



DVLA Consultation on Fee Proposals

Driver Licensing and Vehicle Registration

April 2006



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1. SCOPE AND PURPOSE OF THE CONSULTATION

Context

- 1.1. In 2003, the Driver and Vehicle Licensing Agency (DVLA) began to consider how it might modify its fee structures, partly to move towards a regime that better supports its policy outcomes and partly to accommodate immediate funding pressures arising from new responsibilities. In August 2004 DVLA published a consultation that explored the principles of charging for its services as they develop into the future, setting out four options that comprised different mixtures of charges that would each recoup the same costs of providing services. The objective was to establish what mixture of fees was preferred by users of DVLA services, specifically involving the general public and corporate organisations, in order to generate the same funding total. At that time, it did not attempt to specify detail such as exemptions and collection mechanisms as this was seen as a second stage consultation process.
- 1.2. DVLA received a good level of feedback to the consultation paper, with the active consultation period finishing in November 2004. Since that time there has been continuing stakeholder consultation and discussion to refine the proposals developed from the results of the public consultation.
- 1.3. This consultation paper sets out the results of the 2004 consultation in Section 4 and develops a set of updated proposals in Section 5. Although this approach has delayed the reporting of the earlier consultation, we felt it preferable to deal with both aspects in the same document to provide a better understanding of the principles and the reasoning behind the latest proposals. Our objective for this consultation is to compare how different mixtures of fees and charges could collect the same funding overall, both building on the responses received during the last consultation and now setting out some processes and greater detail for consideration. The consultation itself covers only the core driver and vehicle statutory services because the costs and fees for these have to be self contained. Our vehicle excise duty (VED) collection activities are funded through a different route and are quite separate from the activities covered in this paper.

Key Options

- 1.4. This paper sets out three potential options arising from the 2004 consultation:
 - *Option 1.* This retains the current fees structure. The option involves adjusting only the level of the driving licence fee to meet the demands of future services, whilst at the same time introducing a fee specifically to cover the 10-year renewal cycle for driver licences which starts in 2008.
 - *Option 2:* This retains the current fees structure but builds on Option 1 by also varying the fee level for first vehicle registration in order to restrict the scale of driving licence fee increase.
 - *Option 3:* this changes the fees structure by introducing an annual fee to cover register maintenance activities (such as vehicle and vehicle keeper changes for vehicles or address changes for both driver and vehicle registers). Funding these activities explicitly through a widely based fee would result in reduction of existing fee levels for both first driving licence and first vehicle registration, with costs recovered from all those who benefit from the registers rather than the small minority who currently fund register maintenance through cross-subsidy from existing fees.

Indicative Fee Levels

- 1.5. As was the case for the previous consultation paper, the **levels of fees are indicative**. It would, clearly, be possible to construct different combinations of fee levels arising from mixtures of the three options to provide the same necessary funding total. For the reader to do this at a high level, the key volumes outlined in the Partial Regulatory Impact Assessment (Annex B) should be considered. The fee levels included in the consultation are calculated to involve minimal cross subsidy across activity streams.
- 1.6. However, a different approach could be taken. For example, for each 50p increase in the annual fee, the first driving licence and first vehicle registration fees could be reduced by approximately £5. This might be attractive in terms of convenience and budgeting for both the motoring public and corporate bodies, whilst providing a more cost-effective method of collecting the same income to cover DVLA operational costs. But it would also potentially reduce the direct relationship in time between fee payment and specific service delivery for individuals. We would welcome feedback on this.
- 1.7. A final detailed consultation will be undertaken on the specific fee levels once the preferred option has been decided. At the final consultation stage, the actual cost forecasts for 2008/09, bearing in mind both efficiency savings planned and results of consideration of new activities, will be calculated with greater precision. **It is important to emphasise, therefore, that no decision has been made, to date, on final fee levels or preference for any of the three proposed options of principle.** The final proposals will have to be agreed with Department of Transport (DfT) Ministers and HM Treasury counterparts before then undergoing parliamentary scrutiny and approval.
- 1.8. It should be noted that this consultation covers the fees and charges for vehicles for the whole of the United Kingdom, but in terms of drivers fees and charges for drivers covers only Great Britain. Northern Ireland has devolved responsibility for driver licensing, fees and charges. The position for NI regarding Driver Licensing and Vehicle Testing is set out at 2.9 and any comments appropriate to NI will be passed to DVLNI for consideration.
- 1.9. **Your views are sought on the:**
- **principles adopted for the charging regime.**
 - **desirability of retention of the current structure or introduction of a new one.**
 - **appropriateness of the structures under consideration.**
 - **relative levels of the indicative fees proposed.**
 - **mechanism of collection preferred for any annual registration fee introduced.**
 - **enforcement and implementation issues that may be encountered.**
- 1.10. Your views are important to the Agency. Responses may be sent by post, fax or e-mail to the address below by 21st July 2006.

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2. INTRODUCTION AND BACKGROUND

Introduction

- 2.1. 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. It has explicit statutory powers to collect each of these fees, mainly set out in the Road Traffic Act 1988 and Vehicle Excise and Registration Act 1994. Neither it nor the DfT is able to apply these statutory receipts for other purposes, with fee levels set only to cover registration costs.
- 2.2. DVLA collects VED on behalf of HM Treasury, but this is specifically and separately funded by the DfT on behalf of HM Treasury, with no cross-subsidy allowed in either direction between its tax collection activities and those that support its other services. VED collection is a funded operation in Schedule 1 to the 2004 Trading Fund Order, but the funding regime is subject to HM Treasury rules.
- 2.3. One of the key additional activities for DVLA is the start of the 10-yearly renewal cycle for photocard licences in June 2008. Photographs have to be renewed every 10 years to ensure that the card retains an accurate likeness of the licence holder and the statutory position is that licences not renewed in this way will cease to be valid.
- 2.4. DVLA has also planned for a number of years to recall the remaining paper licences in circulation, confirm the identity of these drivers and issue new photocard licences, with the power to do this sought in the 2005 Road Safety Bill. As paper licence holders were not subject to the same level of checking as those who have obtained photocard driving licences, the recall of these licences should provide significant benefits for the integrity and security of the drivers system – and hence for road safety. Without recall, 6 to 8 million (around 20%) paper licences would remain in circulation by 2010.
- 2.5. The second European Council Directive on driving licences standardised the format of the driving licence throughout Europe. A third European Council Directive is currently being negotiated and provides for enhanced security features on the licence. As part of its scheduled technology replacement programme, DVLA will be issuing such licences from mid-2007 and so would be able to move to recall paper licences soon afterwards. There has been speculation that recall of paper driving licences could be linked to the ID Cards proposals, but such a 2007/08 timetable would take effect before the ID scheme is planned to be fully operational. There are no plans to link driving licence issue to the National Identity Register as part of recall and, indeed, the ID scheme capabilities would not be sufficient within this timescale to allow this to be effective.
- 2.6. This consultation paper sets out the principles that could be adopted to provide a more fair and equitable system of fees and charges ensuring that the overall burden is balanced and fairly distributed across all those who benefit from DVLA activities and services. The fees structure supports the key road safety objectives of the DfT in terms of encouraging drivers to register and learn to drive properly, whilst recovering from all vehicle keepers the full cost of use of the road and the supporting services. This continues the fees reform initiated in 2003 and provides a platform for the longer term

- 2.7. These proposals will affect all categories of motorists - vehicle keepers, existing and prospective drivers, the Motor Industry and related businesses. However, the proposals involve relatively modest changes to the level of fees indicated when compared to other costs involved in motoring¹, although important in total to DVLA in meeting the costs of delivering its services.
- 2.8. The Government has announced its intentions to pilot road pricing on a local basis with a view to moving towards a possible national road pricing system in the future. Local pilots and a national system will almost certainly need some sort of registration and enforcement arrangements though it is too soon to specify exactly how they would work. However the proposals described in this document could be adapted to any future requirements for road pricing.

Position in GB and NI in relation to Driver Licensing and Vehicle Testing.

- 2.9. DVLA, on behalf of the Secretary for State for Transport, is responsible for the driver and vehicle registers in Great Britain and the vehicle register in Northern Ireland. DVLNI is responsible for the driver register in Northern Ireland.
- 2.10. The responsibility for the issuing of driving licences is devolved to the Department of the Environment for Northern Ireland. In practical terms, driving licences are issued by Driver and Vehicle Licensing Northern Ireland (DVLNI) under powers conferred to the Department by Part II of the Road Traffic (Northern Ireland) Order 1981. Legislation and policy matters relating to driver licensing are functions of both the DoE and DVLNI, in close liaison with DfT and DVLA. Although Northern Ireland has a separate licensing authority it is proposed that application of a solution be considered UK wide.
- 2.11. Since the introduction of the photocard licence in 1985 (three years before their introduction in the rest of the UK), driving licences issued in Northern Ireland have a normal validity of 10 years, although they may be restricted on medical or other grounds. Until 2003, driver licence fees were set by the DoE in conjunction with the Department of Finance and Personnel, and were based on a full cost recovery over a 10 year cycle.
- 2.12. Following a review of the driver licensing fees regime in 2003, DVLNI adopted the same fees structure as DVLA, with one exception: DVLNI retained a fee for the periodic renewal of the 10 year photocard licence. This fee was calculated on the basis of estimated costs and volumes until the end of the 2006/2007 financial year, when DVLA are due to introduce a similar fee. Adoption of the same fees structure has permitted further parity of the Driver Licensing regime between Northern Ireland and Great Britain.

