

<b>Title:</b> Driver licence fee review <b>IA No:</b> DfT00303  <b>Lead department or agency:</b> Driver and Vehicle Licensing Agency (DVLA) <b>Other departments or agencies:</b> Department for Transport & Her Majesty's Treasury	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 05/09/2014		
	<b>Stage:</b> Enactment		
	<b>Source of intervention:</b> Domestic		
	<b>Type of measure:</b> Secondary legislation		
<b>Contact for enquiries:</b> russell.trowbridge-matthews@dvla.gsi.gov.uk			
<b>Summary: Intervention and Options</b>			<b>RPC Opinion:</b> RPC Opinion Status

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out? Measure qualifies as
£0.00m	£6.02m	-£0.61 m	No   NA

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

The DVLA is required to recover the costs of its operations through statutory fees. The fee structure is reviewed continually to ensure the fees are set at an appropriate level. Current driving licence fees have remained largely unchanged throughout the recent efficiency saving exercises, which has created a financial surplus on drivers transactions. Intervention is necessary to keep the Agency within the scope of its powers to charge fees and ensure that it is acting in accordance with current HM Treasury guidelines.

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

The policy objective is to pass surplus fees back to business and the general public thereby reducing burdens on them. Making a digital transaction less expensive than a paper/post office transaction will align the cost with the provision of the service and could encourage more people to apply online. This principle is in line with the Government's aim to maximise the use of digital services.

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

Option 1 - Do nothing  
As this is the do nothing option the situation would not change and no additional costs would be incurred or benefits generated. Income from Driver Licensing transactions would continue to be higher than the costs incurred in service provision.

Option 2 – To reduce the fees for First application for Provisional Licence, First application of Digital Tachograph Licence and Ten Year Renewal of Photocard Driving Licence between 14% and 32%  
This is the preferred option. Under this option a lower set of fees will be introduced for each of the transactions.

<b>Will the policy be reviewed?</b> It will not be reviewed. <b>If applicable, set review date:</b> Month/Year					
Does implementation go beyond minimum EU requirements?				N/A	
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		<b>Micro</b> Yes	<b>&lt; 20</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)				<b>Traded:</b> N/A	<b>Non-traded:</b> N/A

*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) that the benefits justify the costs.*

Signed by the responsible SELECT SIGNATORY: \_\_\_\_\_ Claire Perry \_\_\_\_\_ Date: 15/09/2014 \_\_\_\_\_

# Summary: Analysis & Evidence

# Policy Option 1

**Description:** Abolition of the Tax Disc

## FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: N/Q	High: N/Q	Best Estimate: 0.00

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	N/Q	N/Q	N/Q
High	N/Q	N/Q	N/Q
Best Estimate	0.0	17.8	150.2

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

There will be an estimated fall in income of £17.8 m each year to DVLA from reduced fees for provisional driver licenses, 10 year renewal of the photocard driving license and first time applications for tachocards.

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

There may be some additional falls in fee income to central government from businesses and the general public switching from paper/postal channels to online applications.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	N/Q	N/Q	N/Q
High	N/Q	N/Q	N/Q
Best Estimate	0.0	17.8	150.2

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

There are estimated benefits of £17.8m each year to businesses and the general public from reductions in fees charged by DVLA. Benefits to business come from fee reductions for tachocards (£0.4m pa) and 10 year renewal of the photocard license (£0.3m pa). Benefits to the general public come from reductions in fees for 10 year renewal of the photocard license (£7.3m pa) and first time applications for tachocards (£9.8m pa).

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

There may be some additional reductions in the fees that businesses and the general public pay from switching from paper/postal channels to online applications.

### Key assumptions/sensitivities/risks

**Discount rate**

3.5%

A key assumption is that the proportions of applications done online for tachocards, 10 year renewals of the driving license and first driver license applications remain constant.

It is assumed that changes in the level of fees will not impact on the overall number of applications made for tachocards, driving licenses and 10 year photocard renewals.

