

<b>Title:</b> <b>V5C on demand</b> <b>IA No:</b> DfT00293 <b>Lead department or agency:</b> Department for Transport <b>Other departments or agencies:</b> Driver and Vehicle Licensing Agency (DVLA)	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 01/06/2014		
	<b>Stage:</b> Final		
	<b>Source of intervention:</b> Domestic		
	<b>Type of measure:</b> Secondary legislation		
<b>Contact for enquiries:</b> Simon Andrew simon.andrew3@dvla.gsi.gov.uk			

<b>Summary: Intervention and Options</b>	<b>RPC:</b> GREEN
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Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out?	Measure qualifies as
£23.04m	£25.24m	-£2.31m	Yes	OUT

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

Some businesses incur unnecessary costs in distributing and storing Vehicle Registration Certificates (V5Cs) that serve no practical purpose until the vehicle is sold, perhaps several years later. Intervention is needed to amend the Road Vehicles (Registration and Licensing) Regulations 2002 to remove the requirement to issue V5Cs to fleet companies at first registration and for companies to keep the V5C, instead issuing a new registration document to the fleet company when it requests one. This will decrease the administrative burden and costs for fleet companies.

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

To reduce burdens on fleet firms by suppressing V5Cs from issue at first registration and suppressing V5Cs from issue for any further subsequent notification of changes to name and address details and vehicle details.

This will significantly decrease the burden on fleet firms as well as reducing the burden on DVLA from not having to handle large volumes of paper based requests from fleet firms for replacement V5Cs.

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

Two policy options have been considered.

Option 1. Do nothing. Continue to issue registration certificates at the point of initial registration and subsequent changes to the record. This would forego the opportunity to reduce costs for fleet companies and for DVLA, but would mean regulations are not amended.

Option 2. The on demand issue of the V5C for fleet companies at first registration and when there are changes to the vehicle or registered keeper. This will require an amendment to the Road Vehicles (Registration and Licensing) Regulations 2002. This is the government's preferred option and that of the fleet companies also.

<b>Will the policy be reviewed?</b> It will be reviewed. <b>If applicable, set review date:</b> 10/2019					
Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		<b>Micro</b> No	<b>&lt; 20</b> No	<b>Small</b> No	<b>Medium</b> Yes
What is the CO2 equivalent change in greenhouse gas emissions? (Million tonnes CO2 equivalent)			<b>Traded:</b> 0		<b>Non-traded:</b> 0

*I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.*

Signed by the responsible Minister

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 Claire Perry Date: 24/02/2015

# Summary: Analysis & Evidence

# Policy Option 1

Description: V5C on demand

## FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: NQ	High: NQ	Best Estimate: 23.04

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	NQ	NQ	NQ
High	NQ	NQ	NQ
Best Estimate	0.8	0.3	3.5

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

There will be upfront costs of £0.75m in 2014-15 to DVLA from implementing the IT systems needed to suppress V5Cs. There will be system maintenance costs and lost fee income to DVLA from replacement of lost V5Cs of £0.35m per year.

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

To Fleet Companies: There will be some upfront learning costs associated with firms familiarising themselves with the new system. These are likely to be small.

To Government: There may be some small one-off costs to government when the system goes live in 2015 from having to deal queries with queries about the new system from fleet firms.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	NQ	NQ	NQ
High	NQ	NQ	NQ
Best Estimate	0.0	3.2	26.6

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

To Fleet Companies: Annual benefits of £3m made up of £1.5m savings from not having to store 2.7 m V5Cs securely; £1m savings from not having to replace V5Cs when details change on the V5Cs and £0.4m savings from not having to replace lost V5Cs.

To Government: £0.2m annual savings on staff, printing and postage

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

To Fleet Companies: There is likely to be a small benefit to fleet companies from having instant digital access to V5C records which will allow them to improve management of their fleet slightly.

To Government: A small reduction in telephone calls from fleet companies about what to do when V5Cs are lost. There should also be an improved accuracy of the DVLA vehicle database.

Key assumptions/sensitivities/risks	Discount rate	3.5%
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DVLA will invite all fleet companies to join the Fleet Scheme but there is a possibility that not all Fleet Companies will join the DVLA Fleet Scheme. However our judgement is that this is unlikely because the benefits net of costs of joining the scheme are positive.