¹ Calculations based on the Automobile Association cost model for an average car and mileage (including depreciation) suggest that all-inclusive annual running costs are of the order of £4,000 - 4,400 each year.

Background

- 2.13. DVLA contributes to key DfT policies for improved road safety and Home Office policies for crime reduction, as well as improving the environment. With the other delivery agencies for Government, it shares objectives of improving public services and access to these services, partly through provision of electronic channels.
- 2.14. DVLA's contribution to road safety and crime reduction is primarily achieved through the maintenance of accurate records, thus enabling enforcement direct from the vehicle register and the tracing of drivers and vehicle keepers by police, courts and local authorities. Record accuracy has already been improved through, amongst other things, the introduction of Continuous Registration, direct links between post offices and our registers, web-enabled capture of data via the internet, telephone and joint working with other agencies. The technology renewal involved also delivers more user-friendly e-delivered services. The accuracy of the registers depends on both the processes adopted and the fees charged, so alignment is important to deliver the most effective overall regime. In addition, we wish to ensure better regulation and reduce the overall administrative burden, especially for businesses.
- 2.15. DVLA is integrating its services through streamlining processes, often joining up with DSA, VOSA² and others, and improving its internal systems. These changes are aimed at providing better customer service and improving efficiency. These developments fully support the Gershon review of public sector efficiency and DVLA has ambitious targets, agreed by the Office of Government Commerce (OGC), setting out significant productivity improvements and manpower reductions.
- 2.16. In the past, the underpinning technologies and processes of our driver and vehicle systems have kept the two registers very separate in their operations, but convergence of the two systems is central to our future processing and customer service improvements. For example, one objective is to allow common maintenance of driver and vehicle keeper records so that the public have to notify us only once of changes rather than twice (or more) each time as currently. The first part of this convergence will be in place in mid-2006. This has an impact both on how we collect the information and on how we view the registers as separate entities. This also changes our view on how we collect the funding needed to cover register maintenance.

² DSA – Driving Standards Agency; VOSA – Vehicle and Operator Standards Agency

3. CURRENT FEES AND STRUCTURE

Shortcomings in the Current Structure

- 3.1. Discussions with public groups, previous consultation feedback, customer surveys and reviews of our services reveal that DVLA needs to:
 - 3.1.1. simplify transactions and compliance processes for the motoring public and DVLA - thus improving customer service and efficiency together;
 - 3.1.2. facilitate e-services through simplified transactions – minimising the number of transactions requiring payments. This will encourage channel shift as there still seems to be a reluctance to make payments across the internet, whilst making change notifications electronically more widely acceptable;
 - 3.1.3. deliver a fee structure in which a far higher proportion of the motoring public share in the cost of maintaining the DVLA registers rather than the 10% who now fund its operational costs – thereby very substantially reducing the level of activity cross-subsidy that has grown in our fee structure.
- 3.2. The beginning of the 10-yearly renewal cycle in June 2008, inevitable from the 1998 introduction of the first 10-year validity photocard licences were introduced in 1998, means that DVLA will process an additional 3.4m to 4m transactions and card issues each year. It is desirable that the cost be borne by the direct recipients on the basis of “user pays”.
- 3.3. DVLA currently has an unstable fee regime. It relies on a small number of high value transactions covering only a small proportion of those who benefit from its services. For example, those who notify detail changes to the register or who are issued with new vehicle registration documents on purchasing vehicles do not contribute. Hence, the majority of funding is provided from only 3m new vehicle registration fees each year compared with over 32.5m vehicles in circulation benefiting from register entries and data maintenance activities. The application of fees thus needed across activity streams is supported legislatively through the DfT (Driver Licensing and Vehicle Registration Fees) Order 2003, made under Section 102 of the Finance (No 2) Act 1987.
- 3.4. The DVLA Strategic Agenda and Business Plans set out further developments in activities and responses to additional statutory initiatives. These include extending our electronic vehicle licensing to cover all vehicles, introducing joint driver / vehicle address change notifications, introduction of licensing facilities for used cars at motor dealers, facilities for keeper change notification at dealers and providing commercial “customer accounts” with direct debit facilities.

Tables showing current and proposed fees structures are in ANNEX A

4. RESULTS OF 2004 CONSULTATION

Background to the Consultation

- 4.1. The 2004 consultation on the principles to be adopted in forming a fees regime for the future took place between August and November 2004. The formal process has been supplemented by a number of further discussions and clarifications with key stakeholder organisations. Ministers decided that providing feedback as part of the follow-up consultation in terms of implementation flagged up in the earlier process would be a more effective way of taking the discussion forward than reporting separately, even though this would involve a longer timescale.
- 4.2. The 2004 consultation generated considerable interest and resulted in a high level of feedback, with 924 responses received, 28 from circulated organisations and a further 896 responses from individuals. This section provides a summary analysis.
- 4.3. Four possible new fees were explored in the consultation although combinations were possible. These could be levied for:
 - notification of change of vehicle keeper
 - first photocard licence issued as a part of a compulsory recall
 - update of photocard licences as part of the 10-yearly cycle
 - maintenance of the driver / vehicle registers (i.e. to cover change of details of vehicles, drivers and vehicle keeper for example) – though this would take a different form in that an annual fee was proposed to spread the costs and make the transaction easier for both DVLA and customers.
- 4.4. These, together with possible movements in fee structures were set out as four different options, although it was made clear in the consultation that the options themselves should not necessarily be regarded as mutually exclusive – nor were details such as exemptions explored, as the objective was very much to consider preferences and principles first. In the event, a great number of additional comments were received and these have contributed to the development of a more detailed set of proposals.

General Feedback Received

- 4.5. The very clear feedback from the consultation is summarised below. There were two general messages delivered, especially from individual correspondents:
 - there is little understanding of government funding mechanisms, with the vast majority of the public not differentiating at all between taxes and fees. This appears to the public to be an arcane distinction of little relevance and the key message is that what matters is the total cost to the individual.
 - there was a general expectation that existing fees would continue to rise and new fees would also be increased over time. This was in spite of the fact that, other than the first vehicle registration fee and offender re-registration fee for driving licences, DVLA fees have generally reduced in recent years, with several being abolished.

- 4.6. There was a significant lobbying effort from the Classic Vehicle community in terms of ensuring that the current exemption from VED for classic vehicles (those vehicles on the register on or before January 1973) would also apply to any annual registration charge. This extended to arguing against the charge itself. Responses from this group accounted for 584 of the letters received, though the majority used the standard letter made available on sponsored web-sites. These letters were directed to two sets of recipients – direct feedback to DVLA and to a significant numbers of Members of Parliament. The group also presented a petition to the Prime Minister.

Specific Feedback

- 4.7. **There was a good deal of support for the principles of “user pays” and “non-compliant and offenders should bear full costs of their actions”.** The only exceptions to the former principle were a small number of correspondents who urged that the costs of a recall of paper licences should be met from general taxation.
- 4.8. **There was a good deal of opposition to, and no support for, a fee on change of vehicle keeper.** It was felt in principle that change of keeper should be chargeable because of the service delivered, including the issue of a new vehicle registration document. However, the practicalities of collection and enforcement were perceived to be prohibitive and as a result both organisations and individual respondents rejected this.
- 4.9. **There was a good deal of opposition to, and no support for, a fee on provision of a first photocard licence on recall of paper licences.** There were a number of points made on this proposal, but the majority clustered around the proposition that since this was compulsory then it should be encouraged and no disincentives put in place. The fact that the majority (over 60%) of drivers are now already in the 10-yearly renewal regime was raised and that those remaining with paper licences through either timing or by chance through geographical stability should be subject to the same regime as all others. There was a good deal of support for the recall itself, especially from those organisations that rely on the accuracy of the Drivers database, although opposition to exacting a fee was fairly unanimous. The point was made by several respondents that in many cases those involved should already have notified DVLA of address change and this transaction is free of charge.
- 4.10. **There was a general acceptance of the need to charge for the 10-yearly renewal of the driving licence.** There were clear parallels drawn with the renewal cycle already in place for passports and the validity of licences has always been clear in terms of the 10-year cycle, with the photograph a clear time limiting factor. Whilst there was opposition in general to increases in fees, there was acknowledgement that the exercise itself increased DVLA costs and those who benefited should pay.
- 4.11. **The introduction of an annual charge to recover register maintenance costs involved greatest discussion, although the option to introduce this (Consultation: Option 4) was also the best supported as a principle.** A great degree of interest was shown in how the administration would work and what exemptions should be provided. Any idea that there should be an annual charge on drivers, which would force an additional contact with DVLA each year on motorists, was argued against strongly. However, there was not perceived to be a major problem with collecting this as part of an existing transaction. In general, it was the personal hassle or additional administration it might involve, rather than the small direct cost, that was seen to be the main barrier.

