

<b>Title:</b> Abolition of Counterpart <b>IA No:</b> <b>Lead department or agency:</b> Driver and Vehicle Licensing Agency <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 5/11/2014		
	<b>Stage:</b> Final		
	<b>Source of intervention:</b> Domestic		
	<b>Type of measure:</b> Secondary Legislation		
	<b>Contact for enquiries:</b>  Darren Trollope		
<b>Summary: Intervention and Options</b>			<b>RPC Opinion:</b> RPC Opinion Status

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
£38.85m	£-42.78m	£3.72m	Yes	In

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

The requirement for drivers to hold a paper counterpart to their driving licence is no longer the most effective way of enabling people to demonstrate their driving licence status. The current arrangements impose unnecessary burdens on motorists, businesses, DVLA and the courts, and can sometimes result in the use of inaccurate information. Government intervention is required to remove the current legal provisions relating to the issue of counterparts and to establish alternative mechanisms for making driver details available.

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

The policy objective is to enhance road safety by making driver details available online. This will ensure that car-hire, insurance, employment and enforcement decisions are taken on the basis of up-to-date information held on the driver's licensing record. It will also reduce unnecessary burdens by removing the legal obligation to issue a paper counterpart to the driving licence, and to provide alternative access to the information previously held on that document.

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

Option 0 (do nothing) - discounted: this option ignores driver demand to abolish the counterpart, fails to deliver a Red Tape Challenge commitment, fails to remove unnecessary burdens and reduce costs for drivers and DVLA.

Option 1 - Commence legislation to abolish the counterpart and offer drivers and organisations digital and assisted digital enquiry services in addition to the current enquiry channels.

<b>Will the policy be reviewed?</b> It will be reviewed. <b>If applicable, set review date:</b> 02/2020						
Does implementation go beyond minimum EU requirements?				N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		<b>Micro</b> Yes	<b>&lt; 20</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)				<b>Traded:</b>		<b>Non-traded:</b>

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

Signed by the responsible SELECT SIGNATORY: \_\_\_\_\_ Claire Perry \_\_\_\_\_ Date: \_\_\_\_\_ 06/01/2015 \_\_\_\_\_

# Summary: Analysis & Evidence

# Policy Option 1

**Description:** Abolish the counterpart and provide customers and stakeholders new enquiry services

## FULL ECONOMIC ASSESSMENT

Price Base Year 2015	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 8.28	High: 87.00	Best Estimate: 38.85

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	1.0	14.8	128.3
High	1.0	11.2	97.4
Best Estimate	1.0	12.5	108.9

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

General public - costs for using enquiry services

Businesses and other Government Departments – small cost increase due to slight transactional time increase and potential increase in the use of the premium rate telephone line.

DVLA - DVLA cost of implementing the change including loss of revenue from reduced transactions, write off costs for any secure stationery still in stock and increased FTE to handle additional telephone calls.

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

General public – None.

Businesses and other Government Departments – possible one-off development costs if businesses need to adapt existing electronic systems. Minimal learning costs from adapting to the new environment (without a counterpart) and learning to use new systems.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0	12.3	105.7
High	0.0	25.0	215.3
Best Estimate	0.0	17.2	147.7

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

General public – significant reduction in cost from time savings; no longer needing to replace licences due to lost counterparts; transactional savings due to no longer presenting a counterpart.

Other Government Departments – None.

DVLA – Cost and efficiency savings from no longer issuing counterparts, reduced stationery and postage costs, reduction in casework and licence applications.

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

Drivers - will benefit from removal of bureaucratic burden and inconvenience of current process.

Public – improved road safety due to increased access to up-to-date driver information.

Third parties - access to up-to-date DVLA data will reduce risk of fraud arising from inspection of fake or not updated documents. Access to new DVLA enquiry services moving away from the current paper-based solutions.

### Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

The majority of drivers will not need to access their counterpart information but Insurance industry access to driver data will drive take-up of enquiry services. We assume that take-up of digital and assisted digital enquiry services will grow over time as customer awareness and broadband access improve. Use of intermediaries will also grow. Time spent calling the enquiry line, checking paperwork etc. is valued according to the Value of Time for leisure travel (general public) or business travel (business users).

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 3.7	Benefits: 0.0	Net: -3.7	Yes	In

## **Evidence Base (for summary sheets)**

### **Background**

All drivers issued with a GB photocard driving licence are also issued with an A4 paper counterpart. This was introduced as a domestic requirement in 1998 because the European Union 2nd Driving Licence Directive (to which every EU Member State must comply) did not allow provisional entitlement or endorsement details of any road traffic offences to be displayed on the photocard.

Learner drivers who are taking driving lessons need to prove their provisional entitlement and show any endorsements held. New learners will demonstrate entitlement by showing their provisional photocard driving licence. Drivers who have passed a car test but wish to learn how to drive a bus or lorry must show their counterpart as it lists their provisional bus or lorry entitlements (if held). To show endorsements learner drivers currently show their counterpart.

Introducing the counterpart was, at the time, the only way for DVLA to demonstrate provisional entitlement for buses and lorries or endorsements to members of the public and other stakeholders who require those details for entitlement validation or enforcement purposes.

