

## EXPLANATORY MEMORANDUM TO

### THE MOTOR VEHICLES (DRIVING LICENCES) (AMENDMENT) REGULATIONS 2009

2009 No. 788

1. This explanatory memorandum has been prepared by the Department for Transport and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

#### 2. Purpose of the instrument

- 2.1 This instrument delays the introduction of the new practical riding test taken by learner motorcycle and moped riders from 30 March until 27 April 2009 and introduces a two-part practical test (consisting of Modules 1 and 2) from that latter date. It also introduces fees for the two-part practical test and increases those fees for tests conducted on or after 5 October 2009.
- 2.2 The instrument also increases other fees; namely-
  - (a) from 30 March 2009, for theory tests taken by learner car drivers and motorcycle and moped riders; for practical and unitary tests for car drivers and domestic categories of vehicle, for buses, coaches and lorries and vehicles with trailers: and
  - (b) from 6 April 2009, for driving licences exchanged for existing licences and for driving licences to replace those lost or destroyed.

#### 3. Matters of special interest to the Joint Committee on Statutory Instruments

##### Fee increases

- 3.1 The fee introduced for the two-part test practical test for learner motorcycle and moped riders is £10 for Module 1 and £70 for Module 2. The total of £80 is the same as for the current practical test for riders of those vehicles. In respect of tests taken on or after 5 October 2009 the total fee for both modules will increase by £10.50 to £90.50 (13% increase) and the respective fees are: Module 1 £15.50 (55% increase) and Module 2 £75.00 (7.1% increase).
- 3.2 The Module 1 test will not include a further charge for out-of-hours or extended tests. The fee for out-of-hours tests will increase from £82.00 to £88.50 (7.9% increase). The fee for an extended Module 2 test will also increase from £140.00 to £150.00 (7.1% increase) during normal hours and from £164.00 to £177.00 (7.9% increase) for an out-of-hours test in respect of tests taken on or after 5 October 2009.
- 3.3 The fee for the practical tests taken by learner car drivers will increase by £5.50 from £56.50 to £62.00 (9.7% increase) in respect of tests booked on or after 30 March 2009. The fee for out-of-hours tests will increase from £67.00 to £75.00 (11.9% increase) for tests booked on or after the same date. The fee for an extended test will also increase from £113.00 to £124.00 (9.7% increase) during normal hours and from £134.00 to £150.00 (11.9% increase) for an out-of-hours test with effect from 30 March 2009 for bookings made on or after that date. DSA has forecast the cost of delivering this service in 2009/10 will be £108.5 million.
- 3.4 The fee for the unitary tests taken to obtain a driving licence for an agricultural tractor (category F), road roller (category G), tracked vehicle (category H) or mowing machine (category K) will also increase in line with the practical test taken by learner car drivers.

- 3.5 With effect from 30 March 2009 for bookings made on or after that date, the fees the practical lorry and bus tests and for the vehicle plus trailer tests will increase from £105.00 to £115.00 (9.5% increase) during normal hours and from £125.00 to £141.00 (12.8% increase) for an out-of-hours test.
- 3.6 With effect from 6 April 2009, the fee will increase for the most common driver licence transactions undertaken by the Driver and Vehicle Licensing Agency (DVLA) from £17.50 to £20.00 (14.3% increase). These transactions include the exchange of a paper licence for a photocard one; a licence granted in exchange for a licence still in force; a licence granted by way of a replacement for a lost or defaced licence, and the renewal of a photograph on a photocard driving licence.

#### 21 day rule

- 3.7 The Department regrets that this instrument will breach the 21 day rule. The reasons for this are as follows.
- 3.8 If the principal regulations are not amended on or before 30 March 2009 then the Driving Standards Agency (DSA) will be required, in relation to learner motorcycle and moped riders, to conduct a single test which includes the new manoeuvres. This cannot now happen in practice because adequate facilities from which to conduct the volume of such tests that candidates would seek to undertake do not exist for those tests to be properly conducted. It would also be confusing for a single practical test including the new manoeuvres to be conducted for a temporary and short period prior to being replaced by the two part practical test favoured by consultees.
- 3.9 DSA had only just over six months, following the decision (referred to in paragraph 7.1) to defer the implementation of a new manoeuvres test, to consult on new proposals to split the practical test, assess the results of the consultation and prepare legislation to give effect to the proposals. Even so, these processes have taken more time than anticipated and unfortunately, because of being unable to delay the coming into force date for the reasons in paragraph 3.8, the Department has felt obliged to breach the 21 day rule.

### **4. Legislative context**

#### Practical test for learner motorcycle and moped riders

- 4.1 The Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/2864) (“the 1999 Regulations”) were amended by SI 2008/508 to introduce the new motorcycle manoeuvres in implementation of points 6.2.3 to 6.2.5 of Annex II to Directive 91/439/EEC on Driving Licences as amended by Directives 2000/56/EC and 2008/65/EC. Regulation 12 of SI 2008/508 added the new manoeuvres to Section D of Part 1 of Schedule 8 to make them specified requirements of the practical motorcycling and moped tests taken on or after 29<sup>th</sup> September 2008. SI 2008/2508 subsequently deferred the introduction of these manoeuvres for six months until 30 March 2009 to give DSA more time to provide a wider coverage of test centres from which to conduct the new practical motorcycling test.
- 4.3 The European Commission was advised of the decision to defer the implementation.

#### Fees

- 4.4 The fees increased by this instrument have been set in line with HM Treasury guidance: *Managing Public Money*. The DSA fees (those mentioned in paragraphs 2.1 and 2.2(a) above) increased by

this instrument have also been set taking into account the functions and matters specified in the Department of Transport (Fees) Order 1988 (SI 1988/643), which established a common pool for costs incurred in respect of the functions of the Secretary of State in relation to tests of competence to drive motor vehicles. In accordance with the terms of the Order, in setting the levels of fees further to this Order, the Secretary of State has taken into account the costs within those common pools.

- 4.5 The DVLA fees mentioned in paragraph 2.2(b) have been set taking into account the functions and matters specified in the Department for Transport (Driver Licensing and Vehicle Registration Fees) Order 2003 (SI 2003/2994).

## **5. Territorial Extent and Application**

This instrument applies to Great Britain.

## **6. European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy Background**

What is being done and why?

Practical test for learner motorcycle and moped riders

- 7.1 In September last year, key stakeholders and representatives of the motorcycle training industry raised concerns about the number and location of the new driving test centres established to deliver what was then to be the new single event practical motorcycling and moped test. Taking account of their views, Ministers decided to defer implementation of the new test for a period of six months to allow for consideration of new delivery options that would enable the test to be offered from a wider range of locations.
- 7.2 As a result of the consultation which followed that decision, it was decided the practical test for learner motorcycle and moped riders should be split into two parts. This would allow the provision of a greater number of driving test centres from which to deliver the test as well as enabling better utilisation of the current test centre estate and thereby giving improved geographic coverage. It would also offer an improved level of customer service for motorcycling test candidates and reduce the travel distance to driving test centres for some candidates.
- 7.3 As part of the consultation, DSA also sought views on increasing the fee for the practical motorcycling test. This is further discussed at paragraph 7.10 below.

DSA Fees

- 7.4 DSA is required both through its status as a Trading Fund and by the HM Treasury Guidance to ensure that, as far as is reasonably practicable, the income from fees it receives from customers covers the costs it incurs in providing its services. The Agency also seeks to apply the HM Treasury's "user pays" principle unless there are good reasons, such as social exclusion, for not doing so. It has explicit statutory powers to collect these fees, mainly set out in the Road Traffic Act 1988, as amended, most recently by the Road Safety Act 2006
- 7.5 DSA proposed changes to the fees for a number of services in its consultation paper: *Driving Standards Agency Fees 2009*, to ensure that the costs of delivering the services provided are recovered in a fair and efficient manner. The consultation paper was issued on 27 October 2008.

- 7.6 The original proposals sought to increase the fee for the practical car test taken by learner drivers from £56.50 to £63.50 (+12.4% increase) and the fee for the practical vocational and car plus trailer test from £105 to £119 (13.3% increase). Maintaining fees at current levels would produce a deficit of £5.5million for the car test account and £2 million for the vocational test account in 2009/10. Following consultation, the current difficulties faced by the general public and road and passenger transport operators caused by the change in economic climate were recognised. It was decided to reduce the level of increase for fees in respect of those tests taken during normal working hours
- 7.7 The fee for the practical car test taken by learner drivers will increase from £56.50 to £62.00 (9.7% increase) and the fee for the practical vocational and car plus trailer test from £105 to £115 (9.5% increase). As candidates can avoid paying a premium fee by taking their practical test during normal working hours, it was also decided to allow the proposed level of increase to stand in respect of tests taken in the evenings or at week-ends.
- 7.8 The lower fee increases and subsequent lower fee income will require cost cutting in the following areas:
- Limiting the spend on the *Learning to Drive* programme, matching DEL-funded expenditure of £2m with £2m fee-funded expenditure;
  - severely curtailing our programme of staff and customer conferences;
  - cuts in staff training;
  - reducing the offer of out-of hours and week-end test appointments in line with falling demand;
  - allowing national average waiting times for car tests to rise to 8 weeks;
  - investigate replacing the *Are U Ready* information DVD sent to all candidates with a web service;
  - revisiting DSA's targets for 2009/10.
- 7.9 The changes to the new practical motorcycling test and its associated fees were publicised via Press Notice, messages posted on the DSA website, and an article in *Despatch* magazine and *Despatch Express* which are sent to Approved Driving Instructors and others interested in road safety. Similar arrangements have been made to publicise in advance the fee changes from 30 March.

#### DSA fees for the practical test for learner motorcycle and moped riders

- 7.10 The October fee increase for the practical motorcycling and moped tests is required to cover the additional cost DSA will incur in providing the extra examiner resource required for the modular test. It will better reflect the true cost of delivering each specific module and takes account of stakeholders' views that fee increases should be proportionately higher for Module 1 than Module 2. The higher fees will not significantly address the current deficit in the Agency's practical motorcycling test account

#### DVLA Fees

- 7.11 DVLA is required both through its status as a Trading Fund and by the HM Treasury Fees and Charges Guidance to recover the costs of its operations through fees collected for the statutory services it delivers. In circumstances where it makes a deficit on such services and fees, it has a statutory duty and explicit HM Treasury guidance imposed upon it, to make good such deficits as quickly as possible. It has explicit statutory powers to collect each of these fees, mainly set out in the Road Traffic Act 1988, as amended, most recently by the Road Safety Act 2006
- 7.12 Fees will still not be charged, however, to drivers who notify the Agency of a change of name or address, drivers over the age of 70, for extension of vocational driving entitlements or for any medical renewals or notifications.

## Consolidation

- 7.13 Although this instrument further amends the 1999 Regulations, the Department for Transport has no current plans to undertake a consolidation, which would be a very significant exercise.

## **8. Consultation outcome**

### Practical test for learner motorcycle and moped riders

- 8.1 There were 231 responses to the consultation paper: *Introducing the new practical motorcycling test and associated fees*. The proposal for a modular test was generally well supported by respondents including the key stakeholders in the motorcycle training industry and road safety groups.
- 8.2 Respondents to the consultation raised concerns about the need for a ten-day minimum wait before candidates are allowed to retake a failed test. However, reducing the minimum wait would send the wrong message to candidates and would not allow time for further training.

### DSA fees

- 8.3 DSA included details of these fee proposals in its consultation paper: *Driving Standards Agency Fees 2009*, there were 176 responses. The proposals to increase the fees for driving tests attracted anticipated strong opposition. However, respondents offered no credible alternatives to raising fees to provide the additional income needed by DSA to maintain its services, other than by increased efficiency savings.

### DVLA fees

- 8.4 The Agency ran a consultation exercise from 31 October 2008 to 23 January 2009 and proposed three options for raising the fee levels; increase the fee for the most common transactions by £2.50 (Option 1); increase all driver fees (excluding those to which the common fee level applies) by £5.50 (Option 2) or increase all driver fees by £2.00 (Option 3). The most favoured was Option 1 and after consideration, Ministers decided on this option - to implement the change of the driver's common fee level from £17.50 to £20.00 with effect from 6 April 2009.

## **9. Guidance**

No guidance is being provided.

## **10. Impact**

- 10.1 The impact of the new practical motorcycling test on the public sector is minimal. DSA is committed to the implementation of the new manoeuvres as part of the new practical motorcycling test.
- 10.2 Driving test fees do not directly impact on the public sector. Candidates are responsible for paying their own test fees, either personally or through trainers approved by DSA to book tests on behalf of their customers. There is no significant impact to charities or the voluntary sector.
- 10.3 In relation to driving licence fees and the impact of fees increase upon business, such fees are a matter for individual drivers. Some organisations choose to pay their drivers' fees but with the continuing free issue of vocational licences and processing of additional entitlements, the effects on the various business sectors will be negligible. There is no significant impact to charities or the voluntary sector.

10.4 Final Impact Assessments are attached to this memorandum

## **11. Regulating small business**

The legislation does not apply to small business.