- 4.12. The exception to acceptance of the annual charge principle was mainly evident from those arguing for exemptions, specifically the Classic Car enthusiasts. In these cases, the issue of exemption was difficult to differentiate from arguments of principle.
- 4.13. **There was little or no support for the reduction in fees for younger drivers and the proposition that an age limit would allow for discounted fees was rejected.** There was an acknowledgement of the objective of bringing young drivers onto the register early, but a number of objections were made, for example in terms of its real practical impact when compared to the relatively large overall cost of learning to drive.
- 4.14. **There was a very mixed reception to the reduction in First Vehicle Registration fees on introduction of an annual fee.** Many responded that those purchasing new cars were the most able to pay, with the demand being relatively inelastic given the small proportion of any new car cost. Motor industry responses argued that the impact should at least be neutral given the large percentage rise in the 2003 fee changes following the earlier consultation.
- 4.15. **There were a number of responses that stressed the need for DVLA to minimise its costs and keep as firm a constraint on future costs as possible.** DVLA has no issue with these responses and is already the subject of a number of reviews and processes, including Gershon monitoring that should help ensure the concerns of these respondents are met.
- 4.16. Whilst other suggestions were sought, there were no arguments made against the continuing proposition that changes in details (for vehicles, vehicle keepers or drivers) should continue to be free at the point of the transaction so as not to discourage compliance. Nor were there any suggestions that the changes to the fees regime, introduced in 2003, for vocational drivers or those over the age of 70 should be reversed.

Exemptions

- 4.17. Whilst not actively discussed in the consultation paper, we invited proposals on exemptions from respondents. Several key issues became evident and have helped in turning the original “proposals in principle” into more detailed propositions.
- 4.18. There were no suggestions for exemptions from the photocard driving licence 10-yearly cycle fee proposed. The photocard licence appears to be regarded as a useful document for proving identity, although the counterpart continues to draw adverse comment, but the costs are accepted as needing to be met.
- 4.19. The position was very different in terms of the annual fee. Although this was set at a very low level, there were several exemptions suggested by respondents:
- citizens claiming exemption from VED on the basis of disability.
 - vehicles that are covered by a Statutory Off Road Notification – SORN (it was unfortunate that the original consultation did not clarify that there was no intention to include a charge for such vehicles).
 - agricultural vehicles, Heavy Goods and Public Service Vehicles.
 - classic vehicles.

- 4.20. The majority of the classic vehicle group concerns appeared to be in respect of “cars in bits” and the possibility of charging an annual registration fee for vehicles that were in museums and / or were never driven on public roads. Presumably, a number of these vehicles and “cars in bits” would not have been on the road since 1998 and therefore would be outside the scope of the proposals. A further number, which may have been used on the road since 1998 may now be the subject of a SORN, so that the large part of the classic vehicle issue would in any event be addressed by the classification above.
- 4.21. For those classic vehicles that are nil licensed for driving on the road, the concern might be that attraction of even the minimal annual charge proposed might lead to calls for the abolition of the exemption from VED. The issue of tax rates is covered by the VED tax regime, is unconnected to this consultation and is not a decision for DVLA – it is purely an issue for HM Treasury.
- 4.22. The annual registration fee exemption categories proposed are parallel with existing VED exemptions or have different VED regimes such as for HGVs. Hence, where no VED is charged then no fee would be levied at the point of the registration / licensing transactions. The arguments for the exemptions around policy and equity are broadly similar to those that led to the VED handling differences in the first place.
- 4.23. In addition, the motor industry were unhappy at the introduction of an annual fee (at low level), most especially when discussions are underway on the possibility of a 3 year licence for new vehicles i.e. those not requiring a MoT certificate. This concern relates to the potential costs of administration involved rather than the small monetary value of the charge itself. This raised also the issue of regulation and the direction that DVLA is trying to take in removing administration and regulation through streamlined (and especially electronic) processes. DVLA had not fully considered this impact in its initial consultation, but it is now factored in.

The way forward

- 4.24. Discussions with Ministers were delayed to provide an opportunity for stakeholder discussions for clarification and by the 2005 General Election. The following steps were then agreed, with each dependent on successful completion of the previous step and the appropriateness of pursuing them:
- 4.24.1. reconsideration of the preferred options, or mixture of options;
 - 4.24.2. continued dialogue with stakeholders through workshops and other meetings;
 - 4.24.3. development of a framework for potential fees, including exemptions and transition arrangements together with an assessment of statutory powers and any changes needed, resulting in a draft second consultation.

5. OPTIONS FOR THE FUTURE

Objectives

- 5.1. We are seeking to recover DVLA operational costs across the whole motoring public rather than only the 10% who currently contribute, whilst also meeting,
- the additional costs for the 10-yearly renewal of photocard licences.
 - the potential recall of paper licences.
 - the net costs of redevelopment of information systems (including provision of further services electronically).
- 5.2. The fees structures proposed comply with the principles set out in Annex C, whilst they also revisit the distribution of costs across fees in a way that reduces cross-subsidies. There is no status quo option in terms of fees because a number of major changes to DVLA activities are essential for legislative reasons. These will involve additional costs, notwithstanding the significant targets DVLA has for delivering efficiency and productivity – monitored closely by OGC. We believe that the option of instituting an annual fee provides a fairer collection of fees to underpin the DVLA statutory operations, although we recognise that this represents a more radical option than the two options that retain existing structures.

Regulatory Impact Assessment

- 5.3. The changes outlined will only have a minor impact on businesses and a partial regulatory impact assessment is included at Annex B. Businesses 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 it is anticipated would arise from each of the options.

Option 1 – Minimum Structural Change

- 5.4. The increased costs arising from the 10-yearly photocard licence renewal should be met in full by a specific fee of £19. This is set at the same level as for the issue of a duplicate licence (i.e. replacement of a licence with exactly the same details for one that has been lost, stolen or destroyed). **This is a common feature for all 3 Options.**
- 5.5. Cost increases for additional activities (net of efficiencies planned) need to be met through the increase of the first driving licence fee, from £38 to £68. This is consistent with the principle of “user pays” and this increase in driver fees contributes to a lower level of cross subsidisation between vehicles and drivers. The burden thus falls on the first driving licence fee and could thus represent a disproportionate burden on younger drivers. General motorists would still not contribute to the costs of register maintenance or overall systems update under this option.
- 5.6. Drivers who notify changes in details will continue to transact free of charge. The fee for voluntary exchange of paper licence to photocard licence will be removed to encourage transfers in advance of proposed recall. Those requesting duplicate documents because of damage / loss or “vanity” changes will continue to pay £19. The level of the first vehicle registration fee was increased to £38 (from £25) under the 2003 fees restructuring – this fee is maintained at its current level.

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

Option 2 – Increase First Driver Licence and First Vehicle Registration Fees

- 5.7. A £19 fee for 10-yearly renewal of photocard licences is introduced as in Option 1.
- 5.8. This option differs from Option 1 in that the net increases in expenditure are met through increases (smaller than in option 1) to both the first driving licence fee and the first vehicle registration fee. This option would increase to £45 the first vehicle registration fee, but restrict to £45 the increase in the first driving licence fee.

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

Option 3 - Introduction of Annual Registration Fee

- 5.9. This option introduces an annual registration fee to cover the routine maintenance of both vehicle and driver registers as these continue to converge in both technology and process. The proposal is to make this fee customer friendly and cost-efficient to manage. This fee would be subject to a series of exemptions; those currently under consideration are set out below. The indicative level for the annual registration fee would be around £3.
- 5.10. Two implementation options have been considered in terms of collecting the fee with minimal additional cost or administration burden in terms of regulation:
- collect as a fee alongside the VED during the relicensing transaction undertaken by DVLA.
 - collect as part of the annual MoT transaction for vehicles over 3 years old (4 years old in Northern Ireland, but the interaction with Driver fees and activities is also different for Northern Ireland).
- 5.11. A more detailed examination of these two options is included at Annex D. The attraction of both collection mechanisms is that they involve no additional costs of collection or administration for our customers. Feedback is sought specifically as part of this consultation on the relative merits of the two mechanisms.
- 5.12. A £19 fee for 10-yearly licence renewal is introduced as in Option 1. The fees for first driving licence application and first vehicle registration are both reduced from the current £38 to the lower level of £29.
- 5.13. In this option, all register change notifications would continue to be free of charge during the transactions. However, all vehicle keepers other than those exempted would share in the costs of maintenance of both driver and vehicle registers through payment of an annual charge – increasing the coverage of motorists supporting the register costs from the current 10% to almost 80%.
- 5.14. For individual vehicle keepers, virtually all of whom hold driving licences, the annual fee will cover the maintenance costs of both vehicle and driver registers. In terms of the statutory position, the existing Section 102 Order for DVLA may have to be updated to include the new annual registration fee, so that the cost allocation may be made in this way, but the principle is already established within the existing Order.

