

Summary: Analysis & Evidence

Policy Option 1

Description: To reduce the fees incurred when retaining a Personalised Registration and to remove the fees incurred when adding or changing a nominee.

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: 0.0

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	11.4	96.5

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

Average annual costs to government of £11.4 m. This will be made up from a reduction in fee income from the retention of a PR and the removal of the fee incurred when adding or changing a nominee. A separate IA has been developed which covers the costs to Government of creating an online facility for PR transactions. This separate IA also includes the provision to remove the fee for extending the period for which a PR can be retained.

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

No non-monetised costs have been identified.

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	11.4	96.5

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

Average annual benefits of £11.4 m are made up of:
 £5.7m benefits to business from the reduction of fees on retention/amendment of PRs;
 £5.7m benefits to the general public from the reduction of fees on retention/amendment of PRs.

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

The fee reductions set out in Option 1 will support the take-up of the digital channel for personalised registrations once that channel is created. Consequently they will support the government in meeting its Digital Strategy and DFT meeting the objectives set out in its Motoring Services Strategy. The costs and benefits associated with the creation of that channel are set out in a separate IA.

Key assumptions/sensitivities/risks	Discount rate	3.5
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Assumes that the number of retentions and amendments in Great Britain will remain constant in future years.

Assumes that Northern Ireland has the same proportionate split of transactions between retentions, amendments and assignments as GB in future years.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	In scope of OITO?	Measure qualifies as
Costs: 0.0	No	NA
Benefits: 4.43		
Net: 4.43		

Evidence Base (for summary sheets)

Removal of the £25 Fee Associated with the Retention of Personalised Registrations (PR)

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 and to meet the Agency's Red Tape Challenge (RTC) commitment, the DVLA wants to offer customers further services to enable them to retain and assign personalised registrations online. There are already electronic online services relating to PR; these are the facility to buy a new registration mark through the DVLA dedicated website; and some businesses selling a brand new vehicle can assign a PR using the Automated First Registration and Licensing electronic system¹.

The RTC commitment highlighted the need to simplify the PR process by creating an online function which is covered in a separate IA. The new online system includes an electronic retain/assign process which offers significant streamlining and means it is not necessary to provide a transfer facility online. It will also enable marks on retention to be electronically assigned to a new vehicle as set out in the previous paragraph. The separate IA identifies annual net costs to business of -£5.35 million from not having to send in paper applications.

- To support take-up of the new online facility, this IA outlines proposals for reducing the fee currently charged when a vehicle registration mark is retained before being later assigned to another vehicle by £25.
- Currently, where a customer holding the rights of retention (grantee) nominates another person allowing the PR to be assigned to a vehicle in their name, this requires a fee of £25 to be completed. This IA proposes that the fee be removed where a nominee is added or changed to reduce unnecessary burdens on customers.

Background

The main function of the DVLA is the collection and enforcement of the payment of vehicle excise duty and the maintenance of an accurate driver and vehicle register. The vehicle register is based on vehicles and their registered keepers. When a vehicle is registered at DVLA it is assigned a vehicle registration number. It is assigned to the vehicle rather than its keeper and unless it is transferred or retained the registration number remains with the vehicle until it is broken up, de-polluted or sent permanently out of the country.

Existing legislation allows keepers to transfer a PR to another vehicle or retained if another vehicle is not available. These schemes have been developed to meet customer needs and to ensure entitlement to display the vehicle registration mark is maintained. Both transfers and retentions can however currently only be done via a paper service with applications being posted to DVLA in Swansea. While the benefits of developing an online service are being claimed in a separate

¹ Automated First Registration and Licensing Electronic System (AFRL) is an electronic system used by DVLA approved manufacturers and their associated dealers for first registration and licensing of new vehicles. However access is limited to new vehicles. In particular there is no system for motor traders dealing in the used vehicle market or cherished number dealers to be able to transact electronically. These will be the dealers who will benefit from the electronic system set out in the preferred option and will uptake this new facility.

