

Summary: Analysis & Evidence

Policy Option 1

Description: To provide an online facility to retain, assign and amend details, avoiding paper documents being sent to DVLA. To change the need to annually extend an extension to 10 years and remove the fee.

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: 36.33

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	11.1	98.3

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

There are £4.7 m of costs to DVLA from putting in place the technology that will allow PR transactions to be done online and training DVLA staff in new procedures. DVLA will lose £11.1m per annum as a result of the removal of the fees associated with a retention extension.

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

There are likely to be some costs to the general public from learning how to use the new PR electronic channels. These are likely to be small and occur in 2014-15. DVLA anticipates that there will be a temporary increase in the volume of "how do I?" calls from members of the public getting used to the new electronic PR channels. These costs are likely to be small and occur in 2014-15 and 2015-16.

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	13.0	134.6

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

Business - annual savings of £5,948k from the removal of retention extension fees and extending the period to 10 years. Annual savings of £960k from not having to post paper forms for other PR transactions. General Public - Annual savings of £6,171k from removal of retention extension fees and extending the period. Annual savings of £668k from not having to post paper based forms for other PR transactions. DVLA - annual savings of £2,247k from handling a reduced volume of paper forms.

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

Business will be able to provide an enhanced service for customers eg speeding up the purchase of PRs. The general public will be able to carry out PR transactions much more quickly. The creation of a digital PR channel will contribute to the Government's digital by default strategy.

Key assumptions/sensitivities/risks	Discount rate	3.5
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It is assumed that digital take up by business will be similar to the 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. Based on a similar design, we have assumed that where paper forms are replaced by electronic forms the amount of time taken to fill them in is the same.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.0	Benefits: 5.35	Net: 5.35	Yes	OUT

Evidence Base (for summary sheets)

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 commitment, the DVLA wants to offer customers further services to enable them to retain and assign a PR online. There are already electronic online services relating to PR; these are the facility to buy a new registration number through the DVLA dedicated website; and most business selling a brand new vehicle can assign a PR using the Automated First Registration and Licensing electronic system¹.

The Red Tape Challenge commitment highlighted the need to simplify the PR process by creating an online function. This IA outlines proposals for simplifying the PR process throughout the UK by introducing an electronic channel to:

- Retain a PR once a vehicle has been sold or disposed of;
- Assign a PR to a vehicle either immediately or a later date;
- Amend details for the holder of a PR – e.g. their home address.

In addition this IA proposes that the amount of time a customer can hold a registration number without needing to extend the right be increased to 10 years and the fee removed. This extension period takes into consideration calls by industry to increase the amount of time that registration marks are able to be held without incurring additional fees, but ensures the Agency maintains a link with the customer to monitor retention periods and effectiveness of this policy change. DVLA expects that all retentions (with extensions) will be for less than 10 years as the vast majority of retention extensions are for a single year. However if a customer still holds a retention after 10 years they will be invited by DVLA to extend the period for a further 10 years free of charge. Any customer with a registration mark already on a valid retention certificate will also be invited to extend for a ten year period free of charge.

A separate IA has been completed in relation to other fee changes relating to the PR process. This IA includes the removal of the retention extension fee as this also incurs postage costs to businesses and the public which will also be removed if the online channel is used. The separate IA only includes those fees that do not incorporate other process benefits.

It should be noted that the existing paper channel will remain so businesses and the general public can continue to use this should they so wish.

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. Vehicle registration numbers are not items of property in their own right. They are assigned and may be withdrawn by the Secretary of State as part of the registration and licensing process required by law. The vehicle registration number is a unique means of identifying a vehicle, primarily for

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.

taxation and law enforcement purposes. 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 scrapped or sent permanently out of the country.

Existing policies around the transfer and retention schemes have been developed to meet customer needs and to ensure entitlement to the vehicle registration number being claimed. The DVLA PR scheme is currently made up of four distinct routes. These are for buying, transferring, retaining and assigning registration numbers.

1. Buying

In response to public demand for greater access to attractive vehicle registration numbers, DVLA operate a Sale of Marks scheme, which offers customers the opportunity to purchase online, vehicle registration numbers that have never before been released for use on vehicles.

The buyer (Purchaser) is issued with a Certificate of Entitlement (V750). At the time of purchase, the buyer will be recorded as the 'Purchaser' but can add another person's details as the Nominee. This means the registration number can be assigned to a vehicle that is registered either in the Purchasers' name or in the name of the 'Nominee'. Nominee details can be entered free of charge at the point of purchase, or they can be entered later for a fee of £25.