- 5.15. The impact on fleets and operators would largely be neutralised through the scheme structure and exemptions proposed. The proposal recognises the reallocation of costs so that the first vehicle registration fee is reduced from £38 to £29, although the proposal also suggests collection of 3 years of annual fee at the point of first registration (effectively raising the initial charge back to £38 - £29 plus 3x £3) in order to avoid administration effort for fleets and hire companies.
- 5.16. This proposal adheres to the principle of “user pays” and, at the same time, reduces the level of cross subsidy presently provided by the first vehicle registration fee. This currently not only supports all other vehicle transactions but also some of the drivers costs, although these are increasingly interwoven. The nature of the first vehicle registration fee delivers a major cross subsidy not only in time (fees are collected before services delivered) but also to all other vehicle keepers.

Benefits and Disadvantages

5.17. Option 3 has the following benefits:

- it spreads the costs of maintenance of the registers across the majority of motorists and, hence, reduces the current level of cross subsidy from the first vehicle registration charge.
- it fully reflects the interaction between driver and vehicle registers now coming into play and specifically funds the common maintenance aspects, but keeps the free service at point of transaction principle so as not to discourage compliance.
- it provides a more stable funding base as it works across around 28m providers of fees (compared to 900,000 first licence applicants and 3m first registration fee payers), and hence provides more certainty of fee levels into the future.
- it would cost nothing for DVLA to collect, as both potential mechanisms for collection (considered in Annex D) would see the fee collected as part of existing transactions.
- it should have no additional administration costs for the motor industry, given the implementation processes proposed.

5.18. However, it has disadvantages:

- there may be confusion about what services will be provided as a result of fee payment. Currently, for example the costs of register maintenance and issuing of “free” documents are not charged for directly because compliance levels would be affected – hence the costs are picked up by a small minority. Indeed DVLA provides a number of services for which it does not charge, for compliance and policy reasons and these include:
 - ◆ over 70 year old driving licence renewal
 - ◆ change of details (including most notably address) for both drivers and vehicles
 - ◆ vocational driving licence issue
 - ◆ notification of medical conditions
 - ◆ change of keeper
- In the new regime the costs of register maintenance are recovered from all vehicle keepers who wish to prove vehicle roadworthiness. It is, of course, necessary to license the vehicle for driving on the road and the registration element of licensing transactions is not currently covered. Overall compliance should not be impacted

because the payment is separated from the transactions DVLA wishes the public to undertake.

- 5.19. Over the last few years, the majority of motorists have seen a reduction in taxation since the introduction of Graduated VED and increases in the tax rates have not kept pace with inflation. The total tax take that DVLA passes to HM Treasury has risen only slightly, notwithstanding decreased evasion and increasing car stock overall. Hence the total “real value” of costs in this area have already been reduced.
- 5.20. The reduction in the first vehicle registration fee offset by the introduction of a £3 annual registration fee would have minimal impact on Motor Industry costs as a whole (see the RIA at Annex B) – the fleet purchasers would see a slightly positive impact and operators / agricultural sectors would have exemptions. This option redistributes the burden of costs between the first registration fee and the new annual fee, so that all vehicle keepers share the cost of funding the vehicle / driver registration systems.
- 5.21. There were concerns raised during the 2004 consultation along the lines that DVLA would in future unilaterally increase any annual fee introduced on its own initiative. However, DVLA seek only to cover its own costs and the efficiency targets it has been set will ensure that these costs are kept under control. In any event, the processes for any future change in fee levels involve not only proof to HM Treasury of cost pressures and Treasury authorisation, but also further public consultation and parliamentary scrutiny / approval. This is no different to adjusting the levels of fees already in operation.

Your views are sought on the proposals at Option 3

6. HOW AND WHEN TO RESPOND

- 6.1. Please send any comments on the proposals in this consultation by 21st July 2006 at the latest to:-

**Financial Management and Reporting Unit
DVLA
Longview Road
Morrison
SWANSEA
SA6 7JL**

**Fax: 01792 788363
e-mail: finance.dvla@gtnet.gov.uk**

- 6.2. Comments sent after this date will be taken into account only in exceptional circumstances.
- 6.3. If you have any questions about the consultation or require clarification of any matters in this document you may send them to Financial Management and Reporting Unit by post, fax or e-mail to the address above.
- 6.4. Those being consulted directly are listed at Annex E.
- 6.5. 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.
- 6.6. A copy of this document can be found on DVLA's Website at: <http://www.dvla.gov.uk>

Disclosure of Information

- 6.7. Please note that information supplied to the Department may be disclosed in response to a request under the Code of Practice on Access to Government Information. If you consider that any such information is either confidential or commercially sensitive, you should identify the information to the Department and specify any reasons for its sensitivity. The Agency will consult you about the information before making a decision on any Code of Practice on Access to Government Information request received.
- 6.8. DVLA may wish to publish responses to this consultation document in due course. Please ensure your response is marked clearly if you wish your response or name to be kept confidential. No reference to this point in your response will be taken as agreement to your reply being published. If you are replying by e-mail, we will assume that your consent overrides any confidentiality disclaimer that is generated by your organisation's IT system, unless you specifically include a request to the contrary in the main text of your submission to us. Confidential responses will be included in any statistical summary of numbers of comments received and views expressed.

7. CODE OF PRACTICE ON WRITTEN CONSULTATION

7.1. This document seeks to comply with the “Code of Practice on Written Consultation” issued by the Cabinet Office. If you consider that this document does not, without reasonable explanation, comply with the consultation criteria below, please write setting out the areas where you feel the document departs from the criteria, to:

Mrs Anne McAleer
Consultation Co-ordinator
DVLA
Longview Road
Morrison
SWANSEA
SA6 7JL

e-mail: anne.mcaleer@dvla.gsi.gov.uk

7.2. Policy consultations should comply with the following code:

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

ANNEX A: Current and Proposed Fee Options

Driver Fee Structure

Transaction	Current Fee	Option 1 Fee	Option 2 Fee	Option 3 Fee
Driving Licence:				
First Driving Licence (inc provisional to full)	£38	£68	£45	£29
Renewals from Age 70/for medical reasons	Free	Free	Free	Free
Replacement Driving Licence (change of details)	Free	Free	Free	Free
Duplicate Driving Licence (replace lost/stolen/destroyed)	£19	£19	£19	£19
Exchange Licence:				
*Paper licence for a Photocard licence (voluntary exchange or under proposed recall regime)	£19	Free	Free	Free
Add entitlements	Free	Free	Free	Free
Remove endorsements	£19	£19	£19	£19
Paper Licence Recall fee	N/A	Free	Free	Free
10-yearly Renewal of Photocard Licences (new)	N/A	£19	£19	£19
Vocational Driving Licence	Free	Free	Free	Free
Driving Licence Renewals:				
Renewal after revocation	£38	£38	£38	£38
Renewal for some High Risk Offenders	£75	£75	£75	£75
Renewal after disqualification	£50	£50	£50	£50

Vehicle Fee Structure

Transaction	Current Fee	Option 1 Fee	Option 2 Fee	Option 3 Fee
First Vehicle Registration	£38	£38	£45	£29
Replacement Registration Document (change of details)	Free	Free	Free	Free
Duplicate Registration Document (replace lost/stolen/destroyed)	£19	£19	£19	£19
Annual Registration Fee (new)	N/A	Free	Free	£3

ANNEX B: Partial Regulatory Impact Assessment **DVLA Fees Review**

Title of proposal

The continuation of the restructuring of fees which commenced with the 2003 review of fees. Amendments required to the Motor Vehicles (Driving Licences) (Amendment) Regulations 2004 and the Road Vehicles (Registration and Licensing) Regulations 2002. The proposed changes are given in Annex A.

Purpose and intended objectives of the measures

To continue with the revision of the Agency's simplification of fee structures commenced in 2003 and move towards a closer alignment between the cost of activities, fees levied and those funding the costs involved. The principles established in last year's review are re-iterated in Annex C. The main changes proposed include a re-allocation of vehicle registration costs, between the current first vehicle registration fee and a new annual registration fee.

Any changes resulting from this consultation will affect motorists in the UK. Any changes affecting the driver licensing fee structure in Northern Ireland will be dealt with by the DoENI. It is expected that Northern Ireland will maintain driver fee levels broadly at parity with Great Britain.

