

EXPLANATORY MEMORANDUM TO

THE SALE OF REGISTRATION MARKS (AMENDMENT) REGULATIONS 2008

2008 No. 2372

1. This explanatory memorandum has been prepared by the Driver and Vehicle Licensing Agency (DVLA) on behalf of the Department for Transport and is laid before Parliament by Command of Her Majesty.
2. **Description**
 - 2.1 These Regulations introduce enhancements to the Sale of Registration Marks scheme.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
 - 3.1 None
4. **Legislative Background**
 - 4.1 The Secretary of State (acting through her executive agency, the DVLA) has power under section 27 of the Vehicle Excise and Registration Act 1994 to make a scheme for the sale of registration marks for motor vehicles.
 - 4.2 The Sale of Registration Marks Regulations 1995 (S.I. 1995/2880) provide for the acquisition by purchase of a right of assignment in relation to a registration mark which is currently unassigned, for the extension of such right and for the exercise thereof (in favour of the purchaser or a nominee).
5. **Territorial Extent and Application**
 - 5.1 This instrument applies to all of the United Kingdom.
6. **European Convention on Human Rights**
 - 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.
7. **Policy background**
 - 7.1 As part of the registration process DVLA assigns a registration mark to a vehicle. The registration mark is a unique means of identifying a vehicle, primarily for taxation and law enforcement purposes. Although, to meet the widespread interest in desirable, personalised and/or cherished registration marks, the DVLA provides special facilities to allow motorists to acquire, retain and transfer the use of registration marks.
 - 7.2 In the past, cases of organised criminal activity aimed at acquiring valuable numbers through illegal means have been identified. Sales of registration marks are therefore carefully controlled, to counter abuse and to protect individuals' interests. The measures currently in place have proved very effective in limiting the scope for abuse and are strongly supported by the police.

7.3 Nevertheless regular complaints are received that the controls surrounding registration marks are too tight and are overly burdensome. A review of the policy associated with the sale (as well as the retention and transfer) of registration marks in the United Kingdom was undertaken. The aim was to explore if any existing restrictions could be removed or enhancements made to improve customer service whilst maintaining the accuracy of the vehicle record and ensuring the necessary safeguards are in place to combat fraud.

7.4 The public consultation was carried out between 4 July 2006 and 10 October 2006. The consultation document was published on the DVLA Web-site and was issued to more than 300 representative organisations and bodies for comment. There were 84 responses, which included 26 from dealers in cherished numbers. After consultation, DVLA has identified cost savings and improvements to customer service that would accrue from the introduction of a web-enabled facility for the purchase of cherished registration marks, and refinements to the retention processes associated with these marks. This will build upon the Government's commitment to introduce electronic services and reduce the administrative burden on business. Regulations will therefore need to be amended. A summary of responses is available on the DVLA Web-site along side the consultation document.

7.5 Following the consultation it was decided that many of the safeguards needed to remain but there were areas where enhancements could be made to reduce the administrative burden. These include:

- Being able to conduct certain transactions on-line or over the telephone;
- Not having to return documentation after an on-line or telephone transaction;
- Providing that the period during which a purchased mark can be assigned to a vehicle may be 2 or 3 years and that such period may be extended by 2 or 3 years; and
- Ability to add or change a 'nominee' at the same time an assignment is accepted.

8. Impact

8.1 An Impact Assessment is attached to this memorandum.

8.2 The impact on the public sector is positive, as this will build upon the Government's commitment to introduce electronic services and reduce the administrative burden on business. The costs of implementation of these enhancements will be covered by DVLA's normal operating budget. DVLA has incurred systems development costs of £9,997,000 for the implementation of the Sale of Marks Web systems project. This cost has not been included in the Impact Assessment because it has already been incurred and the Impact Assessment is only considering the costs and benefits of amending the Sale of Registration Marks Regulations 1995.

9. Contact

9.1 Mrs Suzanne Rees, at the Driver and Vehicle Licensing Agency, an Executive Agency of the Department for Transport, Tel: 01792 783983 or e-mail: suzanne.rees@dvla.gsi.gov.uk can answer any queries regarding these instruments.

Summary: Intervention & Options

Department /Agency: DVLA	Title: Impact Assessment of changes to Sale of Marks regulations.	
Stage: Final	Version: 1.0	Date: 1 September 2008
Related Publications:		

Available to view or download at:

<http://www.dvla.gov.uk/consultations>

Contact for enquiries: Suzanne Rees, DVLA

Telephone: 01792 783983

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

After consultation, DVLA has identified cost savings and improvements to customer service that would accrue from the introduction of a web-enabled facility for the purchase of cherished registration marks, and refinements to the retention processes associated with these marks. This will build upon the Government's commitment to introduce electronic services and reduce the administrative burden on business. Regulations will need to be amended.