## **12. Monitoring & review**

12.1 DSA will review the operational impact of the new modular practical motorcycling test on an ongoing basis and formally on a quarterly and annual basis within its business planning cycles. The impact of the new motorcycle test on road safety will be assessed over a longer period, expected to be between 5 and 10 years.

12.2 DSA fees are not subject to an annual increment based upon a specific formula. In general, they are reviewed each year as part of the business planning cycle and amended accordingly.

12.3 DVLA reviews its fees annually as part of the business planning process.

## **13. Contact**

The officials at the Department for Transport who can answer any queries regarding this instrument are:

New practical motorcycling test: Nick Taylor, Driving Standards Agency, The Axis Building, 112 Upper Parliament Street, Nottingham, NG1 6LP. Tel 0115 936 6092. E-mail: [nick.taylor@dsa.gsi.gov.uk](mailto:nick.taylor@dsa.gsi.gov.uk)

DSA Fees: Rick Annable, Driving Standards Agency, The Axis Building, 112 Upper Parliament Street, Nottingham, NG1 6LP. Tel 0115 936 6099. E-mail: [rick.annable@dsa.gsi.gov.uk](mailto:rick.annable@dsa.gsi.gov.uk)

DVLA Fees: Ray Jones, Driver and Vehicle Licensing Agency, Policy and External Communications Directorate, Longview Road, Swansea, SA6 7JL. Tel 0179 278 3994. E-mail: [Ray.Jones@dvla.gsi.gov.uk](mailto:Ray.Jones@dvla.gsi.gov.uk)

## Summary: Intervention & Options

<b>Department /Agency:</b> <b>Driving Standards Agency</b>	<b>Title:</b> <b>Impact Assessment of 2008 New practical Motorcycling Test</b>	
<b>Stage: Final</b>	<b>Version: 1</b>	<b>Date: 21 October 2008</b>
<b>Related Publications:</b> Consultation paper: Introducing the new practical motorcycling test and associated fees		

### Available to view or download at:

<http://www.dsa.gov.uk>

**Contact for enquiries:** Rob Davies

**Telephone:** 0115 936 6213

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

The new practical motorcycle test implements the new EU standards and was due to be introduced 29 September 2008 as a unitary test delivered from Multi Purpose Test Centres (MPTCs) however only 38 would be operational in September. Following discussion with motorcycle interest groups it was decided to defer the implementation for 6 months, in order for DSA to investigate further alternative options to deliver the new test and increase service coverage. DSA needs to address the stakeholder concerns over test provision coverage within the timetable commitment given to EU Commission for implementing EU law. We expect at launch on 27 April that 89% of customers to be within 45 minutes of a Module 1 testing location and 96% from a Module 2 testing location.

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

To address stakeholder concerns by increasing coverage by providing more flexible site solutions rather than relying on the development of large MPTCs with adjacent suitable on-road test routes. Meet commitments to EU Commission for the new implementation date and minimise the risk of infraction proceedings.

Increase customer service level by giving flexibility and choice for people wanting to take a motorcycle test. Ensure that new arrangements are cost effective

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

Option 1 Continue with policy to implement the new practical test as a single element on 30 March using the expected estate of 45 MPTCs. This meets the secretary of state target but fails to address stakeholder concerns for service coverage.

Option 2 Develop and implement a modular motorcycling practical test. A modular test will enable DSA to be more flexible when looking for sites to conduct both elements of the new motorcycling test. A modular test will also give customers more choice and flexibility about how and where they want to take the test. This is in line with the approach in the recent Learning to Drive consultation exercise

**When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?** There will be a review in 2013 to coincide with the implementation of the 3rd Directive concerned with graduated licencing.

### **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: 28/1/2009

## Summary: Analysis & Evidence

<b>Policy Option: 1</b>	<b>Description: Develop modular motorcycling practical test</b>
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<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups' One-off costs relate to the trainer's potential investment in people carriers and trailers, IT Costs and Communications costs.  Annual costs are the extra resource costs needed - examiners (£1.19m) and call centre (£60k).
	<b>One-off</b> (Transition)	<b>Yrs</b>	
	£ 3.6 m	1	
	<b>Average Annual Cost</b> (excluding one-off)		
£ 1.25 m	10	<b>Total Cost (PV)</b>	<b>£ 14.34 m</b>
Other <b>key non-monetised costs</b> by 'main affected groups'			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups' Benefits relate to the savings made in the costs of testing (£21.84), mileage (£7.82) and time (£10.41) per candidate
	<b>One-off</b>	<b>Yrs</b>	
	£ 0		
	<b>Average Annual Benefit</b> (excluding one-off)		
£ 3.33m	10	<b>Total Benefit (PV)</b>	<b>£ 28.64m</b>
Other <b>key non-monetised benefits</b> by 'main affected groups' Other benefits include greater flexibility and coverage in test sites, greater flexibility in training methods and course structure which will improve road safety, examiner feedback from module 1 improving chances of passing module 2, easier deployment of examiners and potential increased demand for motorcycles.			

### Key Assumptions/Sensitivities/Risks

Price Base Year 2008	Time Period Years 10	<b>Net Benefit Range (NPV)</b> <b>£ 14.3m</b>	<b>NET BENEFIT (NPV Best estimate)</b> <b>£ 14.3m</b>
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What is the geographic coverage of the policy/option?				
On what date will the policy be implemented?				30/03/2009
Which organisation(s) will enforce the policy?				
What is the total annual cost of enforcement for these organisations?				£
Does enforcement comply with Hampton principles?				Yes/No
Will implementation go beyond minimum EU requirements?				No
What is the value of the proposed offsetting measure per year?				£
What is the value of changes in greenhouse gas emissions?				£
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?	N/A	N/A	N/A	N/A

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)		(Increase - Decrease)
Increase of £ 0	Decrease of £ 0	<b>Net Impact £ 0</b>

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



## Background

In October 2000 the European Commission adopted Directive 2000/56/EC that introduced higher standards for all driving tests. Implementation of the Directive was originally required by 2005, but the Commission agreed a deferment until 29 September 2008 (confirmed by directive 2008/65/EC) because of implementation difficulties faced by some Member States.

One of the higher standards introduced by the Directive was to require all motorcycle riders undertaking practical tests to carry out more demanding specified manoeuvres. The Directive, at Annex II, point 11 allowed each Member State to assess the manoeuvres on a “special testing ground”.

The original consultation resulted in a single event test being the preferred option with a scheduled introduction date of 29/09/2008. Following representations from the motorcycle industry concerned about the shortfall in MPTC sites from where the single event test would be delivered, the option to introduce a modular two part test from 30/03/2009 is being considered.

The main aim of the directive was to improve the road safety for motorcyclists who have the highest fatality rate of all road users and account for 20% of all fatalities. In 2007 6,379 motorcyclists were killed or seriously injured.

The modular option will still fulfil this objective and will encourage new riders to prepare for the two module tests more thoroughly; they will in some cases also have a shorter distance to travel to take the test.

Modular testing has been proposed in Learning to Drive consultation and has already been developed as part of the Driver Certificate of Professional Competence.

## Options

1. Introduce the new practical motorcycle test as a single event
2. Introduce the new practical motorcycle tests as a modular test

### Option 1 Deliver a single event unitary test on March 2009 at the sites available at that date.

The single event test will compose of a special manoeuvres element and an on-road element which will be taken consecutively and based at the same location.

The table below gives estimated timings for a single event test:

Activity	New M/C Test (mins)
Meet and Greet Fit radio equipment Vehicle safety questions	8
Motorcycle special manoeuvres Exercises <sup>1</sup>	10 – 13
Road Riding (Min 30 minutes)	30 – 33
Record assessment Give result and DSA 10 Recover radio Complete Documentation	9
Recovery time	5
Total Time (Minutes)	65

The motorcycle special manoeuvres test will be conducted at an MPTC, VOSA or casual site. The on-road element will be conducted immediately after the special manoeuvres element on approved test routes within close proximity of the test location. If the candidate is not able to prove they can reach the appropriate level of competency on the off-road area then they will fail the practical test but will have the

<sup>1</sup> This includes the time taken to wheel the motorcycle onto the off road area and the time to remove the bike from the area to the test centre bike park.

option of continuing on to the on-road if it is deemed by the examiner safe to do so. If the candidate fails they will have to retake the whole test (at £80) for failing either element of the test.

Based on trials conducted with novice riders the pass rate for the special manoeuvres element was 64%. The existing practical motorcycle test which contains most of the aspects from the on-road element from the new motorcycle practical test has a pass rate of 65%

DSA have experienced significant difficulty in acquiring MPTCs that meet the requirement for an off road manoeuvring area and access to suitable meaningful test routes. Both are required to deliver a single event test. Up to the end of October 2008 704 sites had been visited, 286 (40.6%) have been rejected and 38 of the sites have been made operational. The majority of sites have been rejected after an assessment because of the location and lack of access to suitable test routes. Those which passed the assessment will have fallen through because of cost, developer lack of interest and planning etc.

Delivering tests from MPTCs and casual sites with suitable test routes restricts the number of sites and makes for an unequal distribution throughout the country. There are concerns from the motorcycle training industry that members without a local MPTC maybe disadvantaged if their potential customers elect to take CBT and full test training only at locations with an MPTC even if this means travelling and extra costs.

The single event is reliant on providing a manoeuvring area in a location which has a suitable on-road test route. This requirement has contributed to the difficulties finding sufficient sites leading to criticism from the press and the motorcycle industry. Motorcycle interest groups have supported the introduction of the test but subsequently raised numerous concerns about coverage. These have included safety of their candidates travelling long distances and the continued viability of some ATBs, who will not be close to a point of service. These concerns have led to the deferment of the test and pressure on DSA to improve the situation.

## **2. To develop and implement a modular motorcycle practical test – preferred option.**

Delivering a modular test will provide DSA with greater flexibility identifying suitable sites. Sites for the special manoeuvres element will not need to be adjacent to suitable test routes. The on-road element could then be offered from a number of existing DTCs.

The modular test will comprise of 2 modules:

- Module 1 will essentially consist of the off road motorcycle special manoeuvres elements
- Module 2 will essentially consist of a road riding assessment

Candidates will need to have passed a module 1 test before being allowed to start a module 2 test.

From trials carried out with novice riders it is expected that the pass rate for module 1 will be 64%, module 2 is similar in format to the existing test which has a pass rate of 65%. Candidates will be able to retake their module 1 after 3 clear working days and module 2 after 10 clear working days, this is in line with current test policy and practice.

All candidates will have the following booking options:

- Book module 1 test then once completed successfully, book the module 2 test at a later date
- Book module 1 and module 2 tests on the same day (subject to availability), to be delivered from the same MPTC or site with suitable test routes
- Book module 1 and module 2 at the same time but for different dates.

The table below gives estimated timings for each module

<b>Activity</b>	<b>Module 1</b>	<b>Module 2</b>
Meet and Greet Fit radio equipment Vehicle safety questions	2	8
Motorcycle special manoeuvres Exercises <sup>2</sup>	13	0
Road Riding (Min 30 minutes)	0	35
Record assessment Give result and DSA 10 Recover radio Complete Documentation	4.5	9
Recovery time	2.5	5
<b>Total Time (Minutes)</b>	<b>22</b>	<b>57</b>

DSA have regular project board meetings which include external stakeholders and held high level meetings with Motorcycle interest groups. The feedback from these consultations has been very positive towards modular testing.

The Motor Cycle Industry Association have written to DSA in support of modular testing:

*“We strongly support the proposal to introduce modular testing as it will open up many more possibilities for test centres thus reducing the threat to our members’ livelihood. Modular testing has been seen by our members as a ray of light at the end of a dark tunnel. They have been reassured that the DSA is taking their views into account and they are very surprised and pleased by the level of understanding and the willingness to find a reasonable alternative that has been shown by the DSA since the implementation was delayed.”*

## **Analysis of Impacts**

### **Groups and Sectors**

The main groups affected by changes to the delivery of the test will be the motorcycle Approved Training Bodies (ATBs), candidates taking the motorcycle test, motorcycle retailers and manufacturers. The modular test will have an impact across the whole of Great Britain.

### **Approved Training Bodies**

There are approximately 800 ATBs authorised by DSA to provide the statutory CBT course. The ATBs vary in size from one person operators to large organisations with franchises around the country. These employ around 3500 approved motorcycle instructors.

80% of motorcycle test candidates undertake training and book their test through an ATB. Changing the delivery of the test to a modular approach will have a direct impact on the way the training organisations deliver their courses and could also affect the number of people prepared to learn to ride i.e. positively as it is safer and negatively as it is seen to be too complicated. Trainers will be affected by the location and number of points of service with additional costs for greater distances travelled. Those trainers that are closer to a point of service could be at an advantage to those further away.

If an ATB ceases to operate, because they are not close to a local testing facility, it could lead to a lack of motorcycle training provision in a particular area. Affected learners may not have access to Compulsory Basic Training (CBT), the statutory training requirement for all learner riders before they can ride on the road. In these circumstances novices would need to travel extended distances to take CBT and further training which could deter many from taking up motorcycle riding. Removing the ability to test effectively locally could make a business unviable and unprofitable.