Objectives

The 10-yearly renewal cycle for photocard licences will commence in 2008. Photographs have to be renewed every 10 years to ensure that the card continues to contain an accurate likeness of the licence holder. Remaining paper licences in circulation need to be recalled so that similarly robust checking processes can be employed for all drivers as those that were introduced in 1998 with the introduction of the photocard licence. New photocard licences can then be issued, providing significant benefits for the integrity and security of the drivers system. Technology improvements should provide us with added assurance that each register entry is unique, so that identity fraud and driving whilst disqualified should be minimised. For the purposes of these proposals and to arrive at a calculation of the indicative fee levels, we have assumed that this recall exercise will involve around 12 million paper licences over a two year period. The paper licence recall and photocard renewal exercises together are estimated to increase costs by between £75m and £95m per annum during the paper licence recall years – reflecting roughly equal increases in cost.

Accuracy of the records is critical for DVLA to provide a better basis for enforcement activities. Any inaccuracy in the record hinders enforcement by the police and courts for driving offences, including moving traffic offences and tracing offenders stopped by the police.

Background

DVLA is responsible for the accuracy and administration of both the driver and vehicle registers in Great Britain and the vehicle register in Northern Ireland. It is required to levy fees to cover operational costs and the review aims to achieve this in an effective and equitable way for our customers.

The last fee review, conducted in 2003, brought together the costs of the driver licensing and vehicle registration systems that had historically been considered separately. The new fee structure was set to recover the combined costs by amalgamating both the driver and vehicle fees in a single fund. The principles established at the time of the 2003 review 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.

Risks

The proposals seek to minimise the risk that DVLA will be unable for financial reasons to undertake the activities needed to secure the accuracy of its register and to avoid instability in its funding regime. It would be in breach of legislative duties should it not be funded and thus able to undertake the 10-yearly renewal cycle.

Policy

The prime DVLA contribution to the DfT Road Safety objective is to keep accurate records, with any potential impact on record accuracy given careful consideration when new initiatives are proposed. Introducing a fee for these recall transactions might not only trigger non-compliance on recall but also discourage timely notification/amendment with a resultant detrimental effect on our record accuracy. The 10-yearly renewal cycle is a legislative commitment and DVLA needs to cover the costs through levying fees as provided for by legislation.

Financial

DVLA is progressing developments in electronic transaction handling and provision of customer focused services through e-channels. The fee cover for these changes was largely provided by the 2003 fees re-structuring. However, the cost pressures arising from the need to renew the ten-yearly photocard licences and the replacement of paper driving licences with the more secure photocard licences mean that 'do nothing' is not an option

The revision of the fees structure in these proposals aims to provide adequate cost coverage not only for the Agency's on-going operations in terms of systems redevelopment, but also the new initiatives noted above. The revised fees structure will spread the cost burden across both current and proposed fee bearing activities and will therefore reduce the risk of income shortfalls due to over dependency on a single transaction activity (the first vehicle registration fee).

OPTIONS

DVLA is committed to the ten-yearly renewal cycle of the photocard driving licence. A free of charge recall of paper licences is proposed to improve significantly the accuracy and security of the drivers register and driving licences. This will also move the UK to a position in which it has only a single format of driving licences in circulation and this will make it easier to use in this country and others. Action has to be taken to ensure that the costs of these initiatives are covered. In addition, DVLA has to replace its ageing registration systems.

Option 1

- **Ten Year Renewal of Photocard Driving Licences:** This option proposes a fee to cover the costs of the ten-yearly cycle of renewal of the existing photocard licences. The fee would be set at a level to absorb direct costs and overheads on an ongoing basis. An indicative fee would be around £19, in line with the current duplicate driving licence fee.
- **Annual Registration Fee.** None
- **First Driving Licence Issue.** Increase the fee from £38 to £68.
- **First Vehicle Registration Fee.** No change to first vehicle registration fee is proposed.

Option 2

- **Ten Yearly Renewal of Photocard Driving Licences.** As with Option 1.
- **Annual Registration Fee.** As with Option 1
- **First Driving Licence Issue.** Increase the fee from £38 to £45.
- **First Vehicle Registration Fee.** Increase the first vehicle registration fee from £38 to £45.

Option 3

- **Ten Year Renewal of Photocard Driving Licences.** As with Option 1
- **Annual Registration Fee.** Introduce an Annual Registration Fee. This fee would normally be collected alongside the payment of MoT fees. The result of this would be minimal (if any) further administration costs for the vehicle keeper. This change would encourage vehicle keepers to update the registers in a timely manner. The indicative fee level is around £3.00 and depends on how much of the other fees are subsumed into the annual fee (the £3.00 is calculated to cover register maintenance only).
- **First Driving Licence Issue.** Reduce the fee from £38 to £29.
- **First Vehicle Registration Fee.** Reduce the First Vehicle Registration fee from £38 to £29. The first vehicle registration fee was increased from £25 to £38 following the 2003 fee restructuring. This consultation will revisit the level at which this fee is set. This will take into account a further assessment of representations received following the 2003 consultation exercise and also the share of funding support borne by all vehicle keepers. The exact level of the fee would depend on the levels of other fees in the pool. One option

in the proposals would be to pay the first three years' annual fees together with the first vehicle registration fee, hence avoiding administration and the first vehicle registration fee would then effectively be retained at £38. This provides for stability and reduces costs for operators, fleets, hire and leasing organisations.

COSTS AND BENEFITS

Business Sectors Affected

All sectors of business that register new vehicles with the registration authorities (DVLA and DVLNI) will be affected. It is our assumption that as there is only an effective change in first vehicle registration fee under Option 2, and the transactions themselves are neutral in administrative terms, there will be no tangible impact on vehicle manufacturers and retailers under Options 2 and 3 for most business sectors. However, the proposed reallocation of the funding stream from a first registration charge alone to a reduced first registration charge together with a new annual registration charge will have impact on four areas of business:

- car and light goods fleet operators and business car users (48% of new registrations)
- commercial goods vehicle operators (1.8% of new registrations)
- agricultural industry (0.5% of new registrations)
- bus companies (0.4% of new registrations)

Our initial analysis shows that there is likely to be an overall beneficial effect to business in the region of £6m per annum in reduced fees cost, although this will affect various sectors of business in different ways. We will continue through dialogue with business sectors during the course of the consultation to refine our understanding of the exact impact these proposals may have on businesses.

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, the effects on the various business sectors will be negligible.

Assumptions

All of the options in this proposal have been framed to deliver the same cost cover for recalling ten-year photocard licences. The financial model used to compare income with costs contain the following main assumptions about the volume of transactions that DVLA will process annually:

- | | |
|---|------------|
| ● first vehicle registrations | 3,000,000 |
| ● annual vehicle registrations (excluding SORN) | 32,000,000 |
| ● non-SORN exemptions proposed | 5,300,000 |
| ● photocard renewals (based on 2008-09 forecast volume) | 500,000 |

The intention for the fees restructuring is purely to cover the anticipated costs of the changes indicated in this document. These have been estimated around £42.5m on an annualised basis, but will be calculated far more accurately closer to the date at which the new fee levels are to be set. The precise levels of the fees to be set, depending on the chosen option, informed by this consultation, will be the subject of a further detailed consultation. In order to provide an approximation of the impacts, indicative fee levels have been used in this consultation that provide cost coverage within the range of costs estimated.

The overall impact of the indicative costs calculated for the forecast transaction volumes above are included in the options analysis that follows. Whilst the total impacts do vary, this is because we have kept our indicative fees at simple, rounded, financial sums. The intention is to recalculate the precise fee levels required based on updated cost and volume forecasts prior to the final consultation.

Benefits

Option 1

Replacement transactions for paper licences with a photocard licence will be provided free of charge, both for voluntary exchanges and compulsory changes under a recall regime. There are no benefits to other drivers or vehicle keepers under this option.

Option 2

The benefits to those drivers who currently hold a paper driving licence will be the same as in Option 1. Again, there are no benefits to other drivers or vehicle keepers under this option.

Option 3

Under this option, the applicants for a first driving licence will benefit from the reduction in fee from £38 to £29. This will give a total benefit of £8.8m to the 980,000 or so applicants for first driving licences each year.

Purchasers of new vehicles will benefit to the tune of £27m as a result of the reduction in the first registration fee but largely offset by the annual fee costs, which will reduce the total benefit to around £3.5m – hence only a marginal impact.

Costs

Option 1

The main policy costs that arise from this option are in respect of the imminent need to start the ten-year renewal cycle of the photocard licences and the recall of paper driving licences to be replaced by smartcard licences proposed in the third European Council Directive. The two initiatives will increase the costs for drivers by £42.5m on an annualised basis. Under the assumptions stated above, the total funding produced from increased fees is £38.9m. This is outside the anticipated additional costs envelope, with DVLA reducing its costs to compensate.

The impact of increasing the fee for a first driving licence on the *business community* would be limited. The burden for this increased fee would largely lie with individuals.

Option 2

The costs to be covered here are the same as those described under Option 1 and amount to £42.5m. Using the same assumptions noted above, the total funding produced from the increased fees in this option is £37.4m. DVLA would reduce its costs to compensate.

