to balance. Accordingly, we are obliged to increase our fees to provide a plan that returns us to balance.

2. How and when to respond

- 2.1. Your views are sought by DVLA by 23rd January 2009 on the option to be pursued.
- 2.2. The consultation period is open from 31st October 2008 until 23rd January 2009. Any responses received after this date will only be taken into consideration in exceptional circumstances.
- 2.3. Responses to this consultation should be recorded on the response sheet (Annex D) and returned by any of the following methods;
 - 2.3.1. By post to Financial Accounting Unit, D7, DVLA, Swansea SA6 7JL
 - 2.3.2. By fax for the attention of FAU to 01792 788363
 - 2.3.3. The consultation document is available on our website at **www.dvla.gov.uk/consultations** and can be downloaded and returned by e-mail to **finance.dvla@gtnet.gov.uk**.
- 2.4. DVLA is unable to reply to responses to the consultation on the points they raise individually. However, a summary of all responses will be sent to those who have replied, together with the conclusions drawn overall.
- 2.5. It is hoped that the summary of responses, will be available by 6th February 2009. It will be available on-line at **www.dvla.gov.uk/consultations**. Paper copies will be available on request.
- 2.6. All responses will be considered as part of the consultation process. It is the Agency's intention to explore the possibility of incorporating valid suggestions and comments when developing new or amending existing policy.
- 2.7. Those who wish to submit comments to DVLA in relation to this issue are asked to note that we may publish all or some of the comments we receive. Please also note that if DVLA receives a request from any third party for sight of such comments, we may be obliged by law (for example, under the Freedom of Information Act 2000) to disclose such information to the applicant. If there are particular reasons why you would not wish your comments to be published or disclosed, please let us know. Although your wishes in this respect may not override any statutory requirement to disclose, they will be taken into account so far as possible. If you reply by e-mail, the above overrides any confidentiality disclaimer generated by your IT system.
- 2.8. Representative groups are asked to provide comments that summarise the views of the people and organisations they represent. It would be helpful if, when responding, representative groups could indicate the people and organisations they represent.

- 2.9. If you have any questions about the consultation or require further clarification of any matters relating to this document you may send them using the contact details given in paragraph 2.3 above
- 2.10. A list of those consulted is attached at Annex C. If you know of anyone who you consider would be interested in receiving a consultation document please contact us by post, fax, e-mail to the DVLA address as detailed in paragraph 2.3 above. A copy of this document can also be found on the website at **www.dvla.gov.uk/consultations**

3. Options for the future

The Need for Change

- 3.1. The slowing economic climate has manifested itself for DVLA in a sharp decrease – of approximately 16% - in the number of Driver transactions, which, until 2008, had been growing year-on-year in volume. DVLA has been steadily reducing its unit cost over these years, largely by shifting to e-channels and automating its processes. Taking volume increases and additional statutory requirements into consideration it employs over 1,300 fewer staff now than it did in 2004, with a real FTE headcount reduction of 566 during that period.
- 3.2. The operational cost base for drivers is approximately £135m each year and the decrease in volume represents a loss of income of about £21m. DVLA will make a deficit in this account for 2008/09 and the projections for 2009/10 show a similar depressed level of transactions. DVLA can take significant operational costs out through streamlining and continuing the shift across to e-transactions, but cannot during next year achieve a balance – nor recover the deficit anticipated in 2008/09. Indeed, our cost reductions will leave us some margin short, because of the increasing fixed costs elements of the new processes that are far more technology dependent.
- 3.3. For 2009/10, in order to address the DVLA Trading Fund requirement to remain in financial balance, we believe we need to seek an increase in fees to help bridge the gap. At present we cannot estimate, with any great accuracy, transaction levels going beyond the next two years i.e. beyond March 2010. As part of our annual review of fee levels, we will re-examine the need to maintain any revised fee levels arising from this exercise.