Each certificate is valid for 12, 24 or 36 months dependent on the fee amount paid². The fee paid for the certificate is equivalent to £25 per annum. When the period comes to an end the entitlement can be extended for further periods for an annual fee of £25.

Once the registration number bought has been assigned to a vehicle, any further movement of the registration number is subject to the transfer or retention schemes, where appropriate.

During the Financial Year 13-14 the total sales volumes for DVLA's personalised registrations were 246,484; 236,606 (96%) of which were web sales and 9,878(4%) sold at auction. **No changes to the sales scheme are being proposed as part of this IA.**

2. Transferring

The transfer process involves a registered keeper applying to remove a registration number from one vehicle to transfer immediately onto another.

Only vehicles that are registered, licensed, subject to annual roadworthiness tests and available for inspection may take part in a transfer. Only the registered keeper of the vehicle can apply to transfer a vehicle registration number. In order to apply, a registered keeper must provide all relevant documentation from both the donor and recipient vehicle.

The Financial Year 13-14 period saw 291,532 registration transfer applications processed through the paper route for GB. The online facility will enable transfers through a retain and assign route.

3. Retaining

The retention scheme enables a vehicle keeper to take a registration number off their vehicle and keep it until they are ready to assign it to another vehicle. The registration number can be kept for a 12, 24 or 36 month period (on payment of relevant fee) pending its re-assignment to another

² The retention fee for 12 months is £25, this increases to £50 for 24 months and £75 for 36 months.

vehicle³. The fee paid for the certificate is equivalent to £25 per annum. Only the registered keeper of a vehicle is entitled to apply for a right of retention, and is known as the Grantee. The Grantee is issued with a Certificate of Retention (V778).

The retention period can be extended provided entitlement is not allowed to lapse. The maximum period over which a retention can currently be extended is 36 months, although the majority of customers who extend do so for 12 months. The facility also allows the applicant the option of nominating a person (the Nominee) to whose vehicle they may wish to subsequently assign the registration number. Nominee details can be entered free of charge at the point of retention, or they can be entered or changed later for a fee of £25.

The Financial Year 13-14 period saw 397,920 retention applications processed through the paper route for GB. In addition there were 399,410 retention extension applications. Vehicles in Northern Ireland have been unable to retain registration numbers due to legal and system constraints. Following the migration of services in July 2014 to DVLA in Swansea, NI customers are now able to retain registration numbers as part of the overall PR scheme. A retain function will be provided for via the online channel.

4. Assign

Where a registration number has been retained, the Grantee can apply to assign the number to a vehicle in their name or in the name of a Nominee (if applicable). This must be done before the Certificate expires. The financial year 13-14 saw 446,808 assignment applications in GB. An assign function, either immediately or at a later date, will be provided for via the online channel.

5. Amending Details

In addition to the four routes set out above, owners of a PR also need to notify DVLA every time their details change. In the Financial year 13-14 there were 65,552 applications in GB. Of these 59,291 were for adding or changing nominee details and the remaining 6,261 were for change of address or for a duplicate request for a lost certificate. A function allowing details to be amended will be provided for via the online channel.

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 sale and assignment of registration numbers.

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 numbers between vehicles.

Problem Under Consideration and Rationale for Intervention

The only method currently available to retain or transfer a PR is in writing. In addition, where a retention document is used to assign a PR to a used vehicle, this can also only be completed in writing. These require an application and supporting documents to be sent for processing to the DVLA in Swansea. This places an unnecessary burden on businesses and the general public

³ The retention fee for 12 months is £25 increasing to £50 for 24 months and £75 for 36 months.

who could otherwise access electronic channels to do their transactions cheaper and quicker. Customer Insight data obtained by DVLA confirms that customers and motor traders find access to the services restrictive, the processes complicated and turnaround times too slow.

Volume of Transactions

For those transactions that are being considered, the DVLA handles 1.8m PR applications annually via paper. Table 1 below shows the breakdown of each transaction⁴:

Table 1: Transactional Volumes for 2013/2014 and forecast

Transactions	Forecast Volumes of PR Applications		
	GB (2013-14 and forecast)	NI (forecast)	Total (forecast)
Retentions	797,330	80,648	877,978
Of which			
Retention Applications	397,920	40,248	438,168
Retention Extensions	399,410	40,399	439,809
Transfers	291,532	29,488	321,020
Assignments	446,808	45,193	492,001
Ammend Details	65,552	6,630	72,182
Of which:			
Add/ change Nominee Details	59,291	5,997	65,288
Of which			
Amend other details (no fee incurred)	6,261	633	6,894
Total	1,601,222	161,959	1,763,181

NB: GB = Great Britain NI = Northern Ireland

Figures for NI are estimated as until July 2014 there were no retention or assignment transactions there – the only activities available in Northern Ireland were transfers and amendments. Consequently the figures are higher for future years than for 2013-14.

