

Title: Vehicle Management - Electronic Vehicle Notifications IA No: DfT00290 Lead department or agency: Driver and Vehicle Licensing Agency (DVLA) Other departments or agencies: Department for Transport	Impact Assessment (IA)		
	Date: 14/07/2014		
	Stage: Final		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
Contact for enquiries: John Vale			
Summary: Intervention and Options			RPC Opinion: EANCB Validated

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
£116.23m	£70.59m	-£6.47m	Yes OUT

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

Registered keepers currently have to post documentation to the DVLA when they sell their vehicle or need to make changes to their vehicle record. Vehicle traders have to visit a Post Office when they sell a vehicle and need to tax it on behalf of the new keeper. These processes are inefficient and waste business and registered keepers time. An online service through an electronic channel would be much more efficient. Government intervention is required to consider allowing these services to be made available for customers using an electronic channel.

What are the policy objectives and the intended effects?

The policy objective is to give Registered keepers the option of making changes to their vehicle record via an electronic channel and to allow vehicle traders to act on their behalf. The development of an electronic channel fulfils the Government's commitment to improve public services through making them available online.

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

Option 0 Do nothing - Under this option no provision would be made for keepers to make electronic notifications. Customers would continue to carry the burden for delivering documents by post to aid manual procedures and records will take longer to update.

Option 1 - To allow vehicle management to be completed electronically and remove the requirement for documents to be returned. This is the preferred option. The introduction of these additional channels would provide an end to end service for all customers. In order to facilitate for these transactions, regulatory changes are required to legally allow electronic notifications.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 10/2019					
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.		Micro Yes	< 20 Yes	Small Yes	Medium Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)				Traded: N/A	Non-traded: 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 Minister: _____ Claire Perry _____ Date: _____ 02/10/2014 _____

Summary: Analysis & Evidence

Policy Option 1

Description: To enable changes to vehicle details to be made electronically and remove the requirement for paper documents to be returned to DVLA

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 2010	Net Benefit (Present Value (PV)) (£m)		
			Low: N/Q	High: N/Q	Best Estimate: 116.23

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	4.7	0.0	4.7

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

There is a one off cost to DVLA of £4.7m from making the changes to its systems so that electronic channels can be developed and made available to the public.

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

No non- monetised costs have been identified to business as most already have access to a PC and the internet. There could be some one-off learning costs to customers who may need to contact DVLA. We expect these to be relatively small.

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	14.5	121.0

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

There are annual benefits to business of £1.6m from reductions in the costs of disposals to trade and of £6.9 m for change of keeper requests both from moving from paper based applications to an electronic channel. There are annual average postal savings to the general public of £3.6m. There are annual benefits to DVLA from lower costs of £2.5m.

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

Responses from representatives from the Motor Industry indicate that the change would improve the service they are able to provide their customers through a fully electronic process. Both business and the public would benefit from having the vehicle record updated in real time.

Key assumptions/sensitivities/risks

Discount rate (%)

It is assumed that digital take up by business will be similar to initial take up of the Automatic First Registration and Licensing online system. It is assumed that the take up by the public will be similar to the initial take up of the Electronic Vehicle Licensing online system. The tables use a take up profile over the first 10 years. We have assumed that there are no time savings from not having to complete paper forms as customers will still have to fill in electronic forms.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.0	Benefits: 6.5	Net: 6.5	Yes	OUT

Vehicle Management – Electronic Vehicle Notifications Evidence Base

Introduction

The Driver and Vehicle Licensing Agency (DVLA) already offer a number of electronic services to motorists. Building on the success of current electronic service delivery, the DVLA now wants to offer customers services to enable registered keepers the option of making changes to their vehicle record via an electronic channel. For example, customers will be able to notify online or by telephone when their vehicle has been disposed into trade, transferred or sold. It is also the intention for customers to be able to notify a change of personal details, notify export and request a V5C.

This Impact Assessment considers the impact of the introduction of an electronic channel. The existing paper channel will remain.

Problem under consideration and Rationale for Intervention

The only method currently available to motorists to notify changes to their vehicle record is in writing. This requires an application and supporting documents to be sent for processing to either the DVLA for vehicles registered in Great Britain or the Driver and Vehicle Agency (DVA) for vehicles registered in Northern Ireland. This places an unnecessary burden on businesses and the general public who could otherwise access electronic channels at work or home and save the expense of visiting a post office or having to pay for postage.