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.0	Benefits: 2.3	Net: 2.3	Yes	OUT

# Evidence Base (for summary sheets)

## V5C on demand

### **Problem under consideration and Rationale for Intervention**

**Some businesses incur unnecessary costs in distributing and storing Vehicle Registration Certificates (V5Cs) that serve no practical purpose until the vehicle is sold – often several years later.**

The law requires the Secretary of State to issue a V5C to the keeper of every vehicle registered by DVLA. The V5C:

- provides information that supports applications for tax discs;
- is the means by which keepers notify changes of address or other vehicle details; and, ultimately,
- underpins the process of notifying disposal to the next keeper.

For some years, all companies operating a fleet of more than 50 vehicles from one address have been eligible to join a fleet scheme. They are allocated a Driver and Vehicle Licensing Agency (DVLA) fleet number, which is marked on the V5C and is unique to one address.<sup>1</sup> These companies benefit from the early issue of V11 (Reminder to get a tax disc or make a Statutory Off Road Notification (SORN) which they receive in bulk and there is also a dedicated telephone enquiry line to answer all fleet company enquiries. However, each vehicle is required to have its own V5C which the fleet company is required to hold and store safely.

Currently, the scheme covers approximately 500 companies with 2.1 million vehicles (Estimate based on DVLA records). Established in 1967, the British Vehicle Rental and Leasing Association (BVRLA) is the trade body for companies engaged in the leasing and rental of cars and commercial vehicles.

DVLA is looking to extend the scheme to vehicle operators with less than 50 vehicles (medium sized companies in terms of this impact assessment) so from this year the scheme will cover about 2.7m vehicles (BVRLA Estimate).

Despite the benefits of the fleet scheme, fleet companies and their representative bodies have frequently expressed their wish that they not be required to hold a V5C throughout the entire period of their keepership of the vehicle. In most cases the certificate is not needed until the time comes for the vehicle to be sold. In the meantime, under existing arrangements:

- The companies must store V5C certificates safely, which imposes a cost on the business;
- The certificates are sometimes mislaid and have to be replaced. Each year DVLA records show that fleets make 10,000 applications for a duplicate V5C, paying £25 on each occasion. When the number of vehicles covered by the scheme rises from 2.1m to 2.7m we estimate there will be a rise in applications to  $12,857 = 10,000 \times (2.7/2.1)$ ;
- Each year, about 20% of all fleet vehicles (540,000 of 2.7m vehicles) require a change to the name and address or vehicle details held on the vehicle record (DVLA statistics). As things stand, this involves the return and re-issue of the respective V5C, increasing costs for fleet companies and for DVLA. The company has to locate the V5C and arrange for it to be sent to DVLA. The Agency has to process the notification, amend the record and send out a replacement.

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<sup>1</sup> If a company has several addresses it will be allocated a fleet number for each different address.

There are plans to enable vehicle keepers to make electronic notifications of changes of address and other vehicle details. The advantages of this in terms of speed and lower costs will be compromised if there is a continued need for the return of the paper V5C.

### **Statutory Obligation**

Vehicle registration and licensing is governed by the Vehicle Excise and Registration Act 1994 (as amended) and the Road Vehicles (Registration and Licensing) Regulations 2002. Although regulations already provide for the possibility of suppressing V5Cs for vehicles registered and licensed under the Automated First Registration and Licensing (AFRL) system, this has not yet been put into effect. And the law would need to be amended to allow the suppression of V5Cs, when requested, for fleet vehicles.

Regulations would also need to be amended to accommodate the suppression of V5Cs for subsequent notifications to changes for names and addresses, and for other changes to vehicle particulars, such as change of colour, bodytype and engine etc. Regulations will need to accommodate electronic notifications of changes of vehicle particulars. However, the requirements for electronic notifications will not form part of this IA. They will be covered in a separate assessment of changes to cater for electronic transactions.

European Legislation prevents total suppression of V5Cs. Directive 1999/37/EC states that Member States shall issue a Registration Certificate. Therefore, the DVLA will have to continue to issue a V5C at the point when the vehicle is to be sold, transferred, exported or scrapped.

DVLA undertakes 62 different registration transaction streams to maintain the driver and vehicle registers, but is only able to levy fees on 10 of these. This includes the £25 for a replacement V5C.