- To estimate the number of retention applications that would have taken place in NI if this facility was available, 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 $36,118 \times 1.11 = 40,248$. Applying a similar process for retention extensions gave a figure of 40,399. 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.
- To estimate the number of assignment applications that would have taken place in NI if this facility had been in place, the ratio of assignment applications to transfers + amendments in GB (=1.25) was calculated and then applied to the number of NI

⁴ Figures obtained by DVLA Management Information team and relates to postal transactions received at DVLA from April 2013 to March 2014

transactions in 2013-14. This gave a figure for NI assignment applications of $36,118 \times 1.25 = 45,193$.

Future Volumes – For GB, PR transaction volumes remained relatively constant over the three years between 2010-11 and 2012-13 at between 1.4m and 1.5m. There was a slight increase in volumes to 1.6m in 2013-14 which we think may be due to improved conditions in the car market. 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 1.6m in future years. Given this we also assume that NI volumes are unchanged in the future from those shown in Table 1. **Consequently under option 0 – do nothing - total future forecast paper based transactions in the UK are 1,763,181 per annum.**

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 PR 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.

No specific statistics are collected on where volumes of transactions are sent from. However, DVLA Customer Insight has identified that vehicle traders often provide a facility to send in retention or transfer applications on behalf of a registered keeper when they are buying a new or used vehicle. In addition, PR dealers usually deal with paperwork when they are buying and retaining a registration mark from a registered keeper.

In May 2014, DVLA operational areas conducted a survey of paper applications received relating to all personalised registration transactions. Motor dealers and PR 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. The results 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 1.763m transactions per annum forecast under the status quo do nothing option, 0.882m would be made by business and 0.882m by the general public.

Demand for Electronic Channels

There is clearly an appetite for electronic services. An OFCOM report, Internet Use and Attitudes Metrics Bulletin 2013, shows that⁵:

- 75% of UK adults aged 16+ say they have broadband internet access in their homes;
- 82% of adults aged 16+ use the internet either at home or in other locations; and
- 62% of those who use the internet at home or elsewhere purchase goods online.

Take-Up of DVLA Electronic Services by Business

The following electronic services are available for businesses:

⁵ www.ofcom.org.uk-market-data-research; Internet use and attitudes 2013 Metrics Bulletin

- **Automated First Registration and Licensing (AFRL).** The average AFRL registrations completed electronically in GB for 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.
- **End of Life Vehicles.** During 2012, over 1 million vehicles were electronically notified to DVLA as being depolluted and a Certificate of Destruction (CoD) issued. Only Authorised Treatment Facilities (ATF's) can use this online 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 online facility.

Take-Up of DVLA Electronic Services by the General Public

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

- **DVLA's Sale of Personal Registrations.** This service offers the public or businesses the opportunity to buy the right to use a particular registration number online. For the financial year 2013-14, 236,606 registration numbers were sold using this service. This service is available for both business and the general public and is a mandated online service. Therefore with the exception of auction sales, 100% of web sales are conducted using this method.
- **Electronic Vehicle Licensing (EVL).** Over 60% of motorists now go online or use the telephone 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. An individual registered keeper can use this online facility and take up rates from 2006 are outlined below:

2006-07	2007-08	2008- 09	2009-10	2010-11	2011-12	2012-13	2013-14
31%	35%	42%	49%	51%	55%	58%	62%

- **Driver Licensing Online (DLO).** Around 2 million transactions are completed online each year for driver licence applications, renewals, duplicates and notifications of changes. The DLO channel enables customers to make a change of address at the same time as renewing or applying for a duplicate driver licence.
- The anticipated online take up figures used in this IA are conservative to reflect overall Government transactions being used online. The baseline for business is taken from the take-up for Automated First Registration and Licensing online applications from their introduction to the present day. The baseline for the general public is taken from the take-up of Electronic Vehicle Licensing online applications from their introduction to the current day. We think these represent the best estimate of likely take-up given that use of online services will not be mandatory.

Consultation

There is demand for the Government to offer more electronic channels to its customers and particularly for the retention and assignment of personalised registrations.

Customer Insight Data Research commissioned by the DVLA and conducted by Cello MRUK in 2009 identified a number of areas of improvement which included reducing the amount of time taken to transact via the paper route and simplification of the current PR process.

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. 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)⁶ 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. Respondents were in favour of a self serve channel.

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

Strategic Fit

The development of an electronic channel supports 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, centred 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 in their contacts with any of the four agencies. There was strong support and all stakeholders 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.