## BUSINESS ASSESSMENT (Option 1)

<b>Direct impact on business (Equivalent Annual) £m:</b>			<b>In scope of OITO?</b>	<b>Measure qualifies as</b>
Costs: 0.0	Benefits: 0.6	Net: 0.6	No	NA

# **Driver Management – Driver Licence Fee Review Evidence Base**

## **Introduction**

### **Problem under consideration and Rationale for Intervention**

The DVLA is required to recover the costs of its operations through statutory fees. The fee structure is reviewed continually to ensure that fees are set at an appropriate level. Current driving licence fees have remained largely unchanged throughout the recent efficiency saving exercises which has led to a financial surplus on drivers transactions. This means that unnecessary burdens through higher than necessary fees are being imposed on drivers.

## **Background**

The DVLA is required to recover its operating costs through statutory fees and wider commercial (non-statutory) charges. The only exceptions to this relate to the collection of vehicle excise duty, which is funded by the Department for Transport with tax collected paid to the Treasury, and personalised registrations, where the monies are given back to the Treasury. As a result of the efficiency improvements already made, the DVLA's costs have reduced and are forecast to continue to reduce over time. The DVLA wishes to pass on reductions in costs to their customers by reducing fees.

The DVLA's fees are the same regardless of whether the transaction is carried out online, on paper or at a Post Office. Fees for digital transactions will be reduced more than paper/postal channel fees to reflect the cost associated with the channel used to transact.

## **Statutory Obligation**

The DVLA is able to cover the costs of operating and maintaining its registers of drivers and vehicles by an Order made under Section 102 of The Finance (No. 2) Act 1987 – the Department for Transport (Driver Licensing and Vehicle Registration Fees) (Order) 2003. In accordance with Treasury guidelines, fee levels are set based on forecast transaction volumes to cover costs. The DVLA reviews fee levels regularly to ensure that charges for all transactions are maintained at an appropriate level.

## **Consultation**

Motor industry stakeholders and the general public were consulted on the reduced fees policy over a four week period starting on 28th July 2014 and ending on 25th August 2014. The general response was that the proposal was positive and that fee reductions made by returning surplus monies to customers were very welcome. The consultation was advertised via GOV.UK and Twitter.

The consultation generated a total of 94 responses, of which 82 were from private individuals, 10 from organisations, 2 were from Ministers from the Scottish Parliament and Northern Ireland Assembly.

48 (51%) responses were in favour of reducing the fees, with the main reason being given that any savings being passed to the motorist were welcome. Nine (9.5%) responses were against the reduction in fees, the main reason being they believed there should be no differentiation between paper and digital channels. There were no specific objections to the reduction of digital tachograph card fees. Of the total responses received, 37 did not express an opinion for or against the fee reduction.

## Policy Objective

The policy objective is to pass surplus fees back to business and the general public. This aims to reduce costs to business. Making a digital transaction less expensive than a paper/post office transaction will align the cost with the provision of the service and could potentially encourage more people to apply online. This principle is in line with the Government's aim to maximise the use of digital services.

## Description of Options Considered

### Option 1 - Do nothing

Under this option no changes will be made to fees:

- Driver first application for a provisional driving licence will remain at £50 both for paper and digital transactions;
- Ten year renewal of the photocard licence will remain at £20 for paper, post office and digital transactions; and the
- Smart tachographs renewal fee will remain at £38.

As this is the do nothing option no additional costs would be incurred or benefits generated. Income from Driver Licensing transactions would continue to be higher than the costs incurred in service provision.

### Option 2 – Reduce the fees for First application for Provisional Licence, First application of Digital Tachograph Licence and Ten Year Renewal of Photocard Driving Licence by between 14% and 32%

Transaction	Channel	Current Fee	Phase 1
Provisional Driver Licence Application	Paper	£50	£43
	Digital	£50	£34
Ten Year Renewal	Paper	£20	£17
	Post Office	£20	£17
	Digital	£20	£14

Smart Tachographs		£38	£32
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This is the preferred option. Under this option a lower set of fees will be introduced for each of the transactions set out below.

The three transactions have been chosen because they are the ones that have a major impact on drivers, especially holders of a photocard driving licence who have to renew every ten years. Reducing the fee for a first provisional driving licence will assist first time drivers and their families, and reducing the fee for digital tachograph cards reduces first time costs for professional drivers and businesses.