Objectives

- 3.4. To contribute to balancing DVLA's Driver services costs as required for the financial year 2009/10.

Impact Assessment

- 3.5. We do not believe the changes outlined will have any impact on businesses, unless they choose to reimburse employees for the costs involved, and an impact assessment setting out our reasoning is included at Annex A. However, businesses and other organisations that consider they will be affected by the proposals are invited to describe briefly the activities they undertake, explain how they will be affected and highlight what change in costs and/or benefits they anticipated would arise from adoption of the different options.

Options Considered

- 3.6. The options framed in this consultation paper are calculated to provide roughly the same level of cost coverage, but retaining round figures for public convenience. Since there is a good deal of uncertainty in volume forecasts 18 months in advance and we have to make assumptions on customer behaviour in a period of financial uncertainty, to attempt to predict this range with greater accuracy would be of doubtful value.
- 3.7. This paper sets out three potential options in terms of the fee structures to be adopted to generate the £7m to £8.5m additional income proposed:
- **Option 1.** Increase the common fee level for the 5 transactions set out above from £17.50 by £2.50 (14%) – raising an additional £7.5m;
 - **Option 2.** Increase all Driver fees as scheduled in the table in 3.11 (excluding those to which the common fee level applies) by £5.50 (between 6.1% and 11% depending on the transactions) – raising an additional £7.0m;
 - **Option 3.** Increase all Driver fees (including those to which the common fee level applies) by £2.00 per chargeable transaction (this ranges from 2.2% to 11.4% depending on the transaction) to provide an additional £8.5m.

Option 1 – Raise Common Fee Level by £2.50 (to £20)

- Option 1 would generate approximately £7.5m of additional fee income on the basis of the reduced volumes forecast. It therefore represents, alongside Option 2 below, a slightly greater challenge for DVLA in terms of cost management to cover the remainder of the £21m fee income reduction than would Option 3.
- When introduced last year, the £17.50 fee was recognised as providing a lower level of fees in total than the previous fee regime, but the decrease in income has been significantly enhanced by the volume decreases seen.
- This proposal avoids a further increase to the First Application for Provisional licence fee targeted mainly on the youngest drivers. We wish to ensure these potential drivers start and remain within the registration system.
- This Option is the DVLA preferred option.

Your views are sought on the proposals included as Option 1.

Option 2 – Raise all Driver Fees (except Common Fee Level) by £5.50

- This option generates £7.0m contribution from income to close the gap, roughly the same as for Option 1. The common fee level, introduced only in 2007, would be left untouched.
- However, this option would entail a further increase to the First Application for a Provisional Licence (FAP) fee (by 11%) and may have an impact on the number of unlicensed drivers.

Your views are sought on the proposals included as Option 2.

Option 3 – Raise all Drivers fees by £2.00

- This Option reduces the impact for each individual transaction, but spreads the burden right across all fee payers. Since all fee bearing transactions would be impacted this would raise around £8.5m additional income on the same volume assumptions as the other two options. An average increase of around 7% across the board.
- However, it means that the First Application for Provisional licence fee would rise again, although by only 4%.

Your views are sought on the proposals included as Option 3.

- 3.8. It is important to note that this consultation deals with indicative fee level increases. Based on the period between April and September 2008, it is evident that the number of chargeable transactions for Drivers has reduced by approximately 18%. The above estimate of required additional income is based on a continuation of this level of decrease for the substantial part of the financial year 2009/10. At the conclusion of the public consultation in mid-January 2009, DVLA will have a far more robust view of the actual volumes anticipated and hence the gap between income and costs that has been made good – with a more accurate estimate also of the further level of costs that can be saved. If our review of business volumes indicates that we would need to set fee levels materially and substantially different to those included in this consultation, we would consult further. At the conclusion of this, and any follow-up consultation, the figures and forecasts arising from that process will be presented to Ministers so that agreement can be reached on the exact level of fee required.