Policy Objective

The objective is to provide an online facility to retain, assign and amend details where the motorist and businesses will be able to self serve or to use an intermediary to transact on their behalf. The development of an electronic channel will provide customers with the ability to transact without having to complete and send the relevant documentation to the DVLA. The electronic system will allow a retention and either an immediate or delayed assignment within real time therefore including the current transfer provision within the online process.

⁶ 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.

The intended effect will be to improve customer service and reduce burden.

Description of Options Considered

Option 0 - Do nothing

Under this option, no provision would be made for keepers to make electronic applications. Customers will continue to carry the burden for posting applications to DVLA and records will take longer than necessary to update.

For the financial year 2013-14, Table 1 shows that DVLA dealt with around 1.763 million applications for retention, transfer, assignment or amendment of PRs via the paper route.

For each paper transaction the customer has to complete the relevant form and post the application with their Registration Certificate (V5C) and other documents to DVLA, incurring the cost of postage.

As this is the do nothing option, the additional costs and benefits of this option = £0 and the Net Present Value of the option = £0.

Option 1 – to allow PR transactions to be made online. This will be implemented from December 2014

This is the preferred option. It consists of two elements both aimed at simplifying personalised registration transactions:

1. Deliver a simplified digital service for the assignment and retention of a PR and for amending details.

The following transactions will be included in the digital channel for UK wide customers:

- Retain - I want to take a PR off a vehicle and retain the rights/keep hold of it.
- Assign - I want to put a held PR onto a used vehicle.
- Change of Details - I want to change my details

These transactions, together with current transfer volumes covers all but the PR extension transactions in table 1, totalling 1,323,372. The existing paper channel will remain for customers who do not wish to transact online.

2. Simplify the retention process by extending the right of retention to an automatic period of 10 years, rather than a maximum of three years at the moment. DVLA estimate that all retentions (taking into account retention extensions) are for less than 10 years, consequently this will remove the need to apply for 439,809 extensions each year in the UK.

The development of an electronic provision will provide customers with an additional channel to transact with 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 and/or Retention Certificate.

Groups affected

Business

The proposed changes will have significant benefits for motor dealers and PR dealers who will no longer have to go through the paper process. There will be benefits because

Businesses will no longer have to:

- i. Post applications or take applications to a postal service;
- ii. Complete retention extension forms unless it is not assigned within 10 years;
- iii. Pay a retention extension fee.

As set out above we estimate that 50% of all paper based PR transactions are carried out by business.

General public

The proposed changes will allow the public to transact online providing a more convenient, efficient and less bureaucratic service. Like businesses the general public will no longer have to:

- i. Post applications or take applications to a postal service;
- ii. Complete retention extension forms unless it is not assigned within 10 years;
- iii. Pay a retention extension fee.

As set out above we estimate that 50% of all paper based PR transactions are carried out by the public.

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.

Geographic Coverage

The proposal will apply to all of the United Kingdom.

Costs and Benefits of Option1 Relative to Option 0

Monetised Costs

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 the 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. In addition, cherished

number dealers already have internet facilities in place to transact online with DVLA in relation to the sale of personalised registrations. **The industry has not identified any costs associated with this proposal.**

There are no monetised costs from extending the retention period to 10 years

Public

No monetised costs to the public have been identified.

Government

The DVLA's first iteration full business case provides an estimate for the cost of implementing PR online and simplifying the process to exclude retention extensions. There will be one off costs of £4.73m in financial year 2014-15 (including allowance for optimum bias in line with Green Book Supplementary Guidance (see https://www.gov.uk/government/uploads/attachment_data/file/191507/Optimism_bias.pdf)).

These costs are for the project team required to implement changes, the development of new software, making sure the channel is secure for users and change management within DVLA.

In addition there will be a loss of income to DVLA from removing retention extension fees. Retention extensions may be made for 12, 24 or 36 months with a fee of £25 for 12 months rising to £50 for 24 months and £75 for 36 months. DVLA estimate that the majority of retention extensions are done for 12 months. DVLA finance systems show that the average retention extension fee is £27.74. Table 1 forecasts 439,809 retention extension transactions for each full year of the appraisal with a nominal value of £12,200,302. The real value falls over time because of the impact of inflation.

Table 2 presents full costs to government for each of the 10 years of the appraisal.

