EXPLANATORY MEMORANDUM TO

THE MOTOR VEHICLES (DRIVING LICENCES) (AMENDMENT) REGULATIONS 2007

2007 No. 698

THE MOTOR CARS (DRIVING INSTRUCTION) (AMENDMENT) REGULATIONS 2007

2007 No. 697

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

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

2. Description

2.1 The two sets of regulations, the Motor Vehicles (Driving Licences) (Amendment) Regulations 2007 (the "Driving Licences Amendment Regulations") and the Motor Cars (Driving Instruction) (Amendment) Regulations 2007 (the "Driving Instruction Amendment Regulations"), covered by this Explanatory Memorandum amend the Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/2864) (the "1999 Regulations") and the Motor Cars (Driving Instruction) Regulations 2005 (SI 2005/1902) respectively.

2.2 The two sets of regulations make changes to the procedural and administrative arrangements for booking and taking theory and practical driving tests; introduce new fees for driving tests; and new fees for the qualifying tests for persons wishing to become Approved Driving Instructors (ADIs). The Driving Licence Amendment Regulations also introduce new fees for driving licences including fees for the exchange of paper licences from 1 May 2007.

2.3 Practical tests for learner drivers and riders are conducted by the Driving Standards Agency ("DSA") the executive agency of the Department for Transport, responsible for driving tests.. The DSA also administers theory tests, practical driving tests and qualifying tests for ADIs. The Driver and Vehicle Licensing Agency ("DVLA") is the executive agency of the Department for Transport responsible for driver licensing. Fees and charges are set by these two agencies under the terms of their respective Trading Funds- see Section 4.

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

3.1 Prior to 1 March 2004 DVLA had separate fees for the first application for a provisional driving licence of £29 and a fee for the issue of a full driving licence,

following the passing of a driving test, of £12 resulting in an overall cost of £41. The Motor Vehicles (Driving Licences) (Amendment) Regulations 2004 (SI 2004/265) (the "2004 Regulations") introduced a new single fee of £38 from 1 March 2004 for the first application for a provisional driving licence together with a subsequent upgrade to a full driving licence. The 2004 Regulations also withdrew two other fees. The fee for the three yearly licence renewal required for drivers over 70 years of age was removed and such renewals became free of charge. Similarly the fee for upgrading from a car licence entitlement (category B) to a provisional bus and lorry vocational licence entitlement (category C and D) and the subsequent upgrading to a full bus and lorry vocational licence entitlement following a successful test was also removed. The changes were aimed at improving customer convenience by allowing the automated issue of driving licences on receipt of test pass notification from the DSA and at removing restraints of trade and for social reasons. The changes also reduced DVLA's administration costs.

3.2 Following on from three consultations on 15 August 2004, 28 April 2006 and 8 December 2006 the Driving Licences Amendment Regulations will increase the fee for a first application for a provisional licence from £38 to £45 from 1 May 2007. This represents an increase of £7 from the existing level of £38 but only £3 from the previous composite level which existed prior to the 2004 Regulations. A similar increase applies to a licence reissued after revocation.

3.3 For duplicate licences issued following the loss or destruction of a licence, and for the reissue of a licence to remove endorsements, the Driving Licences Amendment Regulations will increase the fee from £19 to £22. The previous fee pertaining before 1 March 2004 was £17 for duplicate licences and £18 for the removal of endorsements.

3.4 The Driving Licences Amendment Regulations will also, from 1 May 2007,reduce the fee for transferring a paper licence to a photocard licence from £19 to £10. The previous fee before 1 March 2004 was £18. This fee reduction is intended to encourage such exchanges which DVLA notes has increasing appeal to drivers as the photograph provides a secure means of verifying identity and it enables, for example, easier overseas car hire. This move is in anticipation of the compulsory surrender of old-form paper licences which is empowered by the Road Safety Act 2006.

3.5 DVLA is rebalancing the fees, an exercise that started in 2003. Since 15 November 2001, when the separate fees were introduced, the increase in the fee for a first application for a provisional licence, the only transaction of any significant volume, is 9.8% (or around 1.8% per annum). In comparison with the existing single fee structure which was introduced on 1 March 2004, the increase is 18.4% (or around 6.0% per annum). This is not a like for like comparison as the increase introduced by the Driving Licences Amendment Regulations will cover whole new areas of work not previously covered, for example, renewing the whole of the driver register computer systems and preparing for the recall of paper licences.

3.6 The Committee will also wish to note the comments below at paragraphs 7.7 to 7.13 in relation to increases in fees for practical and theory tests for driving and at 7.19 to 7.22 in relation to increases in ADI qualifying test fees.

4. Legislative Background

4.1 The Motor Vehicles Driving Licences Amendment Regulations are made under Part 3 of the Road Traffic Act 1988. Part 3 provides for the licensing of drivers of vehicles. It allows the Secretary of State to make regulations generally in respect of driving licences; tests of competence to drive; the payment of fees in respect of those tests and licences; the qualification, selection and appointment of persons who may conduct tests; the evidence of the results of such tests and the physical fitness of drivers. The Secretary of State is required to consult with representative organisations as he thinks fit before making any regulations under Part 3 of the Act.

4.2 DSA operates as a Trading Fund under the Driving Standards Agency Trading Fund Order 1997 (SI 1997/873). The Agency is required to set fees and charges for its activities at levels that generate sufficient revenue so that the costs of its operations are recovered from users and are not a burden on the general taxpayer. Fees are reviewed annually in the context of each year's planning cycle. Plans for service improvement, performance targets and fees are published in the Agency's Business Plan for that year. The Agency's 2006-07 Plan was published in April 2006. DSA is seeking to use £6 million unanticipated accumulated surplus from previous years to moderate the level of fee increases which would otherwise be required. Existing legislation, the Department for Transport (Fees) Order 1988 (SI 1988/643) explicitly grants DSA flexibility over fees and deficits and this will ease the financial burden on many customers in 2007-08. The changes introduced are described in detail below in "Policy background".

4.3 The DVLA also operates as a Trading Fund under the Driver and Vehicle Licensing Agency Trading Order 2004 (SI 2004/1037). The fees being introduced by these regulations as well as those proposed separately for first vehicle registration fees will enable DVLA to cover its costs and fulfil its duty to balance its income and expenditure under its Trading Fund and in line with HM Treasury fees and charges guidance and as permitted by the Department for Transport (Driver Licensing and Vehicle Registration Fees) Order 2003 (SI 2003/2994).

4.4 The Driving Instruction Amendment Regulations are made under Part 5 of the Road Traffic Act 1988. Part 5 provides for a registration scheme for those giving paid instruction in the driving of a motor car. It allows the Secretary of State to make regulations generally in respect of examinations and tests for those applying to join the statutory scheme and to have their name entered onto the register of Approved Driving Instructors. It also allows the Secretary of State to make regulations providing for a person who submits himself for a driving test or applies for an appointment for a test to pay a fee, with the amount specified in regulations. The changes introduced are described in detail in "Policy background" below.

5. Territorial Extent and Application

5.1 Both instruments extend to Great Britain only.

6. European Convention on Human Rights

6.1 As both instruments are subject to the negative resolution procedure and do not amend primary legislation, no statement is required.

7. Policy background

7.1 The DSA included details of the changes now being introduced in its consultation paper, *Service Improvements, Safety Related Measures and General Fee Increases.* This proposed a number of changes to the way it conducts its business to deliver a better service and improve the quality of the assessments it offers, and to ensure that the costs of the services provided are recovered in a fair and efficient manner. The consultation paper was issued on 19 October 2006. There were 78 responses received to the consultation. The proposals in respect of the driving tests and related administrative and procedural changes, excluding the ADI qualifying tests, were generally well supported. Of those responding to the proposals in respect of the ADI qualifying tests, some were neither in favour nor opposed. The proposal to increase the fee for the ADI qualifying theory test by £25.00 to cover the cost of the Criminal Records Bureau/Disclosure Scotland (CRB/DS) check was supported by 39 respondents with 4 opposed. The proposal to increase the fees for the ADI practical tests was supported by 22 respondents with 5 opposed.

7.2 There will be interest from the media and DSA will publicise the changes by issuing a press release and by placing articles on the website and in its *Despatch* magazine sent to some 70,000 driving instructors and others with an interest in road safety.

7.3 The changes are not considered to be legally or politically important.

7.4 The changes introduced in relation to driving licences are the result of three consultations conducted by DVLA on 15 August 2004, 28 April 2006 and 8 December 2006. The consultations explored the public's preference for charging principles and initially proposed four different sets of charges, which were reduced to three following the August 2004 consultation. The levels of the fees were indicative but each set of charges would have provided DVLA with similar levels of total fee income. All the consultations and an analysis of the responses, are available on DVLA's website. In addition, the August 2004 consultation was circulated to 390 representative organisations and 924 responses were received. The April 2006 consultation was circulated to 433 representative organisations and 63 responses were received. The December 2006 consultation was sent to the respondents to the April 2006 consultation. There will be media interest for the proposed changes and DVLA will publicise these changes by issue of a press release, by updating customer information held on its website and via communication with stakeholders such as The Post Office Ltd.

7.5 The main changes comprising the package in respect of driving tests, the qualifying test for ADIs and driving licence fees relate to:

- **The Motor Vehicles (Driving Licences) (Amendment) Regulations 2007**

- lorry and bus driver tests
- learner car drivers, motorcycle and moped riders theory tests
- numbers of questions in theory tests and test duration
- theory test certificate fees
- motorcycle and moped practical tests fees
- car and large trailer practical tests
- surrender of licence to the person conducting the test
- duration of lorry and bus driver practical tests
- minimum test vehicles
- driving licence fees

- **The Motor Cars (Driving Instruction) (Amendment) Regulations 2007**

  - ADI qualifying test fees

7.6 The Motor Vehicles (Driving Licences) (Amendment) Regulations 2007 also correct an unintended error introduced by the Motor Vehicles (Driving Licences) (Amendment) Regulations 2003 (SI 2003/166). The second EC Directive on driving licences sets down the minimum standard of visual acuity that must be met by drivers of Group 2 vehicles (over 3.5 tonnes or with more than 8 passenger seats). In the UK, this is prescribed in the Motor Vehicle (Driving Licences) Regulations 1999 as a Snellen chart reading (with the aid of corrective lenses if necessary) of at least 6/9 in the better eye and at least 6/12 in the worse eye and, if corrective lenses are necessary, to have an uncorrected acuity of at least 3/60 in both eyes. Bus and lorry drivers are required to meet higher eyesight standards than those driving smaller vehicles because, by the very nature of their size and weight, these vehicles would be likely to cause significant casualties and damage if involved in an accident. These regulations specify the correct visual acuity standard that such applicants have to meet.

