

Title: Qualification Proposals to Modernise the Driver Training Industry IA No: DfT00195 Lead department or agency: DSA Other departments or agencies: DfT	Impact Assessment (IA)		
	Date: 05/03/13		
	Stage: Consultation		
	Source of intervention: Domestic		
	Type of measure: Primary legislation		
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Summary: Intervention and Options	RPC Opinion: AMBER
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Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out? Measure qualifies as
£26.47m	£26.47m	-£2.90m	Yes Zero Net Cost

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

The Driving Standards Agency (DSA) has defined the competences required to deliver effective driver training through the National Driver/Rider Training Standard (ND/RTS). The current DSA test route for Potential Driving Instructors (PDIs) does not effectively promote/assess those competences and is wasteful due to low completion rates (approx. 50%). The Trainee Licence (TL) Scheme allows part-qualified PDIs to deliver unsupervised paid instruction to learner drivers. Intervention is necessary as the qualification process is a regulated activity.

What are the policy objectives and the intended effects?

These proposals are intended to deliver the following policy objectives: ensuring the PDI qualification process is aligned with the DSA’s published Standards; reducing the waste of resources for those wishing to become driving instructors; and preventing abuses within the TL system.

Intended effects are a modernised driver training industry in which: instructors are properly prepared to offer the range and standards of service that consumers need and to support any new novice driver road-safety initiatives as per the Strategic Framework for Road Safety (2011); consumers have confidence in the quality of professional driver training services; and the process of becoming a driver trainer is cost-effective.

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

1. Introduce a Vocational Qualification (VQ) to replace the existing DSA test route and address concerns with the TL
2. Improve the existing DSA test route and address concerns with the TL
3. Address concerns with the TL only

Option 1 provides the ‘best fit’ with the problem under consideration. It improves standards of driver training, which has the potential to contribute to road safety and enhances consumer confidence. It also improves career prospects for ADIs and facilitates greater mobility within the driver training industry. It also generates the best net benefit and represents Zero Net Cost from a One-in, Two-out perspective.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 10/2019					
Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro Yes	< 20 Yes	Small Yes	Medium Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded: 0		Non-traded: 0	

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 SELECT SIGNATORY: _____ Date: _____

Summary: Analysis & Evidence

Policy Option 1

Description: Introduce a VQ to replace the existing DSA test route and address concerns with the TL

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -6.79	High: 48.19	Best Estimate: 26.47

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	1.8	0.5	6.0
High	3.2	0.9	10.8
Best Estimate	2.4	0.7	7.9

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

PDI costs for registration/certification under the VQ & for a Criminal Records Check (£0.408m 2015/16->). DSA's transition costs to introduce VQ & address Trainee Licence concerns (£0.978m to 2016/7). DSA's ongoing costs to externally verify the VQ (£0.092m 2015/16->). Training centres' transition costs to deliver the VQ (£1.462m to 2016/7). Training centres' ongoing costs to deliver the VQ (£0.244m 2017/18->). Costs to PDIs who do not currently use an instructor trainer (£0.072 2015/6->).

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

Instructor trainers leaving the instructor training industry due to the introduction of the VQ. Reduction in income for PDIs through addressing concerns with the Trainee Licence.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	0.5	4.0
High	0	6.6	54.2
Best Estimate	0	4.2	34.4

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

PDIs no longer paying DSA test and Trainee Licence fees (£1.303m 2015/16->). Instructor trainers no longer paying DSA ORDIT fees (£0.065m 2015/16->). Reduction in wasted PDI training (£3.309m 2015/16->).

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

Improved career prospects for driving instructors and their trainers. Accreditation of previous qualification & experience by introducing the VQ. Improved consumer choice by addressing concerns with the trainee licence. An increase in the standards of instruction received by addressing concerns with the Trainee Licence. A reduction in Transport Tribunal cases concerning TL. A contribution to road safety.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

Consolidation of the instructor training industry from addressing waste in current process. Improved completion rates (best estimate 70%, low 60%, high 75%) with same number qualifying PDIs. PDI course costs (best estimate £2600, low £1500, high £3500). Risks around larger instructor trainers and pressures on quality of assessment mitigated by DSA role as external verifier. It is assumed that paid lessons delivered by PDIs transfer to ADIs.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: : 0.9	Benefits: 3.8	Net: 2.9	Yes	Zero Net Cost

Summary: Analysis & Evidence

Policy Option 2

Description: Improve the existing DSA test route and address concerns with the TL

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -13.76	High: -7.33	Best Estimate: -10.79

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	1.6	0.7	7.3
High	1.8	1.4	13.8
Best Estimate	1.7	1.1	10.8

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

DSA transition costs to introduce the improved tests and address TL concerns (£1.312m to 2016/17). Instructor trainer's transition costs for the improved tests (£0.341m 2014/15->). Increase in PDIs costs due to now requiring a live pupil for the Part 3 test (£0.059m 2014/15->). Increase in PDI training costs (£1.046m 2014/15).

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

Reduction in income for PDIs through addressing concerns with the Trainee Licence.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	0	0	0

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

None.

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

Improved consumer choice by addressing concerns with the Trainee Licence. An increase in the standards of instruction received by addressing concerns with the Trainee Licence. A reduction in Transport Tribunal cases by addressing concerns with the Trainee Licence. A contribution to road safety

Key assumptions/sensitivities/risks

Discount rate (%)

3.5%

No significant change in the overall completion rate for the Part 2 and 3 tests, and that there will be an additional 7 hours of training required for the Part 2 test. There is a risk that PDIs could 'prepare' the learner they bring with them for the Part 3 test, and thereby manipulate their assessment. This risk can be managed through careful training of examiner staff. It is assumed that paid lessons delivered by PDIs transfer to ADIs.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 1.2	Benefits: 0	Net: -1.2	Yes	IN

Summary: Analysis & Evidence

Policy Option 3

Description: Address concerns with the TL only

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -0.40	High: -0.40	Best Estimate: -0.40

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.4	0	0.4
High	0.4	0	0.4
Best Estimate	0.4	0	0.4

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

DSA transition costs to address Trainee Licence concerns (£0.409 to 2016/17).

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

Reduction in income for PDIs through addressing concerns with the Trainee Licence.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	0	0	0

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

None.

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

Improved consumer choice by addressing concerns with the Trainee Licence. An increase in the standards of instruction received by addressing concerns with the Trainee Licence. A reduction in Transport Tribunal cases by addressing concerns with the Trainee Licence.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

There is a risk that trainee instructors would ignore these exemption requirements and continue to accept payment for training. However, this would constitute illegal instruction. It is assumed that paid lessons delivered by PDIs transfer to ADIs.

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0	Benefits: 0	Net: 0	Yes	IN

Evidence Base (for summary sheets)

The evidence base is structured as follows:

1. Background
2. Problem under consideration
3. Rationale for intervention
4. Policy objectives
5. Overview of the options considered and approach to cost/benefit analysis
6. Do nothing option
7. Option 1 – proposed arrangements, costs and benefits, risks and sensitivities
8. Option 2 – ditto
9. Option 3 – ditto
10. Evaluation of options
11. Wider impacts

1 BACKGROUND

1.1 Driving Instruction (Category B¹)

Only those on the Register of Approved Driving Instructors (ADI), or Potential Driving Instructors (PDI) operating under a Trainee Licence, are permitted to give paid instruction² in Great Britain. ADIs and PDIs are authorised by the DSA's Registrar. A person wishing to become an ADI registers their interest with the DSA and is issued with a Personal Reference Number (PRN)³. They are then recorded as a PDI on DSAs systems.

Only PDIs that have completed a 3 part DSA assessment and are judged to be "fit and proper" can apply for entry to the ADI Register. This assessment currently consists of:

- Part 1 - a computer-based examination of driving/instructional theory and hazard perception;
- Part 2 - a practical driving ability test; and
- Part 3 - a practical instructional ability test.

Further details can be found in DSAs publication 'Your guide to the approved driving instructor register (ADI 14)' at http://assets.dft.gov.uk/dsa-bl/dsa_adi_14.pdf.

Although it is not a requirement, most PDIs choose to undertake training with an instructor trainer. Instructor trainers can either act independently, or operate under the DSA's formally accredited, voluntary, Official Register of Driver Instructor Trainers (ORDIT). ORDIT recognises over 225 organisations using more than 575 instructor-trainers. DSA surveys indicate that 75% of PDIs use ORDIT trainers.

The 2009-10 DSA PDI survey indicated that 80% of trainees opted for a full package of training, while 11% opted for an ad-hoc approach. Some of the remainder would have gained instructional experience in previous roles, such as the emergency services, and others may later opt for training after failing their first attempts at the ADI assessments.

The 'fit and proper' process includes a requirement that the PDI undertakes a CRB⁴ check. Motoring convictions are also considered. The Registrar may refuse or later remove a PDI

¹ DVLA categories specify the types of vehicles an individual can drive, at a particular age, on a particular type of licence. Category B covers cars and light vans.

² N.B. The term 'paid instruction' relates to any situation in which money changes hands in exchange for the delivery of training, regardless of who pays that money or to whom.

³ A PDI cannot take any of the DSA assessments without a PRN

⁴ CRB – Criminal Records Bureau

from the qualification process if the individual does not satisfy the Fit & Proper criterion. The PDI may appeal the Registrar's decision at the First Tier Tribunal.

ADI registration lasts for four years. During each period of registration ADIs are subject to a re-assessment of their instructional ability. They must pass this check to remain on the Register⁵ and to re-register⁶ at the end of the four year period.

Indicative Numbers ⁷	
ADIs on the Register (end March 2012)	46,569
Joined the Register (April 2011 – March 2012)	3,339
Applications to start the qualification process (April 2011 – March 2012)	6,930
Trainee Licences issued (April 2011 – March 2012)	3,214

1.2 Trainee Licence Scheme

If, when a PDI has successfully completed the Part 2 examination, they can demonstrate that they have received at least forty hours training from an instructor trainer they are entitled to apply to the DSA for a Trainee Licence. This is intended specifically to provide them with an opportunity to gain practical on-road experience of giving driving instruction in preparation for the Part 3. A PDI is, however, able to charge learner drivers for this instruction.

Research based on a small sample, indicated that there was no significant difference in the Part 3 pass rate for those PDIs that used the trainee license compared with those that did not (Review of requirements for training and qualification as an Approved Driving Instructor - DETR Research Report 15, 2000). More recent data is not available.

The Trainee Licence lasts for six months. However, PDIs can apply to the Registrar for a further six month licence. Again, any decision by the Registrar to refuse any subsequent licence can be appealed at the First Tier Tribunal.

Approximately 40% of PDIs apply for a Trainee Licence and, of these, approximately 60% apply to the Registrar for a second licence for a further 6 months.

Trainee Licence appeals account for a high number of all instructor related appeals.

2nd Trainee Licence appeals to First-Tier Tribunal						
	Cases	Allowed	Dismissed	Rescinded	Withdrawn	Not heard
2007	324	18	176	6	124	0
2008	618	31	286	23	269	9
2009	431	38	219	2	171	1
2010	275	0	155	0	97	23
2011	256	4	116	0	96	40

Some instructor trainers operate a franchise arrangement under which the PDI is leased a driving school car. The PDI then pays for the vehicle through the income that they receive under the Trainee Licence. However, this can cause the PDI difficulties if they later fail to qualify or are refused a further Trainee Licence.

1.3 Affected groups

On this basis the main groups directly affected by these proposals are:

- trainee driving instructors;
- driving instructor trainers; and

⁵ Subject to removals procedures

⁶ Subject to CRB check

⁷ <http://www.dft.gov.uk/statistics/tables/ins0101/>. Generally, the numbers of applications to start the qualification processes and for Trainee Licences are in decline.

- those driving schools who currently employ PDIs to deliver driver training.

The DSA has met regularly with ADI stakeholder groups, which include instructor trainers, since 2007. More recently it has met with members of ORDIT, through a series of structured focus groups, to explore their specific issues. The approach taken reflects the most recent guidance on appropriate methods of consultation.

Learner drivers will be affected but indirectly. Awarding Organisations⁸ (AOs) will also be affected if option 1 is developed. The DSA has had preliminary discussions with 9 potential AOs⁹.

2. THE PROBLEM UNDER CONSIDERATION

Research undertaken in 2008¹⁰ indicated that 1 in 5 of all newly-qualified drivers have a collision within 6 months of passing the practical driving test. The Government's Strategic Framework for Road Safety states the following:

- *There have been substantial reductions in road user casualties since the Government first produced a road safety strategy in 1987. However in 2009 there were still 2,222 fatalities on Great Britain's roads...*¹¹
- *...Road collisions can have devastating and long lasting consequences for those involved and their families. The overall social and economic cost of road collisions is estimated at around £16bn¹² in 2009. (p15)*
- *Despite improvements in recent years, novice (predominantly young) drivers are still disproportionately represented in the accident record. (p51)*

In response DSA has published an evidence-based National Driving Standards (2010) (NDS) which sets out the competences required to be a safe and responsible driver. These are specifically designed to make "it easier for road users to do the right thing" (Ibid).

The evidence-based DSA National Driver/Rider Training Standard (2011)¹³ (ND/RTS) sets out the competences required to deliver effective training in the learning outcomes of the NDS. At the heart of the ND/RTS is the understanding that learners will take greater responsibility for their learning if trainers "go with the grain of human behaviour" (Ibid) and take a more client-centred approach. Such an approach will provide "better education and training for children and learner and inexperienced drivers" (ibid).

