

Title: Revised administrative validity of driving licences (drivers of small vehicles) Lead department or agency: DVLA Other departments or agencies: DfT	Impact Assessment (IA)
	IA No: DfT00063
	Date: 14/12/10
	Stage: Final
	Source of intervention: EU
	Type of measure: Secondary legislation
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Summary: Intervention and Options

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

Under the third European Directive (Directive 2006/126/EC), from January 2013, licences issued to Group1 drivers (cars, motorbikes and light vans) must have an administrative validity period of ten years, that is the period the licence card remains valid (the provisions do not affect a driver's period of entitlement to drive, for example the entitlement to drive until age 70). This is already the practice in Great Britain. However, intervention is required to amend current domestic rules on the frequency for renewing the photograph on the licence to ensure that is consistent with the Directive.

What are the policy objectives and the intended effects?

The Directive's objective is to harmonise administrative validity across the EU with a view to tighten overall security of the licence. A ten year renewal cycle enables driver details on the licence card to be up to date. In implementing the Directive within Great Britain, the objective has been to ensure a sufficiently up to date photograph of the licence holder while avoiding the need for the driver to supply a new photograph with every application or transaction to the Driver and Vehicle Licensing Agency (DVLA). To do otherwise would increase direct costs and make transactions impossible to conduct electronically.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

As licence administrative validity period of 10 years already exists, the only policy options we needed to consider were

1. No change in the way we ask for an up to date photograph.
2. Require applicants to provide a new photograph with every application. This option was rejected as it would cost drivers more.
3. Re-use the image on the DVLA database when issuing a licence if it was less than 5 years old.
4. Re-use the photo already in our database for certain transactions subject to certain conditions (preferred option). This will reduce the impact as it will allow us to build on existing processes for dealing with driving licence transactions.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?	It will be reviewed 01/2013
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes

SELECT SIGNATORY Sign-off For final proposal stage Impact Assessments:

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

Signed by the responsible Minister: Mike Penning

Date: 27/03/2012.

Summary: Analysis and Evidence

Policy Option 1

Description:

Re-use photo already in DVLA database (preferred option)

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: - 3.6	High: - 5.5	Best Estimate: - 4.4

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	1.45	0.42	4.8
High	1.76	0.51	5.9
Best Estimate	1.6	0.46	5.3

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

DVLA annual operating costs based on predicted transaction volumes from 2013 to 2020 (£4.6m). One off IT development cost for DVLA system changes (£1.5m) and production and distribution of new forms and guidance (£0.1). These costs will be funded through increased fees for driving licence applicants when efficiency savings cannot be found. Therefore, these costs should be seen as costs to drivers. The High/Low estimates have been achieved by adding/subtracting 10%.

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

It is possible that the more out of date the photograph is, the less resemblance to the licence holder and therefore the greater the potential for fraud. It is not possible to estimate what this would cost.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	0.15	1.2
High	0	0.05	0.4
Best Estimate	0	0.11	0.9

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

Drivers will benefit from our intention to re-use a photograph that is already on the driver record (see Evidence Base sheet, Benefit section).

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

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

That drivers will understand what is required from them and that customers will seek additional information and clarification from DVLA.
There is a risk that there will be an increase in casework resulting from disputes over the new regulations and the additional complexity.
Costs will be funded either through increased fees for driving licence applicants or efficiency savings or both.

Impact on admin burden (AB) (£m):		Impact on policy cost savings (£m):		In scope
New AB:	AB savings:	Net:	Policy cost savings:	Yes/No

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	Great Britain				
From what date will the policy be implemented?	19/01/2013				
Which organisation(s) will enforce the policy?	DVLA				
What is the annual change in enforcement cost (£m)?	N/A				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	No				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: N/A		Non-traded: N/A		
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs: N/A		Benefits: N/A		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

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

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

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties¹ Statutory Equality Duties Impact Test guidance	No	
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	
Small firms Small Firms Impact Test guidance	No	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development Sustainable Development Impact Test guidance	No	

¹ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

1	www.dft.gov.uk/dvla/consultations/consultation2009.aspx
2	
3	
4	

+ Add another row

Evidence Base (for summary sheets) – Notes

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

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

Evidence Base

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

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

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

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉
Transition costs	1.6									
Annual recurring cost	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.3
Total annual costs	2.2	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.3
Transition benefits										
Annual recurring benefits	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Total annual benefits	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11

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

Evidence Base (for summary sheets)

Background

Current driver licensing and testing rules in the UK stem from the second European Council Directive on driving licences (91/439/EEC). That Directive harmonised rules throughout Member States of the European Economic Area for the mutual recognition and exchange of licences, and specified minimum medical and testing standards that should be met before driving licences can be issued.

