



Driver & Vehicle
Licensing
Agency

Driving Licence Fees

Public Consultation 2014



INVESTORS
IN PEOPLE

INTRODUCTION

1. The Driver and Vehicle Licensing Agency (DVLA) is required to recover its operating costs through statutory fees and wider commercial (non-statutory) charges. The only exceptions to this relate to vehicle excise duty and personalised registrations, which are funded centrally. We are continuing to become more efficient but also want to focus on our customers and increase our digital services. As a result of the improvements already made, our costs have reduced and are forecast to continue to reduce over time. We need to ensure that we pass on reductions in costs to our customers by reducing fees.

2. Public sector organisations normally pass on the full cost of providing a service to each user of those services. The law allows the DVLA to set fees to cover the cost which we incur in the course of service provision of the driver and vehicle schemes as a whole. Some of our services attract a fee while others do not if it is beneficial to provide them free of charge. For example, changing personal details is free as this encourages customers to comply with the legal requirement to let us know about changes, leading to more accurate records, which are essential to the police and other enforcement agencies dealing with crime reduction and road safety initiatives.

3. The fees we currently charge are the same regardless of whether the transaction is carried out online, on paper or at Post Offices. In our business plan for 2013/14, we announced that we would review our fee structure. This consultation is the next stage of that process.

4. To reflect both the savings already made as well as those anticipated in the future, the review of fees and the proposed changes are being split into two phases:

Phase One

5. We need to reduce fees now. Doing this will ensure that the DVLA does not charge customers more than it costs to provide the services we offer and will benefit a broad range of customers. Phase One will focus on private motorists and professional drivers. The proposals in Phase One largely centre on the first application for a driving licence, ten year renewals of photocard driving licences and digital tachographs. Focusing on these transactions allows us to help first time drivers, professional drivers and the large proportion of all drivers who have to renew their photocard licence every ten years.

Phase Two

6. This will involve a comprehensive review of the DVLA's funding and how we can further our strategic objectives. It will focus on the way we deliver our services to customers in light of the introduction of further digital services. This phase will also focus on fees charged for vehicle registration transactions.

7. Following representations from the motor industry we will also separately consider the early removal of the retention fee for Personal Registrations.

THE CONSULTATION

8. We would like to hear from individuals or groups affected by the proposed changes outlined in this document. As we are proposing to reduce fees and burden on motorists, the consultation period will be shorter than usual and will run for four weeks from **28/07/14** to **25/08/14**. Any responses received after this date will only be considered in exceptional circumstances.

9. This consultation document has been issued to government departments and agencies, police forces, local authorities, trade bodies and other relevant industry associations. Please contact us if you can suggest other groups that may wish to be involved.

10. The changes proposed in this document will apply only in Great Britain. Driver licensing is a devolved matter in Northern Ireland so any changes to fees will not apply there.

Option One - Phase One Proposal

11. To benefit customers this proposal focuses on the first application for a driving licence, ten year renewals of photocard driving licences and digital tachographs.

12. When considering Phase One, we have taken into account the Government's commitment to encourage the take-up of quality online services as the preferred route for customers. Often the cost of providing services online is less than the alternatives. Our priorities as part of the fee review strategy are to remove potential overcharging overall on the driver and vehicle regime, enhance the customer experience, increase compliance by reducing costs and encourage economic growth.

13. We have considered fee reductions in line with our best estimate of the reduction in the total cost of the driver and vehicle schemes. A table showing the current fee levels and the proposed revised fees is shown in **Annex A**. A more detailed analysis of the impact of Phase One is contained at **Annex B**.

14. The Phase One proposal is as follows:

Reduce the fee for applying for a driving licence to £34 for applications made digitally and £43 for applications made on paper. Reduce the fee for renewing a photocard driving licence to £14 for applications made digitally and £17 for applications made on paper or at Post Offices. Reduce the fee for a digital tachograph to £32.

Advantages:

This option will ensure that the above-mentioned fees are adjusted to take account of the DVLA's best estimate of the total cost to be incurred in the provision of the driver and vehicle schemes in 2014-15, so as to ensure that the fees charged reflect the overall cost to the DVLA of providing these services. This option will also of course reduce costs to both customers and industry. Currently, customers pay £50 for a driving licence application, £20 for a photocard driving licence renewal and £38 for a digital tachograph card. The reduced fees should also increase the number of people complying with the legal requirement to renew their photocard driving licence every ten years.

New drivers will be better able to afford their first driving licence and the fees charged will better reflect the costs incurred by differentiating between applications made digitally and those made on paper.

Disadvantages:

This option affects a limited number of transactions and introduces a financial distinction between those who can and cannot (or do not want to) apply for their licence digitally.

Option Two – Do Nothing

Advantages:

A financial surplus would accrue in 2014-15 as a result of the DVLA achieving greater efficiencies.