Table 2: Costs to DVLA from Option 1 (£000s, 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
System set-up Costs	4,700	0	0	0	0	0	0	0	0	0	0	4,700
Reduced Fee Income	4,067	11,926	11,738	11,531	11,316	11,094	10,876	10,663	10,454	10,249	6,699	110,612
Total	8,767	11,926	11,738	11,531	11,316	11,094	10,876	10,663	10,454	10,249	6,699	115,312

Non Monetised costs

Business

There could be some familiarisation costs to business following the introduction of a simplified online system but these could be relatively small and less than the current costs to business through completing paper forms. The Agency has used its dedicated Customer Insight Team to conduct insight sessions with both commercial and consumer groups throughout the alpha and beta development of the new online process. The service has been refined and developed following feedback of these sessions. Commercial customers involved in this development process have included both motor dealers and PR dealers who are already familiar with using the paper application process. Most commercial groups use the internet and web based systems to complete a number of business transactions with the DVLA already, including first registration and buying PR from the Agency's Sale of Marks website and therefore have access to and an understanding of undertaking forms online. Those channels which are being put online will use

the same format for forms as paper channels so there will be no additional costs from getting familiar with new forms.

Public

Due to a new service being offered online and the lower level of familiarity of the general public compared to business with using online services, there could be some one-off learning costs. These could be relatively small and less than the current costs to the public through compelling paper forms.

- Most of the general public who choose to use the online PR channels will already be familiar with the internet and many will have bought a PR online.
- The Agency's Customer Insight Team conducted research with a wide range of customers with different internet abilities to ensure the online process is clear to understand and customers are guided step by step throughout the whole transaction.
- Those channels which are being put online will use the same format for forms as paper channels so there will be no additional costs from getting familiar with new forms.

Government

As the electronic service will process applications immediately there is likely to be a temporary increase in "how do I?" calls as the general public may need to be supported through the process. We expect this increase to be a relatively small cost.

Monetised Benefits

As noted above the benefits of option 1 come removing the requirement to:

- i. Post applications;
- ii. Complete retention extension forms;
- iii. Pay a retention extension fee.

These are identified separately below for businesses and the general public. Benefits for government are discussed after this.

Business

Table 3 (page 15) sets out the best estimates of benefits that businesses will realise from an electronic channel being made available under Option 1. Benefits are calculated over a 10 year period starting from December 2014 when the policy will be introduced.

- i. Benefits from not having to post applications or take them to a postal service.

A. Volumes of Transactions

In order to calculate savings from postal transactions we need to start by calculating how many postal transactions are made by business.

- Based on the figures in Table 1 there are forecast to be 1,763,181 PR paper transactions for future years.
- 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 PRs and motor traders who buy and sell vehicles (including second hand car dealers). This indicates that 881,590 applications are estimated to be from businesses.

- Based on the figures in table 1, 219,905 (=439809x50%) business transactions related to retention extensions by business and the remaining 661,685 to other PR transactions.
- Volumes are fairly steady across years so we assume that these figures remain constant in future years.

Using the random sample DVLA were also able to estimate the average number of applications sent in per envelope as 2.5. Based on this, the estimated number of separate envelopes that DVLA received from businesses in 2013-14 for PR transactions was 352,636. Apportioning between retention extensions and other transactions gives:

- Equivalent of 87,962 envelopes sent by business relating to retention extensions;
- Equivalent of 264,674 envelopes sent by business relating to other PR transactions.

B. Costs from Posting Envelopes

There are significant costs to business from sending in 353k envelopes to DVLA each year. The costs that businesses incur depend on what method businesses choose to send in their application forms. The random sampling exercise of PR mail received by DVLA discussed above identified that that 43% of envelopes received from businesses were sent in via standard mail (151,634 in total). The remaining 57% (201,002) were sent using recorded delivery. Dealers often use recorded delivery for PR transactions as this provides a more secure way of sending original documentation through the post, reducing the risk of documentation going missing.

a. Standard Mail

This involves using a large first class envelope to incorporate all documentation with a standard charge of £1.24.⁷ It is assumed that businesses would generally post standard mail directly via a Post Box with other mail that the business is sending. Consequently there would be no time costs from taking standard mail applications to postal services.

b. Recorded Delivery

Based on standard postal rates we estimate that the postal cost of using recorded delivery would be £2.34 per application.⁸

Recorded delivery would have to be completed at a postal service and therefore the dealer would have to visit a postal service incurring time costs. The recent motor dealer questionnaire on PR and Change of Keeper transactions issued by the DVLA had 133 responses in total. The questionnaire 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.

⁷ Prices are based on cost of Royal Mail large 1st class envelope up to 250g. The average weight of one transaction is 70g therefore if a dealer sends on average 2.5 applications the average weight would be around 175g. Further details are available at http://www.royalmail.com/sites/default/files/RM_OurPrices_Mar2014a.pdf.

⁸ This represents the costs of a 500g 1st class large envelope. This is the minimum weight category at which recorded delivery is offered. .