Volume of Transactions

For those transactions that are being considered, the DVLA handles around 17.4 million paper applications each year. Table 1 below shows the 2012-2013 figures consisting of¹:

Category	Breakdown	Totals
V5C Notifications	Change of personal details i.e. name and address	1,124,387
	Change of keeper	9,557,285
V62 Changes (where no V5C is available)	Change of keeper	520,318
	Change of personal details i.e. name and address	130,080
	Duplicate Registration Document received by post	146,972
Disposals into trade		5,582,704

¹ Figures obtained by DVLA Management Information team and relates to postal transactions received at DVLA from April 2012 to March 2013

Export		295,835
Total transactions		17,357,581

The Split of Transactions Between Business and the General Public

- Change of keeper and disposals into trade transactions are dealt with by either a vehicle trader or a member of the public. This IA identifies separate benefit savings for vehicle traders and the general public in relation to the percentage of change of keeper and disposal into trade transactions dealt with by them.
- All other transactions are dealt with by the public, including for change of personal details, export and where a V62 change is notified.

No specific statistics are collected on where volumes of transactions are sent from. The DVLA process 10 million “change of keeper” notifications using a V5C document every year and 5.5 million disposals into trade. Recent data analysis carried out by the DVLA has identified that 500,000 of the vehicles disposed into trade remain with vehicle dealers for several years so do not require a change of keeper transaction. The other 5 million are sold and do require a change of keeper transaction. This means that of the 10 million “change of keeper” transactions each year, 5 million relate to business selling to the general public and the other 5 million are carried out directly by the general public.

The 50% of change of keeper applications being made by vehicle traders will involve a visit to the Post Office because most vehicles within the trade would need to be taxed when sold. From October 2014, when Vehicle Excise Duty becomes non-transferable, all vehicles will require a new licence prior to going back on the road. Vehicle traders would make this application on behalf of the customer to ensure the vehicle can be legally driven off the forecourt and provide an end to end service. The other 50% which come from the general public will be posted to the DVLA because their responsibility is to notify the new keeper details and not to license on their behalf. It is the responsibility of the new keeper to license the vehicle using the appropriate part of the V5C.²

Notifications of disposals into trade are the responsibility of the registered keeper, however some motor dealers will currently undertake the posting of this information on their behalf. DVLA estimate that 20% of disposal into trade notifications are made by a vehicle trader. Further details relating to this assumption are outlined in the monetised benefit section of this Impact Assessment.

Demand for Electronic Channels

There is clearly an appetite for electronic services. An OFCOM report, Internet Use and Attitudes Metrics Bulletin 2013, shows that³:

- 75% of UK adults aged 16+ say they have broadband internet access in their homes; and

² Where vehicles are acquired from the trade, the motor dealer is responsible for notifying DVLA and will visit a Post Office to deliver the V5C and license for the new keeper. In all other cases, where there is a private sale, the seller is responsible for posting the V5C to the DVLA.

³ www.ofcom.org.uk-market-data-research; Internet use and attitudes 2013 Metrics Bulletin

- 82% of adults aged 16+ use the internet either at home or in other locations;
- 62% of those who use the internet at home or elsewhere purchase goods online;

The following electronic services are currently available for the general public for DVLA services:

- **Electronic Vehicle Licensing (EVL).** Over 60% of motorists now go online to tax their vehicle or make a Statutory Off Road Notification (SORN). There have been over 100 million transactions since 2004. Last year the service was used more than 21 million times, representing a 200% increase over the last four years. An individual registered keeper can use this on-line facility and take up rates from 2006 are outlined in table 2 below:

2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014
31%	35%	42%	49%	51%	55%	58%	62%

It is recognised that the take up rates for EVL have taken some time to increase, this is largely in part due to the iterative approach the project took to ensure the service was fit for purpose. A number of marketing activities were also used to encourage customers to use the service including leaflet campaigns and a promotion to win a car. Both these approaches were instrumental in driving up overall take up of the service.