<sup>2</sup> This includes the time taken to wheel the motorcycle onto the off road area and the time to remove the bike from the area to the test centre bike park.

## **Candidates:**

Test candidates are broken down into various groups; Moped, Learner legal 125cc motorcycles and larger motorcycles operating under the Direct Access Scheme. This latter category makes up some 80-85% of tests conducted.

The potential impact of changing the delivery of the motorcycle test could include:

- Distance travelled – How far a candidate will need to travel to a point of service whether that is travelling further to an MPTC for the single event test or possibly taking 2 shorter journeys for the modular test.
- Cost of training and hiring motorcycles – If the journey time is longer then costs for the candidate will increase for the hire of the motorcycle and paying for the trainer's time
- Cost of re-taking the test – Failing either element during a single event test will mean the whole fee is lost and the full fee would need to be paid for a re-test. Modular testing allows the candidate to lose, and pay for, only the fee relative to a particular module.
- Different approach to training methods – Better training methods will provide the candidate with improved riding skills and make them a safer rider.
- Increase in illegal riders – If acquiring a motorcycle licence is perceived to be too difficult or expensive this could lead to new trainees riding illegally. Similarly those that are able to complete CBT may increase the numbers who prefer to remain permanent learners, retaking CBT every 2 years.

## **Motorcycle Retailers and Manufacturers**

This stakeholder group supports road safety initiatives whilst seeking to ensure that changes that are introduced do not deter new customers from motorcycling.

### **Consultation**

DSA has representation on the new motorcycle test project board from the following motorcycle interest groups:

- MCIA – Motor Cycle Industry Association
- MRTA – Motorcycle Rider Training Association
- A representative from a non-affiliated Approved Training Body.

DSA have held various high level meetings with motorcycle interest groups to discuss how to improve coverage of the motorcycle test

- MRA – Motorcycle Retailers Association
- MCIA – Motor Cycle Industry Association
- MRTA – Motorcycle Rider Training Association

It has been clear during these consultations that external organisations are in favour of a modular test option.

## **Costs**

### **Option 1 – Single Event Unitary Test**

We currently forecast that 45 full MPTCs will be operational by 30 March 2009; these will result in 62% of the GB population being within 45 minutes of an MPTC; 83% within 60 minutes; and 97% within 90 minutes.

In addition, we will provide weekend testing only from between 14 and 20 part-time (weekend only) VOSA sites and additional mid-week testing from up to 3 casual-hire sites.

Whilst VOSA sites improve test coverage they will have limited availability and throughput of tests will be significantly less than at an MPTC. These sites will only be available on Saturday afternoons and Sundays and DSA are likely to experience difficulties securing voluntary examiner resource. Feedback from motorcycle trainers suggests they prefer to conduct CBT courses at weekends rather than tests. Therefore the vast majority of tests will be conducted at MPTC or Casual sites.

A single event test will not allow for flexibility in test delivery and will mean that candidates, in the main, will have to travel to their nearest MPTC. We have received feedback from motorcycle organisations and training groups that due to gaps in coverage some candidates could travel for 2 hours or more each way to conduct their test which has led to safety concerns being raised.

Around 80% of motorcycle test candidates are accompanied to the test centre by an approved trainer, under the requirements of the Direct Access Scheme. Longer journeys for candidates will mean higher costs to pay for the additional time the trainer has to be with the candidate and for possible hire of the motorcycle. The motorcycle trainer may try to reduce costs by taking up to 4 candidates but as the manoeuvring area can only accommodate one test at a time this may be impractical as each candidate would have to wait while each rider conducts their test.

To utilise the area efficiently there are staggered test times during the day for up to 4 examiners. This is not very flexible and means that it is difficult to integrate with other test work programmes

## **Option 2 – Modular Version of the Test**

The customer will have the opportunity of taking the test modules on separate days or together at the same site. If the candidate chooses to take the test on separate days then they will travel to a test centre twice. This will mean that although they are shorter journeys the distance covered may be greater.

The length of journey will depend on the coverage in their area. Modular testing will allow a greater number of sites to be developed and give DSA the opportunity of providing better coverage.

A transition to a modular test approach would provide an opportunity to increase the points of delivery for both modules. The expectation is that there will be 100 points of service which will include at least 60 sites with a manoeuvring area.

Modular testing gives a trainer the opportunity of taking more than two candidates at a time to a test centre. The module 1 test is particularly suited to this as it is shorter and more can be conducted in a day. To facilitate this it may be necessary for trainers to purchase a minibus and trailer to transport more than two candidates and a motorcycle to the test centre.

### **Trainer costs**

For the purpose of this exercise, the average cost of purchasing a minibus and trailer are assumed to be as follows:

Cost of minibus = £15,000

Cost of trailer = £800

### **Test Fee**

When the modular test is implemented the fee will remain at £80. An increase is planned for October 2009 and is included in a separate impact assessment.

### **DSA Costs**

#### **IT Changes**

IT changes will have to be made to ensure that modular tests can be booked and to enable results to be captured.

Changes to Booking System (DTCS-T)	£12,000
Changes to Internet Booking System (IBS)	£9,000
Changes to Scanning to capture results	£73,000
<b>Total Cost of Implementing IT Changes</b>	<b>£94,000</b>

## Staff Resource

### Examiner Costs (per annum)

Single event test examiner resource	79
Examiner Resource for Module 1	67
Examiner Resource for Module 2	34
Total Examiner resource for Modular test	101
Additional Examiners	22
Examiner Cost Summary	£741,633
Examiner Overheads	£444,980
Total Examiner and Related Costs	£1,186,613

### Contact Centre Costs (per annum)

Total staff resource cost	3682610
Call volumes	2000000
No bike tests	83000
Percentage bike tests booked by phone	79%
Expected additional time	50%
Total Additional Cost for modular testing	£60,367

### **Communications (one- off cost)**

Information pack and DVD	£29,000
Posters and Leaflets	£1,200
ATB Events	£600
Focus Group Events	£3,400
Total	£34,200

## Benefits

### **Modular Testing**

Explanation of financial information

Four motorcycle trainers who are part of DSA's regular informal stakeholder group were contacted for assistance in compiling the information. They are representative of trainer groups from across the UK and are based in Scotland, the midlands, inside the M25 and Kent.

In each case they were asked what they anticipated the costs or benefits of modular testing would be and to give an indication of the financial implications.

Some background information from DSA's road safety information system, RSIS, has been used. Independent trials were carried out by Transport Research Laboratory (TRL) of the special motorcycle manoeuvres; information on the pass rate of these trials has also been used in this report.

Three different models have been used to establish the likely costs and benefits:

- Single event test where the trainer travels by bike with two trainees to one location to take the single event test.
- Modular test with part of the transport arrangements involving a people carrier and trailer to transport the trainer, up to six trainees and two or more bikes to the module 1 event.
- Modular test with all training and transport carried out bike to bike at a 2:1 ratio.

We understand that 40% of the 800 Approved Training Bodies (ATBs) will have to travel further than 45 minutes or 20 miles to an MPTC. This group may consider using car and trailer transportation; It is assumed that approximately 1/3 of ATBs may already have some form of four wheel transport and trailers for recovering motorcycle breakdowns.

The number of motorcycle tests was estimated to be 83,000 based on previous years demand.

**Table 1** Shows the costs associated with a typical motorcycle training course structure based on a modular test with the trainer using a car and trailer to transport trainees and bikes to the manoeuvring area. This could enable a higher trainer: trainee ratio to travel to and from the test than the 1:2 ratio typically used when all parties are riding motorcycles.

<b>Table 1</b>			
Typical course structure		Modular	
Based on trailer use for Mod 1			
4 days training		£ 655.00	4 x daily rate
1/2 day Mod 1 test		£ 27.26	0.5 daily rate x 0.333 (6:1 Vs 2:1)
Mod 1 Test Fee		£ 26.50	
Mod 1 mileage cost		£ 26.40	car trailer cost
Mod 1 travel time		£ 15.13	travel time cost x 0.333
Mod 1 Candidates Travel time		£ 2.82	
1/2 day Mod 2 test		£ 81.88	0.5 * daily rate
Mod 2 Test fees		£ 53.50	
Mod 2 mileage cost		£ 1.56	bike cost
Mod 2 travel time		£ 9.96	travel time cost
Mod 2 Candidate travel time		£ 1.86	
<b>Total</b>		<b>£901.87</b>	

**Table 2** Shows a typical course structure for a modular test with training carried out bike to bike with no alteration in training ratios, all travel by motorcycle.

<b>Table 2</b>			
Typical course structure		Modular	
Based on 2:1 bike to bike for Mod 1 & Mod 2 on same day			
4 days training		£ 655.00	4 x daily rate
1 day Mod 1 & 2 test		£ 163.75	0.5 daily rate
Mod 1 and 2 Test fee		£ 80.00	
Mod 1 & 2 mileage cost		£ 47.52	
Mod 1 & 2 travel time		£ 45.44	travel time cost
Mod 1 & 2 Candidate travel time		£ 8.47	
<b>Total</b>		<b>£1000.18</b>	

**Table 3** Shows a typical course structure for a single event test. All training bike to bike at a 2:1 ratio. This is the Business as Usual Scenario.

<b>Table 3</b>			
Typical course structure		Single event	
4 days training	£	655.00	4 x daily rate
1 day test	£	163.75	1 x daily rate
Test Fee	£	80.00	
Mileage cost	£	47.52	3 x bike travel mileage
Assessor Travel time	£	45.44	travel time cost
Candidate travel time	£	8.47	
		<b>£1000.18</b>	

**Table 4** Shows the net difference comparing modular test training to single event test training, the all candidates figure is based on 83,000 tests per annum

<b>Table 4</b>			
Net difference Modular (using trailer on module 1) versus Single Event			
Single Event			£ 1000.18
Modular with trailer			£ 901.87
Per candidate			£ 98.31
All candidates			<b>£ 8,159,912.04</b>

**Table 5** Shows the net difference of a modular test with training carried out bike to bike compared to a single event test.

<b>Table 5</b>			
Net difference Modular same day versus Single Event			
Single Event			£ 1000.18
Modular (bike to bike)			£ 1000.18
Per candidate			£ 0
All candidates			£ 0

**Table 6** Shows Costs for a candidate undertaking the modular tests based on 40% of trainers opting to use a people carrier and trailer.

<b>Table 6</b>			
<b>Option 2</b>			
Training			£ 655.00
Testing			£ 141.91
Average Mileage Cost			£ 39.70
Test Fee			£ 80.00
Assessor's Time			£ 37.30
Candidate's Time			£ 6.20
<b>TOTAL</b>			<b>£ 960.10</b>



**Table 8** Shows Total Annual Savings for a candidate conducting a Modular Test

<b>Table 8</b>		
<b>Savings</b>	<b>p/candidate</b>	<b>Total Annual Savings</b>
Training	£ -	£0.00
Testing	£ 21.84	£1,813,072.75
Average Mileage Cost	£ 7.82	£649,392.00
Test Fees	£ -	£0.00
Assessor's Time	£ 8.14	£675,534.96
Candidate's Time	£ 2.27	£188,728.13
<b>Total</b>		<b>£3,326,727.84</b>

## **Non-monetised Benefits**

### **Option 1**

The single event test was ready to be implemented September 2008 and bookings were taken for the new test before the deferment was agreed. The infrastructure and procedures are in place and little or no additional expenditure or effort would be required.

The single event test will mean that the candidate will have to make one booking and will have one event to attend.

### **Option 2**

#### **Sites and coverage**

- A modular test allows for greater flexibility for identifying sites to deliver the practical motorcycle test by removing the requirement to have adjacent suitable test routes.
- A single event test would mean that a permanent site would still need to be found for every proposed search area which could take a considerable amount of time and resource.
- VOSA sites could be utilised more efficiently by conducting only module 1 tests to increase the throughput and make better use of the available examiner resource.

Having better coverage will make journey times shorter to each of the test centres and reduces the inconvenience to the candidate. This has consistently been the major issue raised by the motorcycle industry and press.

Modular testing also allows DSA to look at various schemes to help trainers and candidates if their test centre is further way such as providing trailers and garaging facilities for ATB motorcycles.

#### **Trainers**

Current training and testing arrangements encourage a test driven approach. Adopting the modular approach would encourage a more needs and competency driven approach to training methods. This in turn should result in new riders being better equipped to deal with the very real risks they face in their first years of riding. Delivering a modular test may reduce the reliance on intensive courses and would give greater choice and flexibility of training methods and course structure. Courses could be focussed more on teaching needs rather than a one size fits all. This modular approach to training currently forms part of the learning to drive consultation and experience from across other educational areas shows that modular approaches to learning are more efficient ways to communicate subject matter.

Many trainers have registered concerns over the distance some novice riders would be required to travel to complete a single event test at a MPTC; the modular approach would resolve many of these concerns as greater flexibility in training and testing arrangements would be available to candidates and trainers alike.