Based on the analysis above:

Total cost of each recorded delivery = £2.34 (postage) + £4.00 (wage cost of time)
= £6.34

C. Savings from Not Having to Post Envelopes as a result of Option 1

a. Switch to electronic channels (lines 1 and 2 of table 3)

We do not have actual figures on how many businesses would choose to use the online services following its introduction, but it is anticipated that take-up would be similar to current AFRL take-up rates. We assume that businesses would take time to adjust to the new offer so that the take-up rate would be lower in the first three years starting at 30% before rising to 96.5% by 2017-18. This is equivalent to a reduction of 255,410 envelopes being sent by 2017-18 of which 43% would have gone by standard mail and 57% by recorded delivery.

The first two lines of table 3 show the estimated benefits to business from postal savings from switching to electronic channels as being £110k in the final four months of 2014-15, rising to £1,059k by 2017-18 after which annual benefits remain constant.

b. Changing the retention period (lines 3 and 4 of table 3)

The need to make retention extension applications will be changed under Option 1 resulting in a fall of 87,962 envelopes being posted by business. Of these 43%=37,824 would be done by standard mail and 57%=50,138 would be done by recorded delivery.

Lines 3 and 4 of Table 3 show the estimated benefits that businesses will realise from changing retention extensions as being £122k in the final four months of 2014-15, rising to £365k for the full 2015-16 financial year.

ii. Time savings from not having to fill in forms (line 5 of table 3)

Under Option 1 two processes will change:

a. Making a paper application – It is DVLA's assessment that the process in terms of the online form which will have to be filled in to retain/assign will take the same time as that for paper based transfer applications – consequently there will be no time savings to business from not including PR transfers on the online channel.

b. Retention Extensions – Based on an internal DVLA exercise we estimate that it takes approximately 1 minute to fill out a retention extension request. Wage savings are estimated at £14.29 per hour. So for businesses this works out as a saving of 24p per transaction. These are based on estimates of the median hourly wage for distribution and transport clerks from the Annual Survey of Hours and Earnings (2013) uplifted with employer on costs and up rated to 2014 prices. These rates are higher than those for messengers taking envelopes to post offices which were set out in Section B, as the level of skill required in filling out the form and ensuring all the documentation is included is higher. Based on the estimate of 219,905 extension retentions set out above, this works out as £17k in the final four months of 2014-15 rising to £52k for the full 2015-16 financial year (see line 5 of table 3 for all figures).

iii. No longer having to pay a retention fee (line 6 of table3)

The change to retention extensions means that businesses will no longer need to pay a retention extension fee. DVLA finance systems show that the average retention extension fee is £27.74. Given that there are estimated to be 219,905 extension retention extensions by business each year, the removal of retention extension fees will result in annual savings to business of approximately £6m. Because fees are fixed in nominal terms the real value of savings shown in table 3 falls over time.

Table 3: Benefits To Business From Option 1 (£000s, 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
Savings from Transactions Apart from Retention Extensions											
Online take-up	30%	50%	75%	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%
1. Standard Mail	14	71	106	136	136	136	136	136	136	136	91
2. Recorded Delivery	96	478	717	923	923	923	923	923	923	923	615
Savings from Removing Retention Extensions											
Take-Up	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
3. Standard Mail	16	47	47	47	47	47	47	47	47	47	31
4. Recorded Delivery	106	318	318	318	318	318	318	318	318	318	212
5. Time Savings from not having to complete Retention Extension application	17	52	52	52	52	52	52	52	52	52	35
6. Fee Extension Reductions	2,033	5,963	5,869	5,765	5,658	5,547	5,438	5,331	5,227	5,124	3,349
Total Benefits	2,282	6,929	7,109	7,242	7,134	7,023	6,914	6,808	6,703	6,601	4,334

Public

The following benefits have been identified to the general public from Option 1.

i. Benefits from not having to post applications or take them to a postal service

A. Volumes of Transactions

Table 1 forecasts 1,763,181 PR transactions annually over the appraisal period.

- Based on DVLA's sample of PR transactions DVLA estimates that 50% (881,590) are completed by the general public.
- Based on the figures in table 1, 219,905 (=439809x50%) business transactions related to retention extensions by business and the remaining 661,685 to other PR transactions.
- Based on DVLA's sample of PR transactions we estimate that the general public only posts one application per envelope.

B. Costs of Having to Post Envelopes

a. Standard Mail

75% of envelopes come through standard mail and on average applications weigh 70g. The average cost of sending a large envelope up to 100g weight via first class post is £0.93. It is assumed that the public would generally post standard mail directly via a Post Box with other mail that the applicant is sending. Consequently there would be no costs time costs from taking standard mail applications to a postal service.

b. Recorded Delivery

The remaining 25% of applications used recorded delivery. Based on standard postal rates we estimate that the postal cost of using recorded delivery would be £2.34 per application.