The Motor Vehicles (Driving Licences) (Amendment) Regulations 2007

<u>Driving Tests</u>

7.7 The policy objective for the provision of driving tests is to increase road safety by ensuring that those driving motor vehicles and riding motorcycles on public roads are competent to do so.

Lorry and bus driver tests (categories C & D and sub-categories)

7.8 Currently, no road freight logistics companies are authorised to conduct lorry driving tests. However some commercial bus and coach companies have been granted delegated authority to conduct PCV driving tests (both theory and practical) for their staff. These amendments introduce similar provisions in respect of road freight logistics companies to be authorised to conduct LGV driving tests for their staff.

7.9 These regulations also raise the number of Multiple Choice Questions (MCQs) in the theory test to 100 in 2 stages (to 60 from 2 April 2007 and to 100 from 1 April

2008) to help mitigate the risk of a drop in pass-rates affecting the flow of new drivers into the passenger carrying and road freight sectors.

7.10 The regulations will also increase the fees for lorry and bus tests. For tests taken from 2 April, where the MCQs have increased from 35 to 60 questions, the fee will increase from £21.50 to £32.00. For tests taken from 1 April 2008, where the MCQs have increased from 60 to 100 questions, the fee will increase from £32.00 to £45.00.

Learner car drivers, motorcycle and moped riders theory tests (categories A, B and P and sub-categories)

7.11 The Regulations also raise the number of MCQs in theory tests taken by learner car drivers and motorcycle riders to 50 from 3 September 2007. This will make a positive contribution to driving standards by providing a more thorough assessment of a learner's knowledge and understanding together with better content validity, .for example eco-friendly driving, unlicensed/uninsured driving or increased first aid. The time allowed, the pass mark and the fee for the extended theory tests will be increased in line with the longer test. The regulations will increase the fees for tests taken from 3 September 2007 from £21.50 to £28.50.

Theory test certificate fee

7.12 These regulations will also increase the fee for the supply of certificates that are issued as evidence of the results of a theory test to organisations with delegated authority to conduct theory tests with effect from orders received on or after 2 April 2007. DSA currently only makes a charge to these organisations for a test certificate where a candidate has passed their driving theory test. The regulations increase the charge for pass certificates supplied to those organisations authorised to conduct tests, consistent with the 'user-pays' principle, until more flexible fee charging powers, provided in the Road Safety Act 2006, are introduced. The regulations will increase the fees as follows:

- Lorry, bus and coach drivers (categories C & D and sub-categories)
  - From £14.00 to £21.00 for orders for certificates received on or after 2 April 2007
  - From £21.00 to £29.00 for orders for certificates received on or after 1 April 2008

- Motorcycle riders & car drivers (categories A & B and sub-categories)
  - From £14.00 to £18.50 for orders for certificates received on or after 3 September 2007

Motorcycle and moped practical tests fees (categories A and P and sub-categories)

7.13 Since DSA became a Trading Fund in 1997, fees for motorcycle/moped practical tests have historically been below the actual cost of delivering the test thereby creating a deficit. The proposed increase of £2.00 in fees will reduce that deficit, consistent with the 'user-pays' principle. All practical motorcycle/moped tests

booked on or after 2 April 2007 will attract the higher fee. The regulations will increase the fees as follows:

- Standard weekday test from £58.00 to £60.00
- Standard out-of-hours/weekend test from £68.00 to £70.00
- Extended weekday test from £116.00 to £120.00
- Extended out-of-hours/weekend test from £136.00 to £140.00.

Car and large trailer practical tests (Category B+E)

7.14 Currently candidates must wait a minimum period of 10 clear working days following an unsuccessful car plus large trailer practical test. This waiting period was introduced to enable sufficient time for them to undertake remedial training before re-taking the test. Much of the training is now taken with vocational trainers and DSA accept that the minimum period for B+E tests should be aligned with the three days set for vocational bus, coach and lorry tests rather that the 10 days set for car practical tests. The Regulations implement this change with effect from 2 April 2007.

Surrender of licence to the person conducting the test

7.15 Currently only a police constable has the power to seize a licence. The Road Safety Act 2006 provides powers to enable the Secretary of State to require a candidate to surrender their licence, in certain circumstances, to the person conducting the test. These regulations prescribe those circumstances as being where the licence submitted by the candidate fails to satisfy the examiner that it is an appropriate licence within the meaning set out in the regulations. This requirement will enable suspect licences to be quickly removed from circulation thereby increasing the security around the driving test and reducing wider forms of identity fraud.

7.16 *Duration of lorry and bus driver practical tests (categories C & D and sub-categories)*

The on-road driving time for lorry and bus driver tests will be extended by 10 minutes for tests taken on or after 1 September 2008. There are no associated fee increases.

7.17 *Minimum test vehicles*

The Motor Vehicles (Driving Licences) (Amendment) (No. 4) Regulations 2003 (SI 2003/2003) (the "2003 Regulations") introduced a requirement into the 1999 Regulations that, with certain exceptions, vehicles first used as test vehicles after 1 October 2003 had to comply with the minimum standards set out in the regulations. The 2003 Regulations provided an exemption for test vehicles first used before 1 October 2003 and permitted such vehicles to continue to be used without having to comply with the relevant specifications and descriptions. These regulations remove this exemption and from 1 July 2007 all test vehicles, irrespective of the date of first use, have to comply with the minimum standards.

Driving Licence Fees

7.18 As mentioned in paragraph 3.5, the policy objective is the rebalancing of driver licence fees, an exercise that started in 2003. Even though DVLA will have reduced its baseline costs by around 20% during the Gershon Review period 2005-06 to 2007-08, the fee increases result partly from the increased cost of maintaining the driver register and associated processes including the costs of renewing the whole of the driver register computer systems, the introduction of new secure driving licences, more secure authentication of foreign drivers seeking UK licences, encouragement of drivers to exchange insecure paper licences for more secure driving licences that have authenticated ID, and eventually providing a basis for the compulsory surrender of old style licences as envisaged under the Road Safety Act 2006. There are also above inflation increases in medical report costs, enforced by the British Medical Association, which are not recovered from the individual driver concerned. In addition, the fee increases result partly from the fact that the only transactions of volume that are charged are the million or so first applications for provisional licences which must bear the brunt of the increased cost arising from the rebalancing of fees exercise.

The Motor Cars (Driving Instruction) (Amendment) Regulations 2007

ADI qualifying tests fees

7.19 The policy objective for increasing the fee for the theory test taken as part of the ADI qualification process is to recover the costs of conducting CRB/DS checks. Because of the nature of the instruction ADIs provide, DSA must take reasonable steps to ensure they do not represent a significant danger to their pupils (especially those below the age of 19 years).

7.20 DSA believes that the conduct checks that are already part of the initial registration arrangements for ADIs should be supported by CRB/DS checks. These will help maintain public confidence in, and support for, the ADI scheme, similar to the checks which DSA makes with DVLA concerning ADI motoring offences. Previous consultation and dialogue with the national ADI associations has confirmed industry-wide support for the introduction of CRB/DS checks.

7.21 Once the Central Register of Criminal Convictions became operational the Home Office provided consent for the checks to be introduced for ADIs. Undertaking

the checks will create new costs for DSA. The Agency considers that, under the existing arrangements, the simplest and fairest way of recovering these would be at the earliest fee-charging point in the registration process - the fee for the theory test taken as part of the qualifying examination. However, in apportioning this new cost, DSA has taken into account the average pass rate for this test (i.e. 52%). The regulations will increase the fee for ADI theory tests by £25.00 to £75.00.

7.22 In addition, general fee increases are being introduced to enable the Agency to recover the cost of delivering the ADI qualifying examinations. Since DSA became a Trading Fund in 1997, fees for ADI practical tests have historically been below the actual cost of delivering the test, thereby creating a deficit. These regulations will increase the fees for the practical tests taken as part of the ADI qualification process by £3.00 with effect for tests booked on or after 2 April 2007. This increase will reduce that deficit, consistent with the 'user-pays' principle. The new fees are:

- Part 2 – Test of Driving Ability £85.00 (+3.7%)
- Part 3 – Test of Instructional Ability £85.00 (+3.7%)

8. Impact

8.1 Final Regulatory Impact Assessments are attached to this memorandum.

8.2 In respect of the amendments to the fees for driving licences, the impact on the public sector is likely to be minimal. The greatest impact will probably be felt by the Ministry of Defence (MoD). The MoD recruits specialist drivers from amongst its employees. If an individual does not hold a driving licence, the MoD will pay the licence fee on behalf of the driver. This means that any increases in the fees will directly affect MoD costs, although the impact is probably less than the benefit conferred by the abolition of the vocational driving licence fees at the time of the last fee changes. Both changes have occurred within the same spending review settlement period.

8.3 The RIA for the DVLA driving licence fees revision covers two sets of driver licence fee changes including the new fees which these regulations introduce from 1 May 2007 and fees which the DVLA intends to introduce from 2008. The latter fees are not the subject of these Regulations. The RIA also deals with changes to vehicle registration fees for which separate regulations are required.

9. Contact

The officials within the Department for Transport who can be contacted with any queries in relation to the statutory instruments amending the following matters are as set out below:

Theory and practical driving tests, including qualifying tests for ADIs, and associated fees

Mandy Lynch, Driving Standards Agency, Stanley House, 56 Talbot Street, Nottingham, NG1 5GU email: mandy.lynch@dsa.gsi.gov.uk

Fees for driving licences

David J Morgan, Driver and Vehicle Licensing Agency, Financial Management and Reporting, A Block, Longview Road, Swansea, SA6 7JL email: david.j.morgan@dvla.gsi.gov.uk

Eyesight standards for applicants for a Group 2 provisional driving licence

Jan Brock, Driver and Vehicle Licensing Agency, Drivers Policy Group, Longview Road, Swansea, SA7 OEP email: jan.brock@dvla.gsi.gov.uk

February 2007 Department for Transport

CONSULTATION PAPER: SERVICE IMPROVEMENTS, SAFETY RELATED MEASURES AND GENERAL FEE INCREASES

The Motor Cars (Driving Instruction) (Amendment) Regulations 2007 (SI No 697)

FINAL REGULATORY IMPACT ASSESSMENT

1. Introduction

1.1. In October 2006 the Driving Standards Agency (DSA) issued a consultation paper[1] seeking views on a package of proposals which sought a number of changes to the way we conduct our business to deliver a better service and improve the quality of the assessments we offer, and ensure that the costs of the services we provide are recovered in a fair and efficient manner.