Currently, the information held on the counterpart can be accessed either by physical inspection of the document or by obtaining the data from DVLA. The key information provided by the counterpart is:

- Endorsement and disqualification details;
- Penalty points;
- Information on provisional licensing restrictions and conditions;
- The holder's basic driver licensing history;
- Special information notes and telephone enquiry contact numbers.

The counterpart also serves as a card carrier to ensure clear addressing and delivery of the photocard driving licence and provides an application section to notify DVLA of change of address.

### **Statutory Obligation**

Abolition of the counterpart requires changes to both Primary and Secondary legislation. These Primary legislative changes were included in the 2006 Road Safety Act and we intend to enact these provisions by commencement of Section 10 of that Act. In addition consequential amendments are required to several other pieces of legislation that have been enacted since 2006 and include reference to the paper counterpart. These amendments will be made by statutory instrument under the Road Safety Act by Affirmative Resolution.

### **Problem under consideration**

The abolition of the driving licence counterpart is one of the key outcomes under the Red Tape Challenge. The requirement for drivers to hold a paper counterpart to their driving licence is no longer considered to be the most effective way of enabling people to demonstrate their up to date driving

licence status. The current arrangements impose unnecessary costs on motorists and can sometimes perpetuate the use of inaccurate information.

### **Rationale for intervention**

The details contained on the counterpart play a key role in road safety by enabling employers and businesses to ensure their drivers hold the correct entitlement and are not disqualified from driving. This enables them to meet their Corporate Manslaughter liabilities and helps ensure that the drivers on UK roads are legally entitled to drive. Since their introduction in 1998, over 35 million drivers have been issued with a photocard driving licence accompanied by a separate paper counterpart. Drivers have become increasingly critical of DVLA's continued use of the counterpart.

### **Consultation**

Public consultation in 2006 demonstrated that 82% of respondents supported abolition. The overall preference was to obtain the information currently on the paper counterpart by secure electronic links to the DVLA's database but at that time the required electronic enquiry services were not available. Since then there has been significant development of electronic government services. DVLA has since delivered a strategic Integrated Enquiry Platform enabling the development of secure online enquiry services. This provides the capability to provide direct electronic data access for both drivers and those with a legitimate need to access driver data.

Further informal consultation has been undertaken with stakeholders to gauge the impact of removing the counterpart and replacing it with an online driving licence checking service. There remains a strong preference among the motoring public for the counterpart to be abolished. Customer insight research carried out in 2014 indicated that 60% of those that responded would prefer to conduct business with DVLA electronically provided that online services are reliable, easy to access and simple to use.

Motor industry stakeholders, including the Freight Transport Association, have recently advised that they have concerns about their ability to operate without a counterpart. The information from Cabinet Office that Government Digital Services identity assurance will not be extended to commercial organisations has had a significant impact on the DVLA's plans to provide an electronic solution that would cater for all businesses but an alternative is being implemented that we believe will satisfy a large proportion.

### **Policy Objective**

The DVLA intends to replace the counterpart with digital and assisted digital enquiry services enabling customers and stakeholders to check information held on the document securely, including driving entitlements and endorsements. This will reduce the administrative burden placed on motorists.

### **Strategic Fit**

The removal of the paper counterpart and development of electronic channels supports the Government's commitment to improve public services through increased electronic delivery. The transforming DVLA Services Consultation, which ran from 13 December 2011 to 20 March 2012, centred on the increased use of digital services and intermediaries.

Additionally, the Motoring Services Strategy consultation which ran from December 2012 to March 2013 asked stakeholders whether the vision for digital services within the Department for Transport strategy would help in their contacts with any of the four agencies. There was strong support and all stakeholder segments were in favour of these proposals.

To provide an additional electronic channel, Government intervention is required to commence the law to abolish the paper counterpart and provide customers with the option of transacting electronically.

## **Geographic Coverage**

The change only abolishes the driving licence counterpart in Great Britain. Driver licensing in Northern Ireland is a devolved matter.

## **Description of Options considered**

### **Option 0 - do nothing**

The requirement for drivers to hold a paper counterpart to their driving licence is no longer considered to be the most effective way of enabling people to demonstrate their driving licence status. The current arrangements impose unnecessary costs on motorists and can sometimes result in the use of inaccurate information. Instead of having to keep and produce a counterpart, customers and stakeholders will be able to check information held on the driver record, including driving entitlements and endorsements securely, via a new electronic enquiry database.

To do nothing would be contrary to the Government's Red Tape Challenge commitment announced in 2011 to abolish the counterpart by 2015. It would also mean that we continue to impose unnecessary costs on motorists. It would also mean that organisations would have to carry on their business without the benefit of having the most up to date driver information. Nor would it remove the risk of drivers attempting to misrepresent their driving entitlement by presenting an out-of-date or counterfeit driving licence counterpart to third parties for inspection. This has road safety and potential fraud implications.

### **Option 1 – Commence abolition of the counterpart and provide customers and stakeholders with new enquiry services**

DVLA will commence legislation to abolish the counterpart. DVLA will provide a range of enquiry services to licence information for individuals, businesses and other Government Departments. The new services include digital, assisted digital and intermediary provided enquiry services.