These changes to the way the training is delivered should improve road safety and save lives. The motorcycle casualty rates are the highest amongst road users; improving the riding skills of motorcyclists is a key aspect of the Government's Motorcycle Strategy. The cost of a road fatality is in the region of £1.5m, the emotional and social consequences are far higher, therefore any reduction in the fatality rates has substantial benefits

## **Candidates**

The candidate would be able to choose to take the two modules separately, this allows them to “pay as they go”, or to take both modules on the same day. Under single event testing arrangements failure of the special motorcycle manoeuvres would result in the candidate having to pay the full single event fee. Adopting a modular approach would mean they only lose part of the fee. If both modules are booked within the 3 day cancellation period it will mean they will be liable for the whole test fee if they fail the first module. Initial indications from the training industry they will book module 1 and module 2 far enough apart to avoid loss of the module 2 fee.

Modular testing gives candidates the chance of receiving feedback from the first module and the opportunity to re-assess their training needs. This helps make the training and course more appropriate to the needs of the individual.

## **DSA**

Adopting a modular approach to testing, as opposed to providing a single event test, would remove constraints around examiner utilisation and accommodate a more efficient approach. Tests would not need to operate at complex, staggered times, as previously planned for the single event test, as examiners would be fully occupied delivering module 1 only tests. This would enable greater flexibility to, where required, integrate examiners with other categories of testing within the same daily programme. Therefore an impact of the additional length of time required for modular testing is mitigated by creating the greater flexibility to enable examiners to be scheduled more effectively.

## **Manufacturers, Retailers and Small Firms**

A more demanding test combined with better training practises will reduce motorcycle accident rates and improve the perception of motorcycle riding to the public.

The proposal to use a modular approach for the practical motorcycling test will increase the points of delivery helping those smaller businesses and training bodies which could have been further away from a single event testing facility. The Motor Cycle Industry Association support the introduction of modular testing as they feel that with extra service provision it will reduce the threat to their member’s livelihoods especially those which are small businesses.

## **Rural proofing**

The proposal to split the practical motorcycling test into a modular format will positively impact on those living in rural areas. The implementation of the new practical motorcycling test as a single event would have meant that some candidates would have had to travel long distances in order to take a test at a MPTC. The modular test will help provide a wider range of testing facilities and aims to reduce the distance with which candidates have to travel to test centres.

## 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.**

<b>Type of testing undertaken</b>	<b><i>Results in Evidence Base?</i></b>	<b><i>Results annexed?</i></b>
Competition Assessment	No	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	Yes	No



## Summary: Intervention & Options

<b>Department /Agency:</b> <b>Driving Standards Agency</b>	<b>Title:</b> <b>Impact Assessment of increasing fees of the practical test for motorcycles and mopeds</b>	
<b>Stage: Final</b>	<b>Version: 1</b>	<b>Date: 17 November 2008</b>
<b>Related Publications: Consultation paper: Introducing the new practical motorcycling test and associated fees.</b>		

### Available to view or download at:

<http://www.dsa.gov.uk>

**Contact for enquiries:** Nick Taylor

**Telephone:** 0115 936 6092

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

The income received from practical motorcycling tests will not meet the increased costs of providing the tests in future and there is an existing deficit on the motorcycling account to address.

Government intervention is necessary as the provision of practical motorcycling tests is prescribed in legislation.

What are the policy objectives and the intended effects?

To ensure the costs of delivering the practical motorcycling test are fully covered by the income received. The test fee should comply with HM Treasury "user pays" principle.

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

1. Maintain DSA's fees at 2008 levels. This would create an adverse financial impact which would involve either a reduction in the number of examiners or test centres or both, leading to increased waiting times or increased journey times for tests. This option is not acceptable to key stakeholders.
2. Increase the fee and conduct a single event test. The fee would be set to recover costs and the productivity loss that would occur due to the reduction to 6 tests per day and to recover full costs and overheads of the activity.

**When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?** The level of the practical motorcycling test fee will be reviewed within 12 months of implementation as part of the agency's business planning process.

**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: 28/1/2009

## Summary: Analysis & Evidence

<b>Policy Option: 1</b>	<b>Description: Maintain DSA fees at 2008 levels</b>
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<b>COSTS</b>	<b>ANNUAL COSTS</b>	Description and scale of <b>key monetised costs</b> by 'main affected groups' There are no direct costs associated with this option. The non monetised costs are described below.		
	<b>One-off</b> (Transition) <span style="float: right;"><b>Yrs</b></span>			
	£			
	<b>Average Annual Cost</b> (excluding one-off)			
	£	<b>Total Cost (PV)</b>	£	
Other <b>key non-monetised costs</b> by 'main affected groups' 1. Degradation in customer service levels. 2. No further service coverage could be provided. 3. The current deficit would not be addressed.				

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>	Description and scale of <b>key monetised benefits</b> by 'main affected groups' No benefits result from this option.		
	<b>One-off</b> <span style="float: right;"><b>Yrs</b></span>			
	£			
	<b>Average Annual Benefit</b> (excluding one-off)			
	£	<b>Total Benefit (PV)</b>	£ 0	
Other <b>key non-monetised benefits</b> by 'main affected groups'				

Key Assumptions/Sensitivities/Risks
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Price Base Year 2008	Time Period Years 1	<b>Net Benefit Range</b> (NPV) £	<b>NET BENEFIT</b> (NPV Best estimate) £
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What is the geographic coverage of the policy/option?	GB
On what date will the policy be implemented?	
Which organisation(s) will enforce the policy?	DSA
What is the total annual cost of enforcement for these organisations?	£
Does enforcement comply with Hampton principles?	Yes/No
Will implementation go beyond minimum EU requirements?	N/A
What is the value of the proposed offsetting measure per year?	£
What is the value of changes in greenhouse gas emissions?	£
Will the proposal have a significant impact on competition?	Yes/No
Annual cost (£-£) per organisation (excluding one-off)	Micro      Small      Medium      Large
Are any of these organisations exempt?	No      No      N/A      N/A

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)		(Increase - Decrease)
Increase of    £	Decrease of    £	<b>Net Impact</b> £

Key: Annual costs and benefits: (Net) Present

## Summary: Analysis & Evidence

**Policy Option:**  
2

**Description:** Increase the fee to a level that contributes to reducing the deficit on the motorcycling test account with a single

<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups'  Marginal increase in revenue (Normal test) = £801,000 Marginal increase in revenue (Out of hours test) = £9,000
	<b>One-off</b> (Transition) <b>Yrs</b>		
	<b>£</b>		
	<b>Average Annual Cost</b> (excluding one-off)		
	<b>£ 810,000</b>	<b>Total Cost (PV)</b>	<b>£ 810,000</b>
Other <b>key non-monetised costs</b> by 'main affected groups'			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups'  Marginal increase in revenue (Normal test) = £801,000 Marginal increase in revenue (Out of hours test) = £9,000
	<b>One-off</b> <b>Yrs</b>		
	<b>£</b>		
	<b>Average Annual Benefit</b> (excluding one-off)		
	<b>£ 810,000</b>	<b>Total Benefit (PV)</b>	<b>£ 810,000</b>
Other <b>key non-monetised benefits</b> by 'main affected groups'			

**Key Assumptions/Sensitivities/Risks** i) Motorcycling test would be conducted from planned estate of MPTCs and no further service coverage could be provided.ii) Stakeholder concerns regarding the location and availability of motorcycling test facilities not addressed.iii) Does not support modular approach to learning and testing outlined in Learning to Drive

Price Base Year 2008	Time Period Years 1	<b>Net Benefit Range (NPV)</b> £	<b>NET BENEFIT (NPV Best estimate)</b> £
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What is the geographic coverage of the policy/option?			GB		
On what date will the policy be implemented?			1/10/2009		
Which organisation(s) will enforce the policy?			DSA		
What is the total annual cost of enforcement for these organisations?			£		
Does enforcement comply with Hampton principles?			Yes/No		
Will implementation go beyond minimum EU requirements?			N/A		
What is the value of the proposed offsetting measure per year?			£		
What is the value of changes in greenhouse gas emissions?			£		
Will the proposal have a significant impact on competition?			Yes/No		
Annual cost (£-£) per organisation (excluding one-off)		Micro	Small	Medium	Large
Are any of these organisations exempt?		No	No	N/A	N/A

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)			(Increase - Decrease)
Increase of	£ 0	Decrease of	£ 0
<b>Net Impact</b>			<b>£ 0</b>

Key: Annual costs and benefits: (Net) Present

## Summary: Analysis & Evidence

<b>Policy Option:</b> 3	<b>Description:</b>
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COSTS	<b>ANNUAL COSTS</b>	Description and scale of <b>key monetised costs</b> by 'main affected groups'	
	<b>One-off</b> (Transition) <span style="float: right;">Yrs</span>		
	£	Module 1 tests (60,000) = £330,000	
	<b>Average Annual Cost</b> (excluding one-off)	Module 2 test (Normal test) (89,000) = £445,000	
£ 781,500	Module 2 test (Out of hours) (1,000) = £6,500	<b>Total Cost (PV)</b>	<b>£ 781,500</b>
Other <b>key non-monetised costs</b> by 'main affected groups'			

BENEFITS	<b>ANNUAL BENEFITS</b>	Description and scale of <b>key monetised benefits</b> by 'main affected groups'	
	<b>One-off</b> <span style="float: right;">Yrs</span>		
	£	Module 1 tests (60,000) = £330,000	
	<b>Average Annual Benefit</b> (excluding one-off)	Module 2 test (Normal test) (89,000) = £445,000	
£ 781,500	Module 2 test (Out of hours) (1,000) = £6,500	<b>Total Benefit (PV)</b>	<b>£ 781,500</b>
Other <b>key non-monetised benefits</b> by 'main affected groups' A modular test will allow for an improved level of customer service and support the modular approach outlined in the Learning to Drive Consultation. This option would eliminate the in-year deficit but does not address previous accumulated deficits or the additional cost impacts associated with the modular test			

**Key Assumptions/Sensitivities/Risks** Moving to a modular testing system comes with the risk of decreasing productivity and changes to the systems, booking and certification and documentation development costs. These are addressed in a separate IA

Price Base Year 2008	Time Period Years 1	<b>Net Benefit Range (NPV)</b> £ 0	<b>NET BENEFIT (NPV Best estimate)</b> £ 0
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What is the geographic coverage of the policy/option?			GB		
On what date will the policy be implemented?					
Which organisation(s) will enforce the policy?			DSA		
What is the total annual cost of enforcement for these organisations?			£ 0		
Does enforcement comply with Hampton principles?			Yes/No		
Will implementation go beyond minimum EU requirements?			N/A		
What is the value of the proposed offsetting measure per year?			£		
What is the value of changes in greenhouse gas emissions?			£		
Will the proposal have a significant impact on competition?			Yes/No		
Annual cost (£-£) per organisation (excluding one-off)		Micro	Small	Medium	Large
Are any of these organisations exempt?		No	No	N/A	N/A

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)			(Increase - Decrease)		
Increase of	£ 0	Decrease of	£ 0	<b>Net Impact</b>	£ 0

Key: Annual costs and benefits: (Net) Present



## Summary: Analysis & Evidence

Our best judgement is that this scheme delivers costs to the UK without cost to Government. The cost of such tests is met by the candidates themselves. There is no burden on business or the voluntary sector.

### Description of the scheme

DSA proposes to implement increases in fees for statutory motorcycling practical tests for tests taken on or after 5 October 2009. Individual fee increases will depend upon the outcome of the separate proposal to implement a modular approach to motorcycling testing and we have prepared a separate impact assessment.

If the motorcycling test remains as a single event, the Agency proposes to increase the fees from £80.00 to £89.00 for weekday tests and from £92.00 to £101.00 for out of hours tests from 5 October 2009. (Option 2)

If a modular motorcycling test is implemented, the existing £80 standard test fee would be split £10 for module 1 tests and £70 for modular 2 tests from commencement of the 2 part test. This follows from the previous increase from £60 to £80 in October 2008 which was originally based upon a £10 general fee increase and a £10 loss in productivity. Had the Agency planned for a 7 test day at that stage a £70 fee would have been charged.

If a modular motorcycling test is implemented it is proposed increased fees for test taken from 5 October 2009 would be:

- Module 1 (Specified manoeuvres test) would increase from £10.00 to £15.50 (weekday and out of hours)
- Module 2 (road riding test) would increase from £70.00 to £75.00 for standard weekday tests and from £82.00 to £88.50 out of hours tests. (Option 3)

### Background

Fees are set to recover the full cost of delivering the service. The projected cost of delivering these services has taken account of the following:

- Direct costs - such as the salary of an examiner conducting the test
- Indirect costs - such as the accommodation, training and supervision of the examiner conducting the test
- Direct overheads - such as operational support activities
- Indirect overheads - such as Finance, Human Resources, Information Communications & Technology, Executive and Policy cost
- Return on Capital – impact of achieving 3.5% cost of investment

The cost of such tests is generally met by the candidates themselves.

The likely volumes of tests are based on published business plan volumes that take into account historic trends as adjusted for re-forecasts, demographic and underlying changes in business processes where appropriate. In some cases the projected volumes have been above what has been forecast. This has at times resulted in a surplus for particular fees. Where this has occurred we have limited increases the following year to run down surplus revenue and/or utilised it to fund provision of road safety information schemes such as 'Arrive Alive'.