1.2. This Regulatory Impact Assessment (RIA) represents DSA's estimate of the costs, including compliance costs, of implementing each of the proposals within the Motor Cars (Driving Instruction) (Amendment) Regulations 2007 (SI No 697) as agreed by Ministers. It was prepared using information published in our Annual Report and Accounts 2005/6 and Business Plan 2006/07 together with other documentation specified within this RIA and has been updated following the public consultation exercise.

2. Purpose and intended effect of the measures.

Purpose

2.1. The overall purpose of introducing this package of measures is to further modernise the administrative arrangements for booking and taking theory and practical driving tests which will build on the changes introduced in 2005[2]. Such changes include increasing the fees for the qualification tests taken by those wishing to become Approved Driving Instructors (ADIs).

2.2. For ease of reference, the item numbers referred to below relate to the order in which the proposals appeared in the original consultation paper.

3. Background

3.1. The overall purpose of the tests set for professional driving instructors (including those for the non-statutory registers) is to ensure that applicants have, and subsequently maintain, a satisfactory level of competence relating to the giving of instruction for the type of vehicle for which they are registered. The qualifying examination for those seeking to register as a driving instructor involves three parts:

- the first part comprises a theoretical test of knowledge and understanding of the driving and instruction syllabus undertaken as a multiple-choice question test, followed by a higher-level assessment of hazard perception skills using video clips. This part is undertaken as a computer-based assessment;
- the second part comprises a practical test of driving ability assessed to a higher level than expected for ordinary driving licence acquisition;
- the third part comprises a practical test of instructional ability, requiring the candidate to teach an examiner who is role-playing a trainee at various levels of competence.

3.2. The Government's *Road Safety Strategy*[3] committed the Driving Standards Agency (DSA) to contribute to improvements in road safety through establishing, developing and disseminating high standards and best practice in driving and riding on the road: before people start to drive, as they learn and after they pass their test. Each year over 3,000 people are killed on Britain's roads and 36,000 are seriously injured. In total, there are some 300,000 road casualties. This causes enormous human suffering and is a serious economic burden - the direct cost of road traffic collisions involving deaths or injuries is thought to be in the region of £3 billion a year.

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[1] Service Improvements, Safety Related Measures and General Fee Increases
[2] Modernising the Arrangements for Taking Driving Tests – A *Response to Consultation* dated March 2005
[3] *Tomorrow's Roads – Safer for Everyone.* DETR March 2000. Product code 99ARSE0998 www.dft.gov.uk

4. Objective

4.1. The purpose of this package is to:

- improve the cost-effectiveness of the Agency's activities;
- recover the costs of validating the self declarations for non-motoring matters made by those seeking to qualify as ADIs

4.2. The registration of driving instructors in the ADI scheme is specified in regulations[4].

5. Business sectors affected by the proposals

5.1. The changes principally affect those wishing to qualify to join the ADI Register;

Service Improvements

6. Item 4: Conduct criminal history checks for ADIs, and recover associated costs via the fee for the theory test taken as part of the ADI qualification process

The change

6.1. The fee for the theory test taken as part of the ADI qualification process will increase by £25.00 with effect from 2 April 2007. The new fee will be: £75.00.

Impetus for change

6.2. In 1998[5] we advised that it was our intention that applicants to join or remain on the ADI register, or to obtain a Trainee Licence, should supply a certificate from the Central Register of Criminal Convictions when that scheme became operational. We also undertook to discuss this issue further with the national ADI associations nearer the time.

6.3. The Criminal Records Bureau (CRB)/Disclosure Scotland (DS) scheme has evolved considerably since that time but DSA remains committed to the principle that all ADIs and holders of trainee licence should be subject to initial and periodic CRB checks to validate conduct declarations made by applicants. The driving instructor representative bodies have indicated support for the initiative, so that validation of declarations for non-motoring matters are put on a similar basis as for motoring offences, where DSA has access to information on such matters held by DVLA.

Public Sector savings/costs

6.4. The current fee for a CRB check is £36.00. The cost of conducting CRB checks for those already on the Register is expected to be in the region of £1.4million. The CRB fees for checking, say, 15,000 applicants at initial application stage will be around £540,000 annually. In addition, we shall need to cover the other administrative costs of operating these checks, whether the work is done by DSA staff or a facility company. DSA will need to recover its costs of conducting the initial and subsequent CRB /DS checks via an appropriate fee or mix of fees charged to participants in the ADI scheme.

Private Sector savings/costs

6.5. Under the existing arrangements, the simplest and fairest way of recovering these costs is at the earliest point currently available in the registration process - the fee for the theory test taken as part of the qualifying exam. This avoids imposing a significant extra amount on the registration fee where, because the annual number of chargeable units (approximately 9,500) would be much smaller - compared with 15,000 theory tests - the size of the fee increase would have to be much larger. All theory tests booked as part of the ADI qualification process will be charged at £75.00 from 2 April 2007.

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[4] The Motor Cars (Driving Instruction) Regulations 2005 SI No.1902 [as amended].
[5] DSA letter: *Improving the Administration of the ADI Register* issued 28 September 1998

Longer term arrangements

6.6. The Road Safety Act 2006 provides for more flexible cost-recovery powers allowing the Secretary of State to introduce, by regulation, different arrangements for charging fees in connection with the administration of the ADI scheme. These arrangements may include the introduction of an administration fee, payable at the start of the qualification process, part of which could be used to meet the costs of the initial CRB check on those wishing to join the registration scheme.

6.7. The principle of introducing such an initial application fee, which is the occasion when processing costs start to be created, would enable DSA to recover its administrative costs at the outset of the qualification process and thereby avoid cost recovery having to be put on test fees or registration fees. We will formulate our proposals over the next few months and will engage key stakeholders before they are finalised.

General fee increase proposals

7. Item 15: Increase the fees for the practical tests taken as part of the ADI qualification process

The change

7.1. The fee for the practical tests booked as part of the ADI qualification process will be increased by £3.00 with effect from 2 April 2007. The new fees will be:

- Part 2 – practical test of driving ability £85.00 (+3.7%)
- Part 3 – practical test of instructional ability £85.00 (+3.7 %)

Impetus for change

7.2. The current fee for the practical tests taken as part of the ADI qualification process is £82. This figure does not meet the true cost of providing the service.

Public Sector savings/costs

7.3. In 2005/06 we conducted 42,000 practical qualification tests. This figure is forecast to rise to 51,500 in 2007/08 which will deliver an extra income of £154,500 p.a.

Private Sector savings/costs

7.4. With effect from 2 April 2007, all practical qualifying tests booked will be charged at £85.00

8. Consultation

Public consultation

8.1. When conducting consultations we aim to consult as wide a range of stakeholders as possible. For this consultation we wrote to over 4,500 driver and rider training associations, individuals, special interest groups and those associated with the police and judiciary system. The paper was posted on the Agency's website and articles were published in our *Despatch Express*, our on-line magazine which was sent to 20,000 individuals registered for this service. A press release was also sent to the trade press.

8.2. We received some 78 responses.

Within Government

8.3. The Welsh Assembly, Scottish Executive and the Department for Environment Northern Ireland are routinely consulted concerning regulatory changes. We have also consulted with other members of the Driver and Vehicle Operator group and interested parties from amongst the Department for Transport, such as the Road User Safety Division and the Transport, Technology and Standards Division.

9. Small firms impact test

9.1. A small business is defined [6] as one with:

- Fewer than 50 employees;
- No more than 25% of the business owned by another enterprise (which is not a small business);
- Less than £4.44 million annual turnover;
- Less than £3.18 million annual balance sheet total;

9.2. There are currently 38,040 ADIs within Great Britain (GB), the vast majority of which (84%) are micro businesses operating on a self-employed basis. Lorry and bus driving instructors tend to work for large driving schools – most of which are small businesses.

9.3. The motorcycle training industry in GB is very fragmented with most training being delivered by one-man or small scale operations. We therefore consider that the impact upon small businesses of any of the above options would not be disproportionate.

10. Competition assessment

10.1. The proposed new regulations would apply equally to all affected parties. We therefore do not consider that the proposals will have any adverse effect on competition.

11. Social Exclusion Issue

11.1. We do not believe that any social exclusion issues are likely to arise from these proposals.

12. Equality Impact Issues

12.2. Respondents were generally supportive of our view that there would be no negative impact on any group of people following implementation of the proposals based on:

- Minority Ethnic Groups (including colour, nationality and ethnic origin);
- Religious /Personal beliefs;
- Sexual orientation;
- Age;
- Gender (including gender reassigned people);
- Disabled people;
- Social status and origin;
- Marital status;
- Caring responsibilities;
- Working patterns.

13. Environmental Issues

13.1. Similarly, we do not consider that the changes will have any significant environmental impact.

14. Application within the United Kingdom

14.1 The Secretary of State for Transport has responsibility for driver training and testing in GB. Driver training and testing are matters reserved to Westminster as regards Scotland and Wales. Legislative responsibility within

[6] Better Policy Making: A Guide to Regulatory Impact Assessments. Cabinet Office January 2003

Northern Ireland is devolved to the Northern Ireland Assembly under the Northern Ireland Act 1998. Arrangements in Northern Ireland will be subject to separate consultation.

15. Enforcement, sanctions and monitoring

15.1. Persons wishing to qualify for the ADI Registration Scheme will be subject to CRB/DS checks so as to confirm the validity of their self-declarations as to non-motoring offences. Applications from candidates which are subject to unsatisfactory disclosures will be considered by the Registrar on a case by case basis. Those applications deemed unacceptable will be denied access to the register and will be prevented from giving paid driving instruction in a motor car

15.2. DSA will monitor the results from the CRB/DS checks to ensure that they are delivered on time and to a pre-determined standard of accuracy. The Agency will use this quality assurance process to help assess the effectiveness of the Scheme.