What are the policy objectives and the intended effects?

New regulations will allow some post-sale transactions to be conducted on-line and over the telephone. The changes will: remove the requirement to return documentation; enable non-written applications and transactions, and facilitate more flexible services.

What policy options have been considered? Please justify any preferred option.

Consideration was given to a wide range of potential enhancements to the Sale of Marks process. This option will provide the benefits of web-enabled transactions, without introducing opportunities for the commission of fraud.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

The new regulations will be reviewed in 2012.

Ministerial Sign-off For SELECT STAGE Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

Jim Fitzpatrick

.....Date: 9th September 2008

Summary: Analysis & Evidence

Policy Option:	Description:
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COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups'
	One-off (Transition) Yrs	
	£ Nil	
	Average Annual Cost (excluding one-off)	
£ Nil	Total Cost (PV)	£ Nil
Other key non-monetised costs by 'main affected groups'		

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups' Cherished number dealers and individual members of the public will benefit from reduced administrative burden. DVLA will reduce its costs.
	One-off Yrs	
	£ Nil	
	Average Annual Benefit (excluding one-off)	
£ 1.73m	Total Benefit (PV)	£ 14.2m
Other key non-monetised benefits by 'main affected groups'		

Key Assumptions/Sensitivities/Risks The implementation of the Sale of Marks Web System has cost DVLA £9,997,000 .This cost has not been included in the annual costs section because it has already been incurred and therefore only the costs and benefits of amending the regulation is being considered within this Impact Assessment.

Price Base Year 2008	Time Period Years 10	Net Benefit Range (NPV) £ 12.78m-15.62m	NET BENEFIT (NPV Best estimate) £ 14.2m
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What is the geographic coverage of the policy/option?	UK			
On what date will the policy be implemented?	October 2008			
Which organisation(s) will enforce the policy?	DVLA			
What is the total annual cost of enforcement for these organisations?	£ n/a			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	No			
What is the value of the proposed offsetting measure per year?	£ n/a			
What is the value of changes in greenhouse gas emissions?	£ n/a			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)				(Increase - Decrease)
Increase	£	Decrease	£ (133,492)	Net £ (133,492)

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

The Sale of Registration Marks Regulations 2008

The regulations will underpin amendments to the Sale of Registration Marks scheme to complement the introduction of an Internet based system for the purchase of registration marks via the DVLA Sale of Marks scheme.

Background

Registration marks are assigned by the Secretary of State as part of the vehicle registration and licensing process to facilitate the maintenance of the DVLA vehicle register, which underpins the collection of Vehicle Excise Duty, the delivery of road safety measures and for law enforcement generally.

A registration number remains with the vehicle until it is broken up, destroyed or sent permanently abroad. However, because of the widespread interest in personalised registration numbers, individuals are allowed to acquire marks, to retain entitlement to them and transfer them between vehicles. Both DVLA and DVA (formerly the Driver and Vehicle Licensing - Northern Ireland) operate a Sale of Marks scheme, which offers customers the chance to buy assignment rights to marks that have never before been released. The assignment rights allow a purchaser to assign the number to a suitable receiving vehicle, which is registered either in their own name or in the name of a nominated third party (the nominee).

Attractive registration numbers can fetch large sums of money and, in the past, there have been cases of organised criminal activity aimed at acquiring marks through fraud and deception. As a result, the transfer arrangements are carefully controlled to protect against abuse. Only vehicles that are registered, currently licensed, subject to an annual roadworthiness test and available for inspection may take part in the schemes. Only the registered keeper of the vehicle can apply to transfer a vehicle registration number.

Why change the status quo?

Whilst the aforementioned safeguards have been effective, and are supported by the police, there have also been regular complaints that the controls are too tight and overly burdensome. To address this concern, DVLA has undertaken a review of the policy and rules associated with the sale of marks processes. The review, and subsequent consultation, explored the potential for easing the existing restrictions and other ways of improving customer services, whilst maintaining the accuracy of the vehicle register and safeguarding against fraud.

A public consultation exercise was carried out in 2006. The consultation paper was published on the DVLA website and copies were sent to more than 300 representative bodies. There were 84 responses, including 26 from cherished number dealers. A summary of responses is available on the DVLA Web-site along side the consultation document. The Summary of Responses is at Annex 1.

The Proposals

The consultation exercise suggested that, whilst it was appropriate to retain many of the current safeguards, there were potential enhancements that will reduce some of the unnecessary burdens imposed.