The existing ADI qualification process does not effectively promote or assess the competences identified in the ND/RTS. For example the existing way in which instructional ability is assessed encourages PDIs to learn to pass the Part 3 rather than deliver effective instruction. Some Driving Schools have reported that they deliver additional training to newly qualified instructors to remedy this.

There is therefore a requirement to redesign the way that ADIs qualify to ensure that they are able to provide a more effective service from the outset. In addition a high proportion of those starting the process have to take several attempts at each stage and less than 50%¹⁴ are ultimately successful. This represents a significant financial commitment for no return.

Rather than using the Trainee Licence for its intended purpose of providing an effective learning opportunity, some PDIs are seen as exploiting the arrangement by trading for

⁸ Bodies approved to award vocational qualifications by Ofqual

⁹ On a strict 'information only' basis with the clear caveat that there is no guarantee that a VQ will be forthcoming

¹⁰ Cohort II: A study of Learner and Newly Qualified Drivers, Department for Transport Road Safety Report 81, 2008

¹¹ The slight upturn in the most recent KSI statistics only serves to reinforce the need not to become complacent.

¹² Reported Road Casualties Great Britain 2009, article 2, pages 31-34

¹³ The National Driver/Rider Training Standard provides a common platform for those involved in both Category B and Category A/AM training. However Category A/AM training is out of scope for this IA.

¹⁴ See Annex 1: 1712 out of 3612 PDIs are forecast to succeed in 2014/15 which is 47.4%.

extended periods without attempting to complete their qualification process. This approach is encouraged by some driving schools that see further Trainee Licences as an everyday part of their business model.

In addition research by the AA indicates that many learners do not understand the difference between a PDI and a fully qualified ADI and that many are unaware that the person delivering their instruction is only partly qualified, and in some instances, may never fully qualify as an ADI¹⁵.

In summary, although KSIs have fallen the personal and economic costs arising from accidents on our roads are still too high. The DSA's evidence based Driving and Driver-Training Standards are designed to help learners to acquire the competences required to be safe and responsible drivers. However, the current ADI qualification process does not ensure those Standards are delivered effectively. It is, therefore, necessary to change that process. In doing so there is also an opportunity to address the issues raised by operation of the Trainee Licence scheme.

3. THE RATIONALE FOR GOVERNMENT INTERVENTION

The Government has regulated the ADI industry since the 1970. The qualifying process to become an ADI is a regulated activity under part 5 of the Road Traffic Act 1988 and covered by regulations contained in The Motor Cars (Driving Instruction) Regulations 2005. The Road Safety Act (2006) provides a revised framework within which changes, to the way ADIs qualify, can be made. Without these changes the problems set out above will persist.

ADIs play a particularly important role in ensuring that learner drivers have the safest possible start to their driving career. Government has committed, in the Strategic Framework, to improving road safety by taking steps to ensure ADIs have the right skills and qualifications. This will better enable them to provide consumers with the higher standard, and wider range of services, that they need to become and remain safe drivers.

The basis of any programme to raise ambition in skills and training is the establishment of clearly stated standards supported by an appropriate qualification and assessment process. The DSA has published such standards for the driver/rider training industry but its existing qualification processes fail to ensure that those completing that process have demonstrated the required competences.

Some individuals and organisations, within the industry, understand and are working towards the required competences. However, the majority of those involved are self-employed. As such they look to Government to promote and sustain a fair and successful profession through the setting and enforcement of minimum standards. Discussion with larger stakeholders indicates the industry believes it is not yet sufficiently mature to take responsibility for these processes itself. They are therefore looking to the DSA to provide a more appropriate and flexible framework to support further progress.

Government intervention will also increase mobility within the overall skills/training environment by:

- Opening up entry to the ADI register for those who already hold equivalent qualifications in other training sectors
- Giving ADIs a transferable qualification recognised by other professions.

¹⁵ http://www.theaa.com/public_affairs/news/trainee-driving-instructor-campaign-aa-driving-school.html, Driving Instructors Association press release Nov 20 2012 www.learningtodrive.org

4. POLICY OBJECTIVES

The primary policy objectives of these proposals are:

- ensuring the ADI qualification process is aligned with the DSA's published Standards;
- ensuring the provision of sufficient numbers of suitably qualified ADIs to meet future demands, while reducing the waste of resources (both financial and personal) for those wishing to become ADIs
- improving standards of driving instruction to provide better driving education and training for learners and inexperienced drivers, in support of the Strategic Framework; and
- ending the abuse of the current Trainee Licence system;

5. OVERVIEW OF THE OPTIONS CONSIDERED AND APPROACH TO COST/BENEFIT ANALYSIS

5.1 Do Nothing

It was concluded that the option of doing nothing would go against the Government's intention to improve road safety as set out in the Strategic Framework and offer higher standards of driving instruction. The PDI training regime would be sub-optimal as there are ways to improve it. It would also mean that unqualified PDIs would continue to deliver paid driving instruction to unknowing learner drivers.

This option has been taken as the basis of comparison for cost/benefit calculations.

5.2. Non-Viable options

5.2.1 Complete deregulation of the driver training industry

In line with the principles of the Open Public Services white paper (2011) consideration was given to passing responsibility for the training and qualification of ADIs to an organisation representing the driver training industry. In this option the DSA would continue to define Standards but would take no responsibility for the delivery, assessment or quality assurance of the ADI qualification process.

It became clear at an early stage, that key stakeholders were not confident in their industry's present ability to come together under such a representative organisation. No industry association had succeeded in attracting support from all sectors. Particular concerns were also expressed about the influence that the larger players in the industry would have vis-à-vis small companies and singleton traders. This option was therefore discounted and has not been costed.

5.2.2 Major enhancements to the DSA 3 part assessment route

The existing DSA 3 part assessment route could be amended to map more closely to the ND/RTS e.g. by changing the order of the components, introducing case studies into theoretical assessment and more extensive assessments of instructional competence. These changes would require more significant system change and implementation costs. More extensive assessments would impose far greater fee burdens on PDIs. Also, if fully developed this would result in a process broadly equivalent to Vocational Qualification (VQ)¹⁶, but by a more expensive route. It would not have the additional benefits that a VQ provides e.g. transferable credit and greater mobility within the skills/training environment. The necessary changes would not represent value for money and the option has, therefore, been rejected.

¹⁶ A formal qualification, recorded on the Qualifications and Credit Framework which assesses competence in a particular vocational area.

5.2.3 Running an improved DSA 3 part ADI qualification process alongside the VQ route for two years

Consideration was given to running an improved DSA route (option 1), in parallel with the VQ (option 1), for a period of 2 years or more. This option was rejected for two main reasons. First, the increased overall transition costs would lead to higher DSA test fees and VQ registration/certification costs, while the intention was still to close the DSA route. Second, higher costs and reduced volumes would impact on the viability of the VQ. Perhaps most important of all, not signalling clearly to the training industry that the VQ would be adopted would hold back its adoption and successful implementation.

It would also result in the PDIs, qualifying under the DSA route, nominally having an equivalent qualification to those completing the VQ i.e. one nominally assessed against the same Standard. However, those completing the VQ route would be able to justify an argument that they had been assessed more rigorously and the PDIs would not be able to benefit from the ability to transfer credit into other vocational training etc. This would create a two-tier structure.

5.2.4 DSA becoming an Awarding Organisation

Within the regulations relating to the development and accreditation of qualifications, it would, theoretically, be possible for the DSA to become an AO in its own right. This would, in principle, allow closer control of quality issues. However, achieving this closer control would require the DSA to invest substantially in resource and expertise. The external verifier role would also need to be filled by another organisation. This option was rejected because it would involve the DSA in developing, and resourcing, competences outside its formal remit and would go against Government policy on open government.

5.3 Options Taken Forward

5.3.1 Option 1 - Introduce a VQ to replace the existing DSA test route and address concerns with the Trainee Licence

The DSA's preferred option is for a two part VQ under which all assessments, as well as training, would be carried out by approved training centres. The first part, which would be based on a DSA 'Developed Driving Standard' (DDS)¹⁷, would require PDIs to demonstrate they have sufficient understanding of driving theory to be able to explain it to learners and that they can drive at level 3¹⁸. The second, based on the NOS¹⁹ aligned with the ND/RTS, would require candidates to demonstrate their ability to provide effective driving instruction. The TL option would be removed and replaced by a general exemption for those undertaking the VQ.

It is likely that the first part would constitute an Award²⁰ (1-12 credits) at level 3. Both parts are likely to constitute a Certificate (13-36 credits) at level 3. The arrangements for training will be set down in the definitive documentation agreed between the DSA and the Awarding Organisation (AO).

The TL option would be withdrawn and, in its place, PDIs would be granted an exemption to allow them to deliver paid instruction provided that they;

¹⁷ The DDS will be published in Feb/Mar 2013 to coincide with the publication of the revised Driver Training NOS by People 1st.

¹⁸ 'Level 3' refers to the educational level as defined in the Regulatory Arrangements for the Qualifications and Credit Framework 2008. It reflects the complexity of the task the candidate is required to perform, the responsibility they have for initiating and completing tasks and the autonomy and judgement they must exercise. Passing the Driving Test is defined as a Level 2 competence. Level 3 is broadly equivalent to an A level.

¹⁹ NOS are the responsibility of the Sector Skills Councils. Driver Training NOS are held by People 1st, who work closely with Skills for Logistics in this area.

²⁰ Award, Certificate & Diploma are terms used within the QCF to denote the minimum and maximum size of qualifications in terms of credits. Each unit in a vocational qualification has a credit value assigned for outcomes of achievement. One credit =10 hours of notional learning time i.e. how long it would take the average learner to achieve all the learning outcomes of that unit, including time practicing in the work environment..

- are accompanied by an ADI at all times whilst using the exemption
- ensure that the ADI's badge is displayed in the windscreen while using the exemption
- inform the trainee before instruction commences that they are only partially qualified but are permitted to give paid instruction in order to prepare for the Part 3 test.

Option 1 provides the 'best fit' with the problem under consideration. It improves standards of driver training and enhances consumer confidence. It also improves career prospects for ADIs and facilitates greater mobility within the skills/training environment.

5.3.2 Option 2 - Improve the existing DSA test route & address concerns with the Trainee Licence

Under Option 2 the DSA 3-part ADI qualification process would be enhanced to improve its alignment with the ND/RTS, without significant system/process change costs, by:

- Part 2: introducing a test of the candidate's ability to demonstrate level 3 driving skills and to provide 'talk-through'²¹
- Part 3: ending the use of pre-set tests and role-play and placing greater emphasis on assessing instructional competence.

No changes would be made to the Part 1. The Trainee Licence would be withdrawn per the principles in 5.3.1 above.

5.3.3 Option 3 - Address concerns with the Trainee Licence only

The only response to the problems identified is to remove the existing entitlement of PDIs to deliver paid instruction, unaccompanied. Under option 1 PDIs would be granted an exemption per the principles in 5.3.1. above.

5.4 APPROACH TO COST/BENEFIT ANALYSIS

5.4.1 Overview of Approach

Costs and benefits have been monetised wherever possible. Where variables are key &/or significant uncertainty exists low and high estimates are also provided. Where this has not been the case a full qualitative description of the cost or benefit has been provided.

Costs and benefits have been monetised over 10 years starting in April 2014 (DSA works to financial years April to March). Any transition costs DSA incurs up to that point will be expressed as year 0 costs.

PDIs, ADIs, instructor trainers and awarding organisations are all treated as businesses. Just as a retailer invests in stock before it opens for business, a PDI incurs training costs before it is registered as an ADI and those training costs are specific to their chosen industry. ADIs and clearly businesses where they deliver paid instruction per regulations. As far as DSA is aware all instructors that train PDIs do so on a commercial basis. Awarding organisations operate on a commercial basis or as civil society organisations (per one-in, two out guidelines).

DSA transition costs have been accounted for in the year they take place, even though they will be charged back to an awarding organisation later. This does imply that the DSA will include an interest cost for this time to the AOs but for simplicity any difference between this interest rate and the social discount rate has been ignored.

²¹ 'Talk-through' refers to an exercise in which a candidate explains what they are doing as they do it e.g. identifying hazards and planning to respond to them. Candidates would not be expected to achieve the levels of competence that, for example, Police high-speed drivers achieve. What is required here is that the candidate can verbalise without deterioration in their driving competence.

5.4.2 Proportionality Approach

Proportionality has been taken to mean the estimation of costs and benefits according to the relevance of the scale of the impacts. It is acknowledged that not all costs have been estimated, however it is hoped that both i) significant benefits or costs to either government, business, the public and ii) benefits or costs that distinguish between the desirability of the options have been accounted for.

Several figures quoted in the following sections are estimates, and are intended to be indicative of the consequences of each option. It is hoped that responses to consultation will enable these estimates to be refined. Areas where further information is welcomed are identified in the impact assessment as follows: '**Further information welcomed through consultation**'.

6. DO NOTHING SCENARIO

6.1 Risks/sensitivities

These proposals represent the culmination of a development process in which the industry has been involved for several years. The industry supports the principle that there must be changes in the way ADIs are qualified and there has been support for the specific proposals contained in option 3. Failure to make substantive progress at this stage would have a negative impact on the development and promotion and credibility of the DSA Standards.

6.2 Basis of comparison

The options are analysed by comparison to the Do Nothing scenario.

6.2.1 DSA costs to PDIs

Annex 1 explains how the cost to PDIs of DSA tests and Trainee Licences are calculated. Based on DSA records the calculation covers forecasts of PDIs starting the qualification process, fees, pass rates and drop out rates between each part. The average fees that a PDI pays to DSA are believed to be £469, regardless of whether they are successful or not.