What This Consultation Does Not Cover

- 3.9. This consultation covers only fees for Drivers transactions in Great Britain. Hence it does not cover:
- Drivers fees in Northern Ireland;
 - Fees for Vehicle transactions

Your views on alternative options

- 3.10. We would be happy to consider any views you may have on alternative combinations of the options outlined or other possible Great Britain Driver fee changes.

Current Fees and Proposed Fee Options for 2009-10

3.11. The fee levels extant for 2008-09 and Options for 2009-10 are summarised below.

Transaction	Fees 08-09	Fees options 09-10		
		1	2	3
Driving licence:				
First Driving Licence (inc. Provisional to Full)	£50	£50	£55.50	£52
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	£17.50	£20	£17.50	£19.50
Exchange Licence:				
Exchange from overseas jurisdiction	£50	£50	£55.50	£52
Paper Licence traded in for POL DL*	£17.50	£20	£17.50	£19.50
Remove Endorsements	£17.50	£20	£17.50	£19.50
"Vanity" renewal (photograph change only)	£17.50	£20	£17.50	£19.50
10-Yearly Renewal of POL DL*	£17.50	£20	£17.50	£19.50
Additional Entitlements	Free	Free	Free	Free
Provisional Vocational DL (from full DL)	Free	Free	Free	Free
Full Vocational DL	Free	Free	Free	Free
Driving Licence Renewals:				
After revocation	£50	£50	£55.50	£52
High Risk Offenders after Disqualifications	£90	£90	£95.50	£92
After Disqualification	£65	£65	£70.50	£67

* **Note:** POL DL is "Photo on Licence" Driving Licence

Annex A: Impact Assessment Summary: Intervention & Options		
Department /Agency: Driver and Vehicle Licensing Agency		Title: Impact Assessment of fees increases proposed to balance income and costs for Driver services
Stage: Consultation	Version: 1	Date: 30 October 2008
Related Publications:		
Available to view or download at: http://www.dvla.gov.uk/consultations		
Contact for enquiries: finance.dvla@gtnet.gov.uk		Telephone:
<p>What is the problem under consideration? Why is government intervention necessary?</p> <p>The current economic conditions have impacted DVLA through a 16% drop in Driver transaction volumes. Over recent years as DVLA has decreased its cost per transaction through automation and delivery of new e-channels, it now has a greater proportion of fixed systems rather than variable costs. It thus faces a £21m drop in income for 2008-09, forecast to repeat in 2009-10. It can reduce its operational costs to bridge most but not all of this gap and has a duty to break even and recover deficits. It therefore seeks to raise fees to assist in breaking even in 2009-10.</p>		
<p>What are the policy objectives and the intended effects?</p> <p>Over recent years, DVLA has rationalised its fee structures and moved to a common fee level for those transactions most commonly undertaken. The fees imperative for DVLA is purely to ensure that the costs of its register management, transactions handling and developments undertaken are met by the fees it charges for its services. Many of its transactions do not bear fees for policy reasons – medical notifications, change of address and other details, Over 70s renewals and vocational licence provision. Hence DVLA has specific powers under an order made under Section 102 of the Finance (No.2) Act 1987 (the Department for Transport (Driver Licensing and Registration Fees) Order 2003 – SI 2003/2994) to calculate its overall costs and set fee levels on individual transactions to cover the costs in total.</p>		
<p>What policy options have been considered? Please justify any preferred option.</p> <p>Three main Options have been considered in detail. These entail (1) adding £2.50 to each of the transactions carrying the Common Fee, (2) adding £5.50 to all chargeable driver fees transactions other than those carrying the Common Fee and (3) adding £2.00 to all driver transaction fee levels. Option 1 is preferred, representing a 5.5% overall uplift to contribute towards the 16% gap that has appeared between costs and income. This is preferred because it places a comparable challenge on DVLA in terms of cost reductions (whilst recognising the scale of challenge) to Option 2 and more of a challenge than Option 3 whilst leaving the fee for young motorists unchanged to minimise disincentives to driver registration.</p>		
<p>When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?</p> <p>DVLA will monitor Driver transaction volumes carefully during the consultation period and onwards prior to the laying of regulations. Thereafter it will review these on an ongoing basis, together with achievement of its cost reduction targets and development plans. It will revisit the balance between cost and fees in 12 months time to assess appropriate levels for 2010-11.</p>		
<p>Ministerial Sign-off for consultation stage Impact Assessments:</p> <p>I have read the Impact Assessment and am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the main options.</p>		
Signed by the responsible Minister:		Date:

Summary: Analysis & Evidence

Policy Option: 1	Description: Increase common fee by £2.50
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COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' There are relatively small costs in amending the fees scale leaflets printed and changing the fees tables within the Drivers systems. Drivers will be impacted by the rise in fees. The cost to drivers will be £7.5m in total across the common fee transactions.
	One-off (Transition)	Yrs	
	£ 200,000		
	Average Annual Cost (excluding one-off)		
	£ 7,500,000		
Total Cost (PV)			£ 7,700,000
Other key non-monetised costs by 'main affected groups'			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' Fees received by DVLA will increase by around £7.5m under current volume forecasts if the DVLA preferred Option is implemented. This partially mitigates the £21m fees income drop estimated as a result of decreased transaction levels. There will be benefits accruing to the Agency and its customers arising from system and infrastructure development which otherwise would have been foregone. This will allow us to maintain service standards to customers
	One-off	Yrs	
	£ N/A		
	Average Annual Benefit (excluding one-off)		
	£ N/A		
Total Benefit (PV)			£ N/A
Other key non-monetised benefits by 'main affected groups'			

Key Assumptions/Sensitivities/Risks The lower level of Driver transactions seen during 2008/09 will continue at approximately the same levels through the financial year 2009/10. DVLA will be able to manage its costs down for 2009/10 to cover the remaining £13.5m drop in fees revenue. There is a risk that raising the fee will drive volumes down still further. A recent survey on similar fee increases has suggested up to 11% drop in volumes.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £ N/A
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What is the geographic coverage of the policy/option?	GB			
On what date will the policy be implemented?	6 th April 2009			
Which organisation(s) will enforce the policy?	DVLA			
What is the total annual cost of enforcement for these organisations?	£ N/A			
Does enforcement comply with Hampton principles?				
Will implementation go beyond minimum EU requirements?	No			
What is the value of the proposed offsetting measure per year?	£ N/A			
What is the value of changes in greenhouse gas emissions?	£ N/A			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro N/A	Small N/A	Medium N/A	Large N/A
Are any of these organisations exempt?	N/A	N/A	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)	
Increase of	£ 0	Decrease of	£ 0
Net Impact		£ 0	

Key: Annual costs and benefits: (Net) Present Value
Constant Prices

Summary: Analysis & Evidence

Policy Option: 2	Description: Increase all fees (except for common fee transactions) by £5.50
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COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' There are relatively small costs in amending the fees scale leaflets printed and changing the fees tables within the Drivers systems. Drivers will be impacted by the rise in fees. The cost to drivers will be £7.0m in total across the affected fee transactions.
	One-off (Transition)	Yrs	
	£ 200,000		
	Average Annual Cost (excluding one-off)		
	£ 7,000,000		
Total Cost (PV)			£ 7,200,000
Other key non-monetised costs by 'main affected groups'			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' Fees received by DVLA will increase by around £7.0m under current volume forecasts if the DVLA preferred Option is implemented. This partially mitigates the £21m fees income drop estimated as a result of decreased transaction levels. There will be benefits accruing to the Agency and its customers arising from system and infrastructure development which otherwise would have been foregone. This will allow us to maintain service standards to customers
	One-off	Yrs	
	£ N/A		
	Average Annual Benefit (excluding one-off)		
	£ N/A		
Total Benefit (PV)			£ N/A
Other key non-monetised benefits by 'main affected groups'			