- **Driver Licensing On-line (DLO).** Around 2 million transactions are completed on-line each year for driver licence applications, renewals, duplicates and notifications of changes. The DLO channel enables the general public to make a change of address at the same time as renewing or applying for a duplicate driver licence.
- **DVLA's Sale of Personal Registrations.** This service offers the public the opportunity to buy the right to use a particular registration number on a vehicle. Each year there are around 260,000 sales. Both businesses and the general public can use this on-line facility and this facility is mandated online service.
- The anticipated online take up figures used in this IA are conservative to reflect overall lower Government transactions being used online. The base line is taken from identifying the total Electronic Vehicle Licensing and Automatic First Registration and Licensing online applications from their introduction to present day. Consumer take up also takes into account the Ofcom report referenced in footnote 3 which suggests that 62% of customers currently use the internet to purchase goods.

The following electronic services are available for businesses:

- **Automated First Registration and Licensing (AFRL).** The average AFRL registrations completed electronically in GB for September 2013 was 96.5%.

AFRL was created in 1994 but only allowed a limited number of manufacturers to use the service in its inception. Over the next few years, the service was rolled out to more manufacturers and franchised dealers with a total of 6,396 users to date. These include direct manufacturers, franchised dealers and importers. Not all of these users will require further electronic services in the future as their business may only link to the first registration of vehicles.

- **End of Life Vehicles.** During 2012, over 1 million vehicles were electronically notified to DVLA as being depolluted and a Certificate of Destruction (CoD) being issued. Only Authorised Treatment Facilities (ATF's) can use this on-line facility under the legal requirements to notify the DVLA of a CoD. A check for September 13 had 83,980 transactions showing a 97.4% take up.
- **Fleet Re-Licensing. Around 2 million vehicles are** re-licensed annually using the DVLA electronic fleet scheme. Only Fleet companies can use this on-line facility.

The introduction of additional VM channels would provide an end to end electronic service for all customers. It would also realise postal savings for motorists and the motor trade as they would no longer be required to post documentation or, where needed, travel to a Post Office. Furthermore an electronic channel would result in records being updated quicker. This would therefore reduce the volume of chase up calls received by the DVLA and the amount of rejects.

Strategic Fit

The development of an electronic channel fulfils the Government's commitment to improve public services through increased electronic delivery. The Transforming DVLA Services Consultation, which ran from 13 December 2011 to 20 March 2012, the proposals which were agreed by Ministers, centres on the increased use of digital services and intermediaries.

Additionally the Motoring Services Strategy Consultation which ran from December 2012 to March 2013 asked stakeholders whether the vision for digital services within the Department for Transport strategy would help them in their contacts with any of the four agencies. There was strong support and all stakeholder segments were in favour of these proposals.

In order to provide an additional electronic channel, Government intervention is required to change the law to provide customers with the option of transacting electronically.

Background

The main function of the DVLA is the collection and enforcement of payment of vehicle excise duty (VED); and the maintenance of an accurate driver and vehicle register. The vehicle register is based on vehicles and their registered keepers.

The registered keeper of a vehicle is the person responsible for using, keeping and licensing (taxing) a vehicle. Once a vehicle is registered, a Vehicle Registration Certificate (V5C) is issued to the registered keeper. The V5C contains vehicle information as well as the name and address of the person recorded as the registered keeper and should be used to notify any changes to the keeper or vehicle details.

If the V5C is lost, stolen, destroyed or damaged, provision is made for notification via the manual application form (V62). Once notification has been received the update is made to the

vehicle record and a new V5C is issued. A telephone service is currently provided where a customer can apply for a duplicate V5C where there are no changes to the record.

It is the registered keeper's responsibility to ensure that notification is delivered to DVLA. When a vehicle is sold or part exchanged and the details delivered, acknowledgement letters are sent by DVLA to the registered keeper confirming the vehicle record has been updated accordingly. The keeper can be confident they have been discharged from their responsibility once this confirmation has been received.

Statutory Obligation

The primary legislation governing vehicle registration and licensing is contained in the Vehicle Excise and Registration Act 1994 (VERA). This Act provides for the Secretary of State for Transport to make regulations governing the registration of vehicles. These regulations are contained in The Road Vehicles (Registration and Licensing) Regulations 2002. The Regulations outline what a registered keeper needs to do when any of the details contained on the V5C change.

Consultation

There is demand for the Government to offer more electronic channels to its customers. The Government's Red Tape Challenge website focused on reducing regulatory burden. During the Road Transportation Theme of the Red Tape Challenge, comments were received about the lack of electronic services for notifying changes to vehicles. Comments surrounded the bureaucracy of the administration process and timeliness of delivery for manual notifications. Ongoing discussions are being held with the industry which will help to develop the proposal. The recent Motoring Services Strategy Consultation outlined the vision to be at the forefront of digital services and to maximise the digital delivery of services to motorists.