6.2.2 Training costs

The following assumptions are made about the costs of training:

(a) As a working assumption PDIs time is valued at £6.19 per hour to reflect the minimum wage²². This reflects the PDIs main alternative to training which is to seek work. This value of time (and any other used in the impact assessment) is assumed to be constant over time for simplicity.

(b) An instructor trainer's time has been valued at £20 per hour. This assumes a net income of £600 per ADI based on a working week of 38 hours²³. A 25% premium has been applied to represent instructors trainers should be at a premium to the value of an ADIs time (**further information welcomed through consultation**).

(c) A PDI training course has been valued at £2600 with a low of £1500 and a high of £3500. There are a variety of training packages available: intensive courses (some of which may be residential); contracts for a set number of hours of training delivered over an elapsed period of time; and training delivery on an as and when basis. There is also variety in the number of PDIs being trained in the car, i.e. 1:1 to 3:1. Additional training is sold when instructor trainers advise the PDI is not test ready. Estimates of course costs reflect internet

²² <https://www.gov.uk/national-minimum-wage-rates> for those aged 21 and over

²³ <http://www.drivinginstructorsites.co.uk/custImages/how2drive/Driving-Instructor-information-booklet.pdf> (based on value of lesson quoted less costs of providing lesson - net business weekly income divided by hours earned per week are the assumed hourly earnings rate of an instructor (£600/38 = £16))

searches and the experience of senior DSA examiners involved in the ORDIT register. The mid-point reflects prices charged by several of the larger training organisations.

(d) The average number of contact hours per training course to complete parts 1 to 3 has been estimated to be 60. An internet search indicates 40 hour courses are typical for the Part 3 (this is a minimum requirement under the TL) and 10-20 hours for the Part 2. The Part 1 is typically prepared for on a self-study basis. A cautious approach has been taken. In reality the total number of hours is likely to be more for the reasons below but these have not been monetised due to the lack of information available:

- extra training is often required beyond the agreed package if the PDI is not test ready; and
- self study time and practice.

Further information welcomed through consultation.

6.2.3 Demand for ADIs

Annex 1 shows that 1712 ADIs are forecast to register with DSA per year from 2014/15 onwards. These levels reflect a decline that has been seen in the number of instructors coming onto the ADI Register. No increase or decrease in numbers has been assumed beyond 2014-15. Based on known pass and drop-out rates this indicates 3612 will start the qualification process under the current DSA arrangements. In other words 47.4% of those who start the qualification process are successful and join the ADI register. It is assumed that demand for ADIs remains as it is; any change in completion rates will lead to an increase/decrease in the number starting the qualification process rather than those joining the register.

6.2.4 Volumes of instructor trainers

585 driving instructor trainers were on the ORDIT Register in February 2012. DSA customer satisfaction surveys have indicated 75% of PDIs received their training from members of ORDIT. This suggests a total of 780 driving instructor trainers. The table below shows the size of the instructor training schools they work for based on (a) analysis of DSA records and (b) on the assumption that 60% of non-ORDIT trainers are sole traders and the other 40% work for schools with an average of 2.5 instructors.

Current Industry Structure – ORDIT / non-ORDIT Combined				
Number of Instructor Trainers per School	Number of Schools	Number of Instructor Trainers in industry	% of Instructors	Ratio of Instructor Trainers per school
1	273	273	35%	1.0
2-9	89	255	33%	2.9
10-49	7	140	18%	20.0
50+	1	112	14%	112.0
Grand Total	370	780	100.0%	2.1

6.2.5 ORDIT fees

Current ORDIT fees are dependent on (1) whether the organisation is based out of a main office or a sole trader operating from a car and (2) initial versus subsequent visits. DSA does not recover its costs of running the ORDIT register through existing fees. These would have to be significantly increased to the following indicative levels, most likely in 2014.

Inspection Type	Current Fee	Future Fee
Premises Only Inspection (Office)	£173	£400
Premises Only Inspection (Car)	£53	£165
First Trainer Inspection per visit (Office)	£194	£400
First Trainer Inspection per visit (Car)	£74	£165
Subsequent Trainer Inspections per visit	£74	£165

7. OPTION 1 - INTRODUCE A VQ THAT REPLACES THE EXISTING DSA TEST ROUTE AND ADDRESS CONCERNS WITH THE TL

7.1 Proposed arrangements

7.1.1 How VQs Work

VQs offer a practical learning programme that relates directly to a specific job role or sector. They emphasise practical skills and knowledge, are usually mapped against National Occupational Standards (NOS) and reflect current industry practices.

NOS define everything a person needs to know, understand and be able to do to demonstrate competence in a specific role. The existing Driver Training NOS have been revised so that they are now a verbatim match with the DSA's ND/RTS.

NOS are expressed in terms of 'learning outcomes' i.e. the learner will *'be able to'* undertake particular tasks or will *'know and understand'* particular elements of supporting knowledge.

VQs are usually assessed in several ways, in order to create a 'portfolio' of evidence. This allows for triangulation in the assessment process. In developing any qualification a standards setting body will work with an Awarding Organisation (AO) to define what level of competence must be demonstrated, what 'competence looks like' and what is acceptable evidence of competence. This information is embodied in a qualification 'workbook' or similar document. They will also, normally define, what qualifications are required by those who undertake training and assessment.

The AO recruits and approves training centres to deliver a qualification. They are responsible for the administration of assessment, the operation of quality assurance processes and the certification of successful students.

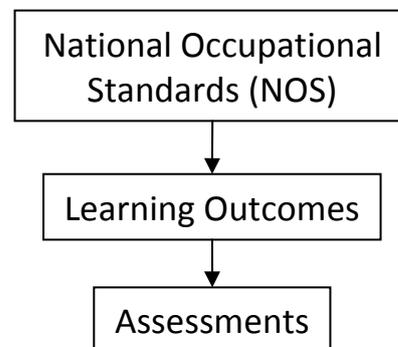
Quality assurance processes are operated by Internal Verifiers (IV) within the training centres, who sample check the work of Assessors within a particular approved training centre and by External Verifiers (EV). EVs are suitably qualified professionals recruited by the AO to undertake audit visits to ensure consistency of provision across training centres. If they detect quality problems they work with the IV or AO centre manager to solve them. Where problems are not resolved they can be escalated to the AO or ultimately to Ofqual who can, if required, remove the AO's approval to deliver the qualification.

7.1.2 How the VQ in driving instruction would work

When an AO has developed a set of units which make up a particular VQ these are placed on the Qualification and Credit Framework (QCF). The QCF recognises qualifications and units by awarding credits.

It is assumed that the DSA, as the standards setting authority, will contract with a single AO, or with a consortium of AOs working through a single lead organisation, to develop the units which will make up the VQ and to deliver it. When the units are agreed, it is proposed that they will be placed on the QCF as a 'closed award' to avoid any other AO from developing their own version of the qualification. The DSA prefer this approach as it will reduce the possibility of variation creeping into the interpretation of the learning outcomes etc, if more than one AO is involved.

The AO will then recruit training centres, ensure that they have appropriately qualified staff, suitable systems etc, and approve them. They will train staff at the centres in the correct interpretation of the qualification workbook and the operation of quality assurance systems. The intention is that suitably qualified DSA staff will then undertake the EV role.



In the first one or two years of delivery the approved training centres will not be permitted to certify students until the EV has confirmed that assessment has been carried out correctly. This may mean some delay before students can gain their certificate and apply for entry onto the ADI Register. However, once an approved centre has demonstrated that it is operating, consistently, to the appropriate standard, the EV will move to a post-hoc verification role.

Successful completion of the VQ would not be sufficient to grant an individual an automatic right to be placed on the ADI Register. They would still have to satisfy the Registrar's fit-and-proper/CRB requirements. This will be through a Criminal Records Check through DSA. A fee of the order of £67 would be charged for this. The date of the CRB would need to be no more than 6 months before the PDI applied to register with DSA as an ADI. For this reason the approved training centres will be charged with counselling all applicants for a place on the qualification to ensure that they did not proceed if they were aware of any reason why they would not be able to meet those checks.

7.1.3 Paid instruction under the VQ

With the introduction of a VQ the Trainee Licence scheme would end. The opportunity for a trainee instructor to deliver paid instruction to a learner would be provided by a general exemption. Under that exemption they would be permitted to deliver paid instruction only if they:

- were, at all times, accompanied by an ADI whilst using the exemption
- ensured that the ADI's badge was displayed in the windscreen whilst using the exemption.
- informed the trainee before instruction commences that they were only partially qualified but were permitted to give paid instruction as part of their programme of training.

The framework for the VQ would be written to require that, when a trainee instructor is giving paid instruction as part of the training course:

- the ADI accompanying the trainee instructor must be qualified to deliver training under the vocational qualification
- the ADI must be satisfied that the trainee instructor has reached a sufficient level of competence to deliver paid instruction (the required competences which will be defined at a later stage)
- the ADI must ensure that the trainee has been informed of the trainee instructor's status and has agreed to participate on that basis.

As is currently the case, trainee instructors would be free to give unpaid driving instruction in order to gain experience of giving instruction.

Under Trainee Licence arrangements many PDIs agree to a franchise arrangement with the organisations providing their instructor training course. The franchise typically includes a car and the provision of paying customers. These arrangements are built into the business model of the training provider and lead to the problem of PDIs delivering paid instruction, for lengthy periods.

Under this option it is likely that franchises for PDIs, based on them delivering paid instruction, will cease. It will make more economic sense to support the PDI to complete their training as quickly as possible. Stakeholders report that there is already a trend away from Trainee Licence franchises. There is a high take-up of franchises post-qualification (75 to 85% of those qualifying). The DSA believes that the same number of franchises is likely to be sold, overall, with those that are currently sold to PDIs being sold to those who have qualified more quickly under the new arrangements. Overall, the DSA believes that the impact of this change will be neutral and it has not been monetised.

7.1.4 Commercial arrangements between DSA and the awarding organisation

DSA proposes to enter into a tendering process with AOs to develop and deliver the VQ. Ofqual would effectively represent a call off framework of those eligible to bid. The nature of the commercial agreement will be clarified as proposals are developed further - in particular

whether the agreement is a contract or service concession. DSA would look to recover its transition costs from the AO through these arrangements; it is assumed that the AO would recover these through increased registration/certification costs for the VQ. In addition, a condition of the commercial agreement would be that the successful AO (or consortia) would raise a contract with DSA to deliver the external verifier role.

It is envisaged that the initial concession/contract will be let for a minimum of 5-7 years²⁴.

7.1.5 Transition

When the VQ is launched those who have started the DSA route and passed the Part 1 would be allowed to continue, including giving paid instruction under the conditions of the Trainee Licence scheme. No new applications will be accepted. Any PDI who had passed the Part 1 at this stage would have two years from when they passed the Part 1 to complete parts 2 and 3.

The DSA route would be switched off completely, including the Trainee Licence scheme, two years after the VQ were launched. Test fees would not be increased.

Following the launch of the VQ, ORDIT would close. ORDIT fees would not, therefore, be raised before this time.

7.2 Overview of costs and benefits for option 1

Overviews of the costs and benefits are shown in the below tables. Each cost and benefit is then explained in further detail. Some costs will directly impact on one affected group and then be incurred by another affected group. For example, DSA would recover its transition costs directly from the awarding organisation through a commercial arrangement, who would recover these costs through the registration/certification fee charged to PDIs taking the VQ.

Cost	Affected Group		Best Estimate £m		
	Directly	Indirectly	Transition	Ongoing	Other
PDIs' costs for registration/certification under the VQ and for a Criminal Records Check (see 7.3.1)	PDIs	n/a		0.408 2015/16→	
DSA's transition costs to introduce VQ and address Trainee Licence concerns (see 7.3.2)	Awarding organisation	PDIs	0.978 to 2016/17		
DSA's ongoing costs to externally verifier the VQ (see 7.3.3)	Awarding organisation	PDIs		0.092 avg. 2015/16 →	
Training centres' transition costs to deliver the VQ (see 7.3.4)	Instructor Trainers	PDIs	1.462 to 2016/17		
Training centres' ongoing costs to deliver the VQ (see 7.3.5)	Instructor Trainers	PDIs		0.244 2017/18 →	
Costs to PDIs who do not currently use an instructor trainer (7.3.6)	PDIs			0.072 2015/16 →	

²⁴ It is recognised that current purchasing guidance suggests 'contracts' should be limited to 3 years. However, where the AO is being asked to develop the qualification, through a concession, it is considered that 5 years is the minimum amount of time they would require to recover development costs. Also, given that there is usually a review of any new programme after 3 years, it would be unreasonable to deny the AO the opportunity to build in improvements etc. They will also need to recover costs associated with the production of teaching materials etc. 7 years would reflect periods for sunset clauses.