## **Groups Affected**

### General Public

The general public will benefit from reduced fees for:

- Provisional Driving Licences;
- 10 Year Renewal of the Driving Licence.

### Business

Business will benefit from reduced fees for:

- 10 Year Renewal of the Driving Licence;
- Tachographs.

### Government

Government will experience losses of income from reduced fees for:

- First Application of Provisional Driving Licences;
- 10 Year Renewal of the Driving Licence.
- First Application of Tachographs.

## **Geographic Coverage**

The proposal will apply to the United Kingdom, excluding Northern Ireland.

## **Costs and Benefits of Option 2 Relative to Option 1.**

### **Monetised Benefits**

#### Business

##### A. Ten Year Photocard Renewal

1. For photocard renewals we estimate based on Labour Force Survey data of occupations published in September 2013 at 4-digit level (see <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-279443#tab-Employment-tables>) that there are

855,000 professional drivers in employment (including lorry, van, bus, taxi, ADIs and more specialist drivers). If a photocard lasts 10 years then we can assume that approximately 85,500 renew their photocards every year. We also assume that the cost of renewal falls to business.

DVLA statistics for the take-up of online transactions indicate that 23% of photocard renewals are done online while 77% use paper/post office based channels.

The proposed reduction in fees per application is £6 for applications made online and £3 for applications made on paper or via the Post Office.

Given the above assumptions Table 1 below shows the benefits to business from reductions in photocard fees in 2014 prices. Benefits are calculated over 10 full years from October 2014 to September 2024. 11 years are shown in table 1 (and in subsequent tables) because the change takes place part way through a calendar year. Total benefits to business across the full 10 years of appraisal are £2.44m.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Benefits	79	300	285	271	257	244	232	221	210	199	142	<b>2,441</b>

All figures discounted at 3.5% pa in line with HMT Green Book guidance.

## B. Tachographs

Based on the DVLA's figures, there will be 77,186 tachocards issued in 2014.<sup>1</sup> The level of issues is forecast to remain steady. Reducing the fee for a tachocard from £38 to £32 will save businesses £6 per tachograph card. Table 2 shows the benefits to business from reductions in tachograph fees in 2014 prices over the ten year appraisal period. These total £3.58m.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Benefits	116	440	418	397	378	359	341	324	308	292	208	<b>3,581</b>

All figures discounted at 3.5% pa in line with HMT Green Book guidance.

## General Public

### A. Provisional Licence Driver Application

Based on DVLA figures we expect 1,052,416 provisional driving Licences to be issued in 2014. We expect volumes to remain relatively constant in future years.

<sup>1</sup> The figures quoted here are much lower than those quoted in the RTA because those included all tachograph transactions including not just first time applications but tachograph renewals. Fees for tachograph renewals are not included in this IA which just relates to first applications.

DVLA statistics for the take-up of online transactions indicate that 35% of provisional driving license applications are made online while 65% are made using paper/post office based channels.

The proposed reduction in fees per application is £16 for applications made online and £7 for applications made on paper.

Table 3 below shows the benefits to the general public from reductions in fees for provisional Licences over the ten year appraisal period. These total £82.8 m.

<b>Table 3: Present Value of Savings to the Public from Reducing First Provisional Driving License Fees (£000s, 2014 prices)</b>												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Benefits	2,678	10,186	9,677	9,194	8,734	8,298	7,883	7,489	7,115	6,760	4,816	82,832

All figures discounted at 3.5% pa in line with HMT Green Book guidance.

### B. Ten Year Photocard Renewal

Based on DVLA figures we expect 2, 233,741 ten year photo renewals to be issued in 2014. We expect volumes to remain relatively constant in future years. Of these we have estimated that 85,500 are made for business purposes. This leaves 2,148,241 photo renewals made by members of the public.

DVLA statistics for the take-up of online transactions indicate that 23% of photocard renewals are done online while 77% use paper/post office based channels.

The proposed reduction in fees per application is £6 for applications made online and £3 for applications made on paper or via the Post Office.

Table 4 below shows the benefits to the general public from reductions in fees for the 10 year photocard renewal over the ten year appraisal period. These total £61.3 m.