Key Assumptions/Sensitivities/Risks The lower level of Driver transactions seen during 2008/09 will continue at approximately the same levels through the financial year 2009/10. DVLA will be able to manage its costs down for 2009/10 to cover the remaining £14m drop in fees revenue. There is a risk that raising the fee will drive volumes down still further. A recent survey on similar fee increases has suggested up to 11% drop in volumes.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £ N/A
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What is the geographic coverage of the policy/option?	GB
On what date will the policy be implemented?	6 th April 2009
Which organisation(s) will enforce the policy?	DVLA
What is the total annual cost of enforcement for these organisations?	£ N/A
Does enforcement comply with Hampton principles?	
Will implementation go beyond minimum EU requirements?	No
What is the value of the proposed offsetting measure per year?	£ N/A
What is the value of changes in greenhouse gas emissions?	£ N/A
Will the proposal have a significant impact on competition?	No
Annual cost (£-£) per organisation (excluding one-off)	Micro N/A Small N/A Medium N/A Large N/A
Are any of these organisations exempt?	N/A N/A N/A N/A

Impact on Admin Burdens Baseline (2005 Prices)	(Increase - Decrease)
Increase of £ 0 Decrease of £ 0 Net Impact £ 0	

Key: Annual costs and benefits: (Net) Present Value
Constant Prices

Summary: Analysis & Evidence

Policy Option: 3

Description: Increase all driver fees by £2.00

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' There are relatively small costs in amending the fees scale leaflets printed and changing the fees tables within the Drivers systems. Drivers will be impacted by the rise in fees. The cost to drivers will be £8.5m in total across the affected fee transactions.
	One-off (Transition)	Yrs	
	£ 200,000		
	Average Annual Cost (excluding one-off)		
	£ 8,500,000		
Total Cost (PV)			£ 8,700,000
Other key non-monetised costs by 'main affected groups'			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' Fees received by DVLA will increase by around £8.5m under current volume forecasts if the DVLA preferred Option is implemented. This partially mitigates the £21m fees income drop estimated as a result of decreased transaction levels. There will be benefits accruing to the Agency and its customers arising from system and infrastructure development which otherwise would have been foregone. This will allow us to maintain service standards to customers
	One-off	Yrs	
	£ N/A		
	Average Annual Benefit (excluding one-off)		
	£ N/A		
Total Benefit (PV)			£ N/A
Other key non-monetised benefits by 'main affected groups'			

Key Assumptions/Sensitivities/Risks The lower level of Driver transactions seen during 2008/09 will continue at approximately the same levels through the financial year 2009/10. DVLA will be able to manage its costs down for 2009/10 to cover the remaining £12.5m drop in fees revenue. There is a risk that raising the fee will drive volumes down still further. A recent survey on similar fee increases has suggested up to 11% drop in volumes.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £ N/A
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What is the geographic coverage of the policy/option?	GB			
On what date will the policy be implemented?	6 th April 2009			
Which organisation(s) will enforce the policy?	DVLA			
What is the total annual cost of enforcement for these organisations?	£ N/A			
Does enforcement comply with Hampton principles?				
Will implementation go beyond minimum EU requirements?	No			
What is the value of the proposed offsetting measure per year?	£ N/A			
What is the value of changes in greenhouse gas emissions?	£ N/A			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro N/A	Small N/A	Medium N/A	Large N/A
Are any of these organisations exempt?	N/A	N/A	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)	(Increase - Decrease)				
Increase of	£ 0	Decrease of	£ 0	Net Impact	£ 0

Key: Annual costs and benefits: (Net) Present Value
Constant Prices

Evidence Base (for summary sheets)

Title of proposal

Increase of fees to contribute towards balancing revenue and costs during transaction volumes downturn. The proposed changes are given in Section 3.11 of the Public Consultation.