Cost	Affected Group		Best Estimate £m		
	Directly	Indirectly	Transition	Ongoing	Other
Instructor trainers leaving the instructor training industry due to the introduction of the VQ (see 7.3.7)	Instructor trainers	n/a			Not monetised
Reduction in income for PDIs through addressing concerns with the Trainee Licence (see 7.3.8)	PDIs	n/a			Not monetised

Benefit	Affected Group		Best Estimate £m		
	Directly	Indirectly	Transition	Ongoing	Other
PDIs no longer paying DSA test and trainee licence fees (7.4.1)	PDIs	n/a		1.303 2015/16 →	
Instructor trainers no longer paying DSA ORDIT fees (7.4.2)	Instructor trainers	PDIs		0.065 2015/16 →	
Reduction in wasted PDI training (7.4.3)	PDIs	n/a		3.309 2015/16 →	
Improved career prospects for driving instructors and their trainers (7.4.4)	ADIs & instructor trainers	n/a			Not monetised
Accreditation of previous qualification & experience by introducing the VQ (7.4.5)	PDIs	n/a			Not monetised
Improved consumer choice by addressing concerns with the trainee licence (7.4.6)	Learner drivers	n/a			Not monetised
An increase in the standards of instruction received by addressing concerns with the trainee licence (7.4.7)	Learner drivers	n/a			Not monetised
A reduction in Transport Tribunal cases by addressing concerns with the trainee licence (7.4.8)	DSA	n/a			Not monetised
A contribution to road safety (7.4.9)	Learner Drivers	n/a			Not monetised
Unsuccessful PDIs not incurring training costs they then struggle to repay (7.4.10)	PDIs	n/a			Not monetised

7.3 Costs of option 1

7.3.1 PDIs' costs for registration/certification under the VQ and for a Criminal Records Check

PDIs would pay registration/certification²⁵ costs for the VQ to the awarding organisation via their training centre. They would also pay a Criminal Records Check fee to DSA before applying to join the ADI register. These costs would in effect replace current DSA test fees.

²⁵ Some awarding organisations only charge for certification and not registration. The term registration is also applied to those successful PDIs who apply to join the ADI register. Registration can therefore mean two things.

Estimated annual costs to PDIs have been calculated as follows (lows and highs are also provided given the importance of completion rates to the monetisation):

Basis of estimate		Estimate		
Step	Explanation	Best	Low	High
A	The registration/certification costs paid by the PDI to the awarding organisation via the training centre. These are based on a review of the fee lists for four awarding organisations that DSA met with and comparisons to other VQs delivering level 3 certificates.	£100	£75	£126
B	The Criminal Records Check fee that the PDI would pay to DSA. DSA uses a contractor to conduct CRB checks. The fee reflects this and other overheads that would need to be applied.	£67	£67	£67
C	The number completing the qualification process (see 6.2.3) It is assumed that higher numbers do not seek to qualify given over capacity that exists in the industry (see 7.3.8)	1712	1712	1712
D	The percentage of PDIs estimated to complete the qualification process. This is based on indications from meetings with four awarding organisations and an expert in the field of external verification which led to a best estimate of 70% being used with a range of 60-75%. Further information welcomed through consultation	70%	75%	60%
E C/(D)	The number of PDIs starting the qualification process.	2,446	2,283	2,853
F (A+B)xE	Total annual costs to PDIs	£0.408m	£0.324m	£0.551m

These costs would occur in Years 2 (2015/16) onwards once the VQ has been launched.

The higher completion rates reflect a requirement awarding organisations would place on training centres to assess the PDIs suitability to start the qualification and the more structured training process that would result from more clearly defined learning requirements. Given the higher rate it has been assumed that those PDIs who do not complete the vocational qualification do not attempt re-qualification at a later stage.

In reality not all PDIs would pay for the certification costs or Criminal Records Check. It is difficult to estimate the split of registration and certification costs at this stage or those PDIs who undergo a Criminal Records Check in anticipation of completing the VQ. Costs have not therefore been reduced to reflect this.

7.3.2 DSA's transition costs to introduce VQ and address Trainee Licence concerns

DSA estimates that it will incur costs of £0.976m through to 2016/17 introducing the vocational qualification and addressing concerns with the Trainee Licence. Further details can be found in Annex 3.

Although DSA will initially incur these costs it will recover them through the commercial arrangement. This agreement is likely to last up to 7 years, the first year of which will be launching the qualification, i.e. development of the VQ handbook and approving training centres. No PDIs would be able to qualify under the VQ during this first year.

The awarding organisation will directly increase registration/certification costs to reflect this. Based on transition costs of £0.976m and the above best estimate of 2,446 PDIs starting the VQ annually over a six year period this would increase the registration/certification costs in 7.3.1 by c. £67 [$£0.976m/(2,446 \times 6)$]. This does not consider the time value of money at this stage and as such should be considered an approximation. As in 7.3.1 it is difficult to estimate the split of registration/certification costs.

It is considered reasonable that an awarding organisation (or consortium) recovers these costs through increased registration/certification costs because the VQ will be the only basis of becoming an ADI. An AO would not enter into a commercial arrangement with DSA if this were not the case.

7.3.3 DSA's ongoing costs to externally verify the VQ

Meetings with four awarding organisations and an expert in the field of external verification indicate awarding organisations normally contract in external verification expertise. Typical day rates are £175 plus expenses. External verifiers are frequently self-employed or work for micro-businesses with low overheads. Up to two days are used to prepare for, conduct and follow-up on visits. Each training centre normally receives two visits each year. In the main, awarding organisations appear to recover these costs through the registration/certification costs charged to PDIs in 7.3.1; one awarding organisation indicated these are charged for separately.

Stakeholders have expressed a strong preference for DSA to perform this role. So a condition of the commercial arrangement with the awarding organisation would be a contract agreed with DSA to deliver the external verification activity. DSA costs would be higher, reflecting the overheads of a larger organisation. It is assumed that the awarding organisation would pass on these costs through higher registration/certification costs. Also DSA would incur annual software maintenance resulting from system changes in 7.3.2.

Basis of estimate		Best estimate
Step	Explanation	
A	The number of training centres. Some industry consolidation is expected. Please refer to the wider impact assessment for small firms and competition for further detail (section 11.1).	50
B	The number of external verification visits per year	2
C	Typical industry costs to conduct each external verification visit (based on 2 days @ £175 per day excluding expenses)	£350
D	DSAs costs to conduct each external verification visit (based on 2 days excluding expenses)	£1031
E D-C	The additional cost for DSA to conduct each external verification visit	£681
F AxBxE	The total additional costs for DSA to conduct external verification visits	£0.068m
G	DSAs annual software maintenance costs	£0.009m
H (F+G)	Total DSA costs to run vocational qualification	£0.077m

The above costs represent a typical year once the vocational qualification has been launched and all training centres are self-certifying (estimated to be year 5 ongoing). The costs would be different in the first few years as not all training centres would necessarily gain approval in the first year after the qualification is launched (it has been assumed that 80% of those making the transition would). DSA has also allowed for extra external verification visits while training centres get to the point of self-certification. This will allow PDIs to get their certificate more frequently than every 6 months. The profile of DSAs annual costs following launch of the VQ in 2015/16 is therefore estimated as follows:

Basis of estimate		Best estimate for year			
Step	Explanation	Yr 2	Yr 3	Yr 4	Yr 5-

		2015/16	2016/17	2017/18	2018/19-
A	Number of training centres	40	50	50	50
B	Average number of external verification visits per training centre	4	4	3	2
C	Additional annual cost for DSA to conduct external verification visits	£681	£681	£681	£681
D	The total additional costs for DSA to conduct external verification visits	£0.109m	£0.136m	£0.102m	£0.068m
E	Annual software maintenance costs (not incurred Year 2)	£0k	£9k	£9k	£9k
F D+E	Total DSA costs to run vocational qualification	£0.109m	£0.145m	£0.111m	£0.077m

The awarding organisation will directly increase registration/certification costs to reflect this. The average annual costs Years 2 to 10 would be £92k. This would add £38 to the PDIs registration/certification under the VQ based on the above best estimate of 2,446 PDIs starting the qualification process annually. The same qualifying statements as in 7.3.2 and 7.3.3 apply. The increased registration/certification costs are considered reasonable for the reasons set out in 7.3.3.

Therefore DSA estimates total registration/certification costs in the region of £205 (£100 under 7.3.1, £67 under 7.3.2 and £38 under 7.3.3).

7.3.4 Training centres' ongoing costs to deliver the VQ

These are the costs that instructor training organisations incur gaining approval to become training centres under the VQ and making sure their staff are suitability qualified as assessors, to deliver training using role play and as internal verifiers. It is assumed that the training centres will pass these costs on to PDIs through higher fees for training courses.

Due to the number of variables included in estimating this cost the full calculation is provided in Annex 2 - the table below represents a summary of the sub-calculations.

Basis of estimate		Estimate		
Step	Explanation	Best	Low	High
E Ax(B+(CxD))	Costs to training centres of gaining approval to deliver VQ	£0.066m	£0.026m	£0.145m
L Hx(I+JxK)	Costs to training centres of gaining assessor qualifications	£0.848m	£0.438m	£1.313m
Q Mx(N+OxP)	Costs to training centres of gaining role play qualifications	£0.203m	£0.119m	£0.293m
W (Rx(S+YxU))+V	Cost of industry gaining internal verifier qualifications	£0.337m	£0.213m	£0.496m
Z [AxXxY]	Cost of training centres making sure they have PC access and secure filing	£0.008m	£0.006m	£0.009m
AA [E+L+Q+W+Z]	Cost of industry making the transition to the VQ	£1.462m	£0.802m	£2.256m

In section 7.3.3 it was assumed that 80% of instructor training organisations were approved in the first year after the launch of the qualification and 20% in the second year. This split has been used as a proxy for splitting the transitions costs over the same two year period with costs would be incurred a year before approval.

Transition Costs for Recognised Training Centres	Year 1 2014/15	Year 2 2015/16
Best	£1.170m	£0.292m
Low	£0.641m	£0.161m
High	£1.805m	£0.451m

While the training centres may look to pass these costs onto PDIs in higher training costs this will not necessarily prove successful. For one thing the transition costs will occur over 2 years – not all costs could reasonably be recovered, at least in the transition period in this period. As set out in 7.3.7 however, some industry consolidation is expected which would provide scope for costs to be passed on. It has been assumed that the training costs will only be able to recover half these transition costs through higher course costs. DSA does not know the period of time over which they would attempt to do this and so no attempt has been made to show how this would be profiled.

7.3.5 Training centres' annual costs to deliver the VQ

Ongoing costs reflect the need for training centres to (a) recruit suitably qualified instructor trainers as a percentage leave or retire and (b) conduct internal verification activity. It has been assumed that assessor activity is included within current training activity, e.g. at the moment instructor trainers will be making informal assessments as to whether PDIs are ready to take DSA tests. The VQ provides more structure to the assessment process but this does not mean that those costs would necessarily increase.

Basis of estimate		Estimate		
Step	Explanation	Best	Low	High
A	Turnover of instructor trainers. A figure for the instructor training industry is not known but 7% has been used reflecting the turnover on DSAs ADI Register.	7%	7%	7%
B	Cost of instructor trainers gaining assessor qualifications under transition arrangements (see 7.3.4 L+Q+W)	£1.388m	£0.772m	£2.102m
C BxA	Annual cost of new instructor trainers gaining assessor, role play and internal verifier qualifications	£0.097m	£0.054m	£0.147m
D	Internal verification activity per PDI. This is usually conducted as a percentage sample of assessor decisions. This can range from 100% of decisions for new, inexperienced assessors down to potentially 5% for large cohorts when assessors are experienced. DSA believes the nature of the training industry lends itself more to smaller cohorts. Dialogue with awarding organisations has yielded two responses. One advised two hours of internal verifier work per ten candidates and another 10-20% of the overall cost of assessment but a very small % of the overall cost of delivery [training]. DSA has taken a cautious approach and assumed 1.5 hours per PDI for the award in Developed Driving and 1.5 hours for the certificate in Driving instruction. 1.5 hours is the time allowed for a DSA examiner to conduct a Part 3 exam (assessment plus administration time). Further information welcomed through consultation	3 hours	3 hours	3 hours
E	Value of internal verifier time per hour (see 7.3.4).	£20	£20	£20
F	Number of PDIs p.a. (see 7.3.1 best estimate)	2446	2446	2446
G DxExF	Additional costs resulting from internal verification activities	£0.147m	£0.147m	£0.147m

H C+G	Training centres' annual costs to deliver the VQ	£0.244m	£0.201m	£0.294m
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It has been assumed that these costs would be incurred from 2017/8 onwards once the VQ had been launched and post the transition costs set out in 7.3.4. As with 7.3.5 it is assumed that course fees are increased to recover 50% of transition costs. This is also considered reasonable given that PDIs will benefit from no longer paying DSA fees for Parts 1-3, i.e. assessment has transferred from DSAs responsibility into the training centres.

One of the awarding organisations indicated it is appropriate for internal verifiers from different training centres to meet on a quarterly basis to standardise and share feedback. The support frameworks run by different awarding organisations will, however, vary and so these potential costs have not been monetised.

7.3.6 Costs to PDIs who do not currently use an instructor trainer

Although 9% of PDIs have indicated they seek to qualify without training there are different reasons behind this. Some will come from an armed-forces or Police background where they have already, formally, demonstrated driving and instructional competence. Option 1 would allow for some or all of this to be recognised under Accreditation of Prior Learning (APL) and Prior Experiential Learning (APEL). Some will 'have a go' but soon realise they need training. The split between these two PDI groups is not known.

In the absence of any other data a 50/50 split is assumed between these two groups.

Those with APL/APEL would still need to be assessed by a training centre. It is assumed this experience leads to significantly reduced training costs (some training may still be need to ensure the PDI can effectively deliver training in the context of a learner driver from the public).

For those without APL/APEL it is assumed they eventually seek the experience of an instructor trainer and therefore benefit from the reduction in the cost of wasted training set out in 7.4.3. No further attempts are made to monetised the impact for this group.