Recorded delivery would have to be completed at a postal service and therefore each applicant would have to visit a postal service incurring time costs. For businesses we estimated that the journey time to and from a Post Office was 30 minutes. Post Offices tend to be located in residential districts rather than business parks, so we assume that it takes half the time (15 minutes) for a member of the general public to go to and from the Post Office. We assume that individuals do this during their leisure time. DFT Webtag gives the value of an hour of leisure time in 2014 prices as £6.69. This means that for 2014 the time cost to a member of the general public from taking the envelope to the Post Office = $(15/60) \times £6.69 = £1.67$. This rises over time as the value of leisure published in Webtag increases to £8.11 by 2024.

Based on the analysis above:

Total cost of each recorded delivery in 2014 = £2.34 (postage) + £1.67 (leisure cost)
= £4.01

C. Savings from Not Having to Post Envelopes as a result of Option 1

a. Switch to electronic channels (lines 1 and 2 of table 4)

We do not have actual figures on how many members of the general public would choose to use the online services following its introduction, but it is anticipated that take-up would be similar to current EVL take-up rates, which are 62%.⁹ We assume that the general public would take time to adjust to the new offer so that the take-up rate would be lower in the first three years. This is equivalent to a reduction of 661,686 envelopes being sent by 2017-18 of which 43% (=284,525) would have gone by standard mail and 57% (=377,161) by recorded delivery.

The first two lines of table 4 show the estimated benefits to the general public from postal savings from switching to electronic channels as being £59k in the final four months of 2014-15, rising to £714k by 2017-18 after which annual benefits remain constant.

b. Changing retention extensions (lines 3 and 4 of table 4)

The need to make retention extension applications will be changed under Option 1 resulting in a fall of 219,905 envelope postings by the general public. Of these 43% (=94,559) would be done by standard mail and 53% (= 125,346) would be done by recorded delivery.

Lines 3 and 4 of table 4 show the estimated benefits the general public will realise from retention extensions as being £197k in the final four months of 2014-15, rising to £595k for the full 2015-16 financial year.

Table 4: Benefits to the General Public from Avoiding Postal Costs for Personalised Registrations (£000s, 2014 prices)

⁹ It is currently forecast that rates will remain stable in the long-term.

	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
Savings from Transactions Apart from Retention Extensions											
Online take-up	16%	35%	46%	62%	62%	62%	62%	62%	62%	62%	62%
1. Standard Mail	14	93	122	164	164	164	164	164	164	164	109
2. Recorded Delivery	45	302	402	550	558	568	577	586	594	603	408
Savings from Removing Retention Extensions											
Take-Up	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
3. Standard Mail	29	88	88	88	88	88	88	88	88	88	59
4. Recorded Delivery	168	507	511	515	519	524	529	534	538	543	365
5. Time savings from not having to fill in Retention Extension forms	8	25	25	26	26	27	28	28	29	29	20
6. Fee Extension Reductions	2,033	5,963	5,869	5,765	5,658	5,547	5,438	5,331	5,227	5,124	3,349
Total Benefits (£s)	2,298	6,977	7,017	7,109	7,014	6,918	6,825	6,731	6,640	6,551	4,310
1. Values of time used are from DFT Webtag uprated to 2014 prices.											

ii. Time savings from not having to fill in forms (line 5 of table 4)

We noted above that there will be time savings to business because they will not need to fill in retention extension forms. Similarly members of the public will no longer have to fill in retention extensions under Option 1. Based on DVLA survey analysis DVLA estimate that the volume of retention extensions which will be done by the general public in the future is the same as that for business ie 219,905.

Based on a DVLA exercise we estimate it takes 1 minute to fill out an extension retention form. The value of leisure is used to monetise the opportunity cost of the time to the general public spent filling out the form. DFT Webtag gives the value of an hour of leisure in 2014 prices as £6.69. This means that for 2014 the time saving to a member of the public from not having to fill in a transfer form = $(1/60) * £6.69 = 11p$. This rises over time as the value of leisure published on Webtag rises to £8.11 by 2024. Line 5 of table 4 gives savings to the general public as the product of the value of a minute of leisure time x 219,905 retention extension transactions.

iii. No longer having to pay a retention fee (line 6 of table 4)

Like businesses the general public will no longer need to pay a fee when retention extensions are abolished. The average retention extension fee – based on DVLA finance data – is £27.74. Given the forecast 219,905 extension retentions each year, the removal of extension retentions will result in annual savings to the general public of approximately £6m from not paying fees. Because fees are fixed in nominal terms the real value of savings shown in table 4 falls over time.