Purpose and intended objectives of the measures

DVLA has seen a cumulative 16% decrease in its volumes since the start of 2008/09 and predicts that this pattern will continue for the majority if not all of 2009/10. The impact on revenue of this level of transaction volume decrease is approximately £21m p.a.

DVLA has reduced its headcount and unit costs significantly during the period 2004 to 2008 and the automation / channel shift enabling this change has had two impacts – it has decreased costs but also led to a greater proportion of fixed costs. Hence costs have fallen directly by far less than has income during this volume downturn.

There is a duty to recover deficits and to return a breakeven position overall imposed on DVLA. Therefore it has a major challenge to reduce the gap between income and costs by a far greater extent than provided by natural direct costs reduction. The Vehicles income has also reduced by some 14%, with far less direct variable costs reduction.

Whilst presenting DVLA with a significant cost management challenge to deliver the required balance, the purpose of the measures is thus to contribute around a third of the gap through increase in income.

Objectives

Coverage of £7-8.5m out of the £21m shortfall in projected fee income within Drivers for 2009/10.

Background

The fee review, conducted in 2003, brought together the costs of the driver licensing and vehicle registration systems that had historically been considered separately and this joint consideration was underpinned by regulation under the Finance (No 2) Act 1987. The new fee structure was set to recover the combined costs by considering the driver and vehicle costs as a consolidated whole and allowing fees to be set overall to cover the full costs envelope. This principle was continued in 2006 and 2007 and the current proposals do not vary this regime.

The principles established within the 2003 and 2006 consultations were:

- to simplify processes for the motoring public and DVLA
- to encourage driver registration and learning to drive
- to facilitate e-services through simplified transactions and
- to ensure offenders cover the full processing costs of issuing of new licences.

In 2007 a common fee level of £17.50 was introduced for 5 Driver transactions:-

- Provision of a duplicate for a lost, stolen or destroyed driving licence;
- Provision of a “vanity” exchange - the photograph is changed on the licence;
- Exchange of a driving licence for removal of endorsements;
- Processing the 10-yearly renewal of photograph;
- Exchanging a paper licence for a photocard licence.

Risks

- Fee increases, even of the relatively modest amounts proposed, could impact on compliance, which in turn could see a further fall in fee income.
- The proposed fee rise may be unattractive in the current economic climate and generate a good deal of adverse media interest.

Options

Option 1 – Raise Common Fee Level by £2.50 (to £20)

- Option 1 would generate approximately £7.5m of additional fee income on the basis of the reduced volumes forecast. It therefore represents, alongside Option 2 below, a greater challenge for DVLA in terms of cost management to cover the remainder of the £21m fee income reduction than would Option 3.
- When introduced last year, the £17.50 fee was already recognised as providing a lower level of fees in total than the previous fee regime, but the decrease in income has been significantly enhanced by the volume decreases seen.
- However, from the DVLA perspective it avoids a further increase to the First Application for Provisional licence fee targeted mainly on the youngest drivers. We wish to ensure these potential drivers start and remain within the registration system.
- Although this option provides DVLA with a greater level of challenge, it is on balance the DVLA preferred option.
- The increase represents an increase of 14%.

Option 2 – Raise all Driver Fees (except Common Fee Level) by £5.50

- This option generates £7.0m contribution from income to close the gap, roughly the same as for Option 1. The common fee level, introduced only in 2007, would be left untouched.
- However, this option would entail a further increase to the First Application for a Provisional Licence (FAP) fee (by 11%) and may have a negative impact on the number of unlicensed drivers.

Option 3 – Raise all Drivers fees by £2.00

- This reduces the impact for each individual transaction, but spreads the burden right across all fee payers. Since all fee bearing transactions would be impacted this would raise around £8.5m additional income on the same volume assumptions as the other two options. An average increase of around 7% across the board (individual increases vary between 2.2% and 11.4% depending on the transactions).
- This option does, however, mean that the First Application for Provisional licence fee would rise again, although by only 4%, whereas DVLA had hoped to keep this stable over the next few years.