Basis of estimate		Estimate		
Step	Explanation	Best	Low	High
A	The number of PDIs starting the qualification process (see 7.3.1 row E)	2,446	2,283	2,853
B	% of PDIs who require the services of a training centre who currently do not (4.5% = 9%/2)	4.5%	4.5%	4.5%
C AxB	Number of PDIs who require the services of a training centre who currently do not	110	103	128
D	Cost of training course under the do nothing option (see 6.2.2)	£2600	£1500	£3500
E	% of training course cost that PDIs with APL/APEL still subject to (these are estimates) Further information welcomed through consultation	25%	10%	40%
F	Costs to PDIs who do not currently use an instructor trainer	£0.072m	£0.015m	£0.180m

7.3.7 Instructor trainers leaving the instructor training industry due to the introduction of the VQ

Industry consolidation is expected for three reasons. First, VQs would not allow assessment and internal verification to be conducted by the same instructor trainer **therefore sole traders will not be able to continue in their current form**. Second; some businesses may decide they do not wish to make the transition to the new arrangements by gaining the

necessary qualifications and approvals. Third, improved completion rates would lead to a reduction in the number of PDIs commencing the qualification process, assuming the same number of PDIs qualify as do under the current arrangements. Please refer to the wider impact assessment for small firms and competition for further detail (section 11.1).

Other avenues of work include the instruction of learner drivers delivered by other ADIs and more specialist areas such as work related road safety training. Attempts have not been made to monetise the potential loss of income given the market failure that exists within the current arrangements, i.e. the low completion rates.

7.3.8 Reduction in income for PDIs through addressing concerns with the Trainee Licence

The cost of having an ADI/instructor trainer accompany the lesson will make it uneconomic as an earning activity and limit this to training requirements. It is assumed that lessons will be transferred to qualified ADIs.

There is a theoretical impact from this policy on PDIs from no longer having the ability to carry out lessons. This cost however is offset by the fact that they are free to use this time to earn income outside of the driving industry. In addition spare capacity that currently exists in the driving lessons market could be used to make up for these lost lessons (see Annex 4).

7.4 Benefits

7.4.1 PDIs no longer paying DSA test and trainee licence fees

PDIs taking a VQ will no longer pay DSA fees for Part 1-3 tests or have the option of paying for a trainee licence.

Basis of estimate		Best estimate
Step	Explanation	
A	Average DSA test fees per individual starting the DSA qualification process (see Annex 1)	£469
B	Number of PDIs passing the fit and proper check (see 7.3.1). This is based on the best estimate under this option not the current number of PDIs, e.g. it is difficult to claim a benefit for those not looking to qualify under this option.	2,446
C AxB	DSA test fees saved by PDIs	£1.147m
D	Percentage of PDIs who pass the Part 2 and are eligible to apply for a trainee licence (see Annex 1 W/E)	71%
E	Percentage of PDIs who Pass the Part and apply for a trainee licence (reflects trends seen on DSA records)	40%
F	Trainee licence fee	£140
G	Average number of trainee licences applied for by those who take up the option of a trainee licence (based on DSA records)	1.6
H	DSA trainee licence fees saved by PDIs (BxDxE)xFxG	£0.156m
I C+H	DSA test and trainee licence fees saved by introducing the VQ	£1.303m

These benefits would be realised from 2015/16 onwards once the vocational qualification had been launched.

Some instructor training organisations have indicated that those who do not take out a trainee licence require less training because they do not develop poor instructional technique. This benefit has not been monetised as DSA has not been able to validate at this stage how widespread this view is.

7.4.2 Instructor trainers no longer paying DSA ORDIT fees

Once the VQ is launched instructor training organisations would no longer pay DSA for registration under the voluntary, Official Register of Driving Instructor Trainers (ORDIT). The register would close at this time. Given this, ORDIT fees would not be increased before the VQ were launched. The fees saved however are those fees that would have been paid under the Do Nothing option and are reflected in the below calculation:

Basis of estimate		Best estimate
Step	Explanation	
A	ORDIT Premises Only Inspection (Office)	£400.00
B	ORDIT Premises Only Inspection (Car)	£165.00
C	ORDIT First Trainer Inspection per visit (Premises)	£400.00
D	ORDIT First Trainer Inspection per visit (DSA)	£165.00
E	ORDIT Subsequent Trainer Inspections per visit	£165.00
F	Premises Only Inspection (Office) - DSA estimate of required inspections p.a.	36
G	Premises Only Inspection (Car) - DSA estimate of required inspections p.a.	54
H	First Trainer Inspection per visit (Premises) - DSA estimate of required inspections p.a.	12
I	First Trainer Inspection per visit (DSA) - DSA estimate of required inspections p.a.	59
J	Subsequent Trainer Inspections per visit - DSA estimate of required inspections p.a.	166
K see expl.	ORDIT fees saved by introducing the VQ (AxF)+(BxG)+(CxH)+(DxI)+(ExJ)	£0.065m

The above does not include the costs of preparing for the inspections for which limited information is available.

7.4.3 Reduction in wasted PDI training

Higher completion rates under the VQ have the potential to reduce the number of PDIs whose investment in training courses and time is wasted.

Basis of estimate		Estimate		
Step	Explanation	Best	Low	High
A	Number starting qualification process under the do nothing option (from DSA records)	3612	3612	3612
B	Percentage joining the register under the do nothing option (from DSA records)	47.4%	47.4%	47.4%
C	Number who join the register (see Annex 1)	1712	1712	1712
AxB				
D	Number whose training is wasted under the do nothing option	1900	1900	1900
Ax(1-B)				
E	Cost of training course under the do nothing option (see 6.2.2)	£2600	£1500	£3500
F DxE	Total cost of wasted training courses under the do nothing option	£4.940m	£2.850m	£6.650m
G	Average number of hours per training course (see 6.2.2)	60	60	60
H	Value of PDIs time spent training per hour (see 6.2.2)	£6.19	£6.19	£6.19
I DxGxH	Total cost of PDIs wasted time under the do nothing option	£0.706m	£0.706m	£0.706m

J F+I	Total cost of wasted training courses and PDI time under the do nothing option	£5.646m	£3.556m	£7.356m
K	Number starting the qualification process under the VQ (see 7.3.1 based on completion rates) NOTE: the calculation for the lows and highs for K through T has been 'reversed' when compared to the calculation in 7.3.1 (the lowest pass rate is used with the highest course cost). This allows the highest estimated waste under the VQ to be taken away from the lowest estimated waste under the do nothing option and v-v.	2,446	2,853	2,283
L	Completion rate (see 7.3.1) under VQ.	70%	60%	75%
M KxL	Number who join the register under VQ	1712	1712	1712
N K-M	Number whose training is wasted under option 1	734	1141	571
O	Cost of training course under the do nothing option. Discussions with stakeholders on VQ proposals indicate that delivering training based on DSAs National Standards should not have a significant impact on the length of training courses.	£2600	£3500	£1500
P NxO	Total cost of wasted training courses under the VQ	£1.908m	£3.994m	£0.857m
Q	Average number of hours per training course	60	60	60
R	Value of PDIs time spent training per hour	£6.19	£6.19	£6.19
S NxQxR	Total cost of PDIs wasted time under the VQ	£0.273m	£0.424m	£0.212m
T P+S	Total cost of wasted training courses and PDI time under the VQ	£2.181m	£4.418m	£1.069m
U J-T	Reduction in the cost of wasted training by introducing the VQ	£3.465m	£-0.863m	£6.287m
V Ux(1-4.5%)	Reduction in the cost of wasted training by introducing the VQ – adjusted for 7.3.6	£3.309m	£-0.824m	£6.004m

Please note this calculation does not include the additional training costs that PDIs incur under the do nothing option where PDIs take repeat attempts at Parts 1 to 3. While hourly costs can be identified DSA does not have a clear picture of how many hours of training are typically taken. Therefore the above estimates of wasted train training may be more than is actually the case.

A scenario was also considered where the completion rate under the VQ did not significantly improve – given the importance of this variable for this calculation. A completion rate of 50% was used as a worse case which approximates the 47.4% under the do nothing option (see 6.2.3). The cost of the training course was assumed to be £2600 for the best, low and high

estimates in rows E and O in the above table. The low and highs in the resulting calculation did not provide as big a range as those in the above table.

7.4.4 Improved career prospects for driving instructors and their trainers (not monetised)

Currently those PDIs who take the DSA route to qualification and pass Parts 1 & 2 - but not 3 - leave with nothing to show for their investment in training. Under the VQ, those who gain an award in developed driving – but not a certificate in driving instruction - would have evidence of their suitability to pursue an alternative driving career. Similarly employment prospects may be improved for those driving instructors who have gain a certificate in driving instruction but later chose to leave the industry. Furthermore, instructor trainers who have gained assessor/internal verifier qualifications would be able to transfer these skills into other training industries should they change career.

DSA has no way of quantifying the number of individuals who will be able to use their qualifications in alternative careers or the extent to which it would influence improved chances of employment. This benefit has therefore not been monetised.

7.4.5 Accreditation of previous qualification & experience by introducing the VQ

The nature of the VQ approach provides more scope to formally assess training requirements and accredit previous qualifications and experience. This has the potential to reduce training requirements and waste, e.g. for those who have gained equivalents to an award in developed driving through the armed forces, emergency services or elsewhere. DSA has not been able to quantify at this stage the potential number of trainee instructors who would gain so this benefit has therefore not been monetised.

7.4.6 Improved consumer choice by addressing concerns with the trainee licence

The conditions under which paid instruction can be delivered by a trainee instructor will ensure that it is clear to the learner from whom they are receiving training. This will enable consumers to make an informed choice on how much they are prepared to pay for this instruction.

7.4.7 An increase in the standards of instruction received by addressing concerns with the trainee licence

Under the VQ, trainee instructors will always be accompanied by an ADI who is also a suitably qualified instructor trainer, when delivering paid instruction as part of their programme of training. This instructor trainer will be available to provide constructive feedback to raise the standard of instruction delivered and to intervene where dangerous instruction is being delivered.

7.4.8 A reduction in Transport Tribunal cases by addressing concerns with the trainee licence

Removal of the Trainee Licence will reduce burden on the justice system. From 2008 to 2011 between 256 and 628 cases were handled p.a. by the Transport Tribunal where DSA had refused to grant second Trainee Licences. Under the VQ any complaints will be handled through Ofqual arrangements which allow issues to be resolved at the level of the training centre, awarding organisation or ultimately Ofqual itself.

7.4.9 A contribution to road safety

The competences set out in the NDS have been designed to make it easier for road users to understand what is required to be a safe and responsible driver and to ensure they are better equipped '*to do the right thing*'. Under the VQ ADIs will be more fully prepared to deliver the content of the NDS effectively. This should facilitate a reduction, in particular, in the number of young and novice drivers who are killed and seriously injured.

The evidence that underpins the ND/RTS suggests that these benefits will be achieved. However no longitudinal study has yet been carried out. Also it will be very difficult to disaggregate the specific effects of the VQ from the wide range of other factors operating in the road safety environment. In the absence of definitive data this benefit has not been monetised.

7.4.10 Unsuccessful PDIs not incurring training costs they then struggle to repay

A combination of low completion rates for the qualification process and training costs for PDIs, particularly under the Trainee Licence route where franchise arrangements are often involved, leaves some struggling to pay off debts where they are not successful. Improved completion rates would reduce the number struggling with these liabilities. This is evidenced by a handful of cases where PDIs ask the Registrar to be removed from the qualifying process for 'fit and proper' reasons, allowing them to exit franchise arrangements.

7.5 Key assumptions/sensitivities/risks

Consolidation of the instructor training industry is expected e.g. where those who only train part-time choose not to make the investment required to acquire the new competences. Assumptions have also been made about the way in which the industry will restructure in response to the requirements of awarding organisations (see section 10.1).

Other key assumptions are that transition and annual costs are passed onto PDIs, the number of qualifying PDIs remains at current levels, that paid lessons delivered by PDIs transfer to ADIs and the same number of franchises is sold..

The key sensitivities in calculations are believed to be completion rates and the numbers of recognised training centres (and their assessors/internal verifiers).

ORDIT members identified risks around the ability of large training providers to dominate and manipulate the market for the VQ, to drive out small providers and to drive down quality. A closed award and an active DSA role as the external verifier mitigate this.

Subject to the considerations at 7.1.4 above, there are risks associated with the recovery of the DSA's project costs. There is a risk that:

- if the wrong recovery mechanism is put in place the DSA will not be able to recover all of its costs
- additional charges, over and above the AO's normal registration and certification fees, will discourage some AO's from bidding and some individuals from applying to undertake the qualification. This risk is mitigated by the fact that there would be no alternative route to become an ADI.

7.6 One-in, two-out

This proposal is viewed as zero net cost, i.e. regulation is introduced and recast resulting in net benefit to business.

All the monetised benefits and costs affect businesses, be they PDIs, ADIs, instructor trainers or awarding organisations. The equivalent annual benefits of £3.8m outweigh the costs of £0.9m by more than two to one. This leads to a net benefit to business of £2.96m p.a. (EANCB in 2009 prices). The biggest factor in this is the reduction in wasted PDI training with an annual benefit of £3.3m. However – despite this net benefit – the measure is not an 'Out' as it is not deregulatory.

Although this option does not reduce the overall scope of government regulation of the driver training industry, simplification is achieved through the removal of the DSA tests from regulation in favour of the existing Ofqual arrangements. Under VQ proposals a minority of instructor trainers (less than 200²⁶) that currently deliver training to PDIs outside of DSAs voluntary ORDIT arrangements, will now be subject to the delivery of training and

²⁶ See embedded document in 11.1.

assessment under the auspices of Ofqual. Addressing Trainee Licence concerns does mean that 40% of PDIs (c.1000 p.a.²⁷) will no longer be able to deliver unsupervised paid instruction as part of their preparation for the Part 3 test of instructional ability. However it should be borne in mind that the Trainee Licence is an exemption to the prime purpose of regulation in this area, i.e. paid instruction should only be delivered by fully qualified driving instructors, and that low pass rates for the Part 3 test (33% for each attempt - see Annex 1) raise questions about the standard of instruction and consumer awareness.