IA, reducing the initial fee paid by £25 when a mark is retained will encourage greater take-up of electronic first registrations.

The Financial Year 13-14 saw 397,920 retention applications and 59,291 Add/Change Nominee applications processed in GB.

Statutory Obligation

The primary legislation governing vehicle registration and licensing is contained in the Vehicle Excise and Registration Act 1994 (VERA). Sections 26 and 27 provide for the Secretary of State for Transport to make regulations governing the sale, assignment and retention of registration marks.

The Retention of Registration Marks Regulations 1992 (as amended in 1993, 1994, 2004 and 2008) and The Sale of Registration Marks Regulations 1989 (as amended in 1993, 1994, 1995 and 2008) provide the powers to sell, purchase, retain and assign registration numbers. The Road Vehicles (Registration and Licensing) Regulations 2002 provide for the transfer of registration marks between vehicles.

Problem Under Consideration and Rationale for Intervention

DVLA has introduced a new online service for personalised registrations. This offers business and the general public the opportunity to carry out personalised registration transactions in a more efficient way than is currently being offered. Users will experience benefits from no longer having to send in PR applications by post (including not having to visit postal services where recorded delivery is used). The online channel will offer a streamlined service for retaining/assigning PRs and a transfer service will only be available via the paper route. However, full benefits to customers of the electronic service are not likely to be achieved under current fee arrangements because the cost of a paper transfer at £80 is less than doing an electronic retention/assign at £105.

The additional fee for adding/changing nominee details will also be reduced by £25. Removing the fee generates savings for both the general public and the motor industry.

Table 1 below shows the breakdown of each transaction for GB, NI and the UK. GB figures are based on volumes of transactions in 2013-14.

Table 1: Volume of transactions 2013/2014 and forecast

Transactions	Volumes of applications where fee taken		
	GB (2013-14 and forecast)	NI (forecast)	Total (forecast)
Retention applications	397,920	40,248	438,168
Add/Change Nominee details	59,291	5,997	65,288
Total	457,211	46,246	503,457

NB: GB = Great Britain NI = Northern Ireland

- Figures for NI are estimated as until July 2014 there were no retention transactions there. However information was collected on transfers and amendment of details. To estimate the number of retention applications that would have taken place in NI if this facility had been in place, the ratio of retention applications to transfers+amendments in GB (= 1.11) was calculated and then applied to the number of NI transactions in 2013-14. This gave a figure for NI retention applications of $36,118 \times 1.11 = 40,248$. It is assumed that the GB and NI PR market are similar in terms of percentage of transactional volumes and therefore a pro rata calculation has been applied to reflect this.

Future volumes: for GB, PR transaction volumes remained relatively constant over the three years between 2010-11 and 2012-13 at between 345k and 365k. There was a slight increase in volumes to 457k in 2013-14 which we think may be due to improved conditions in the car market and the shift towards retain and assign following the closure of the DVLA Local Offices. However, we do not anticipate any further increases in the car market or other channels affecting future volumes, so these are forecast to remain at 457k in future years. Given this we also assume that NI volumes are unchanged in the future from those shown in Table 1. Each of these transactions will be reduced in cost by £25.

The split of transactions between Business and the General Public

All the transactions shown in Table 1 are either dealt with by:

- Businesses on behalf of themselves or their customers (vehicle trader or a cherished number dealer); or
- Directly by the registered keeper.

For the purposes of this IA we have identified separate benefit savings for businesses and the general public based on the percentage of transactions each deals with.

DVLA Customer Insight has identified that vehicle traders often provide a facility to send in retention applications on behalf of a registered keeper when they are buying a new or used vehicle. In addition, cherished number dealers usually deal with paperwork when they are buying and retaining a registration mark from a registered keeper, when they sell the registration mark and add a nominee or when they apply to extend the right of retention.