The impact of increasing the fee for the first driving licence would have limited impact on the *business community*. The impact of the increase in first registration fee will be felt by all non-exempted purchasers of new vehicles.

Option 3

The costs to be covered here are the same as those described under Option 1 and amount to £42.5m. Feedback from business has indicated that there would be minimal additional administrative cost linked to the payment of the annual registration fee, and only then for those businesses keeping vehicles longer than the initial three-year period covered by the first registration fee.

Under the assumptions stated above, the total net funding produced (i.e. increased fees net of reduced or abolished fees) is £40.4m. DVLA would aim to reduce its costs to compensate.

EQUITY AND FAIRNESS

These proposed amendments to the fee structure take forward the re-structuring of DVLA's fee charging regime that began with the 2003 fee changes. The amendments continue with the principle of fair and equitable distribution of costs and seek to cover costs in the fairest way possible whilst ensuring that changes in fees do not impede policy delivery.

Option 1

Applicants for first driving licences will have to pay an increased fee of £68, up from £38. All drivers will be required to pay £19 for renewal of the ten-yearly renewal of photocard licences at the end of the ten-year validity period. There would be no change to the initial vehicle registration fee for all purchasers of brand new vehicles. A large proportion of motorists would continue not to contribute for the services and resources they consume.

Option 2

As with Option 1, all drivers will be required to pay £19 for the renewal of the photocard licence at the ten-year stage. Applicants for first driving licences and those registering vehicles for the first time (mostly purchasers of new vehicles) will both pay increased fees of £45, up from £38.

Option 3

Again, as with Option 1, all drivers will be required to pay £19 for the renewal of the photocard licence at the ten-year stage. Those registering vehicles for the first time will be slightly favoured by this option - the first registration fee will be reduced to £29 from its current level of £38 and only just above the level it was when it was introduced in 1998, although this benefit is offset by the annual fee introduced (for three years) and collected at the point of purchase. All keepers of non-exempted vehicles over three years old will be affected in that they will now be required to pay an annual registration fee of £3.

SMALL FIRMS IMPACT TEST

The Agency believes that the overall impact of the proposed change to the vehicle registration fee structure on small businesses will be low. The proposed annual registration fee of £3 per vehicle will be offset for many by a saving of £9 for each new vehicle purchased. It is not anticipated that this fee change will affect competition or mean that businesses will no longer be able to continue as going concerns.

Impact will be greatest on businesses that do not purchase brand new vehicles. In these cases businesses will pay the proposed £3 per annum fee but will not benefit from the proposed reduction in the 'first registration' fee. The additional costs involved are minimal.

Additionally, the Agency estimates that there will be no administrative burden arising from the proposed new annual registration fee since it is proposed that the annual fee be paid at the same time as the MoT fee.

Currently the Agency is working alongside the Small Business Service of the Department for Trade and Industry in attempting to gauge the views of various business support organisations, which represent each of the business sectors affected.

COMPETITION ASSESSMENT

The fleet, leasing, bus and haulage markets are all broad-based with no one firm or small group of firms, holding a pronounced market share. Within each of these sectors, no firm would be affected to any greater degree than its competitors of comparable size. The costs would fall in direct relation to the size of the business.

ENFORCEMENT AND SANCTIONS

There will be no new enforcement implications or sanctions needed directly as a result of the implementation of these proposals, whichever option is chosen. Options 1 and 2 would involve no change at all from the existing position. Should the annual fee option be the preferred choice then VOSA would expect the MoT accredited garages to remit the fee alongside the “pad fee” currently paid to VOSA for the certificates. The same sanctions and enforcement as currently seen for the VOSA pad fee would be expected to be observed.

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.

SUMMARY

DVLA wishes to amend its fees structure to continue the restructuring begun in 2003. The fees must be set so as to continue to meet the objective of recovering the costs of DVLA’s activities. However, the setting of an appropriate fees structure will support DVLA’s policy objectives by accuracy of its driver and vehicle records aiding enforcement from the record and contributing to greater road safety. Three alternative fee structures have been identified, although some of the mix of fee levels could be adapted and the precise levels need to be finalised from the indicative levels included in the proposals.

ANNEX C: PRINCIPLES ADOPTED FOR DVLA FEE REGIME

1. In constructing these current proposals, a number of principles have been adopted:
2. Overall Policy Support
 - 2.1. Encouragement will be provided for both drivers and vehicle keepers to maintain their details as accurately as possible on our registers, since the accuracy of these registers is key to our Road Safety and Crime Reduction contributions (*encouragement in fees terms suggests no charges at the point that these changes occur, although enforcement of compliance will also clearly be pursued*).
 - 2.2. Drivers who have medical conditions that are notifiable will not be discouraged from notification by the imposition of charges (*encouragement is needed under the current self-notification regime and financial obstacles would reduce the notifications we seek to encourage*);
 - 2.3. Encouragement will be given for drivers to exchange their paper licences to photocard licences by making the transaction free of charge. This is of benefit to all licence holders by isolating on the register the remaining entries of those who have not had their identity checked as part of the process. It is considered that most of those with multiple entries on the register, those with false registrations and those with false identities will not undertake exchange as they will risk prosecution (*this financial encouragement will also be consistent with the current proposals – endorsed by the first consultation – not to charge for the final recall stage*).
3. User pays
 - 3.1. As a Trading Fund, DVLA has to recover the costs of its driver and vehicle registration services through charging fees to the users of those services.
 - 3.2. Vehicle keepers should all share in the funding of the registration system (*currently, vehicle keepers who do not undertake first registrations do not provide any funding support for the vehicle registration system*). This is where the real road usage occurs. The argument for drivers may be similar, but it is weaker since the purpose of the driver record is primarily to encourage and assure adequate driving standards.
4. Non-compliance should incur the full additional costs
 - 4.1. Disqualified drivers, either through bad driving or for alcohol related offences, will bear the full costs of their offences. (*the objective is to encourage good driving though reducing costs but penalise offenders and therefore discourage bad behaviour – noting that the costs to DVLA of the additional checks needed should not be borne by compliant drivers*).
 - 4.2. Drivers or vehicle keepers who need duplicate or replacement documents will continue to bear the full cost of production so as not to burden the compliant majority (*it does not seem fair that drivers and vehicle keepers who safeguard their documents should subsidise those who are less careful*).
5. In addition, there are a number of practical issues for DVLA to address in terms of both customer service and efficiency. Whilst not having the same policy status as the issues

raised above, they are of real concern and need to be considered as factors in the construction of a fair and effective fee regime.

Customer Service

- 5.1. DVLA is seeking to provide electronic channels for the public to access all its services over the next years. Initial VED has been available for some years when purchasing a new car (through the AFRL system), but the new EVL system allows relicensing to be undertaken electronically as well (recently extended to cars over three years old as the computerised MoT system is rolled out). The new Drivers system has extended electronic transactions to Drivers early in 2006. Reducing the number of individual fees, whilst also accepting alternative payment channels such as debit and credit cards, is seen as a major attraction for channel take-up.
- 5.2. Collecting a number of small fees is significantly less cost effective and less efficient than collecting fewer larger fees. In addition, provided that there is a broad acceptance that the balance of fees is reasonable, then customer service is easier and simpler where most services are free at the point of transaction. In addition, the “dog licence” syndrome means that small fees become unenforceable unless tightly bound with another fee / service or easily retractable entitlement.
- 5.3. Fee stability is a final customer service issue that also very significantly impacts on efficiency. Given changes in delivery channels, new systems delivery, productivity gains, joining up between different agencies, then cost profiles at the detailed level are changing increasingly quickly. Fragmenting transaction charging to a low level will see a great deal of instability in charges – especially as these have to be set many months in advance in a time of major volume uncertainty. This is in addition to the changing of all documentation, systems changes and customer uncertainty.

ANNEX D: Two Implementation Options for an Annual Registration Fee

The two implementation options considered are:

- collect alongside the VED transactions.
- collect alongside the MoT transaction.

VED Transaction

1. The option would collect a fee at the same time as the VED is collected - during the annual registration / licensing transaction. This fee would be subject to a series of exemptions and the exemptions currently under consideration are set out below.
2. The indicative level for the annual registration fee would be around £3 and collected separately from but at the same time as a 12 month VED payment. For a 6-month VED transaction, the fee levied would be reduced to £1.50.
3. In both cases, the combined registration / licensing transaction would be considered as a two-part transaction. First the registration transaction would be confirmed (usually with details as unchanged with the fee payable and secondly the VED licensing would be undertaken with the tax payable. Non-completion of the first transaction would mean the second part would not be completed. In practice, a single form (though split into two sections) and a single cheque, credit card or electronic payment could make the transaction customer friendly.
4. In terms of enforcement, the proposal is that the annual registration fee would be very firmly linked to the VED collected. For example, the electronic transactions would automatically generate the total to allow the single figure to be processed. Similarly the direct debit routes proposed would collect both VED and annual charge together. For the over the counter, paper based route, the V11 forms would contain a declaration of no change to the keeper details / address at the top of the form (separately signed and this would be reflected in a compliance field completed within PO barcoded transactions) and the VED declaration / amounts on the bottom. The VED element would not be accepted without the annual fee and declaration of no change being signed. The Continuous Registration provisions should ensure that non-compliance should not be an issue.

