

Title: The Sale of Registration Marks (Amendment) Regulations 2008 IA No: DfT00204 Lead department or agency: DVLA Other departments or agencies: Department for Transport (DfT)	Impact Assessment (IA)	
	Date: 11/10/2013	
	Stage: Post Implementation Review	
	Source of intervention: Domestic	
	Type of measure: Secondary legislation	
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Summary: Intervention and Options		RPC Opinion Status Green

Cost of Implemented Policy			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2005 prices)	In scope of One-In, Two-Out? Measure qualifies as
£-12.2m	£m	£0	No NA
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A Non-traded: N/A

What were the policy objectives and the intended effects?

The amended regulations removed ineffective and burdensome aspects of the sale of marks processes and made it possible to conduct the transactions on-line or by telephone. The changes allowed customers to assign a number without having to make a written application, and without having to submit the Certificate of Entitlement. It also became possible to change a nominee at the point of assigning the number to a vehicle, and to hold numbers on retention for more than one year at a time. It was anticipated that this would lower DVLA and customer costs and generate extra sales. The value of the benefits was estimated to be about £1.75m pa.

How have the policy objectives been achieved? Please highlight any unintended consequences.

The changes have achieved the primary objectives of facilitating on-line and telephone transactions and reducing administrative costs broadly in line with the amounts anticipated. There were extra savings relating to on-line sales of numbers, which DVLA introduced in 2008. From 2010, the Agency decided – partly because the new regulations provided the ability to conduct other transactions electronically - to sell numbers only through the on-line facility. This saved the nearly £1m pa sales commission previously paid to an agent.

On the other hand, there is no evidence that the new regulations have prompted increased sales volumes. Indeed, sales have fallen slightly, although this might be largely a reflection of the current economic climate. Applicants have been able to take advantage of the relaxed procedures in respect of the V750 and the extended retention periods without any increase in the levels of fraud.

What was the original commitment date to review this policy?	12/2012
If you did not meet the original commitment date to review this policy please explain why.	
The review was carried out in the last quarter of 2012.	

I have read the Impact Assessment and I am satisfied that it represents a fair and proportionate assessment of the impact of the policy.

Signed by the responsible Minister: _____ **Stephen Hammond** **Date:** 05/03/2014

Summary: Analysis & Evidence

Policy Option 1

Description: Amendments to the regulatory requirements for the Sales of Numbers.

FULL ECONOMIC ASSESSMENT

Price Base Year 2008	PV Base Year	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: £12.2m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£nil	£nil	£nil

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

No costs were identified in the 2008 IA. None have been identified in the review.

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

None identified.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£nil	£1.221m	£12.2m

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

The 2008 IA identified cherished number dealers, individual motorists and DVLA as beneficiaries of reduced administrative costs of £1.73m pa. Actual benefits are probably about £/1/2m lower. Transaction levels have been slightly over half of the anticipated level and there is no evidence that the new rules have generated extra sales. On the other hand, DVLA has made commission savings that were not originally anticipated.

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

None identified.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
Assumption that this policy is out of scope of OITO as came into force in 2008, before the OIOO methodology was introduced.		

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs:	Benefits:	Net: £nil	No	NA

Evidence Base

There is discretion for departments and regulators as to how to set out the evidence base. However, it is desirable that the following points are covered:

- Problem under consideration;
- Rationale for intervention;
- Policy objective;
- Monetised and non- monetised costs and benefits of each option (including administrative burden);
- Rationale and evidence that justify the level of analysis used in the IA (proportionality approach);
- Risks and assumptions;
- Direct costs and benefits to business calculations (following OIOO methodology);
- Wider impacts;
- Please give an indication of the resources you used to undertake the post-implementation review;
- Provide details of the results of your PIR.

The IA Toolkit provides more details of what can be expected from a PIR.

Post-Implementation Review: The Sale of *Registration Marks (Amendment) Regulations 2008* [2008 No 2372]

This is a review of regulations that came into force on 6 October 2008 to facilitate improvements to the Sale of Registration Marks scheme.

Background

DVLA assigns registration numbers to vehicles, to allow them to be identified for taxation and law enforcement purposes. Numbers are issued from set series according to the date of registration and the vehicle's location. However, motorists have always wanted to display so-called cherished numbers on their vehicles. To meet this demand, there have been arrangements for many years for people to acquire numbers, to retain them and to transfer the right to display them from one vehicle to another.

In 1989, DVLA extended its traditional core business by offering for sale certain unreleased registrations through its Sale of Marks scheme. Registrations are sold by two distinct methods. Higher value and 'prestigious' numbers, usually without a year identifying prefix/suffix, are included in DVLA auctions held up to six times a year. More common registrations, taken from set prefix series, are sold on a "first-come first-served" basis.