### **Scope of Geographic Coverage**

The current fleet scheme operates only in GB. However, the GB and NI registration systems are in the process of being integrated. NI fleets will be invited to join the scheme and the suppression of fleets V5Cs will apply throughout the UK.

### **Consultation**

DVLA has consulted informally with the Fleet Industry. The BVRLA, in particular, considers that the proposal will provide time and administrative savings to fleet companies.

The Government's Red Tape Challenge initiative has focused stakeholder's attention on ways to reduce the regulatory burden. During the Road Transportation Theme of the Challenge, a number of comments were received about the administrative burden of handling and storing and handling V5Cs. **There is widespread support for the proposal and no drawbacks have been identified.**

### **Policy Objective**

To reduce administrative costs on business; and increase the efficiency of DVLA operations.

### **Description of Options Considered**

#### **Option 1: Do nothing**

Continue to issue registration certificates at the point of initial registration and subsequent changes to the record. This would forego the opportunity to reduce costs for fleet companies and for DVLA. The Agency is about to invite more fleet companies to join the current Fleet

Scheme, so maintaining the status quo would increase the scale of the lost opportunity to reduce those costs.

### **Costs and Benefits for Option 1: Do Nothing**

As this option represents continuing with the status quo, there are no additional costs and benefits associated with this option. Hence NPV Option 1 = 0.

### **Option 2**

#### **The preferred option will**

- Suppress V5Cs from issue at first registration.
- Suppress V5Cs from issue for any further subsequent notification of changes to name and address details and vehicle details.
- Allow the issue of V5Cs on-demand, when Fleet Companies requires them for whatever reason i.e. they sell the vehicle.
- Allow Fleet Companies to make electronic notifications and requests.
- Allow Fleet Companies to access a 'look-up' facility to view V5C data electronically.

This option will release DVLA staff from dealing with telephone requests from fleet companies to clarify vehicle details, as they will have on-line access to that information.

Although there is no definitive data to show how many fleet companies will make notifications and requests on a daily basis, it is apparent from the informal engagement undertaken and the comments received from BVRLA and individual businesses that this will provide a welcome saving and will give them an opportunity to enhance customer service.

This will not be a mandatory change. The suppression and issue of V5Cs to fleet companies will remain their decision. Fleet Companies will be able to opt-in or opt-out of the suppression process as they deem fit. Although we expect firms to opt out as the benefits of doing this will exceed the costs.

The policy will be reviewed in 2019, in line with the Department's requirement to review actual impact.

### **Groups Affected**

**Fleet Companies:** Fleet Companies will benefit from a more efficient and streamlined administration process.

**DVLA:** DVLA will make system and process changes to accommodate the new process.

### **Costs and Benefits for Option 2**

Option 1 serves as the baseline against which Option 2 costs and benefits are measured. Hence the costs and benefits identified for this option are relative to Option 1.

### **Monetised Costs**

#### **To Fleet Companies**

DVLA's informal stakeholder engagement exercise with the fleet industry established that no costs were identified to fleet companies.

### **To Government**

DVLA estimate that it will incur the following costs as a result of the suppression of the V5C:

- Upfront costs of £750,000 in 2014-15 to develop the IT module needed to suppress V5Cs<sup>2</sup>.
- There will also be ongoing costs of £25,000 per annum from 2015-16 for maintenance of the new IT module;
- There will be a loss to DVLA of fee income for duplicate V5C certificates of £321,429. (This is calculated as a £25 fee for a replacement certificate x12,857 certificates lost each year.)

### **Non-Monetised Costs**

**To Fleet Companies:** There will be some learning costs to fleet firms when the system goes live in 2015 from familiarising themselves with the new system. These are likely to be small.

### **To Government:**

There may be some small one-off costs to government when the system goes live in 2015 from having to deal queries with queries about the new system from fleet firms. These are likely to be small.

### **Monetised Benefits**

### **To Business**

Based on figures submitted to us by the BVRLA we estimate that Option 2 will save business £3.2m per year in 2014 prices. The benefit is made up of the following savings for fleet companies:

- Avoiding the costs of safe storage of 2.7m V5Cs;
- Not having to make a paper application to DVLA when there are changes of details for the company e.g. address;
- Not having to obtain duplicate V5Cs when they are lost in storage.