For all options, the increases needed are above what is needed to cover inflation. The increases are set to recover a portion of the fee income that would be lost as a result of lower forecast fee bearing transaction volumes.

Costs and benefits

Business Sectors Affected

It is the assumption in this proposal that driving licence fees are a matter for individual drivers. We acknowledge that some organisations choose to pay their drivers' fees but, in the overall context of this consultation and with the continuing free issuing of vocational licences and processing of additional entitlements, the effects on the various business sectors will be negligible.

Assumptions

The three options are framed to recover the same level of funding overall. The financial model used to compare income with costs contains the following main assumptions about the volume of transactions that DVLA will process in 2009/10.

Transactions at Common Fee Level	Predicted Volumes 2009/10	
	Original (millions)	Revised (millions)
Replacement of lost, stolen or destroyed	1.53	1.19
Removal of endorsements	0.03	0.03
"Vanity" exchanges	0.02	0.02
10 year renewals of photocard	1.60	1.60
Transfers from paper to POL	0.15	0.15
TOTALS	3.33	2.99

The calculations are thus simple in terms of revenue generated under Option 1 – 2.99m at £2.50. For Options 2 and 3 we have used predicted volumes for each of the transaction streams and fee levels identified in the Public Consultation (3.11). We have rounded the figures for ease of handling.

Benefits

Option 1: Retention of common fee level principle – this has been retained in all three options. No impact on new learners. Increased income take is within required range and presents a level of challenge to DVLA to achieve the balance through greater efficiency and prioritisation of development expenditure.

Option 2: Produces the lowest value for extra income generated. No effect on the common fee level.

Option 3: Least individual impact on each Driver undertaking transactions. Lowest in terms of challenge to DVLA on cost reductions.

Costs

Option 1: No change for businesses. Represents around 14% increase (£2.50) for individual Drivers.

Option 2: No change for businesses. Has the greatest impact on new learners who will bear an 11% increase in fee.

Option 3: No change for businesses. Impacts on new Drivers as (small) additional obstacle in terms of registration. Represents around 7% overall fee increase (of £2) added equally for all transactions.

Equity and fairness

The amendments proposed continue with the principle of fair and equitable recovery of costs, whilst ensuring that changes in fees do not impede policy delivery. The burden in Options 1 and 2 rest with those undertaking transactions involving the common fee – whilst in Option 3 this is spread right across drivers equally (if not in proportion to original fee levels).

Small firms impact test

There appears to be no impact from these proposals.

Competition assessment

There appears to be no impact from these proposals.

Enforcement and sanctions

There appears to be no impact from these proposals.

Monitoring and review

DVLA monitors its own financial position continuously. Its fees structure is formally reviewed on an annual basis. Interested parties are consulted as part of this review process.

Race equality

There appears to be no impact from these proposals

Disability equality

There appears to be no impact from these proposals

Gender equality

There appears to be no impact from these proposals

Type of testing undertaken	Results in evidence base?	Results annexed?
Competition Assessment	Yes	Yes
Small Firms impact test	Yes	Yes
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	Yes	Yes
Disability Equality	Yes	Yes
Gender Equality	Yes	Yes
Human Rights	No	No
Rural Proofing	No	No

Specific impact tests: Checklist

Summary

DVLA has a duty to set its fees to recover the costs of DVLA's activities. The volumes of transactions have decreased significantly due to the economic downturn and this is predicted to continue to impact through 2009/10. However, due to the fact that chargeable transactions have decreased far more than non-chargeable transactions and the increasing automation of DVLA activities the proportion of fixed costs, the balancing of the budget needs to be achieved through additional income through a fee increase.

Annex B: code of practice on written consultation

The code of practice applies to all UK public consultations by government departments and agencies, including consultations on EU directives.