In December 2003, the European Commission published its proposals for a third driving licence Directive. The objectives are to help combat driving licence fraud, improve road safety and facilitate free movement of persons changing their place of residence from one Member State to another. The aim is to achieve these objectives by further harmonisation of driving licence rules, and driver testing and training standards throughout Member States.

The third Directive was published in the Official Journal of the European Union on 30 December 2006 and entered into force on 19 January 2007. We have until 19 January 2011 to implement the changes in national legislation and until 19 January 2013 to include the changes in our practices and systems. Details of the third Directive (Directive 2006/126EC) can be found at www.Europa.EU.INT

As part of the third Directive changes, there will be an EU-wide system of administrative validity periods for driving licence cards. The aims are to tighten the overall security of driver licensing across the EU by enabling relevant details of the driver to be updated regularly and by facilitating the incorporation of the most up-to-date security features on the licence card itself.

The overall cost for changes to DVLA IT systems and administration to facilitate the new rules covered by Revised Licence Entitlement have been estimated at approximately £2.5m. This cost includes all system changes needed for mandatory rules relating to the licence validity periods and renewal requirements, for example changing business rules to mandate 10-year validity for Group 1 licences and 5-year validity for Group 2 licences.

Current position

Licences (including photocard licences) for Group 1 drivers (drivers of small two, three and four wheeled vehicles including mopeds, motorcycles, quadricycles, cars and light vans up to 3,500kgs and towing trailers up to 3,500kgs) give an entitlement to drive up to the driver's 70th birthday, unless a short period licence is issued for medical reasons. The photocard licence also contains an administrative validity period, the start and end dates on the front of the card. The administrative validity dates are currently determined as follows:

- a driver is granted a first British provisional (learner) photocard licence with a ten year administrative validity period;
- on passing a driving test, the subsequent full photocard licence issued is valid for the remainder of the original ten years;
- replacement full driving licences issued during the ten-year lifetime of the card, e.g. because the person changes address or misplaces their licence, are always issued for the remainder of the original ten years;
- on expiry of the ten-year period, the driver is invited to make an application submitting a new photograph and a new ten-year full photocard licence is then issued;
- the administrative processes do not impact on the entitlement to drive, which is shown on the reverse of the photocard licence.

10-year licences are issued continuously until the driver reaches age 70, when a driver has to renew his driving entitlement. Thereafter, drivers have to renew their licences every three years.

Drivers confirm their compliance with medical standards for fitness to drive when they take out their first licence. Thereafter, they have an ongoing requirement to notify DVLA if they develop a condition that could affect their ability to drive safely. Making a false declaration on the application form or failing to notify relevant conditions are both offences for which drivers could be prosecuted.

Drivers with certain medical conditions may be issued licences for short periods (one to three years) so that the condition can be kept under periodic review by qualified medical advisers.

Problem under consideration - Revised driving licence entitlement: Group 1 drivers

The third Directive requires all Group 1 licences issued to have an administrative validity of 10 years (or 11-15 year validity). This means that every driving licence issued to a Group 1 driver by DVLA would have to be valid for 10 years. Any further driving licences issued before the expiry of the licence would be valid for a further 10-year period.

While we already have a cycle of 10 year renewal within Great Britain, to align with the Directive, DVLA would need from the licence holder a new photograph with every application that resulted in the issue of a licence for example when the driver notified of a change of address, change of entitlement, stolen card.

Options considered

Option 1

No change in the way we currently ask for an up to date photograph. This option was dismissed as it would mean that we risked infraction from not aligning domestic rules with EU directive requirements.

Option 2

DVLA would ask the licence holder to provide a new photograph with every application that resulted in the issue of a licence. While this would prevent the image on the licence from becoming too dated, there would be considerable impact to customers who would be unable to use existing electronic and telephone application channels. We estimate that to submit a photograph with every application would affect as many as 3.9 million applicants each year, with around 1.5 million of these having to complete a paper application where they do not have to now, resulting in a surge in paper applications for DVLA to capture new photographs. This option was rejected on grounds of cost.