The costs that will be avoided for fleet companies for each of these three areas are set out in table 1 below using figures provided by BVRLA itself. These come from avoiding postage costs, the costs of staff filling in forms and writing letters and the purchase of replacement V5C certificates. Wage costs are based on estimates of the median hourly wage for distribution and transport clerks from the Annual Survey of Hours and Earnings (2013) uplifted for employer on costs and updated to 2014 prices. We assume that for future years, the costs avoided to business under each of the three categories in table 2 remain constant.

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<sup>2</sup> It should be noted that this module is separate to the IT build needed for electronic notifications of V5Cs for the general public which are dealt with under a separate IA.

<b>Table 1: Benefits to Fleet Businesses From Removing Requirement to Hold V5Cs (£s, 2014 prices)</b>			
<b>Activity</b>	<b>Cost of Activity</b>	<b>Number of Vehicles</b>	<b>Benefit to BVRLA members</b>
<b>1. Storing V5Cs</b>	<b>2,500,000 fleet cars will be covered. BVRLA estimate the cost of safe storage at 60p per certificate on average</b>	<b>2,700,000</b>	<b>1,620,000</b>
Cost of Safe Storage	£0.60		1,620,000
<b>2. Change of Details by Paper</b>	<b>Based on BVRLA figures 540,000 vehicles will need a change of details request. BVRLA indicate that the average additional cost to change details for a fleet firm compared to filling out an electronic form is £2.</b>	<b>540,000</b>	<b>1,080,000</b>
Average Cost	£2.00		1,080,000
<b>3. Obtaining duplicate V5C lost in storage</b>	<b>Based on BVRLA figures 12,857 V5Cs are lost each year.</b>	<b>12,857</b>	<b>469,505</b>
(a) DVLA fee for duplicate V5C	£25.00		321,429
(b) Fleet Company informs DVLA of loss of V5C			
Postage and stationary	£0.80		10,286
Staff Attempt to find V5C	30 minutes at £14.29 per hour = £7.15		91,861
Staff write letter	5 minutes at £14.29 per hour = £1.19		15,310
Staff fill out application form	10 mins (based on DVLA exercise) = £2.38		30,620
<b>Total annual benefit</b>			<b>3,169,505</b>
Wage costs based on ASHE 2013, uprated to 2014. Source for other figures is BVRLA and DVLA. Figures in total column may differ slightly from multiplying number of vehicles by cost of activity because of rounding.			

### **To Government:**

There is no direct benefit to government from suppressing the issue of V5C at the point of initial registration as they will still need to be issued when the vehicle is sold. However there will be a reduction in duplicate and replacement V5C applications.

Based on the figures of 540,000 replacements for change of details and 12,857 replacements for lost paper V5Cs annually, DVLA estimate annual savings of £165,043 in 2014 prices. These are broken down as:

- £105,043 pa on printing and postage of V5Cs<sup>3</sup>;
- £60,000 in staff costs from not having to process changes to V5Cs and send out replacement V5Cs.

### **Non-Monetised Benefits**

#### **To Fleet Companies:**

<sup>3</sup> It should be noted that DVLA has negotiated a special rate with the post office for the distribution of bulk mail of 19p per item.

There is likely to be a small benefit to fleet companies from having instant digital access to V5C records which will allow them to improve management of their fleet slightly.

### To Government:

There is likely to be a small reduction in the number of telephone calls that DVLA receives about what to do when V5Cs are lost.

This is likely to be a small increase in the accuracy of personal details held on the vehicle record as fleet companies will be able to inform DVLA of changes of detail more quickly than through postal channels.

### Summary Costs and Benefits

Table 2 shows the discounted present value of the costs and benefits from Option 2, removing the requirement for fleet companies to hold paper copies of the V5C. Costs and benefits are calculated over 10 years from the introduction of the policy.