A survey undertaken by the Automobile Association (AA)⁴ showed 87% of respondents would support more DVLA services being made available online and 53% would 'strongly' support this.

A 6 week public consultation exercise was launched on 1st October 2012 in relation to vehicle online services and 49 responses were received. Trade associations, businesses and individuals responded, and there was a unanimous consensus for a facility to transact electronically. Responders were in favour of a self serve channel.

Responders would welcome the option to transact electronically and could see the benefit of not having to return documents following an online notification.

As part of the consultation exercise DVLA liaised closely with the motor industry and received support from the Society of Motor Manufacturers (SMMT), the Retail Motor Industry (RMI), Motorcycle Industry Association (MCIA) and the British Vehicle Rental and Leasing Association (BVRLA) in canvassing their members for comments on the online services proposals. Some of the comments are set out below:

⁴ Populus interviewed 20,659 AA members on its online poll between 19th and 25th January 2012. Populus is a member of the British Polling Council and abides by its rules.

“We support the Agency’s proposal in the context of the wider objective of transforming its services and wholeheartedly welcome the importance for the Agency to move away from being a largely paper based organisation to become a modern, highly efficient electronic business.”

“We fully support DVLA’s intention to extend the provision of online services and believe that making these available both on a self-serve basis and via intermediaries would improve the efficiency of existing processes and lead to more accurate and more timely updating of the record.”

As part of ongoing engagement with stakeholders, the DVLA customer insight team conducted interviews in February 2014 with 15 dealerships of various sizes to understand how traders manage the current used vehicle disposal process. The interviews were to gauge expectations of a future digital ‘disposal to trade’ service and gather initial feedback to a prototype version of the service.

The key emerging findings were:

- The trade believe that the majority of customers expect them to complete or handle the V5C when purchasing a vehicle as part of the service they provide;
- Customer expectations are that the trade will do everything for them, and most customers need some form of support/advice when completing the V5C;
- Traders were happy to carry out the disposal service online for the customer as part of an enhanced overall service;
- Dealerships said they ‘would save cost of postage, and admin problems such as no lost paperwork or delays in post’.

DVLA Strategy and Policy Directorate also sent out a dealer questionnaire in February 2014 to look at the impact of using paper based channels for change of keeper and disposal in trade transactions. These revealed significant benefits to moving to electronic channels which are discussed below when carrying out the formal cost benefit analysis of the different options.

Policy Objective

The objective is to allow registered keepers and vehicle traders, as defined in law to make electronic notifications. The legal definition of vehicle traders include motor dealers, insurance companies, auctioneers, fleet management services and authorised treatment facilities.

Description of Options Considered

Option 0 - Do nothing

Under this option no provision would be made for keepers to make electronic notifications. Customers will continue to carry the burden for delivering V5Cs by post to aid manual procedures and records will take longer to update.

For the financial year 2012/13 Table 1 shows that the DVLA dealt with around 17.4 million notifications of changes to the vehicle record. Each of these keepers have taken the time to make the request in writing and incurred the cost of posting the notification or taking the application to a Post Office.

As this is the do nothing option the additional costs and benefits of this option = 0 and NPV of this Option = 0.

Option 1 – To allow vehicle management to be done electronically and remove the requirement for documents to be returned

This is the preferred option. The introduction of these additional VM channels would provide an end to end electronic service for all customers. This option will see the development of an electronic channel that will allow the registered keeper to notify an update to DVLA records digitally. Alternatively, a vehicle trader could make an electronic notification on the keeper's behalf.

The following transactions will be included in the digital channel.

- I have bought a vehicle and want a V5C;
- I am the Registered Keeper and I need a V5C;
- I want to change my details;
- I want to sell my vehicle to a new keeper or to a motor trader;
- I am exporting my vehicle.

The development of an electronic channel will provide customers with an additional channel for transacting with DVLA. Being able to make notifications electronically will enable the customer to transact without having to complete and send the relevant documentation to the DVLA. The electronic channel will have safeguards in place to verify that the person transacting has entitlement to do so using the most recent V5C.

Electronic notifications will allow for a speedier update of the vehicle record. This means that enforcement transactions, such as parking or speeding offences committed after the vehicle has been disposed of will be issued to the new keeper rather than the previous keeper. Electronic notifications will also enable the new keeper to tax the vehicle or declare a Statutory off Road Notification online as soon as they take possession. This is currently not possible as the online system can only be used by a customer whose details are already on our records.