<b>Table 4: Present Value of Savings to the Public from Photocard Fee Reductions (£000s, 2014 prices)</b>												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Benefits	1,982	7,538	7,162	6,804	6,464	6,141	5,834	5,542	5,266	5,002	3,564	61,298

All figures discounted at 3.5% pa in line with HMT Green Book guidance.

### Government

There are no benefits to government from the reduction in fees being proposed under Option 2.

### **Non-Monetised Benefits**

#### Business

Greater reductions in online fees relative to paper/post office fees might possibly encourage switching of application processes by business users. This would further reduce the amounts businesses have to pay and increase the level of business benefits. We do not have enough

evidence from the consultation to support any estimate of switching from paper/post to online services. Hence we take a cautious approach and assume that the proportion of transactions done online remains the same.

### Public

As for businesses, greater reductions in online fees relative to paper/post office fees might encourage switching of application processes by the general public. This would further reduce the amounts the general public have to pay. We do not have evidence from the consultation to support any estimate of switching from paper/post to online services. Hence we take a cautious approach and assume that the proportion of transactions done online remains the same.

### Government

The policy is aligned to the government’s digital by default strategy and supports DFT’s Motoring Services Strategy.

## **Monetised Costs**

### Business

There will be no costs to business from the introduction of this proposal.

### Public

There will be no costs to the public from the introduction of this proposal.

### Government

Reductions in the fees that business and the general public pay represent reductions in the income that DVLA receives. It follows that the costs to government of the fee changes is the sum of the fee reductions to business and the general public set out in tables 1 to 4. Costs to government are set out in Table 5 and total £150.2m over the 10 year appraisal period.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Costs	4,854	18,465	17,543	16,666	15,833	15,042	14,290	13,576	12,898	12,254	8,731	150,153

All figures discounted at 3.5% pa in line with HMT Green Book guidance.

## **Non-Monetised Costs**

### Business

There will be no non-monetised costs to business from the introduction of this policy.

### To Public

There will be no non-monetised costs to the public from the introduction of this policy.



## To Government

No non-monetised costs to government have been identified.

### **Net Present Value of Option 2**

The net present value from the proposed fee reductions is £0 over the 10 year appraisal period. This reflects the fact that the benefits to business and the public from the reduction of fees are directly offset by the costs to government from reduced income.

Net Present Value of Option 2 = £0.

## **Assumptions**

### **Risks and Uncertainties**

**Enforcement:** None

### **Wider Impacts**

#### **Social Impact**

Statutory Equalities Duties Impact: There is no race, gender, sexual orientation, transgender, age disability, pregnancy/maternity or religious implications.

Human Rights Impact: There are no implications resulting from the introduction of this proposal.

Health and Well Being Impact: There is no Health or Wellbeing Impact. There would be no change to lifestyle and no foreseeable likelihood of a significant demand of any Health and Social Care services.

Justice System Impact: None

#### **Financial Impact**

Competition Impact: This change will have no significant impact on competition

Small and Micro Business Assessment: All businesses which employ drivers will be affected by these changes including small and micro businesses. Based on the analysis set out in this Impact Assessment the proposed changes will reduce financial burdens on small and micro businesses.

#### **Environmental Impact**

Wider Environmental Issues Impact: This policy is likely to have no wider environmental impact. Although the fee reductions will reduce the costs of driving, the changes are extremely small relative to the costs of keeping and operating a vehicle.

Rural Proofing Impact: This policy will have no impact on rural communities.

Sustainable Development Impact: There will be no significant environmental or intergenerational impacts from this policy.

## **One In Two Out**

The measure is Out of Scope of One In Two Out. This is because the measure relates to a fee change resulting from a reduction in the cost of providing an existing service.

## **Review**

The proposal will result in savings for business and will not be the subject of a statutory review. However, fee levels will be monitored continuously to ensure that they are kept broadly in line with transaction costs.

## **Business Net Present Value**

The business net present value for Option 2, the preferred option, is £6.02m in 2014 prices and discounted to 2014.

The business net present value comes from:

- Reduction in tacograph fees = £3.58m;
- Reduction in 10 year photocard fees = £2.44m.

## **Equivalent Annual Net Cost to Business (EANBC)**

The EANBC of option 2 = -£0.61 over the 10 years of the appraisal.