8 OPTION 2 – IMPROVE THE EXISTING DSA TEST ROUTE AND ADDRESS CONCERNS WITH THE TL

8.1 Proposed Arrangements

8.1.1 Improvements to the existing DSA test route

This option seeks to improve alignment of the existing DSA 3-part ADI qualification process to the ND/RTS, without significant system or process change costs. Role 5 of the NDS specifies that safe and responsible drivers review and adjust their driving behaviour over their lifetime.

In this context, Option 2 would amend the DSA Part 2 assessment to introduce a test of the candidate's ability to demonstrate level 3 driving skills and provide 'talk-through'.

Talk-through is deemed to provide evidence of the candidate's 'unconscious competence' - their ability to scan the driving environment and plan appropriately and their ability to communicate effectively while carrying out other tasks. Failure to maintain level 3 driving skills while delivering talk-through is taken to indicate that the trainee instructor would struggle to provide effective instruction in a moving vehicle environment.

To free up more time for the assessment of driving competence, PDIs would only be required to perform two specific manoeuvres, instead of four as currently required

The Part 3 assessment would be amended by removing the use of pre-set tests and role-play and placing greater emphasis on testing instructional competence. Pre-set tests encourage PDIs to learn to 'pass the test' rather than acquiring the skills necessary to be a trainer. Ending their use would remove the opportunity to 'rehearse' a particular test.

Ending role-play and requiring candidates to present with a 'live' pupil would provide a more realistic environment in which the candidate must plan and deliver an appropriately structured lesson to suit the needs of the pupil. The emphasis of assessment would be on instructional competence and the management of risk.

This approach would also facilitate better alignment with the ADI standards check process. Newly qualified ADIs would, therefore, be better prepared for their first standards check when it falls due.

To recover the costs of developing and implementing proposals DSA test fees from 2014/5 under this option would be of the order of: Part 1 £90, Part 2 £165, Part 3: £165. It should be noted that, for the Part 2/3, these are significant fee increases of 49%.

Current tests would end when the new arrangements come into effect. Therefore PDIs who had failed the Part 2 or 3 once or twice under the current arrangements would have to take the new test (they have up to 3 attempts).

8.1.2 Address concerns with the TL

This option removes the entitlement for PDIs to deliver paid instruction, unaccompanied, before they are fully qualified. PDIs would no longer apply for a Trainee Licence. Regulations would be laid to specify that an eligible person would be able to apply for an

²⁷ 40% of 2531 in row AA in Annex 1

'exemption' which would allow them to deliver paid instruction for a period of 6 months only, subject to the following conditions:

- the PDI would, at all times, be required to be accompanied by an ADI whilst using the exemption
- the PDI would be required to ensure that the ADI's badge is displayed in the windscreen while using the exemption; and
- the PDI would be required to inform the trainee before instruction commences that they are only partially qualified but are permitted to give paid instruction in order to prepare for the Part 3 test.

They would not be able to apply for an extension or for a second exemption.

The Trainee Licence scheme would end on the day that the new scheme is switched on. Under the transition arrangements, any PDI already granted a Trainee Licence would be allowed to complete that licence. They would not be allowed to apply for another once that licence has expired.

A fee of £140 would be charged for the exemption, equivalent to the current trainee licence.

Unlike option 1, option 2 does not specify that the ADI accompanying the PDI must be the person who is training them. However there is a strong likelihood that this is the case as the proposed arrangements are designed to make it uneconomic to earn on this basis and restricts these opportunities to training requirements.

8.1.3 Other

ORDIT would continue per current arrangements although fees would be increased per the 'Do nothing' scenario. The cost of this has not therefore been monetised.

8.2 Overview of costs and benefits for option 2

Overviews of the costs and benefits are shown in the below tables. Each cost and benefit is then explained in further detail.

Cost	Affected Group		Best Estimate £m		
	Directly	Indirectly	Transition	Ongoing	Other
DSA transition costs to introduce the improved tests and address Trainee Licence concerns (see 8.3.1)	PDIs	n/a	1.312 to 2016/17		
Instructor trainer's transition costs for the improved tests (see 8.3.2)	Instructor trainers	PDIs	0.341 2014/15		
Increase in PDIs costs due to now requiring a live pupil for the Part 3 test (see 8.3.3)	PDIs	n/a		0.059 2014/15→	
Increase in PDIs training costs (see 8.3.4)	PDIs	n/a		1.046 2014/15→	
Reduction in income for PDIs through addressing concerns with the TL (see 7.3.8)	PDIs	n/a			Not monetised

Benefit	Affected Group		Best Estimate £m		
	Directly	Indirectly	Transition	Ongoing	Other
Improved consumer choice by addressing concerns with the trainee licence (see 7.4.6)	Learner drivers	n/a			Not monetised

An increase in the standards of instruction received by addressing concerns with the trainee licence (see 7.4.7)	Learner drivers	n/a			Not monetised
A reduction in Transport Tribunal cases by addressing concerns with the trainee licence (see 7.4.8)	DSA	n/a			Not monetised
A contribution to road safety (8.4.1)	Learner Drivers	n/a			Not monetised
Unsuccessful PDIs not incurring training costs they then struggle to repay (see 7.4.10)	PDIs	n/a			Not monetised

8.3 Costs of option 2

8.3.1 **DSA transition costs to introduce the improved tests and address Trainee Licence concerns**

DSA estimates that it will incur costs of £1.312m improving the Part 2/3 tests and addressing concerns with the Trainee Licence. Further details can be found in Annex 3.

Although DSA will initially incur these costs it will recover them from PDIs through the increased test fees set out in 8.1.1. They would come into effect in 2014/15 subject to the timing of consultation and the laying of regulations.

It could be argued that these costs may be offset by fewer PDIs taking out an instructor exemption than under the TL scheme, i.e. the cost of having an ADI/instructor trainer accompany the lesson will make it uneconomic as an earning activity and limit this to training requirements. However, PDIs may still take out an exemption to prepare for the Part 3 with learner drivers given the removal of role play. Some PDIs may provide these lessons free of charge. DSA is not in a position to estimate the number of exemptions applied for at this stage and has not monetised this aspect.

DSA has considered what impact the improved tests would have on pass rates (which may affect the number of repeat attempts and thus the level at which fees are set). An initial drop in the Part 2 pass rate is expected, which would then be recovered once the training industry adapts to the new arrangements. This reflects trends often observed following changes to licence acquisition tests. Alternatively the pass rate may drop more permanently because the new assessment permanent filters out before the Part 3 would those PDIs who do not have the ability to clearly communicate with the learner. Either way this would contribute to an increased pass rate for the Part 3 given the greater emphasis placed on these necessary communication skills. DSA does not believe the Part 3 would become harder; it would become a more natural assessment that is better aligned with National Standards. Overall, any changes in pass rates are expected to balance out. DSA has not therefore attempted to monetise this as a cost or benefit. **Further information welcomed through consultation.** This does not affect the transition costs incurred by DSA.

8.3.2 **Instructor trainer's transition costs for the improved tests**

Instructor trainers will need to be briefed in a meeting with DSA to understand the changes to the parts 2 and 3 and to work through those changes in their course arrangements for PDIs in the training organisation. By the time the changes were introduced instructor trainers would be familiar with the improved Part 3 because it would reflect improvements being made to the standards check for ADIs. In addition some of the larger training organisations are known to already include 'talk-throughs' in their existing PDI courses. DSA would aim to deliver the briefings locally rather than nationally to minimise travel and subsistence costs for instructor trainers.

Basis of estimate	Estimate
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Step	Explanation	Best	Low	High
A	Number of days of instructor trainers' time.	2	1.5	3
B	Number of instructor trainers (see 11.1 table on current industry structure)	780	780	780
C	Value of instructor trainers time per day (see Annex 2 K based on a 7 hour day)	£140	£140	£140
D	Travel & Subsistence for a meeting (based on DSA rates)	£78.6	£78.6	£78.6
E	Instructor trainer's transition costs for the improved tests	£0.341m	£0.256m	£0.511m
Ax(C+D)xB				

DSA would expect this cost to be incurred in 2014/15. It has been assumed that training materials can be updated during the normal renewal cycle subject to sufficient notice. Given the relatively small cost it is assumed that training centres do not attempt to recover them through increased course fees.

8.3.3 Increase in PDIs costs due to now requiring a live pupil for the Part 3 test

Moving from a Part 3 based on examiners playing the role of a pupil to assessments based on lessons delivered to learner drivers may lead to occasions where learners are unavailable at short notice. If the PDI cancels at short notice, within 3 days of the test, they would incur the cost of rebooking their test. Between 5 and 10% re-bookings have been allowed for. This reflects the data from ADI standards checks which are currently conducted on the basis of role play.

Basis of estimate		Estimate		
Step	Explanation	Best	Low	High
A	Number of Part 2 tests per year (see U in Annex 1)	4802	4802	4802
B	% of tests that required re-booking	7.5%	5%	10%
C	Test fee (see 8.2.1)	£165	£165	£165
D	Increase in PDIs annual costs as a result of improved tests	£0.059m	£0.040m	£0.079m
AxBxC				

These costs would be incurred from 2014/15 onwards.

8.3.4 Increase in PDIs training costs

DSA has discussed with a nationally recognised training organisation whether the improved Part 2/3 tests will have an impact on the length of PDI courses. The indication is that the revised Part 2 assessment will generate a requirement for an additional 7 hours of training. The Part 3 will not require additional training; the assessment is not being made harder but better aligns with National Standards and is a more natural assessment.

It should be noted that some instructor training organisations have reported that additional training is required after the current Part 3 because it does not fully equip instructors for live lessons.

Basis of estimate		Estimate		
Step	Explanation	Best	Low	High
A	Cost of training course under the do nothing option (see 6.2.2)	£2600	£1500	£3500
B	Average number of hours per training course (see 6.2.2)	60	60	60
C	Cost per hour of PDI training	£43.33	£25.00	£58.33
A/B				
D	Additional number of training hours for Part 2	7	7	7
E	No. of PDIs taking ADI Part 2 test (see	3,018	3,018	3,018

Basis of estimate		Estimate		
Step	Explanation	Best	Low	High
	Annex 1)			
F CxDxE	Cost of additional training hours	£0.915m	£0.528m	£1.232m
G	Value of PDIs time per hour (see 7.4.3)	£6.19	£6.19	£6.19
H GxDxE	Value of PDIs time undergoing additional training	£0.131	£0.131	£0.131
I F+H	Increase in training costs to deliver improved qualification process	£1.046m	£0.659m	£1.363m

These costs would be incurred from 2014/15 onwards. Some training organisations already deliver PDI training that involves ‘talk-throughs’ but DSA does not know the extent to which this is the case. Allowances for this have not been made so this cost may be overstated.

8.4 Benefits of option 2

As set out in the summary table the benefits are limited to addressing concerns with the TL per Option1 apart from 8.4.1 below.

8.4.1 A contribution to road safety

Under option 2 the DSA testing process will be better aligned to ensure that ADIs develop the competences set out in the ND/RTS. This, in turn, should equip them to deliver the content of the NDS more effectively. However, any such improvement will be less than will occur under the VQ and consequently even less easy to detect as an effect on KSIs. This benefit has therefore not been monetised.

8.5 Key assumptions/sensitivities/risks

Key assumptions are that there is no significant change in the overall completion rate for the Part 2 and 3, and that there will be an additional 7 hours of training required for the Part 2. Key sensitivities around course costs reflect those set out in section 7.

There is a risk voiced by some ORDIT members that PDIs could ‘prepare’ the learner they bring with them for the Part 3 test, and thereby manipulate their assessment. While this is theoretically possible it is believed that:

- the effort and skill involved in performing the desired ‘role’ will deter PDIs from taking this option
- the format of the assessment, with its focus on whether learning takes place, will be sensitive enough to identify where a prepared lesson is being given.

It is assumed this risk can be managed through careful training of examiner staff and that it will not incur costs or result in a deterioration of the quality of candidates passing the assessment.

As with option 1 it is assumed that paid lessons delivered by PDIs transfer to ADIs and the same number of franchises is sold.

8.6 One-in, two-out

The direct impact on business (equivalent annual) on this options summary page indicates that the proposal classes as an IN for one-in, two out purposes, i.e. there are no monetised benefits to offset the costs on business of £1.2m. This leads to a net cost to business of £1.18m p.a. (EANCB in 2009 prices). The biggest factor in this is the increase in PDI training costs of £1.046m p.a. The comments made in Option 1 on regulation and the Trainee Licence also apply to this Option.

9. OPTION 3 – ADDRESS CONCERNS WITH THE TL ONLY

9.1 Proposed arrangements

See 8.1.2. The instructor exemption fee would be set at £140 and Parts 2/3 at £133 under this option. ORDIT fees would be as set out in 6.2.5.

9.2 Summary of costs and benefits

Overviews of the costs and benefits are shown in the below tables. Each cost and benefit is then explained in further detail. No monetised costs/benefits are incurred indirectly by another affected group under this option.