Government

There are likely to be significant savings to government from not having to deal with paper based changes. DVLA estimate these will total £2.4m by 2017-18 when take-up of electronic channels by businesses and the general public reaches its maximum level. Savings will arise because DVLA staff will no longer need to process and input data manually into the system.

Volumes of transactions saved and cost savings to DVLA are set out in Table 5.

Table 5: Savings to DVLA from Option 1 (£000s, 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
Volume Savings	248	1,002	1,240	1,489	1,489	1,489	1,489	1,489	1,489	1,489	992
Benefits	401	1,620	2,005	2,406	2,406	2,406	2,406	2,406	2,406	2,406	1,604

Non-Monetised Benefits

Business

Responses from representatives of the motor industry indicate that the change would improve the service they are able to provide their customers through a fully electronic process i.e. linking PR applications to first registrations.

Having a 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 them to quickly move their PR without a possible risk of losing the rights to use it .

Government

The creation of a digital channel for PR will contribute to the government meeting its Digital Strategy and to DFT meeting the objectives set out in its Motoring Services Strategy.

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 where a PR has been removed from a vehicle.

Summary Costs and Benefits

Table 6 shows the discounted present value of the costs and benefits from Option 1, moving to digital PR channels. Costs and benefits are calculated over 10 years from the introduction of the policy.

Table 6 shows that the NPV of Option 1 = £36.3m over 10 years.

Table 6: Net Present Value from Option 1: Moving to PR Online (£000s, 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
Benefits	4,981	15,000	15,059	15,113	14,425	13,763	13,134	12,532	11,960	11,415	7,264	134,647
Of which												
Business												
(a) Transactions Apart from Retention Extensions	110	530	768	955	923	892	862	833	804	777	501	7,955
(b) Savings from Removing Retention Extensions	2,172	6,164	5,868	5,576	5,294	5,022	4,763	4,518	4,286	4,066	2,572	50,302
Public												
(a) Transactions Apart from Retention Extensions	60	381	489	644	629	616	603	589	576	562	366	5,517
(b) Savings from Removing Retention Extensions	2,239	6,360	6,061	5,767	5,483	5,209	4,949	4,701	4,467	4,244	2,689	52,168
DVLA Reduction Paper Handling	401	1,565	1,871	2,170	2,096	2,025	1,957	1,891	1,827	1,765	1,137	18,705
Costs to Government	8,797	11,523	10,958	10,400	9,861	9,341	8,848	8,381	7,939	7,520	4,749	98,315
Of which												
Transition Costs to DVLA	4,730	0	0	0	0	0	0	0	0	0	0	4,730
Reduced Fee Income	4,067	11,523	10,958	10,400	9,861	9,341	8,848	8,381	7,939	7,520	4,749	93,585
Net Present Value												36,331
Business Net Present Value												58,257

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

Assumptions

It is assumed that digital take up by business will be similar to take up of AFRL and that take-up by the general public will be similar to EVL.

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. However we think this unlikely because there are significant benefits to business and customers from the use of the electronic channels.

Having an online facility will negate the need for customers to send in any documentation to the DVLA. It is recognised that some V5C's 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.

Consideration is currently being given to how assurance may be tightened further for 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.

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.

Policy Review

The policy will be reviewed in December 2019, in line with the Department's Post legislative scrutiny requirement to review actual impact. In addition, take up rates of services will be regularly monitored.

One In, Two Out

The measures are 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 as the direct benefit is greater than the direct costs. The measures are also deregulatory in line with the Red Tape Challenge commitments.

Business Net Present Value

The business net present value for Option 1, the preferred option is £58.26m in 2014 prices and discounted to 2014.

The business net present value is made up of business savings from not having to:

- Carry out retention extensions = £50.26m;
- Do other Personalised Registration Transactions using paper channels = £8m

Equivalent Annual Net Cost to Business (EANBC)

The EANBC of option 1, introduction of electronic PR channels = -£5.35m over the 10 full years of the appraisal.

Small and Micro Business Assessment:

The majority of businesses that will be affected by these changes are small. The provision of the electronic channel will be additional to what is currently provided – existing arrangement will be available for those businesses that wish to use them at no extra cost. However it is our assessment in this IA that businesses will benefit from using the electronic PR channels that are being made available. These benefits come from not having to post PR application forms and not having to fill in PR transfer forms when using the electronic PR channel. In addition our engagement with industry indicates there will be no additional costs – including setup costs – from using electronic channels. As such the preferred option will benefit small businesses.