The existing paper channel will remain available for customers who wish to transact via a paper route.

The policy will be reviewed in 2019, in line with the Department's requirement to review actual impact.

Groups Affected

General Public

The proposed changes will give registered keepers the choice of transacting electronically via a self-serve facility or to authorise a vehicle trader to make notifications. There will also be the convenience of having an electronic service, providing for a potentially more efficient service.

Government

Offering the public the option to make changes to their vehicle record electronically meets the Government's commitment to provide electronic channels to customers. It will also realise resource savings from a reduction in the manual handling of notifications. The online channel will mean that information will be updated quicker as it will be in real time. This will mean the police and enforcement agencies will have access to more timely information.

Business

It is envisaged that motor dealers will be able to undertake a complete start-to-end vehicle registration and tax application process via the new electronic channel and the existing Electronic Vehicle Licensing (EVL) channel. As a result there will be significant gains to them from being able to deliver change of keeper and disposals into trade transactions much more efficiently.

Geographic Coverage

The proposal will apply to all of the United Kingdom.

Costs and Benefits of Option 1 Relative to Option 0, Do Nothing.

Monetised Costs

Business

The industry has not identified any monetised costs associated with this proposal

Public

The Government does not envisage any cost to the public.

Government

The DVLA first iteration full business case provides an estimate for the cost of implementing vehicle management online. There will be one off costs of £4.73m in 2014 (including allowance

for optimism bias in line with Green Book Supplementary Guidance (see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191507/Optimism_bias.pdf)).

These costs include both the costs of the project team to implement changes, the costs of developing the new software and making sure the channel is secure for users and of change management for DVLA.

Non-Monetised Costs

Business

No non-monetised costs have been identified to business. DVLA sent a survey to motor dealers asking whether they would need to change their processes in order to transact online with the DVLA. Out of 133 responses, all confirmed that processes were already in place and all had both internet connection and printing facilities and therefore were not expecting to need any additional equipment to transact online. As most business are already using online facilities for AFRL and EVL we do not expect there to be learning costs for the new system.

To Public

Due to a new service being offered online and the lower level of familiarity of customers with using online services, there could be some one-off learning costs to customers who might need to contact DVLA for advice. We expect these to be relatively small though.

To Government

As an electronic service will process applications immediately there is likely to be a an initial increase in 'how do I calls'. We expect this increase to be relatively small.

Monetised Benefits

Business

In response to the public consultation exercise, business felt that an electronic channel would be beneficial.

I. Disposal in Trade

Table 3 identifies the potential savings that businesses could realise over a 10 year period from notifying a disposal into trade online rather than posting to the DVLA.

Based on a sample of forms received by DVLA, it is estimated that 20% of disposal into trade transactions are completed by dealers. Based on 2012-13 figures this equates to approximately 1,116,000 applications each year. Volumes are fairly steady across years so we assume that these figures remain constant in future years.

Disposal in trade applications are normally posted to the DVLA. DVLA analysis of postal receipts indicates that these are normally done as individual transactions.

The recent motor dealer questionnaire issued by the DVLA had 133 responses in total. On average, the dealers said that they posted 5 applications directly to the DVLA on a weekly basis costing £8.09 in postage (allowing for the fact that some dealers actually send applications into DVLA through registered post). This equates to £1.62 per application.

We assume there are no costs of taking disposal in trade forms to post offices because there is no requirement to visit a Post Office for these transactions. Instead they would either be posted directly via a Post Box, or, where a vehicle trader was already visiting a Post Office for a different transaction – eg a change in keeper transaction (see below) - they may choose to post the disposal into trade notifications at the same time. The current Post Office contract does not include the handling of disposal into trade notifications.

The total level of savings to industry will depend on the total take-up of electronic channels. The best predictor for new car dealers is take-up of similar electronic channels for AFRL which was 96.5% in 2013. There are approximately 5,100 franchised new car dealers that deal in both used and new vehicles and use the AFRL system. There are also around 8,400 non franchised dealers affiliated with a trade body that will be able to use the new services.⁵

We do not have an indication of how many used car dealers will choose to use the online services following its introduction, but it is anticipated that over a period of three years, both new and used car dealers will take advantage of this facility in line with the current AFRL take up rate. We assume that in the first three years, a more conservative take up rate will be realised to recognise the time it will take to support businesses in using the facility and change the behaviour using a digital channel.