Cost	Affected Group	Best Estimate £m		
		Transition	Ongoing	Other
DSA transition costs to address Trainee Licence concerns (see 9.3.1)	PDIs	0.409 to 2016/17		
Reduction in income for PDIs through addressing concerns with the TL (see 7.3.8)	PDIs			Not monetised

Benefit	Affected Group	Best Estimate £m.		
		Transition	Ongoing	Other
Improved consumer choice by addressing concerns with the trainee licence (see Option 7.4.6)	Learner drivers			Not monetised
An increase in the standards of instruction received by addressing concerns with the trainee licence (see Option 7.4.7)	Learner drivers			Not monetised
A reduction in Transport Tribunal cases by addressing concerns with the trainee licence (see Option 7.4.8)	DSA			Not monetised
Unsuccessful PDIs not incurring training costs they then struggle to repay (see 7.4.10)	PDIs	n/a		Not monetised

9.3 Costs

9.3.1 DSA transition costs to address Trainee Licence concerns

DSA estimates that it will incur costs of £0.409m addressing concerns with the Trainee Licence. Further details can be found in Annex 3. It should be noted that many of the costs before 2014/15 are common to all options, i.e. the costs of progressing options through regulatory approval and on to consultation.

Although DSA will initially incur these costs it will recover them from PDIs through the increased test fees set out above. They would come into effect in 2014/15 subject to the timing of consultation and the laying of regulations.

9.4 Benefits

As set out in the summary table the benefits are limited to addressing concerns with the TL which have already been described in section 7.

9.5 Key assumptions/sensitivities/risks

As with option 1 it is assumed that paid lessons delivered by PDIs transfer to ADIs and the same number of franchises is sold.

There is a risk that trainee instructors would ignore these exemption requirements and continue to accept payment for training. However, this would constitute illegal instruction.

9.6 One-in, two-out

The direct impact on business (equivalent annual) on this options summary page indicates that the proposal classes as a small IN for one-in, two out purposes, i.e. there are no monetised benefits to offset DSAs transition costs which would be recovered through increased test fees. This leads to a net cost to business of £0.04m p.a. (EANCB in 2009 prices). The comments made in Option 1 on regulation and the Trainee Licence also apply to this Option.

10. EVALUATION OF OPTIONS

On the basis of the monetised costs and benefits, the net benefit of each option has been estimated as follows. However, these estimates do not take into account the non-monetised costs and benefits that have been identified in the impact assessment. The full costs and benefits of each option are discussed below.

Option	Description	Net benefit (£m expressed as Net Present Value)	One-in, two-out
1	Introduce a VQ to replace the existing DSA test route and address concerns with the TL	27.00	Zero Net Cost
2	Improve the existing DSA test route and address concerns with the TL	-10.79	In
3	Address concerns with the TL only	-0.40	In

Option 1 is the only option which generates a positive Net Benefit and counts as Zero Net Cost from a one-in, two out perspective. Transitional and ongoing costs are offset by reductions in fees and in the costs incurred by PDIs who do not successfully complete the existing ADI exam process. Non-monetised benefits include improved career prospects and greater mobility within the driver training industry, improved standards of driving instruction and improved consumer confidence. Non-monetised costs include a reduction in income for PDIs but DSA believes surplus ADI capacity will pick up this demand with no behavioural change since learners do not readily identify the difference between these instructor types. Regulation is introduced and recast in support of this.

Option 2 has the lowest Net Benefit figure and counts as an In. This results from the costs associated with enhancing the DSA 3 part test regime to more closely match the requirements of the ND/RTS. No monetised benefits have been identified. Some non-monetised benefits would flow e.g. improved consumer choice as a result of the changes to the Trainee Licence scheme and a reduction in the number of cases being taken to the Transport Tribunal. PDIs are affected per option 1.

Option 3 generates no monetised benefits but does generate some transitional costs and leads to loss of earning opportunities for those undertaking training to be ADIs. It counts as an In. There is some non-monetised cost and benefit through the changes to the Trainee Licence scheme as in Option 2.

In summary, Option 1 is the preferred option because it addresses the abuses in the Trainee Licence scheme, fully aligns the assessment process with the DSA Standards, has most potential to raise training standards, transfers responsibility for the management of all appeals, related to assessment, to the AO and provides a qualification process which is, overall, more cost-effective than the existing route.

Also, the VQ has the potential to contribute to a reduction in the number of young and novice drivers who are killed and injured. As mentioned in the non-monetised benefit no academic

studies have been carried out on this subject and there is no objective evidence at this stage of casualty reduction or other road safety benefits. A small reduction in crashes for newly qualified drivers, however, would have significant value. The cost of crashes for 17 year olds is £160.3m. The value of 1% of crash prevention would therefore be in excess of £1.5m p.a. This would be an underestimation. In the current economic climate more provisional licences holders learn to drive later than 17 and damage only crashes have not been considered in the above.

	Killed	Seriously Injured	Slightly Injured
Crashes where driver aged 17 – 18 ²⁸	29	271	2043
Cost per crash ²⁹	£1,877,583	£216,203	£23,136
Cost of crashes	£54,449,907	£58,591,013	£47,266,848

11. **WIDER IMPACTS**

The wider impacts considered below are based on the preferred option. They indicate that the implications of the VQ for competition and small firms are most significant.

11.1 **Competition and Small Firms**

Competition and small firms specific impact tests are embedded below. They are considered together because the industry is, in the main, comprised of training organisations with less than 20 instructor trainers.



Competition Specific
Impact Test.doc



Small Firms Specific
Impact Test.doc

The key point to note from the tests is that sole traders would need to review the basis of their operation. They could still operate with a degree of independence, e.g. as an associate delivering the assessor role for an approved training centre. They may choose to merge with other sole traders or instructor training organisations. They would not, however, be able to continue to trade independently of an approved training centre or as a centre by themselves.

Benefits do exist. The costs of assessors entering and exiting the driver training industry are likely to reduce as they gain transferable skills. Exposing the industry to broader educational practice may lead to innovation. It may increase competition by encouraging training providers with experience of VQs to enter the market. No overall reduction in the level of competition has been identified.

Both of the above identified that further discussion was required with the instructor training industry. To this end three focus groups were arranged to which 46 members of the ORDIT Register were invited. Invitees included sole traders and representatives of medium and large organisations. Each group was given a presentation on the options under consideration and an opportunity to ask questions of senior project staff. They were then invited to give their feedback on each option and to share their concerns. Comments were recorded and collated.

The above analysis also noted that the Competition and Small Firms SITs should be progressed in combination.

DSA believes replacing the DSA route with a VQ will lead to the following in terms of industry structure, costs and benefits and implementation.

²⁸ Number of collisions involving at least one car where driver was 17, taken from STATS19 data for 2011, divided by 2 and rounded up

²⁹ Taken from valuation of road accidents and casualties, Reported Road Casualties in Great Britain: 2011 Annual Report.

Industry Structure – Driving Instructor Training

The following table represents our current best understanding of the structure of the driver training industry. (see Small Firms SIT for further details).

Current Industry Structure				
Instructor trainers per training organisations	Number of training organisations	Number of instructor trainers	% of all instructor trainers	Avg. no. of instructor trainers per training organisation
1	273	273	35%	1.0
2-9	89	255	33%	2.9
10-49	7	140	18%	20.0
50+	1	112	14%	112.0
Grand Total	370	780	100%	2.1

The project has made the assumption that:

- 80% of all instructor trainers will make the transition to the new arrangements (industry consolidation reflecting assumptions as to the same number of PDIs completing the qualification process but higher completion rates)
- the remaining 20% will focus on learner instruction and no longer deliver instructor training.

The percentage for sole traders making the transition is likely to be lower but DSA assumes many will deliver the assessor role as associates of, or working for, approved centres.

Estimated Future Industry Structure				
Instructor trainers per training organisations	Number of training organisations	Number of instructor trainers	% of all instructor trainers	Avg. no. of instructor trainers per training organisation
1	0	9	0	1
2-9	37.5	187.5	30	5
10-49	10	250.0	40	25
50+	2.5	187.5	40	75
Grand Total	50	625.0	100	12.5

Implementation Issues

DSA recognises that larger instructor training organisations may well have greater spare capacity which may enable them to gain ‘first mover’ advantages. Similarly, those with previous experience of working with vocational qualifications will have a smaller learning curve to climb. However, it should be noted that experience of working as an Assessor/Verifier etc. is not restricted to larger organisations. Several of the sole practitioners invited to the ORDIT focus groups stated that they were already D32/D33³⁰ qualified. Advantages are, therefore, not restricted to larger organisations.

DSA will work to ensure all parties have access to the information they require to move to the new structures and ways of working, at the earliest opportunity, through its communications strategy. It will also work with the AO that is awarded the concession/contract, to ensure that its communications are aimed at all potential participants.

³⁰ D32/33 is the original nomenclature for Assessor and Verification qualifications. The nomenclature has changed but the competences assessed are largely transferable.

DSA will also work closely with the AO to ensure that all approved training centres are supported to progress to the position where they can self-certify as quickly as possible, regardless of their size.

11.2 Rural Proofing

The VQ option has scope to be beneficial to those living in rural areas because training and assessment will be delivered from the same location by the training centre. There will be no additional requirement to travel to a DSA test centre.

It could be argued that the expected industry consolidation could restrict the distribution of training centres. Discussions with awarding organisations have indicated that they do have the flexibility to maintain provision in rural areas for example through satellite arrangements. They can accommodate a variety of organisational forms as long as there is transparency and control in place as to who is delivering the assessment and internal verification roles.

11.3 Statutory Equality Duties (disability, gender, race, age, sexual orientation, religion of belief)

11.3.1 VQ

Analysis of matters of equality indicates that the VQ would be beneficial. By basing the qualification on clearly stated learning outcomes, with clear definitions of the required evidence of competence, the possibility of individuals being penalised on the basis of factors unrelated to competence is reduced.

A VQ would also ensure that the qualification process for PDIs operates under a coherent equalities policy framework. Ofqual have the following condition of recognition for awarding organisations.

D2 on Accessibility of qualifications³¹

D2.1 An awarding organisation must ensure that it complies with the requirements of Equalities Law in relation to each of the qualifications which it makes available.

D2.2 An awarding organisation must monitor qualifications which it makes available for any feature which could disadvantage a group of Learners who share a particular Characteristic.

D2.3 Where an awarding organisation has identified such a feature, it must –

(a) remove any disadvantage which is unjustifiable, and

(b) maintain a record of any disadvantage which it believes to be justifiable, setting out the reasons why in its opinion the disadvantage is justifiable.

This is reflected in the conditions awarding organisations then place on training centres³².

A VQ, therefore, should have a positive impact on both training and assessment within the qualification process. No such conditions are currently placed on ORDIT trainers by DSA.

11.3.2 Trainee Licence

In terms of the TL DSA has access to data on age and gender.

The table below presents data for the 12 months to November 2012 on the age distribution of PDIs. The distribution of all PDIs passing the Part 2 is compared to the gender where a TL is applied for. This indicates the distribution is similar for most ages except for the upper and lower age bands. DSA cannot identify any reasons at this stage why this might be the case.

³¹ <http://www.ofqual.gov.uk/files/2012-11-21-guidance-to-the-general-conditions-of-recognition.pdf>

³² For an example see <http://www.edexcel.com/iwantto/Pages/equality.aspx>

Age Band	Trainee Licences Applied For ³³		Number of PDIs passing the part 2 and eligible to apply for a TL (subject to driving school training)	
	Number	%	Number	%
21-30	288	14.3%	705	22.5%
31-40	523	25.9%	835	26.6%
41-50	618	30.6%	973	31.0%
51-60	456	22.6%	571	18.2%
61-70	129	6.4%	55	1.8%
70+	5	0.2%	1	0.0%
All ages	2019	100.0%	3140	100.0%

The table below presents data for the 12 months to November 2012 on the gender distribution of PDIs.

Gender	Trainee Licences Applied For		Number of PDIs passing the part 2 and eligible to apply for TL (subject to driving school training)	
	Number	%	Number	%
Male	1477	73.2%	2398	76.4%
Female	540	26.8%	740	23.6%
Combined ³⁴	2017	100.0%	3138	100.0%

This indicates a moderately higher percentage of females apply for the TL. The below table analyses this further and shows the percentage of each gender applying for a TL. DSA does not have any evidence as to why this might be. It could be argued that females are more likely to take out a TL because they believe it will enable them to earn while training on an extended basis due to child/other care arrangements. A low impact may result from the proposals for this protected characteristic.

Gender	Number of PDIs passing the part 2 and eligible to apply for TL (subject to driving school training)	Trainee Licences Applied For*	The number of TLs applied divided by 1.6 to take into account *	Percentage of each gender applying for TL
Male	2398	1477	923	38.5%
Female	740	540	338	45.6%
Combined	3138	2017	1261	n/a

DSA does not have access to data on the other protected characteristics³⁵ and cannot identify any reason why they might negatively influence a PDIs decision to apply for a TL.

11.4 Wider Environmental Impacts and Sustainable Development

The proposals do not have any negative impacts in this area.

It is expected that there would be environmental benefits arising from improved driving standards with reduced emissions and fuel consumption resulting from more efficient driving behaviour. Smarter driving behaviour allows people to use roads more efficiently; it can help prevent accidents; and it can mitigate the consequences when they do occur. This will have

³³ DSA records indicate that when a PDI applies for a TL they apply for 1.6 TLs on average (a TL lasts for 6 months and an additional TL can be applied for).

³⁴ A difference of two records to the age distribution has occurred where two PDIs have not provided gender information.

³⁵ PDI information is collected on ethnic minorities but it is not providing meaningful data in terms of Trainee Licences.

some further beneficial impacts on CO2 emissions³⁶³⁷. The road transport sector accounts for approximately a quarter of domestic emissions. However, it is difficult to evidence and qualify what this might mean in terms of an emissions reduction.