Option 3

DVLA would re-use the photograph already held on the DVLA record provided it was still a current likeness of the holder and been supplied no more than five years previously. This would mean that the photograph could be up to a maximum of 15 years old. This option formed the basis of public consultation in November 2009. When a driver passes a test DVLA receives automatic notification from DSA removing the need for most drivers to make an application. The consultation identified that setting a 5-year limit on the time a photograph could be on the record for it to be re-used would mean that approximately 214,400 driving licence applicants would no longer be able to receive their licences automatically, but would have to make an application and submit a new photograph. This option was rejected in preference to option 4 below.

Option 4 (preferred option)

Since the consultation ended, work has been ongoing to further understand the effect our proposed changes would have on DVLA business in terms of development and operation costs and the impact on services and on customers.

As a result we have decided that DVLA will re-use the photograph already held on the DVLA record, provided the test examiner and applicant confirm that it remains a current likeness, regardless of when the photograph was first supplied for the issue of a driving licence. This option has been developed since the consultation ended.

This option means that the photograph shown on a driving licence could be up to twenty years old by the time the administrative validity period expires. For example, a photograph is provided for the issue of a provisional licence which would need to be renewed when it is ten years old. If the applicant took and passed a driving test a few weeks before the expiry of the provisional licence, the photograph would be re-used for the first full licence. As that first full licence would be valid for ten years it means the image shown could be up to twenty years old.

Consequently the 214,400 drivers who would have been affected by option 3 would no longer have to bear the additional administrative burden. They would continue to be issued licences automatically without the need for an application form and new photograph. It would still be possible for a driver to submit a new photograph if he wished to update it, or if his image was no longer a current likeness.

Cost benefit analysis of option 4 (the preferred option)

Estimates of costs and benefits have been based on the following information and assumptions, and all figures used are based on DVLA compiled statistics and experience of driving licence issue:

- 80% of driving test pass results are notified to DVLA by DSA electronically and a new licence issued automatically (DVLA statistics).
- For all applications, except for when a driver is updating from provisional to full entitlement, the DVLA would continue with its current business rules, and issue a licence showing the remaining licence validity period. This would allow all telephone and web applications to continue, and will ensure that applicants are not affected by the new requirements.
- There would be no administration burdens on business as it expected that responsibility for the application process falls to individual applicants.
- Staff resource estimates include salary and office infrastructure (desk, equipment etc) per person.
- Staff training will be required.
- Changes to DVLA forms and guidance will be required.

Costs

- The availability of funds given the economic climate at this time is such that we will seek to implement the Directive with minimal impact on system development cost and headcount whilst considering the effect on customer service levels.
- All estimated costs should be read as indicative only. The cost information provided is based on the best estimates the Agency can make at this time. These estimates will be revised once delivery decisions have been made.
- The low and high scenarios try to reflect any possible deviation from our central case. Thus, the high and low estimates were obtained adding/subtracting 10% to our central case. Although this 10% **is not** supported by any evidence, this is our best estimate based on DVLA experience.
- The costs in the tables below have not been discounted and are in 2010/11 prices.
- Costs will be funded either through increased fees for driving licence applicants or efficiency savings or both.

Summary of Costs

- DVLA costs are based on the Outline Business Case volume forecasts. There is a one-off £250,000 IT development cost in 2013, which is for adjustments to the system to allow us to issue a new administrative validity period without requiring a new photograph. In addition, Revised Licence Entitlement will bring about another £2.5m one-off IT costs. However, it was not possible to obtain a breakdown of this figure to attribute them to one particular change (i.e. Group 1 or Group 2 Licences), so we have assigned half of this cost (£1.25m) to Group 1 and half to Group 2 (see Group 2 IA). Therefore, the total one-off IT cost of Group 1 is £1.5m.
- DVLA staffing figures are broken down into operational staff and customer enquiry staff. Operational staff are required to process applications. Customer enquiry staff are required to answer questions raised by the customer.
- Additional operational staff will be required as the change to DVLA processes will result in slower handling time for certain applications and a rise in the number of applications failing to casework. The number of staff required is based on predicted transaction volumes for these applications.
- The number of customer enquiry staff is calculated by assuming that from 2012-2015 5% of all transactions will result in a customer enquiry (figure based on DVLA experience of call centre demand from previous initiatives). This reduces gradually to 1% by 2019/20. Previous experience shows that whenever there are changes to the driving licence rules there is a rise in the number of customers seeking additional information from DVLA regardless of whether or not they will be directly affected. Volumes will increase gradually to a peak in 2016/17 before dropping slightly and then levelling off as customers become accustomed to the changes.