## **Why do we need to increase the fees for the practical tests taken by learner motorcycle and moped riders?**

The motorcycling practical test account currently has a significant deficit. This has risen to £4.2m as at March 2008. The account has been brought into balance during the 2008-09 financial year following an increase in fees from October 2008, however costs for the resources involved in conducting the manoeuvres element of the test are yet to be incurred. DSA cannot allow motorcycling tests to be subsidised by the customers of other test types.

Reducing DSA costs to bring the account into balance would require substantial reductions in service standards and test centre coverage. This would increase waiting times and the distance that customers would need to travel to their test and would be unacceptable to stakeholders.

### **The Agency has considered the following options:**

**Option 1** - Do nothing and operate a single event test with fees at the existing level of £80 per test

**Option 2** - Retain a single event test and increase the fee to £89.00 per test

**Option 3** - If a modular motorcycling test is introduced, increase the overall test fee to £90.50, apportioned between the two modules - this is the preferred option.

### **Option 1 - Do nothing and operate a single test event at the existing level of £80 per test**

Under this option the test would remain as a single event and the fee would stay at £80 per test.

This option is not feasible as it would present a number of fundamental concerns:

- Major financial issues for DSA would result in a significant degradation in customer service levels. This may result in test centre closure.
- The motorcycling test would be conducted from the existing estate of MPTCs and no further service coverage could be provided.
- It would not reflect the HM Treasury “user pays” principle
- It will not address the current deficit or the likely additional deficit in 2009/10. This would mean that the deficit on the motorcycling test account would increase and would require subsequent steep increases.
- This option would require cross subsidy by other fee payers.
- This does not address stakeholder concerns regarding the location and availability of motorcycling test facilities.
- This option would not support the modular approach to learning and testing outlined in the recent *Learning to Drive* Consultation paper.

### **Benefits**

There are no foreseeable benefits for the consumer of maintaining the current fee structure – as this is the business as usual scenario.

## Option 2 - Increase the fee to £89.00 per test and operate a single event test.

In the DSA Business Plan for 2008/09, we estimated that a single event test would increase from £80 per test to £90.50 per test from 1 April 2009. This was the best estimate at that time and based upon a single event test conducted by examiners able to deliver 6 tests per day.

The Agency has further reviewed the cost of the motorcycling practical test fee. The actual cost of the activity as published in the 2007-08 Annual report and Accounts was £7,214,000 before interest and capital costs, equivalent to a cost per test of £76.66. The deficit incurred in-year amounted to over £1.6m, bringing the accumulated deficits to almost £4.2m.

Cost pressures continue from the implementation and operational costs of the Multi Purpose Test Centre project as the number of operational sites increased throughout 2007-08 and 2008-09. The impact of the lost productivity from a planned single test event, based upon a 6 test examiner day, will be incurred from the commencement of the new motorcycling test from April 2009.

The delayed test fee increase commencing October 2009 will be 6 months later than envisaged in the business plan, the average price inflation as measured by RPI/CPI has averaged around 5% per annum. Additionally the Agency has increased quality assurance activities and needs to continue funding of policy initiatives such as the Government Motorcycle Strategy.

In order to recover the expected costs of a single event test in the 12 months period from October 2009, the Agency has calculated the need for an increased test fee of £89 for normal weekday tests and £101 for out of hours tests. An extended test will cost £178 weekday and £202 out of hours.

### Costs

A detailed breakdown of the fee increases based upon single test event is as follows:

	2007-08 <i>actual</i>	2008-09 <i>estimate</i>	Apr - Sept 2009 <i>estimate</i>	12 mths to Sept 2010 <i>estimate</i>
Volume of total fee earning transactions expected (number)	94,079	99,530	45,000	90,000
Normal/Out of Hours Fees (£)	£60/£70	£80/£92	£80/£92	£89/£101
Fee income from service (before proposed increase) (£k)	£5,607	£6,650	£3,600	£7,200
Increased income from new/revised fee (£k)				£810
Operating budget for service (before input price increases and any other added expenditure) (£k)	£7,214	£6,588	£3,294	£6,589
Additional costs of providing service:				
Volume			-£158	-£315
Inflation 3% pa			£94	£282
Productivity loss				£1,143
Other			£139	£278
Interest/GIBS/ROCE	-£2	£38	£13	£25
Net surplus / (deficit) for service in year (£k)	-£1,605	£24	£218	£8
Accumulated surplus / (deficit) brought forward from previous period (£k)	-£2,582			
Net surplus / (deficit) for service at year end (£k)	-£4,187	-£4,163	-£3,944	-£3,936

This option raises the following concerns.

- The motorcycling test would be conducted from the planned estate of MPTCs and no further service coverage could be provided.
- It does not address stakeholder concerns regarding the location and availability of motorcycling test facilities.
- This option would not support the modular approach to learning and testing outlined in the recent *Learning to Drive* Consultation paper.

## Benefits

This option would eliminate the in-year deficit but does not address previous accumulated deficits but better reflects the 'user pays' principle for the in-year position.

**Option 3 - Increase the overall test fee to £90.50 per test, apportioned between the two modules and operate a modular test – this is the preferred option.**

With effect from 5 October 2009, the proposed fees for the practical motorcycling test modules are:

Test	New fee
<b>Module 1: Specified motorcycling manoeuvres</b>	
standard weekday	£15.50
standard out of hours	£15.50
<b>Module 2: In-traffic riding assessment</b>	
standard weekday	£75.00
standard out of hours	£88.50
extended weekday	£150.00
extended out of hours	£177.00

The out of hours testing fee for Module 1 is proposed at the same level as the weekday test fee to reflect that, in the short term, site coverage in some areas may only be available out of hours and therefore present a necessity rather than a customer choice. The DSA will review this policy as site coverage improves and may propose a higher out of hours Module 1 test fee from October 2010.

The out of hours fee for the Module 2 test has been proposed at the same marginal level as applied to the practical car test fee. This represents additional cost of overtime and travelling incurred by providing examiner resources outside of normal working times. Module 2 test availability is not limited by location in the same way as Module 1 and therefore customer choice is the main determining factor.

These increases have not taken account of the historic deficits accumulated on this activity which have built up over a number of years. We will review the cost allocation model further before deciding how these costs should be recovered from fee payers and over what period.

## Costs

A detailed breakdown of the fee increases for a modular test is as follows:

	2007-08	2008-09	Apr - Sept 2009 estimate
	<i>actual</i>	<i>estimate</i>	<i>estimate</i>
Volume of total fee earning transactions expected (number)	94,079	99,530	45,000
Normal/Out of Hours Fees (£)	£60/£70	£80/£92	£80/£92
Fee income from service (before proposed increase) (£k)	£5,607	£6,650	£3,600
Increased income from new/revised fee (£k)			
Operating budget for service (before input price increases and any other added expenditure) (£k)	£7,214	£6,588	£3,294
Additional costs of providing service:			<b>-£158</b>
Volume			
Inflation 3% pa			£94
Productivity loss			
Other			£139
Interest/GIBS/ROCE	<b>-£2</b>	£38	£13
Net surplus / (deficit) for service in year (£k)	<b>-£1,605</b>	£24	£218
Accumulated surplus / (deficit) brought forward from previous period (£k)	<b>-£2,582</b>		
Net surplus / (deficit) for service at year end (£k)	<b>-£4,187</b>	<b>-£4,163</b>	<b>-£3,944</b>

12 mths Oct 2009-Sep 2010			
	Module 1	Module 2	Total
	60,000	90,000	150,000
	£15.50	£75.00/£88.50	
	£600	£6,300	£6,900
	£330	£450	£780
	£872	£6,589	£7,461
		<b>-£315</b>	<b>-£315</b>
	£39	£282	£322
			£0
		£278	£278
		£25	£25
	£19	<b>-£109</b>	<b>-£90</b>
			<b>-£4,034</b>

## Benefits

This option addresses stakeholder concerns about the implementation of the new motorcycling test, the benefits of this are addressed in the separate Impact Assessment. A modular test will allow for an improved level of customer service and support the modular approach to learning and testing outlined in the recent *Learning to Drive* Consultation paper.

## Cost impact associated with modular testing

The move to a modular test will have a number of impacts and considerations:

- The fees for Module 1 have been calculated on a marginal cost basis assuming that a maximum of 14 tests per day are conducted. Marginal costs are those incurred as a direct result of conducting the test activity such as the:
  - salary costs of the examiners;
  - costs of taking the booking,
  - test materials and equipment
  - recovery over time of the one off costs associated with implementing the new test such as systems and publicity costs. For example there will be development costs associated with new contact centre procedures and booking guidance

By costing Module 1 on this basis, the fee is lower than it would otherwise be if all fixed costs (such as the estate costs) were taken into account. These will be recovered on Module 2 as explained below. This helps compensate customers for the potentially higher cost of travel associated with the site coverage provided by the planned off road manoeuvre areas and will therefore make the proposition more attractive to candidates.

- Module 2 of the test shares testing resources with the practical car test. These costs are both fixed and variable in nature. We have used these known costs of the car practical test as the basis for calculating the cost of Module 2 of the proposed motorcycle test. We have calculated the fee by adding the direct costs associated with the motorcycle element (direct costs of the bike, clothing, radios, skills allowances etc. estimated as an additional £11.50 per test) to the base costs for conducting a standard 7 slot per day test. The fee for Module 2 is therefore calculated on a full cost basis recovering the full range of DSA overheads. This is in line with DSA's normal costing methodology. There is no productivity loss associated with Module 2 because the same number of tests per day (7) are anticipated.

Other additional costs and risks that remain unquantified and uncertain at this time include:

- Overall changes in pass rates and how these impact on the volumes of tests for each module; assumptions have been made in the costing of both modules however actual results may differ.
- Final costs of the estates implications of a changed approach e.g. whether additional costs will fall more specifically on motorcycling test fees
- Lost productivity of examiners and the motorcycle fleet that may result from mixed programmes and increased in-traffic testing locations.

## **Equality, Environmental and Social (Health) Impacts**

We have conducted initial screening tests on the grounds of:

- Competition Assessment
- Small Firms Impact Test
- Legal Aid
- Sustainable Development
- Carbon Assessment
- Other Environment
- Health Impact Assessment
- Race Equality
- Disability Equality
- Gender Equality
- Human Rights, and
- Rural Proofing

We have not identified any adverse effects resulting from this proposal in respect of the category areas mentioned above.

## 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.**

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



<b>Driving Standards Agency</b>		
<b>Department /Agency:</b> <b>Driving Standards Agency</b>	<b>Title: Increase the fees for statutory tests:</b> <ul style="list-style-type: none"> <li>Theory tests taken by learner car drivers and motorcycle riders</li> <li>Practical tests taken by learner car drivers</li> <li>Practical vocational and car plus trailer tests</li> </ul>	
<b>Stage: Final</b>	<b>Version: 3</b>	<b>Date: 17 March 2009</b>
<b>Related Publications:</b> Consultation paper: Driving Standards Agency fees 2009		

**Available to view or download at:**

<http://www.dsa.gov.uk>

**Contact for enquiries:** Rick Annable

**Telephone:** 0115 936 6099

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

- The income surplus received from theory tests taken by learner car drivers and motorcycle/moped riders will be eroded and will not meet the increased costs of providing the existing tests and investment in their development
- The income received from practical car and car plus trailer tests will not meet the increased costs of providing the tests
- The income received from practical LGV/PCV tests will not meet the increased costs of providing the tests
- Government intervention is necessary as the provision of theory and practical driving tests is prescribed in legislation

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

- To ensure that the cost of delivering theory and practical driving tests taken as part of the licence acquisition process is fully covered from the income received
- Comply with HM Treasury "user pays" principle
- To provide funding for the Arrive Alive programme, test research and development work and test preparation assistance
- DSA's customer service levels in terms of test availability and travel distance to test centres are not adversely affected
- Not encourage unlicensed driving

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

- Increase the cost of the theory tests taken by learner car drivers and motorcycle riders by £1.00 from £30.00 to £31.00 (There will be a corresponding increase in the fee for domestic category P)
- Increase the fee for the practical tests taken by car drivers by £5.50 from £56.50 to £62.00 for standard tests and by £8.00 from £67.00 to £75.00 for out of hours tests. This is a reduction from those originally proposed in consultation which identified a standard car practical test fee of £63.50.
- Increase the fee for the practical vocational and car plus trailer test by £10.00 from £105.00 to £115.00 for the standard test and by £16.00 from £125.00 to £141.00 for the out of hours test. This is also a reduction from those originally proposed in consultation which identified a standard vocational practical test fee of £119.00.
- Maintaining DSA's costs at 2008 levels would involve either a reduction in the number of examiners and/or test centres. This could result in increased waiting times for test appointments and/or increased journey times to attend a more distant test centre. Neither option is acceptable to key stakeholders
- Reducing the length or quality of assessment is not an option as both would have a negative impact on road safety
- Development of the pre-test students through the Arrive Alive programme is a necessary part of maintaining the quality of test candidates, reducing this activity could have an adverse effect on pass rates and subsequent skills of learner drivers
- Sufficient funds are required in order to provide for the test and preparation improvements linked to Government's *Learning to Drive* initiatives. Lower fee increases would result in a longer implementation period and reduced or delayed benefits