	Oct 14- March 15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	Apr 24- Sep 24
E-Channel Take Up	30.00%	50.00%	75.00%	96.50%	96.50%	96.50%	96.50%	96.50%	96.50%	96.50%	96.50%
Benefits (£s)	270,984	903,282	1,354,922	1,743,333	1,743,333	1,743,333	1,743,333	1,743,333	1,743,333	1,743,333	871,667

The benefits to business from being able to do disposals into trade electronically are approximately £271k in the final six months of 2014-15, rising to £1.743m in 2017-18 after which benefits remain constant.

ii. Change of Keeper

Table 1 showed that there are approximately 10 million change of keeper notifications every year. We anticipate that these figures will remain constant following the introduction of electronic channels as there has been little change in them in recent years. We estimated that approximately 5 million of these (50%) would be carried out by business on the basis that around 5 million notifications are received at DVLA confirming that a vehicle has been disposed

⁵ Figures provided by the National Franchised Dealers Association in 2014.

into trade. When these vehicles are sold onto a new keeper, the dealer will need to notify the DVLA and license the vehicle at a Post Office⁶.

When a vehicle trader sells a used vehicle, they are legally required to provide the new keeper details to DVLA. This would normally be done using the V5C document. While the abolition of the tax disc in October 2014 has been taken into consideration, it would not have stopped traders from having to visit a Post Office to tax. The electronic licensing system does not allow a vehicle to be licensed where the vehicle has been recorded as being disposed into trade. Therefore, until an electronic facility to update the change of keeper has been introduced, traders will have to continue to visit a Post Office to tax.

The recent motor dealer questionnaire on change of keeper transactions issued by the DVLA had 133 responses in total with 90% confirming that they visited a Post Office to transact with the DVLA. The questionnaire also identified that the majority of motor dealers have a Post Office within a 5 mile radius which supports the current contract where the Post Office will provide 99.9% urban coverage within 3 miles and 93.3% rural coverage in 5 miles.

Overall, the average time taken to visit, transact and return from a Post Office was 30 minutes across all respondents, with half of the dealerships using an employee on the minimum hourly wage to transact. Total employee costs (including on costs) to the business varied but averaged £8 per hour. This is slightly less than the wage rate for administrative staff from the Annual Survey of Hours and Earnings but probably reflects the fact that this task is done by relatively junior staff members. The estimate is adopted here on the basis that it represents a conservative assumption.

Based on estimates from the National Franchised Dealers Association there are approximately 13,500 businesses that carry out change of keeper requests for clients every year. Given that there are slightly over 5 million change of keeper requests carried out by businesses this represents 373 change of keeper requests for business each year. In fact a dealer may take more than one change of keeper request to a post office and it is important to adjust for this not to over-count business benefits. The dealer survey identified on average that dealerships visited a Post Office 2.86 times per week (including those who did not visit post offices). This represents 148.5 visits per year per trader to a post office with an average of 2.5 transactions per visit. This means that there are approximately 2,005,000 visits to post offices annually each costing £4 in employee time.

The level of benefits will depend on the level of electronic take-up each year. We adopt the same assumption used for take-up of disposal in trade. This is a take-up of 30% in the last 6 months of 2014-15, rising to 96.5% in 2017-18.

Table 4 shows that the estimated benefits to business from moving to change of keeper in the last 6 months of 2014-15 are £1.203m rising to £7.739 m by 2017-18 and remaining constant after that.

⁶ This is based on the requirement for all vehicles being used on the road needing to be taxed. Dealers visit a Post office to tax on behalf of new keepers to ensure they can drive off the forecourt and to meet their obligation in delivering the V5C for the DVLA to update their records.

Table 4: Benefits to Business from Using Electronic Channels for Change In Keeper Transactions (£, 2014 prices)											
	Oct 14- March 15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	Apr 24- Sep 24
Take-Up of Electronic Channels	30.00%	50.00%	75.00%	96.50%	96.50%	96.50%	96.50%	96.50%	96.50%	96.50%	96.50%
Benefits (£s)	1,202,973	4,009,909	6,014,864	7,739,125	7,739,125	7,739,125	7,739,125	7,739,125	7,739,125	7,739,125	3,869,562

Public

Customers will benefit as they will no longer need to return the V5C when notifying changes to the vehicle record and therefore will not incur postal costs.