Three changes have been identified that will reduce the administrative burden on the public and cherished transfer dealers, without imposing undue risks to the integrity of the vehicle record or increase fraud.

These changes will facilitate the introduction of a web-enabled Sale of Marks process, and a range of on-line transactions.

1. Non return of the Certificate of Entitlement (V750)

At present, the Certificate of Entitlement must be returned to DVLA each time the holder wants to carry out any transaction, and this must be signed by the holder. An amendment to the Sale of Marks Regulations 1995 will remove the requirement to submit a V750 to support an application, and provide for the destruction of the certificate once the transaction has been completed.

2. Non-written applications

Currently, regulations require post sale transactions to be made in writing, supported by the applicant's signature. An amendment to regulations will cater for non-written applications in relation to applications for change of address, nominee changes and extended entitlement periods.

3. Instant Nominee Changes

If a purchaser wished to assign a mark to a third party's vehicle, that person needs to be named as a nominee on the V750. Assignment of the mark cannot take place until the purchaser has received an amended certificate. Regulations are to be amended to allow the option of adding or changing a nominee at the same time as the mark is assigned.

4. Allow a registration mark to be held on a certificate of entitlement for up to 3 years

Currently, regulations allow a mark to be held on a certificate of entitlement for one year at a time, upon payment of a fee of £25.

Regulations are to be amended to allow a mark to be held on a certificate of entitlement for up to 3 years at a time. Fees will be charged on a sliding scale – 1 year £25 (as now), 2 years £50 and 3 years £75.

This facility will save people the need to renew a certificate of entitlement every year while they wait to assign the registration mark in question to a vehicle. Although there are no savings in terms of fees, the new arrangements will be easier for people who might have bought a mark, as a gift for a relative or friend, to be assigned to a vehicle several years later. Members of the public will benefit from a reduced burden of administration.

Costs To Implement the SoM Web System

DVLA has incurred systems development costs as follows

Sale of Marks Web systems project: £9,997,000

This figure is not included in the 'Analysis and Evidence' section of this document but is explained in the 'Key Assumptions' section.

No other costs to government, the cherished transfer industry or members of the public have been identified.

Benefits/Savings Resulting from Implementing the SoM Web System

There are a range of benefits/savings to be gained from implementing the new SoM Web System which are illustrated in the table below:-

Transactions and Wage Rates

	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18
Transa-ctions	24,250	48,500	58,200	67,900	67,900	67,900	67,900	67,900	67,900	67,900
Wage Rates	17.88	18.32	18.79	19.21	19.64	20.08	20.53	20.99	21.46	21.94

Benefits

	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18
Busines Admin	54,199	111,065	136,697	163,045	166,695	170,429	174,248	178,153	182,142	186,215
Public Admin	27,099	55,532	68,349	81,522	83,348	85,215	87,124	89,077	91,071	93,108
Teleph-one Costs	13,427	26,854	32,225	37,596	37,596	37,596	37,596	37,596	37,596	37,596
Postal Saving s	7,760	15,520	18,624	21,728	21,728	21,728	21,728	21,728	21,728	21,728
DVLA Staff	72,000	73,800	75,645	77,536	79,474	81,461	83,498	85,585	87,725	89,918
DVLA Increas ed Revenu e	608,000	608,000	608,000	608,000	608,000	608,000	608,000	608,000	608,000	608,000
DVLA Reduced Commiss ion	302,500	605,000	726,000	847,000	847,000	847,000	847,000	847,000	847,000	847,000

TOTAL	1,084,985	1,495,771	1,665,540	1,836,427	1843841	1851429	1859167	1867139	1875262	1883565
Present value benefits (3.5% discount rate) to 2018	1048294.69	1396318.23	1502221.65	1600340.04	152464.65	1506138.68	1461288.46	1417926.93	1375937.81	1335294.67

The above benefits/savings have been calculated on the basis of an estimated average 97,000 transactions per annum, and the take up rates indicated by a MORI poll conducted for DVLA for the period 2008-18

2008/09 [25%] – 24,250

2009/10 [50%] – 48,500

2010/11 [60%] - 58,200

2011/18 [70%] - 67,900

From 2011/18 the figure of 67,900 (70%) transactions would remain stable. No further take up is envisaged from the 70%.

Business Costs

Telephone costs

The costs currently incurred by members of the public would be reduced as follows:-

The current duration of an average call is 7 minutes (this figure was obtained from the Sale of Marks Department) at 7.91p per minute (this figure was obtained from the Telecomms Department) = 55.37p per call.

2008/09 - £13,427

2009/10 - £26,854

2010/11 - £32,225

2011/18- £37,596

Total savings for the public in telephone costs from 2008-2018 will be **£335,678**.