**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:** 19/3/2009

## Summary: Analysis & Evidence

<b>Policy Option: 1</b>	<b>Description:</b> Increase the fees for statutory tests: <ul style="list-style-type: none"> <li>Theory tests taken by learner car drivers and motorcycle riders</li> <li>Practical tests taken by learner car drivers</li> <li>Practical vocational and car plus trailer tests</li> </ul>
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<b>COSTS</b>	<b>ANNUAL COSTS</b>		<ul style="list-style-type: none"> <li>Description and scale of <b>key monetised costs</b> by 'main affected groups' Candidates for theory tests taken by learner car drivers and motorcycle riders and practical tests taken by learner car/vocational drivers. Cost = £12,668,786 (see evidence base for detail) – 3% inflation rate £4,739,662 = £7,929,124 net of inflation rate</li> </ul>	
	<b>One-off</b> (Transition)	<b>Yrs</b>		
	£ NIL			
	<b>Average Annual Cost</b> (excluding one-off)			
	£ 7,929,124		<b>Total Cost (PV)</b>	£ 7,929,124
Other <b>key non-monetised costs</b> by 'main affected groups' <b>NIL</b>				

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups' The test fees will provide revenue to DSA that allows continuation of current service levels.	
	<b>One-off</b>	<b>Yrs</b>		
	£ NIL			
	<b>Average Annual Benefit</b> (excluding one-off)			
	£ 7,929,124		<b>Total Benefit (PV)</b>	£ 7,929,124
Other <b>key non-monetised benefits</b> by 'main affected groups' In monetary terms the policy has no impact, but because the fee increases allow DSA to continue providing services it has non monetised benefits. Increasing the fees will avoid having to reduce the number of examiners and/or test centres. The reduced fee increase will mean an increase in waiting times for test appointments. Road safety benefits arise from education and new policy implementation.				
The proposal will also comply with the 'user pays' principle				

<b>Key Assumptions/Sensitivities/Risks</b> Assumptions	
<ul style="list-style-type: none"> <li>The demand for theory and practical tests will be as predicted</li> <li>The pass rates will remain constant</li> <li>The increased fees will not deter candidates from taking theory or practical tests</li> </ul>	
Risks - Demand is lower than predicted thereby income is insufficient and examiners are under utilised	

Price Base Year 2009	Time Period Years 1	<b>Net Benefit Range (NPV)</b> £ NIL	<b>NET BENEFIT (NPV Best estimate)</b> £ 0
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What is the geographic coverage of the policy/option?	GB				
On what date will the policy be implemented?	30/03/2009				
Which organisation(s) will enforce the policy?					
What is the total annual cost of enforcement for these organisations?	£ N/A				
Does enforcement comply with Hampton principles?	N/A				
Will implementation go beyond minimum EU requirements?	N/A				
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?	N/A				
Annual cost (£-£) per organisation (excluding one-off)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Micro</td> <td style="width: 25%;">Small</td> <td style="width: 25%;">Medium</td> <td style="width: 25%;">Large</td> </tr> </table>	Micro	Small	Medium	Large
Micro	Small	Medium	Large		
Are any of these organisations exempt?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">N/A</td> <td style="width: 25%;">N/A</td> <td style="width: 25%;">N/A</td> <td style="width: 25%;">N/A</td> </tr> </table>	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A		

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)		(Increase - Decrease)
Increase of	£ N/A	Decrease of
	£ N/A	<b>Net Impact</b>
		£ N/A

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

## Evidence Base (for summary sheets)

Our best judgement is that these proposals deliver non monetised benefits, to the UK without cost to Government. The cost of theory and practical driving tests are met by the candidates themselves. There is no burden on business or the voluntary sector.

### Description of the scheme

DSA proposes to increase the fees for statutory tests booked on or after 30 March 2009 as follows:

- for theory tests taken by learner car drivers and motorcycle /moped riders tests by £1.00 (from £30.00 to £31.00)
- for practical tests taken by learner car drivers by £5.50 (from £56.50 to £62.00). There are also consequential increases for out of hours, and extended tests and for domestic categories of vehicle.
- for practical vocational and car plus trailer test tests by £10.00 (from £105.00 to £115.00). There are also consequential increases for out of hours tests

### Monetised costs

Fees are set to recover the full cost of delivering the service. The projected cost of delivering these services has taken account of the following:

- direct costs - such as the salary of an examiner conducting the test
- indirect costs - such as the accommodation, training and supervision of the examiner conducting the test
- direct overheads - such as operational support activities
- indirect overheads - such as Finance, Human Resources, Information Communications & Technology, Executive and Policy cost
- Return on Capital – impact of achieving 3.5% cost of investment (although this has been held at 1.1% for 2009/10).

The likely volumes of tests are based on published business plan volumes that take into account historic trends, demographic and underlying changes in business processes where appropriate. In some cases the projected volumes have been above what has been forecast. This has at times resulted in a surplus for particular fees. Where this has occurred we have limited increases in fees the following year to run down surplus revenue and/or utilised it to fund provision of road safety information schemes such as 'Arrive Alive'.

Each fee is calculated by dividing the predicted costs of delivery by the likely number of tests. A detailed breakdown of the fee increases is as follows:

Theory tests taken by learner car drivers and motorcycle riders:

Forecast volume = 1,494,000

Fee increase per test = £1.00 (3.3%)

**Marginal revenue = £149,400 net inflation rate**

**Total revenue = £1,494,000**

Practical car test taken by learner drivers (standard fee):

Forecast volume = 1,706,541

Fee increase per test = £5.50 (9.7%)

**Marginal revenue = £6,493,423 net inflation rate**

**Total revenue = £9,385,976**

Practical car test taken by learner drivers (out of hours fee):

Forecast volume = 99,140

Fee increase per test = £8.00 (11.9%)

**Marginal revenue = £593,849 net inflation rate**

**Total revenue = £793,120**

Practical vocational and car plus trailer tests (standard fee):

Forecast volume = 86,623

Fee increase per test = £10.00 (9.5%)

**Marginal revenue = £593,368 net inflation rate**

**Total revenue = £866,230**

Practical vocational and car plus trailer tests (out of hours fee):

Forecast volume = 8,100

Fee increase per test = £16.00 (12.8%)

**Marginal revenue = £99,225 net inflation rate**

**Total revenue = £129,600**

**Total marginal revenue = £7,929,124 net of inflation rate**

**Total revenue overall = £12,668,786**

**[Note – these revenues come back to DSA (as benefits) that allow DSA to maintain current service levels.**

### **Alternative Option to increasing fees at the rates specified**

If we did not increase the fees at the rates now specified - for example if we did not increase the fee for the car practical test at a rate of 9.7% (6.7% above the 3% inflation rate) but opted instead to increase the fee at a lower rate, for example 6%, this would leave us with an operating deficit of around £4.0m. To maintain services at the current level would mean that we would need to draw upon funding from the central Department for Transport (DfT). As income received from the DfT would have been generated by income from taxpayers, this would mean that the driving test would be subsidised by members of the public. This would clearly be contrary to the “user pays” principle and to the Agency’s Trading Fund status. If we opted to retain some services at the current level, but decided to allow others to be impacted e.g. allow waiting times for some categories of driving test to increase, this would create a two tier system that would clearly be inequitable.

### **Costs and Benefits of Alternative Option**

Customers would initially benefit (overall benefit of £3.6m) from a lower fee if we opted not to increase the fees at the higher rate specified, but opted instead for a lower rate of 6%. However, to maintain services at the current level additional revenue would be needed - as it is unlikely that the general taxpayer would fund the difference there would be a significant impact upon customer service levels. Waiting times for tests would increase, with financial impacts similar to those specified under the “Do Nothing option”.

Retaining some services at the current level but allowing others to be impacted would not be acceptable to stakeholders. This would especially be the case if the Agency applied a 6% increase across all fees but only used the revenue to support service delivery for selected services. The Agency would face severe criticism from stakeholders and suffer reputational damage. With car tests being the majority of tests delivered at around 1.7 million, as opposed to other categories at around 94,723 the revenue received from a 6% increase would not be sufficient to support current service delivery for car tests resulting in increased waiting times which could see an increase in unlicensed drivers.

## **Do Nothing Option**

If we opted instead to “do nothing” and retain the current level of fees, service delivery would suffer, impacting upon customer service targets, causing reputational damage to the Agency. Longer waiting times for driving tests could also prevent drivers from taking up employment as quickly as they would have liked. This is significant as it could affect the earning potential of a driver, for example, in the majority of cases lorry drivers (around 80%) fund their own tests and cannot gain employment until they hold the relevant driving licence. This could prevent them from earning a wage of around £350 per week until they have passed their test.

### **Costs and Benefits of Do Nothing Option**

An obvious benefit would be that the customer does not pay the increased fee; however weighed against the cost of reduced service delivery this benefit would be minimal.

The cost to the Agency of retaining the status quo would mean a loss of income of around £12,668,786 (£7,929,124 net of 3% inflation), which would impact upon service delivery. The cost of reduced service delivery to customers is difficult to estimate but using the example of lorry drivers, if 80% of these drivers (66,400 based on current demand forecasts for the practical test) are unable to take up gainful employment for an additional week this could potentially cost the industry around £23m (based on an average wage of £350 per week).

### **Why do we need to increase the fees for the theory test taken by learner car drivers and motorcycle and moped riders?**

The increase in this fee will be used to fund the ongoing Arrive Alive programme and maintain the quality of candidates and pass rates. The increase is below the rate of inflation and ensures that the test activity remains in a small surplus after recovery of increased costs.

Maintaining DSA’s costs at current levels would involve either a reduction in the number of invigilators or test centres or both. This would result in increased waiting times for test appointments or increased journey times to attend a more distant center. Neither option is acceptable to key stakeholders.

Reducing the length or quality of assessment is not an option as both would have a negative impact on road safety.

Reducing funding for the Arrive Alive programme would have a negative impact upon pass rates and road safety.

## **Preferred Option**

### **Increase the fees for theory tests taken by learner car drivers and motorcycle riders by £1.00 to £31.00**

#### *Beneficial:*

- Recovers the cost of delivering theory tests
- Reflects the ‘user pays’ principle
- Ensures ongoing funding the Arrive Alive programme

#### *Adverse:*

- An inflationary rise in the fee represents a small increase to customers in the overall cost of learning to drive

## **Costs and Benefits**

The forecast demand for theory tests is 1,494,000 in 2009/10, which is a reduction of 54,000 against the corresponding activity level for 2008/09. This reduction is predicted as a result of the expected economic downturn. Lower activity levels will provide a lower contribution to fixed costs. An inflationary rise in the fee may help counteract lower predicted demand levels. Further financial analysis can be found in Table 1.

## Why do we need to increase the fees for car practical tests?

Income from the practical car test is the single most important revenue stream for DSA. It provides around 54% of our annual income. Key factors influencing the need for increased fee levels for these tests include:

- Full year impact of our Multi Purpose Test Centres programme
- Normal inflationary pressures.
- Policy change initiatives eg *Learning to Drive*
- Higher levels of quality assurance

Some of these cost pressures have been offset by the DSA's efficiency target of £8m over the next three years. This includes improved examiner productivity, greater use of electronic transactions, customer self service and rationalisation of the estate.

The cost of the unitary tests to drive/operate vehicles in the following domestic licensing categories of vehicle will continue to be the same as the fee for the practical car test:

- agricultural & forestry tractors (category F)
- road rollers (category G)
- track-laying vehicles steered by their tracks (category H)
- vehicles controlled by a pedestrian (category K)

Maintaining DSA's costs at current levels would involve either a reduction in the number of examiners or test centres or both. This would result in increased waiting times for test appointments and/or increased journey times to attend a more distant test centre. Neither option is acceptable to key stakeholders.

Reducing the length or quality of assessment is not an option as both would have a negative impact on road safety.

### Preferred Option

**Increase the fees for practical tests taken by learner car drivers by £5.50 to £62.00 for the standard test and by £8.00 to £75.00 for the out of hours test**

The original consultation proposed increasing the standard weekday car practical test fee to £63.50, an increase of £7.00 (12.4%) on the existing fee of £56.50. DSA has considered the responses received to this proposal and as a result has review expenditure plans for 2009/10 to enable a lower increase to be made.

#### *Beneficial:*

- Recovers the cost of delivering practical tests
- Reflects the 'user pays' principle
- Fewer accidents as less illegal drivers compared to the baseline, better quality tests compared to the baseline means less accidents

#### *Adverse:*

- Each test will cost more and may dissuade candidates from taking the test
- Costs to candidates of increased fee per test

### Costs and Benefits

We forecast demand for practical car tests will be 1,805,661 in 2009/10 which will cost approximately £108,588,000 to deliver. Further financial analysis can be found in Table 2.