Disadvantages:

The DVLA has no power to charge more than it costs to provide these services and must ensure that the fees charged reflect the overall cost of the service. It would not be acceptable or in the public interest to continue without doing anything. This option would result in a surplus accruing in 2014-15 and would not deliver on commitments we have made already to review our fees. Customers would not directly benefit at all from the efficiencies we have made and will continue to make.

WIDER IMPACT

15. We have carried out an initial screening of the proposal to identify any impacts on equality. No such impacts have been identified.

Consultation Questions

We would like your opinions on the options identified in this consultation. Please answer the following questions:

A. The DVLA believes that Option One - Phase One fee reduction proposal should be preferred to doing nothing on the basis of the rationale set out in the associated impact assessment. Do you agree?

B. If you agree that Option One should be implemented, please explain why.

C. If you do not agree that Option One should be implemented, please explain why.

D. Do you pay for your own application to renew your photocard driving licence or does your employer pay?

E. What vehicle related transaction fees do you think the DVLA should reduce to lower customer costs and promote economic growth?

How to respond

If you are affected by the changes proposed in this consultation, please consider the questions above. Responses should be received by **25th August 2014**. When responding, it would be helpful if groups could indicate the people and organisations they represent.

You can respond in the following ways:

- Online using the response form at the following link:
<https://www.surveymonkey.com/s/R253GYH>
- By post to Finance Services Group, C3, DVLA, Swansea, SA6 7JL
- Email to financeconsultation@dvla.gsi.gov.uk
- Tweet your views to @DVLAGovuk using the hashtag #DriverFees

Please use one of the above contacts to request a copy of the consultation in an alternative format or if you have any questions.

What happens next

<p>DVLA reply</p>	<p>We do not intend to acknowledge receipt of individual responses unless you request that.</p> <p>We may be unable to reply individually to the points you raise as part of your reply.</p> <p>We aim to publish a summary of responses to the consultation within three months of the consultation closing. Those who respond to the consultation will be notified when this happens.</p>
<p>Confidentiality of responses</p>	<p>We may publish all or some of the comments we receive in response to this consultation. If we receive a request from any third party for sight of such comments we may be obliged by law (for example under the Freedom of Information Act 2000) to disclose it.</p> <p>If there are particular reasons why you would not wish your comments to be disclosed or published, please let us know. Although your wishes may not override any statutory obligations to disclose, they will be taken into account as far as possible.</p> <p>If you reply by email, the statements made above override any confidentiality disclaimer generated by your IT system.</p>
	<p>This consultation complies with the Consultation Principles published by the Cabinet Office on 17 July 2012, shown</p>

Consultation Principles	below. This replaced the code of practice on consultations.
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The Consultation Principles

The Consultation Principles are published by the Cabinet Office online at <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>. A summary is shown below:

- Engagement should begin early in policy development.
- The evidence base for the proposed policy should be made available at an early stage.
- The timeframe for consultation should be proportionate and realistic to allow stakeholders sufficient time for a considered response.
- The amount of time required will depend on the nature and impact of the proposal and may typically vary between two and 12 weeks.
- Information should be presented in an accessible and useful form to stakeholders with a substantial interest in the subject matter.
- The choice of the form of the consultation will depend on the issues under consideration and the available time and resources.
- Information provided should be easy to comprehend, use plain language and clarify the key issues.
- Consideration should be given to more informal ways of engaging that may be appropriate.
- The objectives of the consultation process should be clear.

If you consider that this consultation does not comply with the consultation principles or you have comments about the consultation process please contact:

Hayley Bowen
Consultation Co-ordinator
Corporate Affairs Directorate
DVLA
Swansea
SA6 7JL

ANNEX A: Current and proposed fees

Transaction	Current Fee 2013/14	Proposed fees for Phase One for 2014/15
First GB driving licence paper application	£50	£43
First GB driving licence digital application	£50	£34
Driving licence renewals from the age of 70	Free	Free
Driving licence renewals for medical reasons	Free	Free
Driving licence replacement when details have changed	Free	Free
Duplicate driving licence when lost, stolen or destroyed	£20	£20
Exchange driving licence from overseas jurisdiction	£50	£43
Paper driving licence exchanged for photocard licence	£20	£20
Removing endorsements	£20	£20
10 year renewal of photocard licence paper application and at Post Offices	£20	£17
10 year renewal of photocard licence digital application	£20	£14
Additional driving entitlements	Free	Free
Provisional vocational driving licence from full driving licence	Free	Free
Full vocational driving licence	Free	Free
Driving licence renewal after disqualification	£65	£65
Driving licence renewal for a high risk offender after disqualification	£90	£90
Driving licence renewal after revocation under the New Drivers Act 1997	£50	£50

Driver and company digital tachograph card	£38	£32
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Annex B – Initial assessment of impacts

The policy issue and rationale for Government intervention

1. The DVLA is required to recover the costs of its operations through statutory fees. The fee structure is reviewed continually to ensure the fees are set at an appropriate level. Current driving licence fees have remained largely unchanged throughout the recent efficiency saving exercises. This has led to a financial surplus on drivers transactions of around £25m in a full financial year.