The introduction of vocational qualifications for driving is likely to have a positive impact on carbon emissions because the assessment (as well as the training) will take place at the training location, i.e. potential instructors will not have to travel to DSA locations for each test though there would be periodic external verifier visits. However, this would lead to a minimal reduction in emissions so it has not been quantified.

The changes do not introduce anything that will have an adverse health effect. Raising the standards of training delivered by newly qualified instructors is likely to reduce the number of crashes, deaths and injuries, with consequent benefits in terms of emergency and medical services etc. This is considered in the benefits and costs section.

11.5 Human Rights

There are no Human Rights impacts to the proposals. A ruling by the Grand Chamber of the Human Court of Human Rights in June 2007 confirmed that cars have the potential to cause grave injury and that certain responsibilities therefore come with owning or driving a vehicle. Proposals that raise the standards of instruction should reinforce awareness of this.

11.6 Justice System

DSA believes the proposals will lead to a net reduction in burden but has not sought to monetise this. Removing the Trainee Licence will lead to fewer cases being submitted to the Transport Tribunal.

VQs have well established appeals processes that allow for complaints to be managed at the level of the training centre, awarding organisation and, ultimately, Ofqual. Discussions with awarding organisations indicate there are charges of £51 to £65 per appeal to the candidate. Disputes will not, however, have an impact on the justice system.

Under the DSA route appeals have the potential to end up in the justice system. Where the candidate questions the conduct of the Part 2 or 3 tests (it is hard to challenge the Part 1 as computer based exam) they can appeal to the Registrar. After investigation and where the conduct of the test remains in question, another attempt may be allowed at the discretion of the Registrar. In the last three years only two cases have not been satisfied in this way and have been taken to the Magistrates/Sheriffs Court. It could be argued that the proposed replacement of the DSA route with a VQ may lead to a more appeals as it is closed down. However the same appeals process would remain in place during this period and the trainee would also have the option of subsequently taking the VQ route.

12. REFERENCES

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³⁶ Afwahlberg (2007), Barth & Boriboonsomsin K (2009), Van Mierlo et al (2004) indicate savings of fuel savings of between 2% and 10% should be achievable with an appropriately designed training programme.

³⁷ DSA has experience of delivering training in Work Related Road Safety and Eco-safe driving. One example of this in 2010 involved 19 candidates and led to an average fuel saving of 13%. Licence acquisition training would not have such a focus but some benefit would still be expected.

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Annex 1 Calculation of average DSA test fees per PDI (exc. trainee licences)

<u>Step in qualification process</u>		<u>Volumes</u>	<u>Calculation</u>
<u>Fit and proper / CRB check</u>			
Volume applying	A	3,612	See note 1
Pass rate	B	98.0%	
Fee (part of ADI Part 1 fees)	C	£0	
Total Fees paid	D	£0	AxC
Volume passing	E	3,540	AxB
<u>Part 1 Theory / hazard perception test</u>			
Pass rate	F	50.3%	
Drop out per test	G	5.0%	
Fee	H	£90	
1st attempt	I	3,540	E
2nd attempt	J	1,671	$I \times (1-F) \times (1-G)$
3rd attempt	K	789	$J \times (1-F) \times (1-G)$
Total number of tests	L	6,000	I+J+K
Total fees paid	M	£540,014	LxH
Volume passing	N	3,018	LxF
<u>Part 2 Driving test</u>			
Pass rate	O	52.7%	
Drop out per test	P	11.8%	
Fee	Q	£111	
1st attempt	R	3,018	N
2nd attempt	S	1,259	$R \times (1-O) \times (1-P)$
3rd attempt	T	525	$S \times (1-O) \times (1-P)$
Total number of tests	U	4,802	R+S+T
Total fees paid	V	£533,022	UxQ
Volume passing	W	2,531	UxO
<u>Part 3 Instructional ability test</u>			
Pass rate	X	32.3%	
Drop out per test	Y	2.6%	
Fee	Z	£111	
1st attempt	AA	2,531	W
2nd attempt	AB	1,669	$AA \times (1-X) \times (1-Y)$
3rd attempt	AC	1,101	$AB \times (1-X) \times (1-Y)$
Total number of tests	AD	5,301	AA+AB+AC
Total fees paid	AE	£588,411	ADxZ
Volume passing	AF	1,712	ADxX
<u>Total fees paid for parts 1-3</u>	AG	£1,661,433	M+V+AE
<u>Average cost per PDI starting the qualification process</u>			
Total number of trainees to start training	AH	3,540	E - see note 2
Average cost per individual	AI	£469.36	AG/AH

Note 1 - Initial volume of 3612 based on DSA forecasts under do nothing option in 2014-15. These levels reflect a decrease in the number of instructors coming onto the ADI Register. No increase/ decrease is assumed beyond 2015.

Note 2 - Ignores those who fail a CRB check, they do not pay for a test

Note 3 – PDIs are not allowed more than 3 attempts for the Part 2 and 3. While unlimited attempts are allowed for the Part 1, a maximum of three have been allowed for simplicity

Annex 2 Sub-calculations used in costing for 7.3.4 (Training centres' transition costs to deliver the VQ)

Basis of estimate		Estimate		
Step	Explanation	Best	Low	High
A	Number of training centres needing approval (see 7.3.3). A 25% tolerance has been applied given the importance of this variable but the figure applied is only an estimate.	50	37.5	62.5
B	The cost to the training centre of being approved by the awarding organisation. Based on indications from meetings with four awarding organisations, this visit is conducted by the awarding organisation not the external verifier. The costs are based on a review of the fee lists provided by those four awarding. Further information welcomed through consultation	£450	£330	£570
C	Days of owner's time to prepare for approvals visit – based on guidance received from AOs. Further information welcomed through consultation	5	2	10
D	Value of an owners time (assumes 7 hour working day @ £25 per hour reflecting a rate for an external verifier), i.e. an owner time is worth more than a typical instructor trainer.	175	175	175
E Ax(B+(Cx D))	Costs to training centres of gaining approval to deliver VQ	£0.066m	£0.026m	£0.145m
F	Number of assessors required by all training centres (see 11.1). A 25% tolerance has been applied given the importance of this variable but the figure applied is only an estimate.	624	468	780
G	Percentage of instructor trainers already holding an assessor qualification. This estimate reflects feedback from stakeholder meetings with members of ORDIT.	15%	15%	15%
H Fx(1-G)	Number of assessor qualifications required.	530	398	663
I	Cost of an assessor qualification. An internet search showed a range of prices between £420 and £900. The Assessor qualification includes elements of home study but is largely based on observation and assessment of practice in the workplace.	£700	£420	£900
J	Hours of instructor trainer time required to gain assessor qualification (based on an internet search and dialogue with an expert in the assessor, internal verifier and external qualifications). The minimum requirement to assess on the VQ will be an award at level 3 (level 4 may be required but this is not believed to affect time or cost). The units required would be (a) 'Understanding the Principles and Practices of Assessment' (24 guided learning hours) and (b) 'Assess Occupational Competence in the Work Environment' (30 guided learning hours). Dialogue indicates the guided learning hours would be a pessimistic figure. These units would equip an instructor trainer to deliver assessment in car. A unit also exists called 'Assess Vocational Skills, Knowledge and Understanding' (30 guided learning hours). This relates to assessment taking place in the classroom. This may arise if there are objective tests in the assessment, e.g. around theory. This	45	34	54

Basis of estimate		Estimate		
Step	Explanation	Best	Low	High
	requirement has not yet been confirmed and not all assessors would require this. The cost to training centres of this unit has therefore not been monetised at this stage.			
K	Value of an instructor trainer's time per hour (see 6.2.3). Further information welcomed through consultation	£20	£20	£20
L Hx(I+JxK)	Costs to training centres of gaining assessor qualifications	£0.848m	£0.438m	£1.313m
M Fx0.25	Number of role play qualifications required. It is assumed all ORDIT trainers gain acquired rights for role play under the VQ as this is assessed as part of DSAs quality assurance of ORDIT. ORDIT represents approximately 75% of all training organisations based on previous DSA research. It is believed that ORDIT training organisations are more likely to make the transition to the VQ but it is difficult to quantify this. 25% has therefore been applied.	156	117	195
N	Cost of a role play qualification. DSA does not at this stage know what a typical cost might be. The costs for an assessor qualification have been used as a basis. Further information welcomed through consultation	£700	£420	£900
O	Hours of study for a role play qualification. DSA does not at this stage know what this might be and as a proxy has used the assessor unit 'Assess Occupational Competence in the Work Environment' (30 guided learning hours). Further information welcomed through consultation	30	30	30
P	Value of an instructor trainers time (see K)	£20	£20	£20
Q Mx(N+OxP)	Costs to training centres of gaining role play qualifications	£0.203m	£0.119m	£0.293m
R [Fx0.2]	Number of internal verifiers required by all training centres. It has been assumed that 20% of assessors also need to be internal verifiers (see 11.1). Further information welcomed through consultation	125	94	156
S	Cost of an internal verifier qualification. An internet search showed a range of prices between £700 and £850.	£750	£700	£850
T	Hours of instructor trainer time required to gain an internal verifier qualification (based on an internet search and dialogue with an expert in the assessor, internal verifier and external qualifications. The units are (1) 'Understanding the Principles and Practices of Internally Assuring the Quality of Assessment' (45 guided learning hours) and (b) 'Internally Assure the Quality of Assessment' (45 guided learning hours). Again dialogue indicates the guided learning hours would be a pessimistic figure. A best estimate of 37.5 hours has therefore been assumed per unit with a low of 30 and a high of 45.	75	60	90
U	Value of an instructor trainers time (see K)	£20	£20	£20
V Ax((S+TxU)/2)	A third internal verifier unit exists: 'Plan, Allocate and Monitor Work in Own Area of Responsibility'. This is more of a management role. One unit would represent half the time and costs shown above. It is	£56k	£36k	£83k

Basis of estimate		Estimate		
Step	Explanation	Best	Low	High
	assumed one member of staff would need this unit per training centre.			
W (Rx(S+TxU))+V	Cost of industry gaining internal verifier qualifications	£0.337m	£0.213m	£0.496m
X	Percentage of training centres who do not have access to PCs and secure filing. It has been assumed that most training organisations have this but a small allowance has been made for those who may not. Further information welcomed through consultation	10%	10%	10%
Y	Allows an amount to ensure RTCs have access to PCs and secure filing.	£1500	£1500	£1500
Z [AxXxY]	Cost of training centres making sure they have PC access and secure filing	£0.008m	£0.006m	£0.009m
AA [E+L+Q+W+Z]	Cost of industry making the transition to the vocational qualification	£1.462m	£0.802m	£2.256m

Note

It has been assumed that completion rates are high for those seeking these qualifications. They are likely to be both motivated and skilled having gained industry experience. No attempt has been made therefore to adjust estimated costs to reflect this.

Annex 3 Breakdown of DSA transition costs by Option

Option 1

Cost	Transition Cost by Year				Optimism bias % ¹	Comments
	pre 2014/15	2014/5	2015/6	2016/7		
Pay	262,833	260,544	93,640	22,093	25%	
Non-pay	69,496	24,063	10,313	3,437	40%	
System	0	0	229,800	0	200%	A high level of optimism bias has been applied given the uncertainty that exists to the nature of the system change required at this stage
Total	332,329	286,607	333,753	25,330		

Option 2

Cost	Transition Cost by Year				Optimism bias %	Comments
	pre 2014/15	2014/5	2015/6	2016/7		
Pay	350,568	225,712	85,862	29,205	25	
Training	26,495	298,552			40	
Non-pay		191,597	10,313	3,438	40	
System	0		90,000		100	A lower bias has been applied given greater clarity on system change requirements
Total	377,063	715,862	186,174	32,643		

Option 3

Cost	Transition Cost by Year				Optimism bias %	Comments
	pre 2014/15	2014/5	2015/6	2016/7		
Pay	172,352	84,939	38,507	0	25	
Training	0	0	0	0	40	
Non-pay	5,558	6,875	6,875	3,438	40	
System	0		90,000		100	A lower bias has been applied given greater clarity on system change requirements
Total	177,910	91,814	135,382	3,438		

Notes

- Pay costs include the time of staff involved in progress the option through proposal development, regulatory approval, preparation to implement and implementation. This covers staff from any department where their contribution is greater than 10% in a given month.
- Non-pay costs comprise the travel and subsistence costs for staff, printing costs etc. pay costs - staff time progressing proposals through consultation, regulation and implementation, including training DSA staff to act as external verifiers under the VQ.

¹ Optimism bias follows Treasury guidelines and reflects government experience that project costs are often underestimated. Optimism bias therefore allows for delays and counters a bias to underestimate the costs of change. This figure should reduce as implementation becomes closer and costs get firmer, i.e. these transition costs may be less.

Annex 4 Number of Driving Test Candidates per ADI

	No of Candidates	ADIs on Register	Candidates per ADI
1991/92*	1,262,018	32,612	38.7
2006/07	1,039,556	41,507	25.0
2007/08	1,091,722	43,634	25.0
2008/09	1,035,804	44,768	23.1
2009/10	997,183	45,961	21.7
2010/11	1,011,067	47,008	21.5
2011/12	958,553	46,569	20.6
2012/13 (to Dec)**	721,924	46,000	19.6

* Estimate of candidates based on volume and pass rate

** Number of candidates per ADI based on estimated number of ADIs and pro-rata'd candidates numbers for full year