In May 2014, DVLA conducted a survey, specifically for the purposes of this IA, of paper applications received relating to all personalised registration transactions. Motor Dealers and Cherished number dealers send their applications via a dedicated post code account and individual customers send their applications via an alternative post code account which made the survey easier to analyse. Of the applications surveyed it was identified that 50% of all applications are sent in via the business post code (either a vehicle trader or a cherished number dealer) and the other 50% via the public post code. Therefore, of the 503,457 transactions in Table 1, 251,728 were made by business and 251,728 by the general public in 2013-14.

Consultation

Representatives of Society of Motor Manufacturers and Traders (SMMT), Retail Motor Industry Federation (RMIF), Cherished Number Dealers Association (CNDA) and the Scottish Motor Trade Association (SMTA) took part in a targeted consultation on the proposal to remove the fee in February 2014. Their views were unanimous in supporting the reduction of fees by £25. In addition, the Drivers Fees Consultation launched on 25 July 2014 included the proposal to separately consider the removal of retention fees for PR. This consultation closed on 25 August and there were no responses in relation to this.

Policy Objective

The objective is to encourage the use of the new online system by reducing the amount of fee chargeable to customers wanting to remove a registration mark from a vehicle. This supports the new digital channel where customers will have to retain then either assign immediately or at a later date.

In addition, removing fees from add/change nominee applications will reduce the financial burden on customers.

Description of Options Considered

Option 0 - Do nothing

Under this option, customers will continue to have to pay fees to retain a registration mark and add or change a nominated person. The fees for each transaction are as follows:

Retain a registration mark = £105 fee;
Add/Change a nominee = £25 fee.

Option 1 – Change the fees

This is the preferred option. Under this fees will be reduced by £25 for all retain applications and for all add/change nominee notifications.

The policy will be reviewed in December 2019.

This IA does not consider the costs and benefits from the introduction of online channels for PR transactions. Those are considered in a separate IA which accompanies this IA.

Groups affected

Business

The proposed changes will have significant benefits for motor dealers and cherished number dealers who will experience reduced fees. We estimate that 50% of all paper based Personalised Registration transactions are carried out by business.

General public

The proposed changes will have significant benefits for the general public who will experience reduced fees. We estimate that 50% of all paper based Personalised Registration transactions are carried out by the public.

Government

Government will experience a reduction in the level of fees it gets from PR transactions. The level of reduction will be equal in size to the reduced fees that businesses and the general public pay.

Geographic Coverage

The proposal will apply to all of the United Kingdom.

Costs and Benefits of Option1 Relative to Option 0

Monetised Benefits

Business

A random sample of 109,937 forms over a period of 4 weeks received by DVLA via the dedicated PR postcode address was carried out to identify what proportion of applications came from businesses. Based on this sample it is estimated that 50% of all personalised registration applications are completed by dealers. Dealers are defined in this instance as Cherished Number businesses who buy and sell personalised registration marks and motor traders who buy and sell vehicles (including second hand car dealers). Table 1 forecast that for future years 503,457 retention or add/change nominee detail applications would be carried out which would involve a £25 fee reduction, consequently 251,728 applications are forecast from businesses.

Volumes are fairly steady across years so we assume that these figures remain constant in future years.

Table 2 sets out the best estimates of the present value of benefits that businesses will realise from Option 1. Benefits are calculated over a 10 year period starting from December 2014 when the policy will be introduced. Table 1 shows that the present value of benefits to business =£48.27m across the 10 year appraisal period.

Table 2: Present Value of Benefits to Business and the General Public from Fee Reductions (£ms, 2014 prices)

	Dec 2014 to March 2015	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	April 2014 to Nov 2024	Total
Business	2.10	5.94	5.65	5.36	5.09	4.82	4.56	4.32	4.10	3.88	2.45	48.27
General Public	2.10	5.94	5.65	5.36	5.09	4.82	4.56	4.32	4.10	3.88	2.45	48.27
Total	4.20	11.89	11.30	10.73	10.17	9.64	9.13	8.65	8.19	7.76	4.90	96.55
Note: All figures are discounted by 3.5% per annum in line with HMT Greenbook Guidance												

Public

Table 2 also sets out the best estimates of benefits that the public will realise from Option 1. Benefits are calculated over a 10 year period starting from December 2014 when the policy will be introduced.