15.3. DSA will also monitor the demand for CRB/DS checks and the theory test pass rates to ensure that sufficient income is generated to ensure no excessive profit or loss is generated from the fees.

16. Implementation and delivery plan

16.1. The fee for theory tests taken as part of the ADI qualification process will be increased to £75 for tests booked on or after 2 April 2007.

17. Post-implementation review

17.1. The Registrar will conduct a Post-implementation review of each proposal when sufficient data and experience has been accumulated to provide an adequate database for effective analysis.

18. Summary and recommendation

Benefits

18.1. The intended benefits are:

- To reinforce public confidence in the ADI Scheme
- To recover DSA's costs of implementing a independent check of the self-declarations made by persons wishing to join the Register of ADIs
- To recover the DSA's costs in a fair and efficient manner of delivering the practical tests taken as part of the ADI qualification process

Costs

18.2. The new costs will be:

- Theory Test - £75
- Part 2 - Practical test of Driving Ability - £85
- Part 3 – Practical test of Instructional Ability - £85

19. Recommendations

19.1. As the intended benefits outweigh the costs, it is recommended that the revised fee structure for the theory and practical tests booked as part of the ADI qualification process is introduced for tests booked on or after 2 April 2007:

20. Declaration and publication

I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs.

Signed:

Dr Stephen Ladyman, Minister of State Department for Transport

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CONSULTATION PAPER: SERVICE IMPROVEMENTS, SAFETY RELATED MEASURES AND GENERAL FEE INCREASES

The Motor Vehicles (Driving Licences) (Amendment) Regulations 2007 (SI No 698)
FINAL REGULATORY IMPACT ASSESSMENT

1. Introduction

1.1. In October 2006 the Driving Standards Agency (DSA) issued a consultation paper[7] seeking views on a package of proposals which sought a number of changes to the way we conduct our business to deliver a better service and improve the quality of the assessments we offer, and ensure that the costs of the services we provide are recovered in a fair and efficient manner.

1.2. This Regulatory Impact Assessment (RIA) represents DSA's estimate of the costs, including compliance costs, of implementing each of the proposals contained within the Motor Vehicles (Driving Licences) (Amendment) Regulations 2007 (SI No.698) as agreed by Ministers. It was prepared using information published in our Annual Report and Accounts 2005/6 and Business Plan 2006/07 together with other documentation specified within this RIA and has been updated following the public consultation exercise.

2. Purpose and intended effect of the measures.

Purpose

2.1. The overall purpose of introducing this package of measures is to further modernise the administrative arrangements for booking and taking theory and practical driving tests which will build on the changes introduced in 2005[8]. Such changes include an extra ten-minutes on road driving time as part of the practical tests for category C (lorry) and D (bus/coach) vehicles and reducing the minimum wait following an unsuccessful category B+E (car and trailer) test.

2.2. The RIA also considers the implications of increasing the fee for practical moped/motorcycle tests, allowing road freight companies to undertake category C (lorry tests) for their staff, the qualification arrangements for those examiners and those wishing to conduct category D (bus and coach) tests and for changes to the arrangements for theory and practical tests conducted by those non-DSA examiners.

2.3. For ease of reference, the item numbers referred to below relate to the order in which the proposals appeared in the original consultation paper.

3. Background

3.1. The overall purpose of the driving test is to check that a learner driver has reached a satisfactory level of competence before being granted a full driving licence for the appropriate category of vehicle and permitted to drive unaccompanied. The test also helps set the learning agenda for trainees and the training agenda for instructors. The test for all categories of learner drivers is conducted in four main elements:

- a test of knowledge and understanding (the multiple choice part of the theory test);
- a performance test (hazard perception);
- a practical assessment of ability to perform specified manoeuvres;
- a practical assessment of general on-road driving/riding.

3.2. The Government's *Road Safety Strategy*[9] committed the Driving Standards Agency (DSA) to contribute to improvements in road safety through establishing, developing and disseminating high standards and best practice in driving and riding on the road: before people start to drive, as they learn and after they pass their test. Each year over 3,000 people are killed on Britain's roads and 36,000 are seriously injured. In total, there are some 300,000

[7] Service Improvements, Safety Related Measures and General Fee Increases
[8] Modernising the Arrangements for Taking Driving Tests – A *Response to Consultation* dated March 2005
[9] *Tomorrow's Roads – Safer for Everyone.* DETR March 2000. Product code 99ARSE0998 www.dft.gov.uk

road casualties. This causes enormous human suffering and is a serious economic burden - the direct cost of road traffic collisions involving deaths or injuries is thought to be in the region of £3 billion a year.

4. Objective

4.1. The administrative arrangements relating to the booking and taking of tests support the road safety objective of the driving test system, and prevent it being undermined by irregularities such as candidate impersonation. The arrangements also help the orderly delivery of services in a customer-focused and cost-effective manner.

4.2. The purpose of this package is to:

- improve the service offered to the Agency's customers;
- improve the cost-effectiveness of the Agency's activities and the operations of the relevant road traffic rules;
- improve road safety by ensuring that only those persons who have demonstrated they have the required skills and knowledge are granted a full licence.

4.3. These proposals draw on findings from customer surveys and focus groups, in line with the Government's commitment given in the *Modernising Government* White Paper[10] to deliver public services around the needs of citizens. Some of these proposals were specially identified by customers as enhancements to Agency services that they would welcome.

4.4. The form and content of driving tests, including such matters as the vehicles that may be used for taking practical tests are specified in regulations.

5. Business sectors affected by the proposals

5.1. The changes principally affect individual candidates preparing to undertake theory tests, practical motorcycle and car-plus-trailer tests and vocational driving tests. However, the proposals are wide ranging and are of interest to all sectors of the driver/rider training industry as well as those with an interest in road safety:

- organisations with authority to undertake driving tests for their staff and the delegated examiners they employ;
- road freight companies, and bus and coach operators;
- lorry and bus driver training providers;
- unsuccessful candidates for B+E practical tests;

Service Improvements

6. Item 1: Investigate allowing road freight companies to undertake lorry driving tests for their staff

The change

6.1. This change will provide the legislative powers to allow certain road freight companies the opportunity to undertake goods vehicle theory and practical tests (category C1, C1+E, C and C+E) for their staff, together with tests associated with the award of the Driver Certificate of Professional Competence (CPC) Initial Qualification.

Impetus for change

6.2. A number of road freight interests approached us seeking authorisation to undertake vocational driver testing of their staff. They suggest this would give greater flexibility for companies to arrange testing to fit in with their in-house training programmes, and enable them to quickly respond to driver shortages. Re-tests for unsuccessful candidates could be more easily arranged – subject to the minimum wait of three clear working days.

[10] *Modernising Government*. Cabinet Office. 1999. The Stationery Office £9:00 www.cabinet-office.gov.uk/regulation/Consultation/Introduction.htm

Companies would be better able to adjust to fluctuation in demands for vocational tests which may occur in advance of the introduction of the Driver CPC Directive[11].

6.3. We currently deliver 97,000 category C1, C1+E, C and C+E tests per annum. We might expect that the largest 20 freight logistics companies, which employ around 40% of professional lorry drivers, will ask for authorisation to undertake theory and practical tests for licence acquisition and Driver CPC tests for their staff. Although one respondent questioned these assumptions, no alternative was offered.

Public Sector savings/costs

6.4. In 2002/03 we delivered 83,270 lorry and bus tests. This figure is forecast to reach 161,000 in 2008/09. Should this volume of demand materialise, it is likely the Agency's waiting time targets would be prejudiced across the full range of tests as examiners were re-deployed to meet demand for vocational tests. Allowing freight logistics companies the opportunity to undertake tests could help us to manage better our examiner resource.

6.5. The level of savings which we may expect will be dependent on take-up of the facility. We have no plans for any reduction in the number of test centres offering lorry driving practical tests as a result of this proposal. Nor do we envisage any reduction in the number of examiners we currently require, as the quality assurance arrangements for the "in-house" arrangements would have to be resourced.

6.6. Application for authorisation to undertake practical or theory tests "in-house" would be on a voluntary basis. Authorisation would depend on tests being available to common national standards, with any fraud and integrity risks mitigated in order that road safety was protected and public confidence maintained.

Private Sector savings/costs

6.7. All potential delegated driving examiners must attend and pass the DSA six-week residential training course at Cardington. The cost of the current four-week course for delegated examiners for bus and coach driving tests is currently £5,000. This cost will increase to £7,500 in line with the longer training requirement.

6.8. Companies wishing to conduct theory tests at their premises will be required to meet the costs of establishing a secure testing environment, including a computer on which to deliver the test and secure electronic links with the theory test provider.

6.9. We currently recover our costs for supervising "in-house" arrangements from the sale of test pass certificates supplied to the organisations concerned. Each theory test pass certificate currently costs £14.00, [the cost of theory test pass certificates supplied to organisations authorised to conduct LGV/PCV theory tests for their staff will increase to £21.00 from 2 April 2007and for car/motorcycle tests to £18.50 from 3 September 2007]. Further explanation about the increased charges for theory test pass certificates is given at items 3, 5 and 9.

6.10. We are also looking to further modernise the arrangements for recovering our costs of supervising delegated examiners and hope to introduce new cost recovery arrangements from 1 April 2008.

6.10. Efficiency savings may be available for larger companies who will be better placed to co-ordinate their training and testing arrangements to ensure that they can supply sufficient qualified drivers to meet demand.

6.11. When the training and supervision costs are taken into consideration it seems likely that "in-house" arrangements would be attractive to only the larger companies with substantial throughput of trainees.

7. Item 2: Reduce the minimum wait following unsuccessful practical tests for cars and vans towing trailers

The change

7.1. There will be a minimum three, rather than ten, clear working day wait before an unsuccessful candidate could re-attempt a category B+E (car and trailer) practical test.