Though the code does not have legal force, and cannot prevail over statutory or other mandatory external requirements (e.g. under European Community Law), it should otherwise generally be regarded as binding unless Ministers conclude that exceptional circumstances require a departure.

The following six criteria must be reproduced within all consultation documents. There should be an explanation of any departure from the criteria and confirmation that they have otherwise been followed.

Consultation Criteria

1. Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.
2. Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.
3. Ensure that your consultation is clear, concise and widely accessible.
4. Give feedback regarding the responses received and how the consultation process influenced the policy.
5. Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-ordinator.
6. Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.

A full version of the Code of Practice is available on the Department for Business Enterprise & Regulatory Reform website at

<http://www.berr.gov.uk/bre/consultation/guidance/page44459.html>

If you consider that this consultation does not comply with the code or you have comments about the consultation process please contact:

Tim Ford
Consultation Co-ordinator
Policy & External Communications Directorate
DVLA
Swansea
SA6 7JL

Annex C: List of Those Consulted

AA Foundation for Road Safety research
 Association of Industrial Road Safety Officers
 Association of Local Governments
 Association of London Authorities
 Association of London Government
 Association of National MOT Testers
 Association of Retired and Persons Over 50
 British Insurance Brokers' Association
 British Medical Association
 Cabinet Office Regulatory Impact Unit
 Department for Business, Enterprise and
 Regulatory Reform
 Department for Transport
 Department of Culture, Media and Sport
 Department For Children, Schools and Families
 Department of Health
 Department of International Development
 Department of Work and Pensions
 DVA
 Environment Agency
 HM Revenue & Customs
 HM Treasury
 Home Office
 House of Commons Library
 Information Commissioner
 Ministry of Justice
 Jill Dando Institute of Crime Science
 Ministry of Defence
 National Assembly for Wales
 National Assembly for Wales Library
 Northern Ireland Office
 Office of Fair Trading
 Office of HM Paymaster General
 Police Federation of England and Wales
 RAC Foundation for Motoring Ltd
 RAC Motoring Services
 Scotland Office
 Scottish Executive
 Vehicle Certification Agency
 Wales Office

Industry Liaison Group

Agricultural Engineers Association (AEA)
 Assoc. of Car Fleet Operators (ACPO)
 Association of British Insurers
 British Car Auctions Ltd
 British Industry Motor Trade Association
 British Vehicle Rental and Leasing Association
 British Vehicle Salvage Federation
 Finance & Leasing Association
 Freight Transport Association
 Manheim Auctions
 Motorcycle Industry Federation Ltd
 National Farmers Union
 Retail Motor Industry Federation
 Road Haulage Association Ltd
 Scottish Motor Trade Association
 Society of Motor Manufacturers & Traders
 The Automobile Association
 Vehicle Builders & Repairers Association

Courts Liaison Group

Barnstaple Magistrates Court
 Courts Service HQ
 Crown Office
 Crown Prosecution Service
 District Judges (Magistrates Court)
 Driving Standards Agency
 Justices' Clerks' Society
 Magistrates Association
 MCC Management & Training Centre
 Newcastle Magistrates Court
 Scottish Courts Service
 Scottish Executive (Justice Department)
 The Districts Courts Association
 Vehicle and Operator Services Agency

Police Liaison Group

Association of Chief Police Officers Scotland

Association of Chief Police Officers

Avon and Somerset Police

Derbyshire Constabulary

Durham Constabulary

Justice Dept, Police Division

Lancashire Constabulary HQ

Metropolitan Police CO SO

Metropolitan Police

National Criminal Intelligence Service

Norfolk Constabulary

National Police Improvement Agency

Road Policing, Mobile Support Division

South Wales Police HQ

Staffordshire Police

Strathclyde Police

Tayside Police

Annex D: Response Sheet

Your views on Option 1	
Your views on Option 2	
Your views on Option 3	
Your alternative views	