 Regulatory Policy Committee	OPINION	
Impact Assessment (IA)	Qualification Proposals to Modernise the Driver Training	
Lead Department/Agency	Department for Transport	
Stage	Consultation	
Origin	Domestic	
IA Number	DFT0195	
Date submitted to RPC	05/03/2013	
RPC Opinion date and reference	05/04/2013	RPC12-DFT-1729
Overall Assessment	AMBER	
<p>The IA is fit for purpose. The costs, benefits and assumptions of the proposals will need to be tested during the consultation, as outlined below. The assessment of the impacts on small businesses/sole traders and potential driving instructors (PDIs) will also need to be strengthened for final stage.</p>		
<p>Identification of costs and benefits, and the impacts on small firms, public and third sector organisations, individuals and community groups and reflection of these in the choice of options</p>		
<p><i>Costs.</i> The robustness of the costs and benefits will need to be tested during consultation, in particular the IA’s estimation that the on-going costs of the preferred option (option 1) will be lower than option 2, despite option 1 being assumed to deliver a much higher completion rate (70% compared to 47.4% currently). It is not clear why none of the potential benefits of option 2 could be monetised, nor why the option 2 completion rate is assumed to remain the same as at present despite improvements to the DSA test route.</p> <p>.</p>		
<p>The IA monetises the cost for the Driving Standards Agency (DSA) to verify externally the Vocational Qualifications in the preferred option (page 19). However, it is not clear why only the costs to the DSA, net of what it would cost industry to do this, are included. This should be explained.</p>		
<p><i>Sensitivity Analysis.</i> The IA provides some variation around the key completion rate assumption (page 25) but does not identify the level that the completion rate needs to rise to for option 1 to have the highest NPV. The final IA should do this and provide any evidence from the consultation for how realistic this assumption is. Similarly, the final IA should assess the potential for the completion rate to increase under the more modest reforms of option 2.</p>		
<p><i>Impact on Small Businesses and Competition.</i> The IA identifies that the preferred option will have significant impacts on the industry structure for instructor trainers, in particular that “sole traders will not be able to continue in their current form” (page 22). The IA includes Small Firms and Competition Impact Assessments. These will need to be strengthened through the consultation and further evidence provided at final stage for impacts on small firms and competition.</p>		

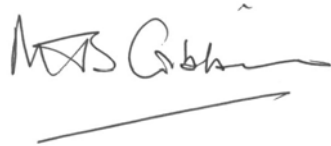
Impact on Potential Driving Instructors (PDIs). The IA states that under the preferred option “it is likely that franchises for PDIs, based on them delivering paid instruction, will cease” (page 15). This is because the requirement for a trainee instructor to deliver paid instructions only in the presence of an ADI is likely to make it unprofitable. This means it will no longer be viable for ADIs to work for franchises. Although the IA acknowledges this as a non-monetised cost (page 17), it appears to modify the impact by saying that PDIs would be “free to use this time to earn income outside of the driving industry” and that “spare capacity that currently exists in the driving lessons market could be used to make up for these lost lessons” (paragraph 7.3.8). The impact of this will need to be assessed more fully at final stage.

Benefits. The IA gives as a non-monetised benefit “a contribution to road safety” (page 2) and provides generic information on the scale and cost of road accidents (page 7). The final IA should present any direct evidence of a link between the quality of the existing driving instruction qualification system, including the Trainee Licence Scheme, and road safety.

Have the necessary burden reductions required by One-in, Two-out been identified and are they robust?

The IA says “the proposal is viewed as a Zero Net Cost; i.e regulation is introduced and recast resulting in net benefit to business” (page 27). This appears to be in accordance with the One-in, Two-out methodology set out in paragraph 2.9.12 of the Better Regulation Framework Manual and provides a reasonable assessment of the likely direction of impacts. The evidence supporting the estimated Equivalent Annual Net Cost to Business (EANCB) that benefits will outweigh costs will have to be further strengthened so that it can be validated at final stage.

Signed



Michael Gibbons, Chairman