Exemptions Handling

5. The following are under consideration for exemption
 - fees for vehicles under three years old would not be collected at the time of the licensing transactions as they would pay for 3 years at the time of initial registration.
 - registered disabled who can already claim VED exemption, so that their registration / licensing would continue to be free of charge.
 - specific vehicle tax classes already treated separately – HGV, PSV and agricultural - to keep the schemes simple.
 - vehicles declared “off road” (through SORN) to avoid levying a small fee on transactions which would otherwise be free of charge.
 - classic vehicle keepers, for the same reason, but this would change if the VED treatment of these vehicles should change in future.

Potential Difficulties

6. There is confusion amongst the public (see Section 4) between fees and taxes, so that the proximity of the DVLA fee to the HMT VED tax collection might raise issues of “stealth tax” and difficulties in enforcement as a result. Whilst these issues could be overcome, the presentation would not be straightforward.
7. Although the fee level involved is small and in relative terms marginal to the VED collected through the parallel transaction, refusal to pay the fee would trigger non-payment of VED and related subsequent enforcement action. There is, therefore a major incentive to pay the small fee as the implications of not doing so are significant.

MoT Transaction

8. This option sees the annual registration fee of around £3 collected alongside the MoT fee.
9. The maximum MoT fee is set by DfT and is currently at the level of £44.15. Of this, £1.44 has to be remitted to VOSA by the testing garage as a “pad fee” for each certificate that covers the VOSA accreditation functions and systems provision. The garages have the discretion to charge the individual motorists any fee up to the maximum amount.
10. The proposal to include the DVLA annual registration fee for collection alongside the MoT check would be simple to administer and the incremental cost of collection to VOSA/DVLA would be nil. This would see the garage charge the motorist the annual fee for registration and notification of the MoT results in anticipation of the licensing transaction and remit the £3 to VOSA alongside the existing “pad fee” to provide a total of £4.44 instead of the current £1.44. It would be left to the discretion of the garages, as now for the pure MoT test, as to whether to pass this on to individual motorists.

Exemptions handling

11. The following are under consideration for exemption:
 - vehicles fewer than three years old would pay for 3 years at the time of initial registration so that this coincides with the MoT testing cycle. There is a 4 year initial period in Northern Ireland, but the numbers are small and the impact of this additional concession is small.
 - specific vehicle tax classes already treated separately – HGV, PSV and agricultural – would be exempted, with most of these in any event tested under a different regime in GB (i.e. direct testing by VOSA) so this would not impact on the general recovery regime.
12. Vehicles that are declared off road (through SORN) or Classic Vehicles that are not intended for driving on the road would not be subject to an annual registration fee. However, those that are taken for MoT and hence eligible (subject of course to insurance cover in terms of on-road usage) to be licensed will be subject to such a fee. This would also be applicable to disabled drivers who are otherwise exempted from both VED and initial registration charges. The registration burden of these vehicles in terms of costs incurred by DVLA in terms of database maintenance would otherwise be covered by other vehicle keepers.

Potential Difficulties

13. The exemptions are not as exhaustive as those proposed for collection alongside VED. However, the linkage between an annual fee for those vehicles then able to use public roads is both direct and equitable.
14. There are a number of vehicles which are exempt from MoT testing and which would not pay the annual registration fee. The numbers represent a relatively small proportion of the overall vehicle stock, so that the extension of payment across the overall motorist user-base of DVLA services is not significantly impacted.

Conclusion

15. Whilst collection costs for DVLA and administration costs for users are negligible under both options, collection alongside the MoT fee is preferred, from an operational perspective, for the following reasons:
 - the issue of enforcement is more straightforward under the MoT option, with the garages responsible for remitting both DVLA and VOSA fees together to VOSA (who will then pass the DVLA part on to DVLA);
 - the exemption categories are similar and although under the MoT option these are slightly more restricted, there is a direct connection between those vehicles then registered by DVLA as able to drive on the road and meeting the cost of maintaining the register.
16. The MoT certificated garages will see a cashflow impact in terms of current payment arrangements, which could see them disadvantaged to the extent of £300 (100 certificates with an associated £3 for each registration fee) for the “pad fee” in advance. However, the direction of travel in terms of electronic payments, direct debits and potential for cashflow handling by DVLA have yet to be explored.
17. There would be differences in the exemption categories, with loss of a direct connection between the MoT categories and those for registration through VED. However, the logic for an annual registration fee linked to the active usage involved in the MoT process for road usage remains strong.

Common Issues

18. Both options involve the introduction of a new fee to cover costs previously funded through other existing fees. Although more equitable in spreading the costs across the whole user base, a common perception may well be that these used to be “free”.
19. Both options could involve objections to payment that trigger enforcement action. For the VED option this would be at an individual level, whilst for the MoT this would be in terms of garages, together with their commercial view on recovery in the context of their overall charges.
20. In both cases, the marginal costs involved compared to the transactions with which they are aligned (with VED or with total MoT cost, plus in many cases, cost of vehicle servicing) mean that the scale of the likely reaction should be regarded with a sense of proportionality.

ANNEX E: List of Consultees

3M

AA Foundation for Road Safety research
ADI Federation
Age Concern Cymru
Age Concern England
Age Concern Scotland
Alliance of Small Firms & Self Employed People
Amateur Motor Cycle Association Ltd
Ambulance Service Association
Ambulance Service Institution
Approved Driving Instructor College
Approved Driving Instructors
Approved Driving Instructors National Joint Council
Approved Driving Instructors of Scotland
Arriva London South Ltd
Arthritis Care
Assoc. of British Chambers of Commerce
Assoc. of British Drivers
Assoc. of Car Enthusiasts (A.C.E.)
Assoc. of Car Fleet Operators
Assoc. of Chief Police Officers Scotland
Assoc. of Disabled Professionals (ADP)
Assoc. of Independent Road Safety Officers
Assoc. of Industrial Road Safety Officers
Assoc. of Loading & Elevation Equipment Manufacturers
Assoc. of Local Bus Managers
Assoc. of Local Governments
Assoc. of London Authorities
Assoc. of London Boroughs Road Safety Officers
Assoc. of London Government
Assoc. of Magisterial Officers
Assoc. of National Driver Improvement Scheme Providers
Assoc. of National MOT Testers
Assoc. of Retired and Persons Over 50
Assoc. of Road Transport Lawyers
Assoc. of Street Lighting Electrical Contractors
Assoc. of Transport Co-ordinating Officers
Assoc. of Vehicle Recovery Operators
Ayrshire Transport Training Association
BMI Health Services Ltd
Boots Company PLC
Bradford Transport Training
BRAKE
British Agricultural & Garden Machinery Association
British Ambulance Association
British Amusement Catering Trades Association
British Association for Service to the Elderly
British Association of Removers
British Chambers of Commerce
British Deaf Association

British Fire Service Association
British Historical Vehicle Club Federation
British Industrial Truck Association
British Institution of Traffic & Education Research
British Insurance and Investment Brokers Association
British Medical Association
British Motorcyclists Federation
British Numberplate Manufacturers Association
British Parking Association
British Red Cross
British Retailers Consortium
British Safety Council
British School of Motoring
British Transport Police
BSI
Building Employers Federation
Building Merchants Federation
Bus & Coach Council
Business in the Community
Cabinet Office Regulatory Impact Unit
Campaign Against Drink Driving
Campaign for Homosexual Equality
Camping and Caravanning Club
Capita Managed Services Ltd
Caravan Club
Central Scotland Roads AIU
Chairman Transport Committee
Chartered Institute of Logistics & Transport
Cherished Number Dealers Association
Chief and Assistant Chief Fire Officers Association
Citizens Advice (Scotland)
City & Guilds Institute
Civil Service Motoring Association
Civil Service Pensioners Alliance
Coach Operators Federation
Commercial Motor Magazine
Commission for Integrated Transport
Commission for Racial Equality
Community Transport Association
Confederation of British Industry (CBI)
Confederation of British Industry (CBI) Scotland
Confederation of British Industry (CBI) Wales
Confederation of Passenger Transport UK
Construction Plant Hire Association
Consumer's Association
Convention of Scottish Local Authorities
Co-operative UK
Countryside Agency
Cranfield University
Credit Industry Fraud Avoidance System