Impetus for change

[11] Directive 2003/59/EC – The Driver CPC Directive

7.2. Candidates who fail a category B+E test will now face the same minimum wait as is imposed on unsuccessful drivers of category C (lorry) and category D (bus and coach) rather than category B vehicles (cars and vans). The three-day minimum wait was introduced during the late 1990s to deter unsuccessful candidates from re-attempting before they were ready - trying to pass by chance - and to give such candidates the opportunity to take further training before re-taking the test.

7.3. Some 4,200 category B+E tests were taken in 2005/6, of which nearly 60% were booked by LGV/PCV trainers as part of the Trainer Booking Facility.

7.4. The pass rate by candidates taking B+E tests is 53.5%. So some 2,000 candidates each year could benefit from a reduced minimum wait.

Public Sector savings/costs

7.5. DSA has not identified any unfavourable cost implications.

7.6. We believe the reduction in the minimum wait will not adversely affect road safety. The minimum three days will still provide a sufficient period for the trainee to receive a suitable block of training.

Private Sector savings/costs

7.7. The category B+E licence is needed for a range of vehicles associated with work (such as vans towing plant hire machinery) as well as private purposes (cars towing caravans). The change will enable suitably competent drivers to obtain the driving licence they need for work purposes with less delay - assisting the drivers, their employers and those using their services.

7.8. The change will also enable trainers to make more efficient use of their instructors and facilities.

8. Item 3: Introduce fairer cost-recovery arrangements for 'in house' theory tests

The change

8.1. The revised arrangements for recovering our costs where we allow organisations to undertake "in house" theory tests (IHTT) for their staff will also apply to theory tests taken under arrangements for freight logistics companies as discussed at Item 1.

Impetus for change

8.2. The Road Safety Act 2006 provides more flexible powers to recover the costs of operating "in-house" testing arrangements. The proposed new charging arrangements will be fairer - based on the "user pays" principle. The key element is that it will be based on the number of theory tests arranged for IHTT users. It will represent a move from paper-based systems and enable more efficient and effective charging administration.

8.3. We appreciate that delays in obtaining the necessary powers does not afford IHTT testing organisations sufficient time to change their systems and accounting by 2 April. Accordingly the new cost recovery arrangements will not now be introduced until 1 April 2008.

8.4. As an interim measure we will retain the existing charging arrangements for the supply of theory test pass certificates to "in-house" testing organisations but increase the cost of certificates in line with the longer tests as explained at items 5 and 9.

Public Sector savings/costs

8.5. Operating the IHTT arrangements creates extra costs for the theory test service. Although the IHTT organisation provides the test centre space for the candidates, special IT systems have to be put in place and maintained for the theory test service to operate reliably and securely in these third party premises. In addition, the IHTT service draws on the public investment in the intellectual capital involved in the creation and maintenance of the question banks.

8.6. The organisations benefiting from IHTT currently contribute to the costs of operating this special service by paying £14.00 for each theory test pass certificate which we supply to them, which they in turn give to their successful candidates. We do not charge organisations that operate IHTT for unsuccessful tests though they give rise to costs. In 2005/6, we supplied some 36,000 IHTTs theory tests of which passes were some 27,000. Assuming a similar level of demand and pass rate in 2007/08, charging a fee of £21.00 per certificate from 2 April 2007 will bring in an additional revenue of £189,000/annum.

8.7. The current arrangements date from when the theory test was a pen-and-paper test, and the test administration was paper-based. The current charging system involves a wasteful paper-driven process, and the delay between the receipt of the fee for supply of the certificate and the delivery of the successful test makes the financial reconciliation over complicated.

Private Sector savings/costs

8.8. The current cost-recovery arrangement is unfair and inefficient, with risks that participating organisations that prepare their trainees well will subsidise those who do not, and that the costs of providing the IHTT service are met by the general fee-payer.

8.9. We envisage that the new cost-recovery arrangements to be introduced on 1 April 2008 will provide for fee liability to accrue in parallel with usage, which should be convenient for the IHTT user. The estimated fee for each theory test delivered will be £14.00.

Safety related measures

9. Item 5: Increase in stages the number of multiple-choice questions in the theory tests taken by learner lorry and bus drivers

The change

9.1. The number of Multi Choice Questions (MCQ) in the theory test taken by learner drivers of category C (lorry) and category D (bus and coach) [including sub-categories C1 and D1] will be increased as follows:

- 60 multiple-choice questions from 2 April 2007;
- 100 multiple-choice questions from 1 April 2008.

9.2. The time allowed for completing the MCQ element of the test, the pass mark and the fee will be increased proportionately. The time allowed for the MCQ element is extended to 70 minutes from 2 April 2007 and 115 minutes from 1 April 2008. The pass mark is increased to 51 out of 60 and 85 out of 100 on those dates.

Impetus for change

9.3. New EU rules will require professional bus, coach and lorry drivers to hold a Certificate of Professional Competence (CPC) in order to work as a professional driver in the European Union as well as a vocational driving licence. We have designed a modular package of theory and practical assessments that will allow a new driver to obtain a CPC Initial Qualification and a vocational driving licence in parallel and we expect most professional drivers to take this approach.

9.4. The new assessments will ensure that all vocational licence holders have the essential knowledge and skills to drive such vehicles safely. The extra modules to obtain a CPC Initial Qualification will focus on the additional knowledge which is relevant to the professional driver operating in the 21st century. The enhanced MCQ element will be taken by all drivers of these vehicles. We are phasing in the larger number of MCQs to smooth the transition to the more rigorous test.

Public Sector savings/costs

9.5. We shall incur costs to develop, deliver and maintain the longer MCQ test. DSA needs to recover these additional costs from the fees it charges to:

- candidates for the general service, and
- relevant organisations allowed to undertake IHTTs.

Private Sector savings/costs

9.6. The fees for the theory test are increased proportionately to the extended MCQ element - to £32.00 from 2 April 2007 and to £45.00 from 1 April 2008.

9.7. Changes in the cost-recovery arrangements discussed in Item 3 above require the fees for theory test pass certificates supplied to organisations allowed to undertake IHTTs for their staff to be increased proportionately to £21.00 from 2 April 2007. Longer term arrangements should be in place from 1 April 2008.

10. Item 6: Introduce an additional ten minutes driving time to bus, coach and lorry tests from September 2008

The change

10.1. From 1 September 2008, an additional ten minutes on-road driving time will be included within the category C and category D (including sub-categories C1 and D1) practical driving tests.

Impetus for change

10.2. We wish to maximise the value of the test slot and have reviewed the content of the test as part of the arrangements for implementing the Driver CPC Directive. The extra ten-minutes on road driving time will help to make the category C and D practical driving tests more reflective of today's road conditions and help raise the standard of all new drivers of such vehicles.

10.3. Extending the on-road driving time also enables us to ensure that we test the CPC competence of safe and fuel-efficient driving adequately during licence acquisition tests, and that drivers continue to be tested in a range of varying road and traffic conditions.

10.4. This extra driving time will apply to all category C and D tests conducted by DSA examiners and by non-DSA examiners.

Public Sector savings/costs

10.5. DSA will incorporate briefing about the new tests in its initial training for new driving examiners and briefing for existing staff. DSA does not consider that this additional ten minutes on-road driving time will significantly increase its costs. As the extra ten minutes is being accommodated within the existing test slot, there is no effect on the number of tests an examiner can conduct in a day, and therefore unit costs and test fees remain unchanged.

Private Sector savings/costs

10.6. The fee charged to candidates for a vocational test is unchanged as a result of this proposal.

10.7. MoD, some Fire and Police authorities, and certain bus companies are authorised to conduct vocational tests for their staff. It is critical to the public confidence in these arrangements that tests under these special arrangements are clearly undertaken to the national standard. DSA does not consider that this additional ten minutes on-road driving time will significantly increase the costs to these organisations of delivering the practical tests.

10.8. The extra ten minutes will allow for a more effective and efficient assessment of on-road driving competence in a rather wider range of road and traffic conditions. The competences being assessed should already be covered in an initial structured training programme, so the change should not significantly add to training costs. Where additional training is required to meet the modern standards, we regard this as justified by the safety and other benefits associated with safe and skilled drivers.

10.9. Vocational drivers contribute towards some 40 million tonnes of petroleum consumed by British motorists each year and the environmental damage which results. Increased awareness of safe and fuel-efficient driving will contribute to a reduction of the environmental impact. Better driving means less fuel is used and the wear and tear on vehicles is also reduced resulting in reduced vehicle maintenance costs. It is expected that the private sector organisations will also benefit from savings in fuel and lower vehicle maintenance costs which will result from safer and more fuel efficient drivers.

11. Item 9: Increase the number of multiple-choice questions in the theory tests taken by car drivers and motorcycle riders

The change

11.1. The number of MCQs in the theory tests taken by learner car drivers and motorcycle riders is increased from 35 to 50 questions for tests taken on or after 3 September 2007. There will be a proportionate increase in the time allowed to complete the MCQ element of the test to 57 minutes. The pass mark will be 43 out of 50.

Impetus for change

11.2. The Government's road safety strategy: *Tomorrow's roads safer for everyone* committed us to "upgrade the test paper and keep the number of questions per test paper under review". Increasing the number of questions will create a more robust test with better content validity, which will require candidates to ensure they have the right level of knowledge and understanding.

11.3. Extra questions will give the opportunity to give greater exposure to topics such as:

- unlicensed and uninsured driving;
- eco-driving and environmental issues;
- new motorway signage;
- first aid;
- health and driver licensing.

but not at the expense of the rest of the syllabus.

11.4. The Association of British Insurers advises that the costs of accidents involving uninsured drivers add £30[12] to the average motor insurance premium. Research indicates that there is poor understanding amongst drivers generally about the costs and effects of unlicensed and uninsured driving.

11.5. The British Red Cross (BRC) and St John Ambulance (StJA) advise that more than half of deaths caused by road accidents happen in the first few minutes after a crash, before the emergency services arrive[13]. Improving basic first aid knowledge and skills could mean the difference between life and death in such situations. Every theory test currently contains one question on first aid. Increasing the number of first aid questions in the theory test is a way of raising first-aid knowledge and skills.

11.6. The longer MCQs element will allow the opportunity to address awareness on important health and driver licensing matters, such as:

- the links between health, fitness, impairment and safety when driving;
- a driver's responsibilities concerning medical declarations, and the penalties for fraudulent non-declaration;
- how to make medical declarations.