Table 5 shows estimated savings over the 10 year appraisal period. Based on 2012-13 figures - the latest figures available to us - it is assumed that in each year customers will make the following number of transactions:⁷

- Change of Keeper – 50% of all transactions = 5,038,802 pa
- Change of details for new address – 100% of all V5C and V62 transactions = 1,254,467pa;
- Disposal in trade – 80% of all transactions = 4,466,163 pa;
- Request duplicate V5C by post – 100% of all transactions = 146,972 pa;
- Export – 100% of all transactions = 295,835

Each of these transactions currently requires a member of the general public to post a V5C to the DVLA. This is no longer necessary under this option so there will be postal savings. These are based on the average cost of a stamp (58p) calculated from a random sample of 136 envelopes with first and second class stamps received at the DVLA. It is also presumed that a customer would travel to a post box while conducting other business therefore leisure time is not included in this calculation.

It is presumed that for each type of transaction digital take up rates would reach those for EVL transactions which is currently at 62%. It is presumed that the general public will take longer to familiarise themselves with a digital service than vehicle traders and therefore the first three years take up rates are more conservative to reflect this. It is currently forecast that rates will remain stable in the long term.

⁷These figures have remained fairly constant over the past 5 years and are unlikely to fluctuate in the future.

	Oct 14- March 15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	Apr 24- Sep 24
Online take-up	16%	35%	46%	62%	62%	62%	62%	62%	62%	62%	62%
Change of keeper	233,800	1,022,877	1,344,352	1,811,953	1,811,953	1,811,953	1,811,953	1,811,953	1,811,953	1,811,953	905,977
Change of details (inc. name, address)	58,207	254,657	334,692	451,106	451,106	451,106	451,106	451,106	451,106	451,106	225,553
Disposal to trade	207,230	906,631	1,191,572	1,606,032	1,606,032	1,606,032	1,606,032	1,606,032	1,606,032	1,606,032	803,016
Request Duplicate V5C by post	6,820	29,835	39,212	52,851	52,851	52,851	52,851	52,851	52,851	52,851	26,426
Export	13,727	60,055	78,929	106,382	106,382	106,382	106,382	106,382	106,382	106,382	53,191
Total Postal Benefits	519,784	2,274,054	2,988,757	4,028,325	4,028,325	4,028,325	4,028,325	4,028,325	4,028,325	4,028,325	2,014,163

Government

There are likely to be significant savings to government from the not having to deal with paper based changes to V5C and V62 requests (see table 6 below). These arise mainly from the fact that staff at DVLA will no longer need to process and input data manually into the system. There will also be reductions in printing costs due to fewer reject letters being issued as many of current errors will be addressed through validation at the point of application. It is estimated by DVLA that the full value of savings when businesses and the general public have fully taken up the use of the online channel (ie 96.5% of business transactions and 62% of general public transactions are carried out online) will be £2.75m annually in 2014 prices. This will occur in 2017-18. Costs in earlier years will be lower because of lower take-up of online services. It is assumed that there is a direct relationship between take-up of services and savings.

	Oct 14- March 15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	Apr 24- Sep 24
Total Savings	379,108	1,509,794	2,072,733	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	1,375,000

Non-Monetised Benefits

Business

Responses from representatives from the Motor Industry indicate that the change would improve the service they are able to provide their customers through a fully electronic process

Having the facility to provide an enhanced service to customers would improve customer satisfaction.

Public

The online channel would allow for more timely updates to the vehicle record. This will benefit customers purchasing vehicles as it will enable new keepers to obtain a tax disc via Electronic Vehicle Licensing (EVL) as the online system will allow for real time updates.

Government

The provision of value for money, digital services is at the core of the Agency's change programme. DVLA is committed to providing the most efficient and effective services to meet the needs of a diverse, ever growing, digitally aware customer base, whilst recognising the needs of the important minority through assisted digital services. An improvement in timeliness for registration and licensing processes is expected due to customers having the choice to update electronically. All electronic notifications will result in a more timely update of the vehicle record.

The reliance on a manual paper process can mean that a small number of customers are likely to be subject to enforcement procedures where their disposal notification has not been delivered to DVLA. With the introduction of an online system, customers will be able to notify DVLA immediately when they sell their vehicle. This will remove the risk of notifications to the Agency and subsequent casework to enforce.