Policy objectives and intended effects

2. The policy objective is to pass surplus fees back to business and the general public. This will reduce costs to business and increase growth. Making a digital transaction less expensive than a paper/post office transaction will align the cost with the provision of the service and could encourage more people to apply online. This principle is in line with the Government's aim to maximise the use of digital services.

Policy options considered

3. This impact assessment looks at the Option One – 'Phase One' Proposal, which aims to reduce the level of the surplus. Option Two – 'Do Nothing' has not been included. On current evidence this is not considered viable, and so, has not been analysed further.

4. The three transactions below have been chosen because all holders of a photocard driving licence have to renew every ten years. Therefore a large number of customers will benefit from the reduced fee. Reducing the fee for a first provisional driving licence will assist first time drivers and their families, and reducing the fee for digital tachograph cards reduces the burden on professional drivers and may contribute towards economic growth.

5. The table below outlines the fees for driving licences in 2013/14 and how these would differ for Phase One:

Transaction	Channel	Current Fee	Phase 1
Driver First Application	Paper	£50	£43
	Digital	£50	£34

Ten Year Renewal of the photocard licence	Paper	£20	£17
	Post Office ¹	£20	£17
	Digital	£20	£14
Smart Tachographs		£38	£32

Expected level of business impact

Benefits to Business from Reductions in Fees

6. The fee changes are a one off decrease and are assumed to remain in place for a period of 10 years in line with standard policy appraisal and economic evaluation. It is not expected that a reduction in the first application fee will have any benefits for business.

Reductions in fees for ten year renewals of the photocard driving licence.

7. DVLA statistics for the take-up of online transactions indicate that 23% of photocard renewals are done online while 77% use paper/post office based channels. The estimates indicate that approximately 85,500 professional drivers renew their photocards every year. This means that approximately 19,700 renew their photocard online with approximately 65,900 renewing on paper or via a post office.

8. The proposed reduction in fees per application is £6 for applications made online and £3 for applications made on paper or via the Post Office.

9. Given the above assumptions Table 1, below, shows the benefits to business from reductions in photocard fees in 2014 prices. Please note that if the policy is introduced in October 2014, the benefits occur only for the last three months of this year. Similarly benefits occur only for the first nine months of 2024.

¹ This fee does not include the Post Office's £4.50 administrative fee for its assistance in the processing of these applications.

Table 1

Total Present Discounted Value of Savings to Business from Photocard Fee Reductions (£000s, 2014 prices)												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Phase 1	79	300	285	271	257	244	232	221	210	199	142	2,441

10. There are likely to be extremely small costs (possibly zero) to business from the changes in channel fees as these are channels with which businesses are already familiar and costs are being reduced for all channels.

Reductions in tachocard fees.

11. Based on the DVLA’s figures, there will be 293,192 tachocards issued in 2014. The level of issues is forecast to remain steady. Reducing the fee for a tachocard from £38 to £32 will save businesses £6 per tachograph card. Table 2 shows the benefits to business from reductions in photocard fees in 2014 prices. (Note that if the policy is introduced in October 2014, the benefits only occur for the first three months of this year. Similarly benefits only occur for the first nine months of 2024.)

Table 2

Total Present Discounted Value of Savings to Business from Reducing Tachograph Fees (£000s, 2014 prices)												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	440	1,673	1,589	1,510	1,434	1,363	1,295	1,230	1,169	1,110	791	13,603

12. There are zero costs to business associated from reducing tachograph fees.

Non Quantified Benefits to Business

13. There are two other benefits to business, but there is insufficient information to quantify either prior to consultation. Reductions in the cost of online services for paper/post office based services may encourage switching of application processes by business users. This will further reduce the amounts businesses have to pay. We do not currently have enough information to examine the degree to which businesses will switch from paper/post office based services to digital as a result of fee reductions. This will be explored during the consultation.

14. However we can say based on the figures and assumptions set out above that every 1% movement from paper/post office channels to digital applications for photocards will reduce the costs business is paying by £2.6k in 2014 and in subsequent years. Currently 77% of applications are done through paper/post office channels. If all these switched to online then there would be savings to business of £198k per annum. However, savings are likely to be much smaller because not everyone has access to the internet, not everyone is used to filling in online applications, and not everyone is happy to make payments online. We are unable to determine yet how many more people will take up online transactions but would aim to do so as part of the consultation.

15. There may be some small time savings to business from switching from the use of post office channel to online application. However we think these will be very small. We will try to identify any additional time savings through the consultation.

Business Net Present Value

16. The Business Net Present Values from Phase One is £16.04m.

Equivalent Annual Net Cost to Business.

17. The Equivalent Annual Net Cost to Business is -£1.61m.