Dairy Trade Federation
Defence School of Transport
Department for Transport
Department of Culture, Media and Sport
Department of Education and Skills
Department of Health
Department for International Development
Department of Trade and Industry
Department of Work and Pensions
Direct Line Group
Disability Rights Commission
Disability Wales
Disabled Drivers Association
Disabled Drivers Motor Club
Disabled Motorists Federation
DPTAC
Drivers Action Movement
Driving Instructors Association
Driving Instructors Scottish Council
Driving Standards Agency
Eastern Traffic Area Office
e-Government Unit
Environment Agency
Environmental Transport Association
Equal Opportunities Commission
Ethnic Minority Foundation
European Secure Vehicle Alliance
Exel Ltd
Federation of British Historic Vehicle Clubs
Federation of Manufacturers
Federation of Public Passenger Transport Employers
Federation of Small Businesses
Fire Brigades Union
Fleet & Leasing Association
Fleet Driver Training Association
Foreign & Commonwealth Office
Forum of Mobility Centres
Forum of Private Businesses
Glass's Information Services Ltd
Green Flag Motoring Assistance
Guild of Experienced Motorists
Halfords Ltd
Health & Safety Commission
Health & Safety Executive
Heavy Transport Association
Historic Commercial Vehicle Society
HM Customs & Excise
HM Treasury
Home Office
House of Commons Library

Information Commissioner
Inland Revenue
Institute of Advanced Motorists
Institute of Directors
Institute of HGV Driving Instructors
Institute of LGV Driving Instructors
Institute Of Management
Institute of Race Relations
Institute of Registration Agents and Dealers
Institute of Road Safety Officers
Institute of Transport Administration
Institution of Highways & Transportation
International Powered Access Federation
Isle of Man Government
Jill Dando Institute of Crime Science
Job Centre Plus
Joint Committee on Mobility for the Disabled
Justices' Clerks' Society Wrexham
Keep Deaths Off Our Roads
LACORS
Lamont Consulting
LEX Vehicle Leasing
LIBERTY
Lifting Equipment Engineers Association
Local Authority Road Safety Officers Association
Local Government Association
Local Government Information Unit
London Association of Independent Businesses
London Cycling Campaign
London Transport
Magistrate's Clerks Committee
MD Autoglass
Mewn Cymru
Ministry of Defence
Motability
Motability Operations
Motor Insurers Bureau
Motor Schools Association of GB Ltd
Motor Vehicle Dismantlers Association of GB
Motor Vehicles Repairers Association
Motorcycle Action Group
Motorcycle UK
National Alliance of Women's Organisations
National Assembly for Wales
National Assembly for Wales Library
National Assoc. of Agricultural Contractors
National Assoc. of Approved Driving Instructors
National Assoc. of Citizens Advice Bureaux
National Assoc. of Funeral Directors
National Assoc. of Local Government Officers

National Assoc. of Racial Equality Councils
 National Assoc. of Street Clubs
 National Assoc. of Taxi Cab Operators
 National Assoc. of Waste Disposal Contractors
 National Chamber of Commerce and Industry
 National Consumer Council
 National Consumer Federation
 National Council for Voluntary Organisations
 National Council on Inland Transport
 National Federation of Bus Users
 National Federation of Self Employed Business
 National Guild of American Vehicle Clubs & Traders
 National Gypsy Council
 National Outdoor Events Association
 National Pensioners Convention
 National Playbus Association
 National Salvage Group Ltd
 National Society of Allied & Independent Funeral Dirs
 National Street Rod Association
 National Taxi Association
 Nationwide Auto Salvage Amalgamation
 Newport Transport Ltd
 NHS Confederation
 NHS Supplies
 North Lancs. Training School
 North Wales Fire and Rescue Service Headquarters
 Northern Ireland Office
 Norwich Union
 Office of Fair Trading
 Office of HM Paymaster General
 Organisation
 Police Federation of England and Wales
 Police Science & Technology
 Post Office Ltd
 Public and Commercial Services Union
 Public Carriage Office
 RADAR - Royal Assoc. for Disability and Rehabilitation
 Remploy Interwork
 Retired Persons Action Group
 Road Operators Safety Council
 Road Rescue Recovery Association
 Road Safety Council of Wales
 Road Safety Markings Association
 Road Transport Association
 Royal National Institute for Deaf People
 Royal Scottish Automobile Club(Motor Sport) Ltd
 Royal Society for the Prevention of Accidents
 Scooterist Action Group
 Scotland Office
 Scottish Accident Prevention Council

Scottish Consumer Council
 Scottish Executive Development Dept
 Security Industry Authority
 Showman's Guild of Great Britain
 Small Business Services
 Society of Independent R'about Proprietors
 Society of Operations Engineers
 St Ivel Westway Ltd
 St John Ambulance
 Stonewall
 Sun Alliance
 The British Dyslexia Association (BDA)
 The British Road Federation
 The Chartered Inst. of Logistics & Transport
 The Federation of British Vehicles Club
 The Transport Association
 The Vintage Motorcycle Club Ltd
 Third Age Challenge
 Trade Union Congress
 Trading Standards Institute
 Transport 2000
 Transport and General Workers Union
 Transport Association
 Transport Select Committee
 UNISON
 UNITE
 United Road Transport Union
 Vehicle Certification Agency
 Veteran Car Club of GB
 Vintage Motorcycle Club Ltd
 Wales Office
 Water Jetting Association
 Welsh Consumer Council
 Welsh Local Government Association

Industry Liaison Group

Agricultural Engineers Association (AEA)
 Association of British Insurers
 Automobile Association Motoring Trust
 British Car Auctions Ltd
 British Industry Motor Trade Association
 British Vehicle Rental and Leasing Assoc.
 British Vehicle Salvage Federation
 Department for Transport
 Finance & Leasing Association
 Fleet Audits Ltd
 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 Road Haulage Association Ltd
Vehicle Builders & Repairers Association

Courts Liaison Group

Barnstaple Magistrates Court
Courts Service HQ
Crown Office
Crown Prosecution Service
Department for Constitutional Affairs
District Courts Association
District Judges (Magistrates Court)
Justices' Clerks' Society
Magistrates Association
MCC Management & Training Centre
Newcastle Magistrates Court
Scottish Courts Service
Scottish Executive
The Districts Courts Association

MOT Trade Liaison Group

Garage Equipment Association
Independent Garage Association
MOT Testing Magazine
MOTest UK Ltd
National Tyre Distributors Assoc.
National Tyre Service Ltd
The MOT Club
VOSA

Consumer Liaison Group

City and Council of Swansea
Consumer Association
Department of Trade and Industry
Home Office
Office of Fair Trading
RAC Foundation
RAC Motoring Services
Race Equality
Trading Standards

Police Liaison Group

Association of Chief Police Officers
Avon and Somerset Police
Derbyshire Constabulary
Durham Constabulary
Home Office
Justice Dept, Police Division
Lancashire Constabulary HQ
Metropolitan Police CO SO
National Criminal Intelligence Service
Norfolk Constabulary
Police Information Technology Organisation
Road Policing, Mobile Support Division
South Wales Police HQ
Staffordshire Police
Strathclyde Police
Tayside Police

Northern Ireland Consultees

Antrim Borough Council
Ards Borough Council
Armagh City & District Council
Association of Local Authorities NI
Ballymena Borough Council
Ballymoney Borough Council
Banbridge Borough Council
Bar Council
Belfast City Council
Belfast Education & Library Board
Carrickfergus Borough Council
Castlereagh Borough Council
Child Accident Prevention Trust
Christian Road Safety Association
Clerk of Petty Sessions
Coleraine Borough Council
Cookstown District Council
Council of HM County Court Judges in NI
Craigavon Borough Council
Dale Farm Ltd
Dept. of Enterprise, Trade and Investment
Dept. of Regional Development
Derry City Council
Disability Action
Disabled Drivers Association NI
DOE (NI)
Down District Council
Dungannon District Council

Equality Commission for NI
Equality Forum NI
Federation of Small Businesses
Fermanagh District Council
Fire Authority of NI
General Consumer Council for NI
Health Promotion Agency for NI
Institute of Directors
Larne Borough Council
Law Reform Committee
Law Society of NI
Limavady Borough Council
Lisburn City Council
Living Streets
Magherafelt District Council
Management Institute
Motorcycling Union of Ireland (MCUI)
Motorcyclist Action Group
Moyle District Council
Newry & Mourne District Council
Newtonabbey Borough Council
NI Association of Citizens Advice Bureaux
NI Chamber of Commerce and Industry
NI Chamber of Trade
NI Committee of the Irish Congress of Trade Unions
NI Court Service
NI Human Rights Commission
NI Private Coach Operators Association
NI Resident Magistrates Association
NI Rider Training Scheme
NI Transport Holding Co. Ltd
NISPA
North Down Borough Council
North Eastern Education & Library Board
Northern Ireland Council on Disability
Northern Ireland Fire Brigade
Northern Ireland Office
Office of the Director of Public Prosecutions
Omagh District Council
Pedestrian Association
Police Federation for Northern Ireland
Road Safety Council of NI
RoSPA (NI)
Rural Community Network
South Eastern Education & Library Board
Southern Education & Library Board
Strabane District Council
Translink
Transport Registration Branch
Western Education & Library Board