Police and Enforcement Agencies will benefit from a more up-to-date vehicle register which will be updated in real time, providing more timely data for them to check.

Summary Costs and Benefits

Table 7 shows the discounted present value of the costs and benefits from Option 1, moving to electronic channels. Costs and benefits are calculated over 10 years from the introduction of the policy.

Table 7: Net Present Value of Option 2: Move to Electronic Channels for V5C and V62 Transactions (£ms, 2014 prices)												
	Oct 14- March 15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	Apr 24- Sep 24	Total
Costs to DVLA from systems	4.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.73
Benefits	1.99	6.94	9.67	12.19	11.77	11.38	10.99	10.62	10.26	9.91	4.79	120.96
Of which:												
Business:												
Disposals to Trade	0.27	0.87	1.26	1.57	1.52	1.47	1.42	1.37	1.32	1.28	0.62	12.98
Change of Keeper	1.20	3.87	5.61	6.98	6.74	6.52	6.30	6.08	5.88	5.68	2.74	57.61
Benefits to General Public												
Postal savings	0.52	2.20	2.79	3.63	3.51	3.39	3.28	3.17	3.06	2.96	1.43	29.93
Benefits to DVLA	0.38	1.46	1.93	2.48	2.40	2.32	2.24	2.16	2.09	2.02	0.97	20.44
Net Present Value												116.23
Business Net Present Value												70.59
All figures discounted at 3.5% pa in line with HMT Green Book Advice.												

Table 7 shows that the NPV of Option 1 = £116.23m

Assumptions

It is assumed that digital take up by business will be similar to initial take up of EVL and AFRL. The tables use a combined average of take up profile over the first 10 years.

Risks and Uncertainties

It is recognised that it is not possible to determine the exact level of take up for electronic channels and customers may still choose to continue to use the paper channel. If this is the case the Government would not realise the full benefits and savings that the electronic channel would bring.

Having an online facility will negate the need for customers to send in any documentation to the DVLA. It is recognised that some V5Cs might not be destroyed and there is a risk that people may try and use these documents for fraudulent purposes. However, DVLA will ensure that robust procedures will be in place to ensure that the person using both the electronic and paper channel is entitled to do so. This will be provided for through the customer only being able to transact using the most recently issued document, effectively making the older documents invalid. Additionally, consideration is currently being given to deliver a form of identity assurance for some vehicle transactions.

Enforcement

Current legislation provides that when a vehicle is sold, the registered keeper has a legal responsibility to notify DVLA that the transaction has taken place by completing and returning the appropriate part of the V5C, showing the new keeper details.

The registered keeper of a vehicle remains legally responsible for taxing it until the DVLA has been notified that it is off the road or has been sold, transferred, scrapped or exported. Registered keepers who fail to notify disposal commit a criminal offence and are required to pay a fine. Additionally, it is also an offence to be the registered keeper of any vehicle that subsequently becomes unlicensed.

The introduction of an electronic channel should not alter the current enforcement processes.

Wider Impacts

Social Impact

Statutory Equalities Duties Impact: There are 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: The introduction of an electronic channel will not affect the scope and nature of competition between businesses.

Small Firms Impact: DVLA asked representatives from the Motor Industry about the impact of the change and perceived costs and benefits. While they have indicated there would be an impact they have not provided any monetised costs. The online service will be in addition to the existing paper channel therefore customers will retain the choice to use their preferred channel and there will be a provision for assisted digital for those who require help.

Environmental Impact

Wider Environmental Issues Impact: The introduction of an electronic channel will have no significant environmental impacts.

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

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

One In Two Out

The measure is in scope of One In Two Out. The measure is classified as an Out because it will result in a reduction of burdens to business.

Business Net Present Value

The business net present value for Option 1, the preferred option is £70.59m in 2014 prices and discounted to 2014.

The business net present value comes from business not having to incur postal costs from:

- Disposals into trade = £12.98m
- Change of keeper requests = £57.61m

Equivalent Annual Net Cost to Business (EANBC)

The EANBC of option 1, vehicle management online = -£6.47m over the 10 years of the appraisal.

OITO and Small and Micro Business Assessment

The proposals in this Impact Assessment will result in a general reduction in burdens to vehicle deals including small and micro businesses as a result of the paper based change of keeper and disposal into trade application processes being replaced by electronic processes. Consequently these proposals will benefit small and micro businesses.