Table 2: Net Present Value from Option 2 (£ms, 2014 prices)												
	Oct 14- March 15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	April 24- Sep 24	Total
<b>Total Benefits</b>	<b>0.00</b>	<b>3.22</b>	<b>3.11</b>	<b>3.01</b>	<b>2.91</b>	<b>2.81</b>	<b>2.71</b>	<b>2.62</b>	<b>2.53</b>	<b>2.45</b>	<b>1.18</b>	<b>26.55</b>
Of Which												
Business Savings from not having to store V5Cs	0.00	1.57	1.51	1.46	1.41	1.36	1.32	1.27	1.23	1.19	0.57	<b>12.90</b>
Change of detail savings	0.00	1.04	1.01	0.97	0.94	0.91	0.88	0.85	0.82	0.79	0.38	<b>8.60</b>
Not having to replace lost V5Cs.	0.00	0.45	0.44	0.42	0.41	0.40	0.38	0.37	0.36	0.34	0.17	<b>3.74</b>
DVLA savings	0.00	0.16	0.15	0.15	0.14	0.14	0.13	0.13	0.13	0.12	0.06	<b>1.31</b>
<b>DVLA Costs</b>	<b>0.75</b>	<b>0.33</b>	<b>0.32</b>	<b>0.31</b>	<b>0.30</b>	<b>0.29</b>	<b>0.28</b>	<b>0.27</b>	<b>0.26</b>	<b>0.25</b>	<b>0.12</b>	<b>3.51</b>
Of Which												
IT Set-up Costs	0.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	<b>0.75</b>
Maintenance	0.00	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.01	<b>0.20</b>
Loss of Fee Income	0.00	0.31	0.30	0.29	0.28	0.27	0.26	0.25	0.24	0.24	0.11	<b>2.56</b>
<b>Net Present Value</b>												<b>23.04</b>
<b>Business NPV</b>												<b>25.24</b>
All figures discounted at 3.5% pa in line with HMT Green Book guidance.												

The NPV for Option 2 = £23.04m in 2014 prices and discounted to 2014.

### Risks and Uncertainties

There is a possibility that not all Fleet Companies will join the DVLA Fleet Scheme and the benefits will be less than are set out in Table 2. However our judgement is that this is unlikely because the benefits net of costs of joining the scheme are positive.

### Wider Impacts

### Social Impact



**Statutory Equalities Duties Impact:** No race, gender, sexual orientation, transgender, age disability, pregnancy/maternity or religious implications have been identified.

**Human Rights Impact:** There are no implications resulting from the introduction of this proposal.

**Health and Well Being Impact:** There is no Health or Wellbeing Impact. There would be no change to lifestyle and no foreseeable likelihood of a significant demand of any Health and Social Care services.

**Justice System Impact:** There is no impact on the Justice System.

### **Financial Impact**

**Competition Impact:** The issue of V5Cs on-demand will not affect the scope and nature of competition between businesses.

**Small Firms Impact:** The Fleet Industry has been engaged through informal consultation.

### **Environmental Impact**

**Wider Environmental Issues Impact:** The issue of V5Cs on-demand will have no significant environmental impacts.

**Rural Proofing Impact:** This policy will have no impact on rural people and places.

**Sustainable Development Impact:** There will be no significant environmental or intergenerational impacts affected by this policy.

### **Enforcement**

No impact on enforcement. This will remain unchanged.

### **Summary with a Description of Implementation Plan**

The preferred option is to implement Option 2 – to provide the option for Fleet Companies to request the suppression and issue of V5C on-demand. Legal provision will be in place by August 2014, with delivery of for the suppression of V5Cs to be introduced in April 2015.

### **One In Two Out**

The measure is in scope of One In Two Out. The measure is classified as an Out because it will result in a reduction of burdens to business.

### **Business Net Present Value**

The business net present value for Option 2 the preferred option is £25.24m in 2014 prices and discounted to 2014.

The business net present value is made up of business savings to fleet companies from not having to:

- Store V5Cs in a safe place = £12.90m;
- Apply by post to DVLA for a replacement V5C when details change = £8.60m;

- Apply by post to DVLA for a replacement V5C when it is lost = £3.74m;

### **Equivalent Annual Net Cost to Business (EANBC)**

The EANBC of option 2 the preferred option = -£2.31m over the 10 years of the appraisal.

### **OITO and Small and Micro Business Assessment**

The proposals in this Impact Assessment will result in a general reduction in burdens to fleet companies of all sizes including small and micro businesses as a result of removing the requirement to hold a paper V5C. Consequently these proposals will benefit small and micro businesses.