Public Sector savings/costs

11.7. We will incur costs to develop, deliver and maintain the longer MCQ test. DSA needs to recover these additional costs from the fees it charges to:

- candidates for the general service, and
- relevant organisations allowed to undertake IHTTs.

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[12] ABI leaflet: *Safer, Cheaper, Legal* The ABI campaign against uninsured driving – January 2004 www.abi.org.uk

[13] *Are pre-hospital deaths from accidental injury preventable?* Hussain and Redmond ,1994

Private Sector savings/costs

11.8. The fees for these theory tests will increase to £28.50 in proportion to the extended MCQ element.

11.9. Changes in the basis of cost-recovery discussed in Item 3 above require the fees for theory test pass certificates supplied to organisations allowed to undertake IHTTs for their staff to be increased proportionately to £18.50 from 3 September 2007. Longer term arrangements will be in place from 1 April 2008.

12. Item 13: Introduce a requirement for a driving test candidate to surrender, in certain circumstances, a driving licence to the theory test invigilator or practical test examiner

The change

12.1. With effect from 2 April 2007 a driving test candidate will be required to surrender their licence to the theory test invigilator or driving test examiner after the licence has failed a security check.

Impetus for change

12.2. Most driving licences presented by candidates are of the photocard style. This enables the enhanced security checks to be conducted on the majority of driving licences at both theory and practical tests.

12.3. Intelligence from the police has shown that counterfeiters are becoming more sophisticated and are producing realistic fake licences. Driving licence fraud is often associated with other forms of organised crime since a licence can provide a route to establishing an identity and obtaining other official documents. Early identification and removal of suspect licences will reduce the opportunity for the licence to be used to perpetrate other forms of identity fraud or criminal activity.

Private Sector savings/costs

12.4. Introducing the requirement for candidates to surrender a licence to a theory test invigilator or driving examiner will help relieve burdens on the police. Any reduction in the number of candidates fraudulently obtaining a driving licence should have positive road safety benefits for all road users. Prevention of other identity fraud involving a suspect licence would also have beneficial effects.

12.5. DSA has not identified any costs to the Agency or DVLA, arising from this proposal.

Private Sector savings/costs

12.6. DSA has not identified any costs to legitimate candidates arising from this proposal.

General fee increase proposals

13. Item 14: Increase the fees for the practical moped/motorcycle test

The change

13.1. The fee for the practical moped/motorcycle test will be increased by £2.00 for a standard test and £4.00 for an extended test with effect from tests booked from 2 April 2007.

Impetus for change

13.2. The current fees for practical moped/motorcycle tests are:

- standard weekday test £58.00
- standard out of hours /weekend test £68.00

- extended weekday test £116.00
- extended out-of-hours /weekend test £136.00

13.3. The practical moped/motorcycle test activity has historic deficits, which at current fee levels would continue. This implies other categories of candidate subsidising the costs of delivering this service, which is neither fair nor economically efficient. The proposed increase is intended to bring the fee level in line with estimated unit costs though it does not attempt to recover historic deficits.

Public Sector savings/costs

13.4. In 2005/06, DSA conducted 80,458 motorcycle tests. We forecast some 85,000 tests will be conducted in 2007/08. The increased fees will deliver some additional revenue of £170,000 p.a.

Private Sector savings/costs

13.5. With effect from 2 April 2007 the fee for a practical moped/motorcycle test will be:

- standard weekday test £60.00 (+3.4%)
- standard out of hours /weekend test £70.00 (+2.9%)
- extended weekday test £120.00 (+3.4%)
- extended out-of-hours /weekend test £140.00 (+2.9%)

14. Consultation

Public consultation

14.1. When conducting consultations we aim to consult as wide a range of stakeholders as possible. For this consultation we wrote to over 4,500 driver and rider training associations, individuals, special interest groups and those associated with the police and judiciary system. The paper was posed on the Agency's website and articles were published in our *Despatch Express*, our on-line magazine which was sent to 20,000 individuals registered for this service. A press release was also sent to the trade press.

14.2. 78 responses were received.

Within Government

14.3. The Welsh Assembly, Scottish Executive and the Department for Environment Northern Ireland are routinely consulted concerning regulatory changes. We have also consulted with other members of the Driver and Vehicle Operator group and interested parties from amongst the Department for Transport, such as the Road User Safety Division and the Transport, Technology and Standards Division.

15. Small firms impact test

15.1. A small business is defined [14] as one with:

- Fewer than 50 employees;
- No more than 25% of the business owned by another enterprise (which is not a small business);
- Less than £4.44 million annual turnover;
- Less than £3.18 million annual balance sheet total;

15.2. There are currently 38,040 ADIs within Great Britain (GB), the vast majority of which (84%) are micro businesses operating on a self-employed basis. Lorry and bus driving instructors tend to work for large driving schools – most of which are small businesses.

15.3. The motorcycle training industry in GB is very fragmented with most training being delivered by one-man or small scale operations. We therefore consider that the impact upon small businesses of any of the above options would not be disproportionate.

[14] Better Policy Making: A Guide to Regulatory Impact Assessments. Cabinet Office January 2003

16. Competition assessment

16.1. The proposed new regulations would apply equally to all affected parties. We therefore do not consider that the proposals will have any adverse effect on competition.

17. Social Exclusion Issue

17.1. We do not believe that any social exclusion issues are likely to arise from these proposals.

18. Equality Impact Issues

18.2. Respondents were generally supportive of our view that there would be no negative impact on any group of people following implementation of the proposals based on:

- Minority Ethnic Groups (including colour, nationality and ethnic origin);
- Religious /Personal beliefs;
- Sexual orientation;
- Age;
- Gender (including gender reassigned people);
- Disabled people;
- Social status and origin;
- Marital status;
- Caring responsibilities;
- Working patterns.

19. Environmental Issues

19.1. Similarly, we do not consider that the changes will have any significant environmental impact.

20. Application within the United Kingdom

20.1 The Secretary of State for Transport has responsibility for driver training and testing in GB. Driver training and testing are matters reserved to Westminster as regards Scotland and Wales. Legislative responsibility within Northern Ireland is devolved to the Northern Ireland Assembly under the Northern Ireland Act 1998. Arrangements in Northern Ireland will be subject to separate consultation.

21. Enforcement, sanctions and monitoring

21.1. Persons looking to qualify as a delegated examiner to conduct theory and practical lorry tests who do not meet the required standard are not allowed to undertake such tests. Candidates who refuse to surrender their licences when required to do so will be reported to the Agency's Fraud and Integrity Team who will liaise with the Police and DVLA as to the appropriate follow-up action.

21.2. DSA will monitor the waiting times for vocational tests to ensure that the reduction in the minimum wait following an unsuccessful category B+E test has not adversely affected the availability of test slots. We will also monitor the pass rates of candidates undertaking a second or subsequent B+E test to ascertain whether the reduced waiting-time has led to a reduction in the pass rate which can be attributed to a lack of additional training afforded by the reduced time.

21.3. We will continue to monitor the performance of all questions within the extended theory tests as well as the pass rates of individual candidates to ensure it is a fair test of knowledge.

21.4. We will monitor the pass rates for the extended vocational driving test to ensure that drivers presented for test are adequately prepared for the more robust assessment.

21.5. DSA's Fraud & Integrity Team will monitor the number of licences surrendered by candidates following failure of a security check and will liaise with the police to ensure prosecutions are pursued were appropriate.

21.6. DSA will also monitor the demand for practical motorcycle/moped tests to ensure that sufficient income is generated to meet the costs of delivering the service. We will also monitor the revenue received from the supply of theory test pass certificates to delegated examiners to ensure that the revenue streams meet the costs of supervision

22. Implementation and delivery plan

22.1. The changes will be implemented as follows:

2 April 2007

- opportunity for road freight companies to undertake lorry driving tests for their staff
- reduced waiting period following an unsuccessful category B+E test (three days)
- increased fee for theory test pass certificates supplied to delegated examiners
- longer theory tests for lorry, bus and coach drivers (60 MCQs)
- requirement to surrender a licence following failure of a security check
- increased fee for practical motorcycle/moped tests

3 September 2007

- longer theory tests for car drivers and motorcycle riders (50 MCQs)

1 April 2008

- increased fee for theory test pass certificates supplied to delegated examiners or revised charging arrangements
- longer theory tests for lorry, bus and coach drivers (100 MCQs)

1 September 2008

- longer on-road element of the practical driving test taken by lorry, bus and coach drivers

23. Post-implementation review

23.1. DSA will conduct a Post-implementation review of each proposal when sufficient data and experience has been accumulated to provide an adequate database for effective analysis.

24. Summary and recommendation

Benefits

24.1. The intended benefits are:

- Allow road freight logistics companies the opportunity to undertake lorry driving tests for their own staff without compromising road safety
- Improve customer service by reducing the minimum waiting period for unsuccessful B+E candidates without compromising road safety
- Improve road safety by extending the theory tests taken by learner drivers and riders to enable a more robust assessment of knowledge and offer the opportunity to give greater exposure to topics such as:
    - Unlicensed and uninsured driving
    - Eco-driving
    - New motorway signage
    - First aid health and driver licensing

- Increase security around the driving test and a reduction of wider identity fraud
- Recover DSA's costs of delivering the services it provides in a fair and efficient manner

Costs

24.2. The new costs will be:

- Delegated examiners course - £7,500
- Fees for the supply of theory test pass certificates
    - Category C and D - £21.00 from 2 April 2007
    - Category A, B and P - £18.50 from 3 September 2007
    - Category C and D - £29.00 from 1 April 2008
- Fees for theory tests
    - Category C and D - £32.00 from 2 April 2007
    - Category A, B and P - £28.50 from 3 September 2007
    - Category C and D - £45.00 from 1 April 2008
- Fees for practical motorcycle/moped tests from 2 April 2007
    - Standard weekday test - £60.00
    - Standard out of hours/weekend test - £70.00
    - Extended weekday test - £120.00
    - Extended out of hours/weekend test - £140.00

24.3. No increase in the fees are required as a result of the longer on-road element of the practical test taken by learner drivers of lorries, buses and coaches, the reduced waiting period for unsuccessful candidates of B+E tests or the requirement to surrender licences.