Based on DVLA's sample of personalised registration applications DVLA estimates that 50% of all personalised registration applications are completed by the general public. Table 1 forecast that for future years 503,457 retention or add/change nominee detail applications would be carried out which would involve a £25 fee reduction, consequently 251,728 applications are forecast from the general public.

Table 1 shows that the present value of benefits to the general public =£48.27m across the 10 year appraisal period.

Benefits for Government

There are no monetised benefits to government from the fee reductions set out in Option 1.

Non-Monetised Benefits

Business

There are no non-monetised benefits to business

Public

There are no non-monetised benefits to business

Government

The fee reductions set out in Option 1 will support the take-up of the digital channel for personalised registrations once that channel is created. Consequently they will support the government in meeting its Digital Strategy and DFT meeting the objectives set out in its Motoring Services Strategy. The costs and benefits associated with the creation of that channel are set out in a separate IA.

Monetised Costs

Business

There are no anticipated costs to business as part of this change.

General Public

There are no anticipated costs to the general public as part of this change.

Government

The reduction in fees from Option 1 will result in a loss of revenue to government. This will exactly equal the reduction in fees that business and the general public pay following the £25 reduction. Table 3 sets out the present value of costs to government over the 10 year evaluation period. The total present value of costs to government = £96.55m.

Table 3: Present Value of Costs to Government from Fee Reductions (£ms, 2014 prices)

	Dec 2014 to March 2015	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	April 2014 to Nov 2024	Total
Total	4.20	11.89	11.30	10.73	10.17	9.64	9.13	8.65	8.19	7.76	4.90	96.55
Note: All figures are discounted by 3.5% per annum in line with HMT Greenbook Guidance												

Non Monetised costs

Business

No non-monetised costs to business have been identified.

Public

No non-monetised costs to the public have been identified.

Government

No non-monetised costs to Government have been identified.

Net Present Value and Business Net Present Value

Table 4 shows that:

- Net Present Value of Option 1 = £0.00
- Business Net Present Value of Option 1 = £48.27m.

Table 4: Net Present Value and Business Net Present Value from Option 1

	Dec 2014 to March 2015	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	April 2014 to Nov 2024	Total
Total Benefits	4.20	11.89	11.30	10.73	10.17	9.64	9.13	8.65	8.19	7.76	4.90	96.55
Of which												
Business	2.10	5.94	5.65	5.36	5.09	4.82	4.56	4.32	4.10	3.88	2.45	48.27
General Public	2.10	5.94	5.65	5.36	5.09	4.82	4.56	4.32	4.10	3.88	2.45	48.27
Total Costs to Government	4.20	11.89	11.30	10.73	10.17	9.64	9.13	8.65	8.19	7.76	4.90	96.55
Net Present Value												0.00
Business Net Present Value												48.27
Note: All figures are discounted by 3.5% per annum in line with HMT Greenbook Guidance												

Equivalent Annual Net Cost to Business (EANBC)

The EANBC of option 1, introduction of fee changes for personalised registrations = -£4.43m over the 10 full years of the appraisal.

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 a fee change will not affect the scope and nature of competition between businesses.

Environmental Impact

Wider Environmental Issues Impact: The introduction of a fee change 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 not in scope of One In, Two Out as the fee reductions are not the result of a change in the scope of regulation affecting business. They are a financial incentive for public and business to make use of the new PR online system. The measure will result in a reduction of burdens to business and there are no direct costs to business from changing the fee level.

Small and Micro Business Assessment:

The majority of businesses that will be affected by these changes are small. The reduction in fees for retaining Personal Registrations will be a direct benefit to these businesses.