Postage costs

There will be savings to the public in the form of costs they would otherwise have spent in postage costs. The benefits/savings are calculated as follows

2008/09	24,250 (the number of anticipated transactions that will be conducted utilising the SoM Web System) @32p (the cost of a first class stamp) = £7,760
2009/10	48,500 (the number of anticipated transactions that will be conducted utilising the SoM Web System)@32p (the cost of a first class stamp) = £15,520
2010/11	58,200 (the number of anticipated transactions that will be conducted utilising the SoM Web System)@32p (the cost of a first class stamp) = £18,624
2011/18	67,900 (the number of anticipated transactions that will be conducted utilising the SoM Web System)@32p (the cost of a first class stamp) = £21,728 x 7 (as covering from 2011/18) = £152,096

Total savings for the public in postage costs from 2008-2018 will be **£194,000**.

Administrative Costs

In calculating the administrative burdens on business, this assessment has applied an hourly wage rate of £16.20 , which was used by PriceWaterhouseCooper in 2005 when establishing a baseline estimate of the administrative burden on business. This rate has been increased by 2.5% for the period 2005-2011, and 2.25% for 2012 –2018 to take into account inflation rates over the respective periods.

Administrative cost savings are estimated on the basis that each transaction currently conducted over the telephone takes 15 minutes. There are no figures available to show the proportion of transactions conducted by business and members of the general public. Therefore this assessment is based on an estimation that the business conducts half of all transactions. The savings in time for the general public have been costed at half of the rate applied for business transactions.

DVLA Staff Savings

An analysis of transaction times has indicated a potential staff saving for DVLA of 3.79(obtained through conducting the MORI poll) Administrative Officers.

2008/09	£72,000
2009/10	£73,800
2010/11	£75,645
2011/12	£77,536
2012/13	£79,474
2013/14	£81,461
2014/15	£83,498
2015/16	£85,585
2016/17	£87,725
2017/18	£89,918

The total savings as a result of implementing the SoM Web System will be **£806,642**.

DVLA – Increased Revenue From Sales of Cherished Number Plates

In 2007/08 net revenue from sales was £60.8m. The MORI poll conducted by DVLA has indicated that the introduction of a web based sales facility is likely to encourage a 1% increase in sales of £608,000pa.

DVLA – Reduced Commission Costs

Statistics obtained from A MORI poll indicate that the development of a web site with the facility to sell registration marks electronically rather than using SERCO (telesales) to buy a mark will result in savings on commission that would otherwise be paid. DVLA pays 2.1% on revenue from the first 120,000 sales and 1.8% thereafter. In 2007/08, commission fees were £1.21million. Based on take up rates indicated by the MORI poll the following payments will be saved in what would otherwise would have been costs incurred as a result of commission:

2008/09	£302,500
2009/10	£605,000
2010/11	£726,000
2011/18	£847,000 x 7 = £5,929,000

The total savings as a result of what would otherwise be commission costs are **£7,562,500**.

Impact on Administrative Burden Baseline

There is a saving for business, which has been calculated on the basis of the above Business Admin savings + ½ of the figures for telephone and postal savings. Each of these totals has been discounted to 2018 prices (at 3.5% pa) and the average of the total deflated thereafter to 2005 prices.

The following 'deflation' rates were applied:

2005/06	2.15%
2006/07	2.72%
2007/08	2.91%

Discounted Savings

2008/09	£62,524
2009/10	£123,156
2010/11	£145,687
2011/12	£167,111
2012/13	£164,317
2013/14	£161,581
2014/15	£158,902
2015/16	£156,277
2016/17	£153,702
2017/18	£151,174

Present Value Benefits (3.5% discount rate) to 2018 - £ 1,444,431.

The average discounted benefits are £144,443.

Saving deflated to 2005 prices - £133,492.

Net Benefit Range

The net benefit range has been estimated on the basis of 10%+/- of the Net Benefit.

Small Firms Impact Assessment

Small firms dominate the cherished number industry. But it is not expected that the proposed amendment will impact in any way other than to reduce their costs and administrative burdens.

Competition Assessment

It is not envisaged that the amendments will raise any competition issues.

Race / Disability / Gender Equality

The new regulations will not impact on any of these groups as the regulation will apply equally on all individuals purchasing, extending or assigning registration marks in the Sale of Marks scheme, and all organisations and businesses associated with the process.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	No	No
Rural Proofing	No	No

Annexes

Appendix A

Summary of responses to the DVLA consultation on the policy associated with the transfer, assignment and retention of vehicle registration numbers (between 4 July 2006 and 10 October 2006)

<http://www.dvla.gov.uk/media/pdf/consultations/summ%204072006.pdf>