25. Recommendations

25.1. As the intended benefits outweigh the costs, it is recommended that the changes explained in this RIA are implemented from the dates proposed.

26. Declaration and publication

I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs.

Signed: S. J. Ladyman

Dr Stephen Ladyman, Minister of State Department for Transport

27. Contact point for enquiries

26.1. Contact point for enquiries about this RIA:

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DVLA Fees Revision

The Motor Vehicles (Driving Licences) (Amendment) Regulations 2007 (SI No 698)

The Road Vehicles (Registration and Licensing) (Amendment) Regulations 2007

Final Regulatory Impact Assessment

Introduction

1. To continue with the revision of the Agency's simplification of fee structures commenced in 2003 and move towards a closer alignment between the cost of activities, fees levied and those funding the costs involved.

2. Any changes resulting from the three consultations of 15 August 2004, 28 April 2006 and 8 December 2006 will affect motorists in the UK. The changes are being introduced by the Department for Transport for Great Britain. Any legislation required as a result of the changes affecting the driver licensing fee structure in Northern Ireland will be dealt with by the Department of the Environment (Northern Ireland) (DoENI). It is expected that DoENI will maintain driver fee levels broadly at parity with Great Britain.

Purpose and intended objectives of the measures

3. The 10-yearly renewal cycle for photocard licences will commence in 2008. Photographs have to be renewed every 10 years to ensure that the card continues to contain an accurate likeness of the licence holder. Remaining paper licences in circulation need to be recalled so that similarly robust checking processes can be employed for all drivers as those that were introduced in 1998 with the introduction of the photocard licence. New photocard licences can then be issued, providing significant benefits for the integrity and security of the drivers system. Technology improvements should provide us with added assurance that each register entry is unique, so that identity fraud and driving whilst disqualified should be minimised. For the purposes of these proposals and to arrive at a calculation of the indicative fee levels, we have assumed that this recall exercise will involve around 12 million paper licences over a two year period. The paper licence recall and photocard renewal exercises together are estimated to increase costs by between £75m and £95m per annum during the paper licence recall years – reflecting roughly equal increases in cost.

4. Accuracy of the records is critical for DVLA to provide a better basis for enforcement activities. Any inaccuracy in the record hinders enforcement by the police and courts for driving offences, including moving traffic offences and tracing offenders stopped by the police.

Background

5. DVLA is responsible for the accuracy and administration of both the driver and vehicle registers in Great Britain and the vehicle register in Northern Ireland. It is required to levy fees to cover operational costs and the review aims to achieve this in an effective and equitable way for our customers. The last change in fees (some increased and some reduced from previous levels) took effect in March 2004, so that by the time the changes arising from the 2006 consultations take effect in May 2007, the fees will have been stable for a three-year period.

6. The last fee review, conducted in 2003, brought together the costs of the driver licensing and vehicle registration systems that had historically been considered separately. The new fee structure was set to recover the combined costs by amalgamating both the driver and vehicle fees in a single fund. This was given legal underpinning through the Department for Transport (Driver Licensing and Vehicle Registration Fees) Order 2003 (the 2003 Fees Order) made under section 102 of the Finance (No.2) Act 1987. This Order specifies the functions in respect of various vehicle registration and various driver licensing functions of the Secretary of State, the costs of which may be recovered when setting the fees relating to driver licensing and vehicle registration. In particular it provides that costs relating to vehicle registration may be recovered when setting driver licensing fees and vice versa. The principles established at the time of the 2003 review were:

    - to simplify processes for the motoring public and DVLA
    - to encourage driver registration and reduce burdens on learner drivers
    - to facilitate e-services through simplified transactions and
    - to ensure offenders cover the full processing costs of issuing of new licences for them based on the ‘user pays’ principle

Rationale for government intervention

7. The changes seek to minimise the risk that DVLA will be unable for financial reasons to undertake the activities needed to secure the accuracy of its vehicle and driver registers and to avoid instability in its funding regime.

Policy

8. The prime DVLA contribution to the Department for Transport (DfT) road safety objective is to keep accurate vehicle and driver registers, with any potential impact on record accuracy given careful consideration when new initiatives are proposed. Introducing a fee for these recall transactions might not only trigger non-compliance on recall but also discourage timely notification or amendment with a resultant detrimental effect on our record accuracy. The 10-yearly renewal cycle is a legislative commitment under section 99(2A) of the Road Traffic Act 1988 and DVLA needs to cover the costs through levying fees as provided for by the 2003 Fees Order mentioned above.

Financial

9. DVLA is progressing developments in electronic transaction handling and provision of customer focused services through e-channels. The fee cover for these changes was largely provided by the 2003 fees re-structuring. However, the cost pressures arising from the need to renew the ten-yearly photocard licences and the replacement of paper driving licences with the more secure photocard licences mean that 'do nothing' is not an option.

10. The revision of the fees structure in these proposals aims to provide adequate cost coverage not only for DVLA's on-going operations in terms of systems redevelopment, but also the new initiatives noted above. The revised fees structure will spread the cost burden across both current and proposed fee bearing activities and will therefore reduce the risk of income shortfalls due to over dependency on a single transaction activity (the vehicle first registration fee). The proposed implementation across a two year period reflects most accurately the anticipated cost profile that DVLA is forecasting and complies with HM Treasury fees and charges guidance that discourages averaging across more than one year of fee levels. This represents a risk for DVLA, but the cost forecasts are robust enough to justify this two-year position – it has the additional benefits of transparency and allows better planning for all parties.

Options included in the 28 April 2006 consultation

11. DVLA is committed by statute to the ten-yearly renewal cycle of the photocard driving licence. A free of charge recall of paper licences is proposed to improve significantly the accuracy and security of the drivers register and driving licences.. Action has to be taken to ensure that the costs of these initiatives are covered. In addition, DVLA has to replace its ageing drivers and vehicles registration systems.

Option 1

- **Ten year renewal of photocard driving licences**: This option proposed a fee to cover the costs of the ten-yearly cycle of renewal of the existing photocard licences. The fee would be set at a level to absorb direct costs and overheads on an ongoing basis. An indicative fee would be around £19, in line with the current duplicate driving licence fee.
- **Exchange paper driving licence for photocard driving licence**: Reduce from £19 to free.
- **Annual registration fee**: None
- **First driving licence issue:** Increase the fee from £38 to £68.
- **First vehicle registration fee**: No change to first vehicle registration fee is proposed.

Option 2

- **Ten year renewal of photocard driving licences:** As with Option 1.
- **Exchange paper driving licence for photocard driving licence**: As with Option 1.
- **Annual registration fee**: As with Option 1
- **First driving licence issue:** Increase the fee from £38 to £45.

First vehicle registration fee: Increase the first vehicle registration fee from £38 to £45.

Option 3

- **Ten year renewal of photocard driving licences**: As with Option 1.
- **Exchange paper driving licence for photocard driving licence**: As with Option 1.
- **Annual registration fee:** Introduce an annual registration fee. This fee would normally be collected alongside the payment of MoT fees. The result of this would be minimal (if any) further administration costs for the vehicle keeper. This change would encourage vehicle keepers to update the registers in a timely manner. The indicative fee level is around £3.00 and depends on how much of the other fees are subsumed into the annual fee (the £3.00 is calculated to cover register maintenance only).
- **First driving licence issue**: Reduce the fee from £38 to £29.

First vehicle registration fee: Reduce the first vehicle registration fee from £38 to £29.

12. Each of the three options was calculated to deliver the same overall fees total, although clearly the impact between stakeholder groups varied.

Final proposals after the three consultations

13. A full report on feedback received from the 28 April 2006 consultation is available on the DVLA website. In addition, a summary was circulated to all that responded. During the 8 December 2006 consultation with key representational organisations and following ministerial consideration, the proposed fee structure included at Annex A was compiled. This has the following key features:

    - The fee for first driving licence (provisional or overseas exchange) increases from £38 to £45 in the first year, then to £50 in the second year. This is significantly less than the proposals included in option 1 of the 28 April 2006 consultation, but more than the other two options. This reflects a balanced approach advocated by many of the respondents. The fee for reinstatement of revoked licences stays in line with those for new licences.
    - The fee for duplicate driving licences tracks the above increases, rising to £22 and £25 in the two years – the fee for removal of endorsements remains in line with the fees for the duplicate.
    - The new fee for the ten year renewal of driving licences will apply to all photograph renewals and related card issues and is set at £10. As a result, to provide a smooth transition and encourage those with paper licences currently to replace these with photocard licences (smoothing DVLA transaction volumes and encouraging the take-up of the more secure licences to the benefit of individuals and accuracy of the DVLA register) the fee for such transfers reduces from £19 to £10 immediately, although the ten year renewal cycle does not commence until June 2008.
    - The fees for offenders rise roughly in line with those for first driving licence to ensure that they continue to cover their additional costs in full and hence rise as follows. Following disqualification from £50 to £60 then £65 in the second year and for high risk offenders from £75 to £85 and then £90.
    - The fees for first vehicle registration rise from £38 to £50 in the first year, then to £55 in the second year. [KA: refer to Alun's comments.]
    - The fees for duplicate registration documents track this rise in first registration fees and rise to £25 – but stay at that level in the second year.[KA: refer to Alun's comments]

14. The overall fee envelope stays constant in terms of the cost coverage, although the final proposals represent a number of small adjustments and a balance between the three original options consulted upon. These were returned to all the respondents of the 28 April 2006 consultation. Further comments received during the 8 December 2006 consultation from four respondents, registered disappointment that DVLA had not pursued the option of introducing an annual vehicle registration charge but had imposed large increases on vehicle first

registration and driver first licence fees without spreading the impact wider. The introduction of an annual vehicle registration charge is not possible without new primary legislation being put in place.

Costs and benefits

Business sectors affected

15. All sectors of business that register new or imported used vehicles with the registration authorities, DVLA for GB and Driver and Vehicle Licensing, Northern Ireland (DVLNI) will be affected. It is our assumption that as there is only an effective change in first vehicle registration fee under option 2, and the transactions themselves are neutral in administrative terms, there would be no tangible impact on vehicle manufacturers and retailers under options 2 and 3 for most business sectors. However, the proposed reallocation of the funding stream from a first registration charge alone to a reduced first registration charge together with a new annual registration charge (option 3) would have impact on four areas of business:
    - car and light goods fleet operators and business car users (48% of new registrations)
    - commercial goods vehicle operators (1.8% of new registrations)
    - agricultural industry (0.5% of new registrations)
    - bus companies (0.4% of new registrations)

16. Our initial analysis shows that there is likely to be an overall negative impact for businesses in the region of £11m per annum in increased fees cost, although this will affect various sectors of business in different ways. This will depend on the frequency with which they renew their new (or imported used) vehicle stock.