Table 1 Summary of Costs (non-discounted and in 2010/11 prices)

One-off costs	£
IT systems developments	1,500,000
Production and distribution of new forms and guidance (estimate for purposes of this assessment)	100,000
TOTAL	1,600,000

Annual Costs DVLA										
DVLA Employment Costs										
	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022
Customer Enquiry Group	25.5	25.5	25.5	17.5	17.5	12.5	12	8	8	8
Operations	2.9	5.7	5.7	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Total FTE's	28.4	31.2	31.2	23.7	23.7	18.8	18.2	14.2	14.2	14.2
Cost	603,500	663,000	663,000	503,625	503,625	399,500	386,750	301,750	301,750	301,750

Table 2 – Summary of Costs (including discounted costs)

Cost best estimate

Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
Discounting rates	0.9335107	0.901942706	0.87144223	0.84197317	0.81350064	0.78599096	0.75941156	0.73373097	0.70891881	0.68494571	
Transitional costs	1600000	0	0	0	0	0	0	0	0	0	1,600,000
On-going costs	603,500	663,000	663,000	503,625	503,625	399,500	386,750	301,750	301,750	301,750	4,628,250
Total non -discounted	2,203,500	663,000	663,000	503,625	503,625	399,500	386,750	301,750	301,750	301,750	6,228,250
Discounted											
Transitional costs	1493617	0	0	0	0	0	0	0	0	0	1493617
Discounted on-going costs	563374	597988	577766	424039	409699	314003	293702	221403	213916	206682	3822574
Total Discounted	2,056,991	597,988	577,766	424,039	409,699	314,003	293,702	221,403	213,916	206,682	5,316,191

Benefits

Drivers will benefit from our intention to re-use a photograph that is already on the driver record. During 2005-2006 around 836,000 drivers passed a Group 1 driving test (DSA statistics quoted in our consultation document). We have estimated that approximately 220,300 of these drivers (an estimate, based on the age of someone passing a test from information collected by the DVLA/DSA) would have to make one less application for a photocard driving licence during the length of their driving entitlement to age 70 as a result of us extending the life of their photograph. This would save each of these drivers £25.00 over a possible 50 year period. This roughly equates to £5 savings per driver over a 10 year period, i.e., a total of £1,101,500 (constant prices – central scenario).

In the high scenario we assume that 300,000 drivers would have to make one less application for a photocard driving licence during the length of their driving entitlement to age 70. This would lead to totals savings of £1.5m (constant prices) over ten years.

In the low scenario, we assume that 100,000 drivers would have to make one less application for a photocard driving licence during the length of their driving entitlement to age 70. This means totals savings of £500,000 (constant prices) over 10 years.

Risks/sensitivities and uncertainties

The main uncertainty associated to this piece of legislation relates to expected level of customer enquiries and casework resulting from disputes over the new regulations. The range in our estimates (low/high bounds) tries to reflect this uncertainty.

Summary

DVLA considers that this proposal is the most feasible way to implement the Directive requirement, while also minimising development and running costs, meeting operational targets and providing an acceptable level of customer service.

Annexes

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

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

<p>Basis of the review: [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review]; A review of the operation and effect of the regulations will be undertaken and the results published before 19 January 2018, which is 5 years after they come into force.</p>
<p>Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?] To determine the extent to which the objectives set out in the impact assessment have been achieved.</p>
<p>Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach] Monitoring of driving licence statistics and collation of stakeholder views, with a more detailed analysis 12 months before the review date.</p>
<p>Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured] Will measure against current driving licence statistics to determine if there has been an increase in complaints or enquiries since implementation.</p>
<p>Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives] GB not infringed by date of review. Positive stakeholder feedback. Changes delivered within projected costs.</p>
<p>Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review] Information is collated by Information Management Group who measure the Agency's performance against business and Secretary of State targets.</p>
<p>Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]</p>

Add annexes here.