Maintaining the existing fees would create a deficit of £5,527,000 in 2009/10.

For tests booked on or after 30 March 2009, the fee for the practical car tests will be:

Test	current fee	new fee	% increase
standard weekday	£56.50	£62.00	+9.7%
standard out of hours	£67.00	£75.00	+11.9%
extended weekday	£113.00	£124.00	+9.7%
extended out of hours	£134.00	£150.00	+11.9%

### **Why do we need to increase the fees for the practical vocational and car plus trailer test?**

The cost of delivering these practical tests is estimated to be £12,178,000 in 2009/10.

The fee for this practical test was last increased on 1 April 2008.

Practical car plus trailer (category B+E) tests are conducted from Large Goods Vehicle test centres. They take the same time to complete as the vocational test and as such incur the same unit costs. For these reasons the fee for a practical category B+E test has always been the same as the vocational fee.

Maintaining the existing fee level of £105.00 would deliver a deficit of £2,070,000 in 2009/10.

Maintaining DSA's costs at current levels would involve either a reduction in the number of examiners and/or test centres or both. This would result in increased waiting times for test appointments or increased journey times to attend a more distant centre. Neither option is acceptable to key stakeholders.

Reducing the length or quality of assessment is not an option as both would have a negative impact on road safety.

### **Preferred Option**

#### **Increase the fee for practical vocational and car plus trailer tests to £115.00 for the standard test and by £16.00 to £141.00 for the out of hours test**

The original consultation proposed increasing the standard weekday vocational and car plus trailer tests fee to £119.00, an increase of £14.00 (13.3%) on the existing fee of £105.00. DSA has considered the responses received to this proposal and as a result has review expenditure plans for 2009/10 to enable a lower increase to be made.

#### *Beneficial:*

- Better recovers the cost of delivering these tests
- Move towards reflecting the 'user pays' principle
- Fewer accidents as less illegal drivers compared to the baseline, better quality tests compared to the baseline means less accidents

#### *Adverse:*

- Each test will cost more and may dissuade candidates from taking the test
- Costs to candidates of increased fee per test

### **Costs and Benefits**

We estimate the demand for these tests in 2009/10 will be 94,723 which will cost approximately £12,178,000 to provide. Maintaining the existing fee level of £105.00 would deliver a deficit of £2,070,000 in 2009/10. Further financial analysis can be found in Table 3.

For practical vocational and car plus trailer tests booked on or after 30 March 2009, the fees will be:

Test	current fee	new fee	% increase
standard weekday	£105.00	£115.00	+9.5%
standard out of hours	£125.00	£141.00	+12.8%

### Policy Objectives

- To ensure that the cost of delivering theory and practical tests taken as part of the licence acquisition process is fully covered from the income received
- Complies with the “user pays” principle
- To ensure that the cost of delivering theory and practical tests taken as part of the licence acquisition process is fully covered from the income received
- Not encourage unlicensed driving

### Equality, Environmental and Social (Health) Impacts

We have conducted initial screening tests on the grounds of:

- Competition Assessment
- Small Firms Impact Test
- Legal Aid
- Sustainable Development
- Carbon Assessment
- Other Environment
- Health Impact Assessment
- Race Equality
- Disability Equality
- Gender Equality
- Human Rights, and
- Rural Proofing

We have not identified any adverse effects resulting from this proposal in respect of the category areas mentioned above.

The cost of such tests is generally met by the candidates themselves. Therefore there is no burden on business or the voluntary sector.

### Risks and Unintended Consequences

There is a slight risk that candidates will be deterred by the increased cost from taking the theory or practical test and will drive or ride without the appropriate licence.

There is a risk that the economic downturn will reduce the demand for tests. Income from these services is geared to volume activity, whereas DSA’s costs (permanent staff and property) are more or less fixed in the short term if the Agency is to maintain service standards in terms of waiting times and service delivery points. Therefore the financial balance could move adversely towards deficit.

### Monitoring and Evaluation

The level of theory and practical test fees will be reviewed annually as part of the Agency’s Business Planning procedures.



TABLE 1

## FINANCIAL ANALYSIS: INCREASED FEE FOR CAR &amp; MOTORCYCLE THEORY TESTS

	2007- 08 <i>actual</i>	2008- 09 <i>estimate</i>	2009-10 <i>forecast</i>
Volume of total fee earning transactions expected (number)	1,522,000	1,603,724	1,494,000
Fee charged/proposed <sup>2</sup> (£)	£28.50	£30	£31
Fee income from service (before proposed increase) (£k)	£42,073	£47,074	£44,820
Increased income from new/revised fee (£k)			£1,494
Operating budget for service (before input price increases and any other added expenditure) (£k)	£36,291	£41,521	£41,521
Additional costs of providing service (examples below):	Volume		-£1,646
	Inflation		£598
	Others		£397
	Arrive Alive		£1,116
Interest/GIBS/ROCE	£986	£746	£623
Net surplus / (deficit) for service in year (£k)	£4,796	£4,807	£3,704
Accumulated surplus / (deficit) brought forward from previous period (£k)	£16,120		
Net surplus / (deficit) for service at year end <sup>1</sup> (£k)	20,916	25,723	29,427

TABLE 2

## FINANCIAL ANALYSIS: INCREASED FEES FOR PRACTICAL CAR TESTS

	2007- 08 <i>actual</i>	2008- 09 <i>estimate</i>	2009-10 <i>forecast</i>
Volume of total fee earning transactions expected (number)	1,829,122	1,912,010	1,805,661
Normal/Out of Hours Fees (£)	£48.50/£58.00	£56.50/£67.00	£62.00/75.00
Fee income from service (before proposed increase) (£k)	£90,653	£107,500	£103,061
Increased income from new/revised fee (£k)			£10,179
Operating budget for service (before input price increases and any other added expenditure) (£k)	£95,674	£104,579	£104,579
Additional costs of providing service (examples below)	Volume		<b>-£2,908</b>
	Inflation		£3,050
	Other		£5,586
	Post consultation reductions		<b>-£2,560</b>
Less efficiency savings (£k)			
Interest/GIBS/ROCE	£858	£707	£841
Net surplus / (deficit) for service in year (£k)	<b>-£5,879</b>	£2,214	£4,652
Accumulated surplus / (deficit) brought forward from previous period (£k)	<b>-£4,460</b>		
Net surplus / (deficit) for service at year end <sup>1</sup> (£k)	<b>-£10,338</b>	<b>-£8,124</b>	<b>-£3,472</b>

TABLE 3

FINANCIAL ANALYSIS: INCREASED FEES FOR PRACTICAL VOCATIONAL AND CAR PLUS TRAILER TESTS<sup>3</sup>

	2007- 08 <i>actual</i>	2008- 09 <i>estimate</i>	2009-10 <i>forecast</i>
Volume of total fee earning transactions expected (number)	95,389	104,407	94,723
Normal/Out of Hours Fees (£)	£89/£107	£105/£125	£115/£141
Fee income from service (before proposed increase) (£k)	£8,577	£10,902	£10,108
Increased income from new/revised fee (£k)			£996
Operating budget for service (before input price increases and any other added expenditure) (£k)	£10,435	£12,103	£12,103
Additional costs of providing service (examples below):	Volume		<b>-£561</b>
	Inflation		£346
	Other		£562
	Post consultation reductions		<b>-£346</b>
Less efficiency savings (£k)			
Interest/GIBS/ROCE	£101	£58	£74
Net surplus / (deficit) for service in year (£k)	<b>-£1,959</b>	<b>-£1,259</b>	<b>-£1,074</b>
Accumulated surplus / (deficit) brought forward from previous period (£k)	£2,111		
Net surplus / (deficit) for service at year end <sup>1</sup> (£k)	£152	<b>-£1,107</b>	<b>-£2,181</b>

<sup>3</sup> NB Figures relate to total vocational practical tests (bus, lorry and car+trailer).

## Specific Impact Tests: Checklist

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

# Impact Assessment

**Department /Agency:**

**Driver and Vehicle Licencing Agency**

**Title:**

**Impact Assessment of fees increases proposed to balance income and costs for Driver services**

**Stage:** Final

**Version:** 1

**Date:** 26 January 2009

## Related Publications:

### Available to view or download at:

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

**Contact for enquiries:** [finance.dvla@gtnet.gov.uk](mailto:finance.dvla@gtnet.gov.uk)

**Telephone:**

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

The current economic conditions have impacted DVLA through a 16% drop in Driver transaction volumes. Over recent years as DVLA has decreased its cost per transaction through automation and delivery of new e-channels, it now has a greater proportion of fixed systems rather than variable costs. It thus faces a £21m drop in income for 2008-09, forecast to repeat in 2009-10. It can reduce its operational costs to bridge most but not all of this gap and has a duty to break even and recover deficits. It therefore seeks to raise fees to assist in breaking even in 2009-10.

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

Over recent years, DVLA has rationalised its fee structures and moved to a common fee level for those transactions most commonly undertaken. The fees imperative for DVLA is purely to ensure that the costs of its register management, transactions handling and developments undertaken are met by the fees it charges for its services. Many of its transactions do not bear fees for policy reasons - medical notifications, change of address and other details, Over 70s renewals and vocational licence provision. Hence DVLA has specific powers under an order made under Section 102 of the Finance (No.2) Act 1987 (the Department for Transport (Driver Licensing and Registration Fees) Order 2003 - SI 2003/2994) to calculate its overall costs and set fee levels on individual transactions to cover the costs in total.

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

Three main Options have been considered in detail. These entail (1) adding £2.50 to each of the transactions carrying the Common Fee, (2) adding £5.50 to all chargeable driver fees transactions other than those carrying the Common Fee and (3) adding £2.00 to all driver transaction fee levels. Option 1 is preferred, representing a 5.5% overall uplift in income (note that the relevant fees increase by 14%, but not all fees have been increased) to contribute towards the 16% gap that has appeared between costs and income. This is preferred because it places a comparable challenge on DVLA in terms of cost reductions (whilst recognising the scale of challenge) to Option 2 and more of a challenge than Option 3 whilst leaving the fee for young motorists unchanged to minimise disincentives to driver registration.

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

DVLA will monitor Driver transaction volumes carefully during the consultation period and onwards prior to the laying of regulations. Thereafter it will review these on an ongoing basis, together with achievement of its cost reduction targets and development plans. It will revisit the balance between cost and fees in 12 months time to assess appropriate levels for 2010-11.

### **Ministerial Sign-off** For consultation 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: 19/3/2009

## Summary: Analysis & Evidence

**Policy Option: 1**

**Description: Increase common fee by £2.50**

<b>COSTS</b>	ANNUAL COSTS		Description and scale of <b>key monetised costs</b> by 'main affected groups' There are relatively small costs in amending the fees scale leaflets printed and changing the fees tables within the Drivers systems. Drivers will be impacted by the rise in fees. The cost to drivers will be £7.5m in total across the common fee transactions.	
	<b>One-off</b> (Transition)	<b>Yrs</b>		
	<b>£ 200,000</b>			
	<b>Average Annual Cost</b> (excluding one-off)			
	<b>£ 7,500,000</b>		<b>Total Cost (PV)</b>	<b>£ 7,700,000</b>
Other <b>key non-monetised costs</b> by 'main affected groups'				

<b>BENEFITS</b>	ANNUAL BENEFITS		Description and scale of <b>key monetised benefits</b> by 'main affected groups' Fees received by DVLA will increase by around £7.5m under current volume forecasts if the DVLA preferred Option is implemented. This partially mitigates the £21m fees income drop estimated as a result of decreased transaction levels. There will be benefits accruing to the Agency and its customers arising from system and infrastructure development which otherwise would have been foregone. This will allow us to maintain service standards to customers	
	<b>One-off</b>	<b>Yrs</b>		
	<b>£ N/A</b>			
	<b>Average Annual Benefit</b> (excluding one-off)			
	<b>£ N/A</b>		<b>Total Benefit (PV)</b>	<b>£ N/A</b>

**Key Assumptions/Sensitivities/Risks** The lower level of Driver transactions seen during 2008/09 will continue at approximately the same levels through the financial year 2009/10. DVLA will be able to manage its costs down for 2009/10 to cover the remaining £13.5m drop in fees revenue. There is a risk that raising the fee will drive volumes down still further. A recent survey on similar fee increases has suggested up to 11% drop in volumes.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £		
What is the geographic coverage of the policy/option?					
On what date will the policy be implemented?			6 <sup>th</sup> April 2009		
Which organisation(s) will enforce the policy?					
What is the total annual cost of enforcement for these organisations?			£		
Does enforcement comply with Hampton principles?					
Will implementation go beyond minimum EU requirements?			No		
What is the value of the proposed offsetting measure per year?			£		
What is the value of changes in greenhouse gas emissions?			£		
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?		N/A	N/A	N/A	N/A

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)				(Increase - Decrease)
Increase of	£	Decrease of	£	<b>Net Impact</b> £
Key: Annual costs and benefits: Constant Prices				(Net) Present Value

## Summary: Analysis & Evidence

**Policy Option: 2**

**Description: Increase all fees (except for common fee transactions) by £5.50**

<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups' There are relatively small costs in amending the fees scale leaflets printed and changing the fees tables within the Drivers systems. Drivers will be impacted by the rise in fees. The cost to drivers will be £7.0m in total across the affected fee transactions.
	<b>One-off (Transition)</b>	<b>Yrs</b>	
	<b>£ 200,000</b>		
	<b>Average Annual Cost (excluding one-off)</b>		
	<b>£ 7,000,000</b>	<b>Total Cost (PV)</b>	<b>£ 7,200,000</b>
Other <b>key non-monetised costs</b> by 'main affected groups'			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups' Fees received by DVLA will increase by around £7.0m under current volume forecasts if the DVLA preferred Option is implemented. This partially mitigates the £21m fees income drop estimated as a result of decreased transaction levels. There will be benefits accruing to the Agency and its customers arising from system and infrastructure development which otherwise would have been foregone. This will allow us to maintain service standards to customers
	<b>One-off</b>	<b>Yrs</b>	
	<b>£ N/A</b>		
	<b>Average Annual Benefit (excluding one-off)</b>		
	<b>£ N/A</b>	<b>Total Benefit (PV)</b>	<b>£ N/A</b>
Other <b>key non-monetised benefits</b> by 'main affected groups' Fees received by DVLA will increase by around £7.0m under current volume forecasts if the DVLA preferred Option is implemented. This partially mitigates the £21m fees income drop estimated as a result of decreased transaction levels. There will be benefits accruing to the Agency and its customers arising from system and infrastructure development which otherwise would have been foregone. This will allow us to maintain service standards to customers			

**Key Assumptions/Sensitivities/Risks** The lower level of Driver transactions seen during 2008/09 will continue at approximately the same levels through the financial year 2009/10. DVLA will be able to manage its costs down for 2009/10 to cover the remaining £13.5m drop in fees revenue. There is a risk that raising the fee will drive volumes down still further. A recent survey on similar fee increases has suggested up to 11% drop in volumes.