17. It is the assumption in this proposal that driving licence fees are a matter for individual drivers. We acknowledge that some organisations choose to pay their drivers' fees but, in the overall context of this consultation, the effects on the various business sectors will be negligible.

Assumptions

18. All of the options consulted on by DVLA, and the final package decided upon in the light of the consultations, were framed to deliver the same cost cover for renewal of ten year photocard licences and the re-call of paper licences. The financial model used to compare income with costs contains the following main assumptions about the volume of transactions that DVLA will process annually:

• vehicle first registrations	3,000,000
• annual vehicle registrations (excluding Statutory Off Road Notification ((SORN))	32,000,000
• non-SORN exemptions proposed	5,300,000
• photocard renewals (based on 2008-09 forecast volume)	500,000

19. The intention for the fees restructuring is purely to cover the anticipated costs of the changes indicated in this document. These have been estimated around £44.2 million on an annualised basis, but the current forecasts being included for the next two years in our business plans (which will be published on the DVLA web-site) are more accurate and allow us to provide a two year Fees profile with a good degree of accuracy. The proposed fees provide cost coverage on that basis.

Benefits in the revised Structure

20. The majority of changes are to existing fees. The only new fee being introduced is the £10 chargeable on renewal of the ten year photocard licence.

21. The decision to charge for a ten year photocard licence renewal gives DVLA the benefit of ensuring, on a user pays basis, that the extra costs of the renewal process are met without imposing any burden elsewhere in its fee charging structure.

Costs for the Proposed Structure

22. The annual extra operational costs for the ten-year renewal of photocard licences is £15.4 m with an initial set up cost of £9.9 million.

23. The initial changes necessary in advance of the paper licence recall (as a specific project), within the 2008/09 year, will add costs of £6.8 million.

24. In 2007/08 and 2008/09, there will be key additional costs in operational investment, in particular in systems update and the integration of the GB and Northern Ireland vehicle systems of around £22 m. [KA: refer to Alun's comments]

Equity and fairness

25. These proposed amendments to the fee structure take forward the re-structuring of DVLA's fee charging regime that began with the 2003 fee changes. The amendments continue with the principle of fair and equitable distribution of costs and seek to cover costs in the fairest way possible whilst ensuring that changes in fees do not impede policy delivery.

26. In the 28 April 2006 consultation we maintained that the fairest distribution of fees across all users of the services would be achieved through the introduction of an annual fee to cover all routine maintenance of the registers and reduction of first registration or driving licences to levels that fully reflected their direct costs. The balance of the consultations feedback was that our stakeholders are not yet ready for such a change and that the balancing of increases between drivers and vehicles was seen as a more equitable solution all round.

Small firms impact

27. DVLA believes that the overall impact of the proposed change to the vehicle registration fee structure on small businesses will be low. The proposed first registration fee of £50 per vehicle (rising to £55 in the second year) will only be levied upon the registration of new or imported used vehicles (with all existing exemptions retained) and this represents a marginal impact on the costs of purchase of new or imported used vehicles. Hence, it is not anticipated that this fee change will affect competition or mean that businesses will no longer be able to continue as going concerns.

28. Impact will be greatest on businesses that purchase large numbers of brand new vehicles – such as car leasing or vehicle rental companies. For these companies there is indeed an additional cost, but this might be recouped through the leasing and rental charges levied. The additional costs to the end consumer of such a small additional amount relative to the capital cost of the car that is being recouped will be minimal. Those that will bear the costs will very much be motorist users and this reflects the continuing endorsement from our consultations that the "user should pay".

Competition assessment

29. The fleet, leasing, bus and haulage markets are all broad-based with no one firm or small group of firms, holding a pronounced market share. Within each of these sectors, no firm would be affected to any greater degree than its competitors of comparable size. The cost impact should be in direct relation to the size of the vehicle-related aspects of the business.

Enforcement and sanctions

30. There will be no new enforcement implications or sanctions needed directly as a result of the implementation of these proposals. The position in respect of the ten year renewal still has to be finally established, but photocards that go past the expiry date printed on them will no longer be valid licences. Hence, although the driving entitlements themselves will remain intact (i.e. drivers will not have to re-sit driving examinations unless required to do so for other reasons, e.g. disqualification) the motorists will be committing an offence if they drive a vehicle on a public road without such renewal. The position for the other changes do not impact on enforcement, as they are merely changes in fee levels.

Consultation

31. On 15 August 2004 DVLA issued 390 consultation documents to motoring organisations and various stakeholders. DVLA received 924 responses. On 28 April DVLA issued 433 consultation documents to motoring organisations, MOT organisations, garages and various stakeholders. In addition the document was published on DVLA's website, accessible directly or via directgov, and this attracted 205 hits. Of the various representative organisations and stakeholders, there were 43 responses, although only 19 of these expressed a preference in terms of the options included. There were 20 individual members of the public who also expressed views on the fee proposals. On 8 December 2006 DVLA consulted with the respondents to the April 2006 consultation. There were four responses from organisations.

Analysis of responses

32. It is clear from an analysis of the responses received that:

- the principle of "user pays" continues to be broadly supported, as it has been in each consultation to date;
- there was strong feedback that vehicles not subject to either a Vehicle Excise Duty (VED) charge or SORN registration should not be subjected to any potential annual fee (should this option be taken forward at any stage in the future);
- the form of the current proposals generally supports better regulation in that the cost of compliance (predominantly administrative costs) has been reduced to a minimum through consultation with industry groups;
- **DVLA efficiency gains should continue to be fully explored to ensure that any overall increases in funding generated are transparently justified in terms of real and unavoidable costs.**

Conclusions

33. It would seem clear from the consultation feedback and discussions with the representative organisations that the changes involved in fee levels represent only a very small proportion of motoring costs - all options are both feasible and fairly acceptable, especially with no fee changes having taken place over the last three years.

34. Most comment was received in respect of the "annual fee" (option 3), though organisations were fairly evenly split between those in favour and those against.

35. In respect of collection mechanism of any "annual fee", the majority preferred collection alongside the VED transaction rather than alongside MoT, although it was mainly garages who responded against the MoT option and the processes anticipated would obviate most of the disadvantages perceived.

36. It was clear that whilst there was far more positive interest in the introduction of an annual fee than seen in the 2004 consultation, the consensus remains in terms of fee level increases for existing fees for the time being. And the majority favoured a balanced set of rises across the fees rather than the concentration on any single fee-paying group.

37. The resulting proposals build on this direction and on a number of specific comments made in the consultation feedback, for example about ensuring the offenders continue to meet their full additional costs.

Implementation and Delivery Plan

38. The fees changes are intended to come into force on 1 May 2007 and 1 April 2008, as set out in Annex A.

39. Systems changes are in hand to process transactions at the new fee rates on the appropriate dates. Stakeholders have been given notice of the changes and will have made changes to their systems where necessary.

Post implementation review

40. DVLA monitors its own financial position continuously. Its fees structure is formally reviewed on an annual basis, although under the current proposals that set the fees out for the next two years, the next formal review will be in 2008. Interested parties are consulted as part of this review process.

Summary and recommendation

41. DVLA wishes to amend its fees structure to continue the restructuring begun in 2003. The fees must be set so as to continue to meet the objective of recovering the costs of DVLA's activities. However, the setting of an appropriate fees structure now will provide the funding necessary for the ongoing developments that support DVLA's policy objectives by accuracy of its driver and vehicle records aiding enforcement from the record and contributing to greater road safety.

42. Three alternative fee structures were proposed in the consultation based on indicative fee levels with the possibility that the mix of fee levels could be adapted and the precise levels finalised for the final proposals. In the responses to the April 2006 consultation, option 1 did not receive any significant support. option 3, whilst receiving good support in principle, is not feasible at present without new primary legislation. Thus an amended version of option 2 was proposed. The final structure and level of fees is now based on that amended version and takes into account further input from respondents, other stakeholders and internal discussions.

Declaration and Publication

Ministerial Declaration

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Signed by the responsible minister.

Dr Stephen Ladyman, Minister of State, Department for Transport

28 February 2007

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Annex A: Proposed Fee Levels

The fee structure and proposed fee levels for Drivers are:

TRANSACTION	CURRENT FEE	PROPOSED FEES	
		07-08	08-09
Driving licence:			
First Driving Licence (including Provisional to Full)[15]	£38	£45	£50
Renewals from Age 70 or for Medical Reasons[16]	Free	Free	Free
Replacement DL for change of details	Free	Free	Free
Duplicate DL for lost / stolen or destroyed	£19	£22	£25
Exchange Licence:			
Paper Licence traded in for POL DL[17]	£19	£10	£10
Add Entitlements[18]	Free	Free	Free
Remove Endorsements[19]	£19	£22	£25
Paper Licence Recall Fee[20]	N/A	N/A	N/A
10-Yearly Renewal of POL DL	N/A	N/A	£10
Vocational DL[21]	Free	Free	Free
Driving Licence Renewals:	£38	£45	£50
After revocation	£75	£85	£90
High Risk Offenders after Disqualifications	£50	£60	£65
After Disqualification			

For the Vehicles fees, the structure and proposed fee levels are:

TRANSACTION	CURRENT FEE	PROPOSED FEES	
		07-08	08-09
First Vehicle Registration	38	50	55

[15] Prior to 2003, this transaction comprised two separate charges adding up to £41
[16] This transaction was made free of charge in 2003
[17] This supports the policy for paper licence recall, but precedes the recall to encourage earlier exchanges.
[18] This transaction was made free of charge in 2003
[19] Note that this will no longer be applicable when the counterpart is abolished.
[20] It is not currently anticipated that, if the paper licence recall is approved, any recall would take place before April 2009, but the current proposals are that if it is triggered then it would be free of charge.
[21] This transaction was made free of charge in 2003.

General Vehicles **Replacement Registration Document (details change)**	19	25	25