When a number is sold a V750 Certificate of Entitlement is issued, showing the name of the purchaser and nominee (the person buying the number may nominate another person to be allowed to assign the mark to their vehicle) and the date when the right to assign the mark will end. Originally, it was only possible to extend the right to assign for one year at a time by paying a further fee of £25.

Inevitably, the desirability and value of registration numbers has always attracted the interest of criminals to find ways of profiting from them illegally. The sale of marks and cherished transfer systems are tightly controlled to protect against abuse. Only vehicles that are registered, currently licensed, subject to an annual roadworthiness test and available for inspection may

take part in the schemes. Only the registered keeper of a vehicle can apply to transfer its registration number.

These safeguards are largely effective, and are supported by the police. However, there were also complaints that some of the original controls were too tight and burdensome. A Review considered potential ways of improving customer service, and these ideas were the subject of a public consultation in 2006. This exercise concluded that, whilst many of the existing safeguards were appropriate, there were ways to reduce the administrative burdens imposed without jeopardising the integrity of the vehicle record or encouraging increased fraud.

Four changes were identified -

- Non-return of the V750 Certificate of Entitlement. – Previously, each time the holder wished to carry out any transaction relating to the purchased number, the V750 had to be signed and returned to DVLA. The Sale of Marks Regulations 1995 were amended to remove this requirement, and to provide instead for the destruction of the Certificate once the transaction had been completed.
- Non-written Applications - The 1995 Regulations also required all post sale transactions to be made in writing, supported by the Applicant's signature. The Regulations were amended to cater for non-written notifications of a change of address, nominee changes and extended entitlement periods.
- Instant Nominee Changes – Regulations were amended to allow the option of changing or adding a nominee at the same time as the mark is assigned to a vehicle. Previously, if a purchaser wished to assign a mark to a third party's vehicle, that person needed to be the nominee on the V750. Assignment could not take place until the purchaser had received an amended certificate.
- Allow a registration number to be held on a certificate of entitlement for up to 3 years – Previously, a purchased number could be held on a retention certificate only for one year at a time upon payment of a £25 fee. Regulations were amended to allow the number to be held for 1, 2 or 3 years, for a sliding scale fee of £25 per annum.

The Impact Assessment (IA) of the new regulations estimated that Cherished Transfer dealers, the public and the Agency itself would benefit by about £1.73m per annum.

That estimate was based upon the assumption that the proposed changes could potentially simplify or automate nearly 100,000 transactions each year, and that 70% of these would be conducted on-line by 2011.

By 2011/12 it was estimated that the following annual benefits would apply:

Reduced business administration costs	£163,000
Reduced public administration costs	£82,000
Reduced telephone charges	£38,000
Reduced postage charges	£22,000
DVLA staff savings	£78,000
Increased DVLA sales of numbers	£608,000
Reduced Commission payments	£847,000

Review Approach

In the final IA (August 2008), DVLA undertook to review the Regulations in 2012, to establish the actual costs and benefits and to ensure that the desired outcomes had been achieved.

The Regulations have a limited impact on business and the public, are deregulatory and have not provoked any controversy or complaint. It seems proportionate, therefore, to limit the Review to 3 key questions only, as per the Government's Impact Assessment Guidance (August 2011 pp 13-14.):

- What extent has the policy achieved its objectives?
- To what extent have the success criteria have been met?
- To what extent have there been unintended consequences?

Overall Objective

The policy has achieved its primary objective of facilitating on-line SoM transactions and reducing administrative burdens. - DVLA started selling registrations on-line in October 2008. From the start there was good take-up, rising almost immediately to over 70%. Applicants have been able to take advantage of the relaxed procedures in respect of the V750 and the extended retention periods without any increase in the levels of fraud.

Success Criteria

A desk-top analysis suggests that the anticipated success criteria in the IA have been partly met, although it seems unlikely that the monetised benefits have been as high as those envisaged in 2008.

Reduced admin costs - An important feature of the on-line facility is the ability for customers to use it to process post sale transactions. During the period April-October 2012 on-line volumes were as follows:

Extensions	29,441 (41.2% of the total)
Nominee Changes	1,372 (13.5%)
Duplicate V750s	805 (28.2%)
Replacement V750s	1,033 (48.8%)

This equates to about 56,000 transactions pa, just over half the 97,000 pa estimated in the 2008 IA. Applying the transaction costs used in that IA would suggest that the actual benefits realised were:

Reduced business administration costs (/97x56)	£94,000
Reduced public administration costs (/97*56)	£47,000
Reduced telephone charges (/97*56)	£22,000
Reduced postage charges (/97*56)	£13,000
DVLA staff savings (/97*56)	£45,000
Total	£221,000

Increased Sales Revenue - The IA also suggested that the on-line transactions would promote increased sales revenues by 1% - worth about £600,000 pa. This figure cannot be verified. Total sales remained steady during 2009-2011, but actually fell in 2011- 2013.