Price Base	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £		
What is the geographic coverage of the policy/option?					
On what date will the policy be implemented?			6 <sup>th</sup> April 2009		
Which organisation(s) will enforce the policy?					
What is the total annual cost of enforcement for these organisations?			£		
Does enforcement comply with Hampton principles?					
Will implementation go beyond minimum EU requirements?			No		
What is the value of the proposed offsetting measure per year?			£		
What is the value of changes in greenhouse gas emissions?			£		
Will the proposal have a significant impact on competition?			No		
Annual cost (£) per organisation		Micro	Small	Medium	Large
Are any of these organisations exempt?		N/A	N/A	N/A	N/A

<b>Impact on Admin Burdens Baseline (2005 Prices)</b>		(Increase - Decrease)	
Increase of	£	Decrease of	£
		<b>Net Impact</b>	<b>£</b>
Key: <b>Annual costs and benefits: Constant Prices (Net) Present Value</b>			

## Summary: Analysis & Evidence

**Policy Option: 3**

**Description: Increase all driver fees by £2.00**

<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups' There are relatively small costs in amending the fees scale leaflets printed and changing the fees tables within the Drivers systems. Drivers will be impacted by the rise in fees. The cost to drivers will be £8.5m in total across all fee transactions.
	<b>One-off</b> (Transition)	<b>Yrs</b>	
	<b>£ 200,000</b>		
	<b>Average Annual Cost</b> (excluding one-off)		
	<b>£ 8,500,000</b>		
<b>Total Cost (PV)</b>			<b>£ 8,700,000</b>
Other <b>key non-monetised costs</b> by 'main affected groups'			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups'
	<b>One-off</b>	<b>Yrs</b>	
	<b>£ N/A</b>		
	<b>Average Annual Benefit</b> (excluding one-off)		
	<b>£ N/A</b>		
<b>Total Benefit (PV)</b>			<b>£ N/A</b>
Other <b>key non-monetised benefits</b> by 'main affected groups' Fees received by DVLA will increase by around £8.5m under current volume forecasts if the DVLA preferred Option is implemented. This partially mitigates the £21m fees income drop estimated as a result of decreased transaction levels. There will be benefits accruing to the Agency and its customers arising from system and infrastructure development which otherwise would have been foregone. This will allow us to maintain service standards to customers			

**Key Assumptions/Sensitivities/Risks** The lower level of Driver transactions seen during 2008/09 will continue at approximately the same levels through the financial year 2009/10. DVLA will be able to manage its costs down for 2009/10 to cover the remaining £12.5m drop in fees revenue. There is a risk that raising the fee will drive volumes down still further. A recent survey on similar fee increases has suggested up to 11% drop in volumes.

Price Base Year	Time Period Years	<b>Net Benefit Range</b> (NPV) £	<b>NET BENEFIT</b> (NPV Best estimate) £
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What is the geographic coverage of the policy/option?					
On what date will the policy be implemented?			6 <sup>th</sup> April 2009		
Which organisation(s) will enforce the policy?					
What is the total annual cost of enforcement for these organisations?			£		
Does enforcement comply with Hampton principles?					
Will implementation go beyond minimum EU requirements?			No		
What is the value of the proposed offsetting measure per year?			£		
What is the value of changes in greenhouse gas emissions?			£		
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?		N/A	N/A	N/A	N/A

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)			(Increase - Decrease)		
Increase of	£	Decrease of	£	<b>Net Impact</b>	£
Key: Annual costs and benefits: Constant Prices			(Net) Present Value		



# Evidence Base (for summary sheets)

## Title of proposal

Increase of fees to contribute towards balancing revenue and costs during transaction volumes downturn. The proposed changes are given in Section 3.11 of the Public Consultation.

## Purpose and intended objectives of the measures

DVLA has seen a cumulative 16% decrease in its volumes since the start of 2008/09 and predicts that this pattern will continue for the majority if not all of 2009/10. The impact on revenue of this level of transaction volume decrease is approximately £21m p.a.

DVLA has reduced its headcount and unit costs significantly during the period 2004 to 2008 and the automation / channel shift enabling this change has had two impacts – it has decreased costs but also led to a greater proportion of fixed costs. Hence costs have fallen directly by far less than has income during this volume downturn.

There is a duty to recover deficits and to return a breakeven position overall imposed on DVLA. Therefore it has a major challenge to reduce the gap between income and costs by a far greater extent than provided by natural direct costs reduction. The Vehicles income has also reduced by some 14%, with far less direct variable costs reduction.

Whilst presenting DVLA with a significant cost management challenge to deliver the required balance, the purpose of the measures is thus to contribute around a third of the gap through increase in income.

## Objectives

Coverage of £7-8.5m out of the £21m shortfall in projected fee income within Drivers for 2009/10.

## Background

The fee review, conducted in 2003, brought together the costs of the driver licensing and vehicle registration systems that had historically been considered separately and this joint consideration was underpinned by regulation under the Finance (No.2) Act 1987. The new fee structure was set to recover the combined costs by considering the driver and vehicle costs as a consolidated whole and allowing fees to be set overall to cover the full costs envelope. This principle was continued in 2006 and 2007 and the current proposals do not vary this regime.

The principles established within the 2003 and 2006 consultations were:

- to simplify processes for the motoring public and DVLA
- to encourage driver registration and learning to drive
- to facilitate e-services through simplified transactions and
- to ensure offenders cover the full processing costs of issuing of new licences.

In 2007 a common fee level of £17.50 was introduced for 5 Driver transactions:-

- Provision of a duplicate for a lost, stolen or destroyed driving licence;
- Provision of a “vanity” exchange - the photograph is changed on the licence;
- Exchange of a driving licence for removal of endorsements;
- Processing the 10-yearly renewal of photograph;
- Exchanging a paper licence for a photocard licence.

## Risks

- Fee increases, even of the relatively modest amounts proposed, could impact on compliance, which in turn could see a further fall in fee income.
- The proposed fee rise may be unattractive in the current economic climate and generate a good deal of adverse media interest.

## **OPTIONS**

### **Option 1 – Raise Common Fee Level by £2.50 (to £20)**

- Option 1 would generate approximately £7.5m of additional fee income on the basis of the reduced volumes forecast. It therefore represents, alongside Option 2 below, a greater challenge for DVLA in terms of cost management to cover the remainder of the £21m fee income reduction than would Option 3.
- When introduced last year, the £17.50 fee was already recognised as providing a lower level of fees in total than the previous fee regime, but the decrease in income has been significantly enhanced by the volume decreases seen.
- However, from the DVLA perspective it avoids a further increase to the First Application for Provisional licence fee targeted mainly on the youngest drivers. We wish to ensure these potential drivers start and remain within the registration system.
- Although this option provides DVLA with a greater level of challenge, it is on balance the DVLA preferred option.
- The increase represents an increase of 14%.

### **Option 2 – Raise all Driver Fees (except Common Fee Level) by £5.50**

- This option generates £7.0m contribution from income to close the gap, roughly the same as for Option 1. The common fee level, introduced only in 2007, would be left untouched.
- However, this option would entail a further increase to the First Application for a Provisional Licence (FAP) fee (by 11%) and may have a negative impact on the number of unlicensed drivers.

### **Option 3 – Raise all Drivers fees by £2.00**

- This reduces the impact for each individual transaction, but spreads the burden right cross all fee payers. Since all fee bearing transactions would be impacted this would raise around £8.5m additional income on the same volume assumptions as the other two options. An average increase of around 7% across the board (individual increases vary between 2.2% and 11.4% depending on the transactions).
- This option does, however, mean that the First Application for Provisional licence fee would rise again, although by only 4%, whereas DVLA had hoped to keep this stable over the next few years.

For all options, the increases needed are above what is needed to cover inflation. The increases are set to recover a portion of the fee income that would be lost as a result of lower forecast fee bearing transaction volumes.

## **COSTS AND BENEFITS**

### **Business Sectors Affected**

It is the assumption in this proposal that driving licence fees are a matter for individual drivers. We acknowledge that some organisations choose to pay their drivers' fees but, in the overall context of this consultation and with the continuing free issuing of vocational licences and processing of additional entitlements, the effects on the various business sectors will be negligible.

### **Assumptions**

The two options are framed to recover the same level of funding overall. The financial model used to compare income with costs contains the following main assumptions about the volume of transactions that DVLA will process in 2009/10.

Transactions at Common Fee Level	Predicted Volumes 2009/10	
	Original (millions)	Revised (millions)
Replacement of lost, stolen or destroyed	1.53	1.19
Removal of endorsements	0.03	0.03
“Vanity” exchanges	0.02	0.02
10 year renewals of photocard	1.60	1.60
Transfers from paper to POL	0.15	0.15
TOTALS	3.33	2.99

The calculations are thus simple in terms of revenue generated under Option 1 – 2.99m at £2.50. For Options 2 and 3 we have used predicted volumes for each of the transaction streams and fee levels identified in the Public Consultation (3.11). We have rounded the figures for ease of handling.

### **Benefits**

**Option 1:** Retention of common fee level principle – this has been retained in all three options. No impact on new learners. Increased income take is within required range and presents a level of challenge to DVLA to achieve the balance through greater efficiency and prioritisation of development expenditure.

**Option 2:** Produces the lowest value for extra income generated. No effect on the common fee level.

**Option 3:** Least individual impact on each Driver undertaking transactions. Lowest in terms of challenge to DVLA on cost reductions.

### **Costs**

**Option 1:** No change for businesses. Represents around 14% increase (£2.50) for individual Drivers.

**Option 2:** No change for businesses. Has the greatest impact on new learners who will bear an 11% increase in fee.

**Option 3:** No change for businesses. Impacts on new Drivers as (small) additional obstacle in terms of registration. Represents around 7% overall fee increase (of £2) added equally for all transactions.

## *EQUITY AND FAIRNESS*

The amendments proposed continue with the principle of fair and equitable recovery of costs, whilst ensuring that changes in fees do not impede policy delivery. The burden in Options 1 and 2 rest with those undertaking transactions involving the common fee – whilst in Option 3 this is spread right across drivers equally (if not in proportion to original fee levels).

### **SMALL FIRMS IMPACT TEST**

There appears to be no impact from these proposals.

### **COMPETITION ASSESSMENT**

There appears to be no impact from these proposals.

### **ENFORCEMENT AND SANCTIONS**

There appears to be no impact from these proposals.

### **MONITORING AND REVIEW**

DVLA monitors its own financial position continuously. Its fees structure is formally reviewed on an annual basis. Interested parties are consulted as part of this review process.

### **RACE EQUALITY**

There appears to be no impact from these proposals.

### **DISABILITY EQUALITY**

There appears to be no impact from these proposals.

### **GENDER EQUALITY**

There appears to be no impact from these proposals.

## Specific Impact Tests: Checklist

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

### Summary

DVLA has a duty to set its fees to recover the costs of DVLA's activities. The volumes of transactions have decreased significantly due to the economic downturn and this is predicted to continue to impact through 2009/10. However, due to the fact that chargeable transactions have decreased far more than non-chargeable transactions and the increasing automation of DVLA activities that increases the proportion of fixed costs, the balancing of the budget needs to be achieved through additional income through a fee increase.