2009/10	252,940
2010/11	250,468
2011/12	209,622

The reduction in total sales revenue will be influenced by a number of factors (including the overall level of economic activity) of which the ability to conduct transactions on-line is just one. Determining the impact of this factor on sales revenue would require a detailed econometric analysis which, with so few years of data to analyse, may not produce meaningful results. We have therefore decided that it would not be proportionate to carry out this analysis. However the take up of on-line applications confirms that it is an easier or more cost-effective method for customers. The effect on sales is expected to be positive even if it not possible to quantify the value.

Reduced commission payments - Prior to 2008, all fixed price sales of numbers were conducted through a tele-sales link, which was contracted out. From 1997, that contract was held by a single company, who were paid about £80,000 sales commission each month. When the telesales contract expired in October 2010, partly because of the new arrangements for the V750 and applicant's signatures, DVLA was able to choose not to renew it and to sell numbers only through an on-line facility. This saves the nearly £1m pa previously paid to the contractor, compared with the £847,000 estimated in the 2008 IA.

Total Benefits

Analysis of actual outcomes, therefore, suggests that the total quantified benefits accruing from the Regulations is £1.221m – about £½m less than originally anticipated.

Unexpected Outcomes

DVLA's Corporate Affairs Directorate maintains close liaison with enforcement and industry stakeholders to monitor the effective conduct of all registration and licensing procedures. There is no formal measurement of abuse or fraud relating to the Sale of Numbers, but there is nothing to suggest that the new rules are being abused. The Agency is content that allowing customers to confirm destruction of the V750 instead of returning it to DVLA has not resulted in fraud by facilitating the sale of marks on invalid certificates .

In response to DVLA's review of the Retention of Registration Marks (Amendment) Regulations 2008, there was negative feedback from some cherished number dealers regarding the introduction of extended retention periods. In general, there is no need for these businesses to use the 2 or 3 year option as they plan to sell the stock within a period of 12 months and would subsequently lose the extra fee if circumstances change. It seems likely that take-up of the facility of extended retention periods is limited by the fact that there is no discounted rate for the 2nd and 3rd years. It is more likely, therefore that the extensions will be of more interest to private purchasers who may, for instance, have bought a number as a gift for a family member who will not be able to drive until some point in the future.

RPC Opinion

The RPC has indicated that the PIR is fit for purpose.

The Committee has suggested that the PIR could usefully have assessed the specific impact of ending the contracted out telesales link in 2010, to consider if this might have had a negative effect on sales. The Opinion makes the point that the presentation of the savings actually achieved has masked the fact that they are actually somewhat lower than the figure originally

envisaged. However, the draft does acknowledge that total benefits were about £1/2m lower than predicted, with transaction levels only half the anticipated level and no evidence that the new rules generated extra sales..

The first PIR draft mistakenly presented the NPV of benefits on the front page by using the annual, rather than total, figure. This has been amended.

The RPC has confirmed that the PIR makes a reasonable assumption that the regulations were out of scope of the OITO requirements as they came into force before the OIOO methodology was introduced.

Conclusion

The Regulations have succeeded in their primary objective of enabling on-line transactions without encouraging fraud and increasing flexibility for customers. The voluntary take up of on-line applications implies that this is a more efficient and cost effective method for users. It is therefore reasonable to assume that the overall cost to business and to private individuals is lower as a direct result of the introduction of the new procedures. Further, costs to the DVLA have fallen due to reduced commission payments and lower internal administration costs.

The Agency may wish to consider ways of encouraging greater take up of the extended retentions facility, but this does not presently appear to be an issue for customers and an initial consideration does not show that this would generate any significant savings from reduced transaction volumes.

DVLA therefore recommends that the policy continues without revision but will seek to apply the lessons learned through evaluation to existing and future policy development, particularly in terms of establishing mechanisms for data monitoring.

It might be possible to make further changes in this area as part of Government's ongoing deregulation agenda. The Government's Red Tape Challenge simplifications are exploring further potential changes to these regulations. Sale of Marks processes are also subject to continuous review as part of DVLA's long term strategy for customer improvements. In particular, DVLA is committed to removing legislative barriers to digital take-up where possible, as part of Government's Digital by Default agenda. The Agency is currently exploring how further simplifications to the Sale of Marks regulations could support digital services. Any future changes will be subject to a proportionate assessment of the potential impacts.