Digital self service:

- View My Licence service – where a customer can access their driving licence details online.
- Share my Licence – where the customer can onward share their licence details by print or the provision of a one-time use secure access code.

Assisted digital:

- DVLA telephone lines can be used to either verify the customer's driving licence details or to aid a customer in using the My Licence service by talking them through the steps required to access it and the information it supplies.

Intermediary services:

- The DVLA provides data to members of trusted third parties such as the Association for Driving Licence Verification (ADLV) and other companies who are also part of the Electronic Driver Entitlement Checking Service (EDECS) User group. These carry out driving licence checks for large employers.

## **Groups Affected**

There are currently 45 million licensed drivers in GB. Of these, 35.3 million drivers hold photocard driving licences with a paper counterpart and will be affected by the proposed change. The 9.7 million drivers who hold valid paper driving licences will not be affected by the change. The proportion of drivers who hold a paper counterpart will differ according to the type of licence that the driver holds.

- Drivers with Group 2 licences (HGV and PSV drivers) must undergo mandatory re-examination when they reach 45 and every subsequent five years. When they successfully pass their retest they are issued with a photocard and counterpart. Given that the photo driving licence and paper counterpart were introduced in 1998 and that the minimum age at which a Group 2 licence can be obtained is 21 then by 2015 only 7 years of Group 2 drivers will not hold a paper counterpart. Assuming that Group 2 drivers retire at 67 then approximately 85% will hold a paper counterpart.
- Drivers with Group 1 licences (all other drivers) only need to be re-examined at 70. Consequently the proportion that hold counterparts will be lower than for Group 2 drivers. Subtracting Group 2 counterpart holders from the total number of paper counterparts held leaves 79% of Group 1 drivers holding counterparts.

Table 1 shows the main types of transactions involving the paper counterpart. These are broken down as follows:

### 1. Checks of Paper Counterpart Details – the three main groups involved are:

- Professional Drivers –Organisations that employ professional drivers will need to carry out regular driving licence checks to ensure that individuals have the correct entitlement to drive. This is in order to meet their obligations under Health and Safety at Work and Corporate Manslaughter legislation. Employers currently carry out these checks manually by viewing the counterpart and licence or through current online driving licence checking services or intermediaries. Based on information supplied to us by the Freight Transport Association (FTA) and Road Haulage Association (RHA) we estimate that HGV and van driver employees are checked 2.5 times each year. DVSA has similar recommendations to RHA and FTA for bus and coach drivers and Approved Driving Instructors (ADIs) so we also assume similar rates of checking for them. There are also similar processes in place in the taxi industry so we assume the same level of checking. Driver checks involve both an opportunity cost of the driver's time and also the person who is doing the checking (assumed to be an administrative

officer at the business). We assume that these checks only apply to employees and not the self-employed as obviously they would be superfluous.

- Leasing and Renting – Customers who wish to lease or rent a vehicle will need to provide evidence that they are fit and proper to do so. A recent report commissioned by the British Rental and Vehicle Licensing Association (BVRLA)<sup>1</sup> shows that BVRLA members - who have 95% of the total number of vehicles on lease in the UK, and 83% of the rental vehicles - handle around 10 million rental transactions annually. Part of the rental process is for companies to carry out a check of the counterpart licence. Grossing up gives approximately 11.4 m rental/leasing transactions in total. Based on figures published by BVRLA ([http://www.bvrla.co.uk/sites/default/files/images/2013\\_infographics\\_spread.pdf](http://www.bvrla.co.uk/sites/default/files/images/2013_infographics_spread.pdf)) we have split rental/leasing transactions between business and the general public. Once proportions of drivers who have a counterpart are applied we arrive at the figures in Table 1. Currently, if the customer is unable to produce the counterpart, the rental firm will telephone DVLA on a designated premium rate line. DVLA received 1,207,104 premium line calls last year.
- Learner drivers who are taking lessons, or theory/practical tests will all need to present their provisional entitlement. The figures in Table 1 are based on DVSA learner driver figures and include all vehicle test types. It is assumed that learner drivers take lessons and tests in their own time and so the costs of checking fall on the general public. It should be noted that for tests as part of the online driving test booking service DVSA already carried out automatic checks of entitlement of the provisional driver with the DVLA, so the physical presentation of a paper counterpart effectively duplicates the process resulting in inefficiency.<sup>2</sup>

Table 1 does not include information from the insurance industry as this currently relies on self-declaration of endorsements for insurance quotes and firms only generally want to check endorsements at point of claim (if they believe a customer has made a false declaration). In that case they usually make a written request for information from the driver record. DVLA are about to switch on Insurance Industry Access to Driver Data – a direct link to DVLA data at point of quote and at point of claim for insurers to provide accurate risk-based quotes. That is a separate piece of work that is not linked to abolition of the counterpart so it is not a benefit directly associated with this policy.

Table 1 also does not include police checks as the police have their own electronic system which they use when vehicles have been stopped and do not rely on the paper counterpart as this can be out of date.

2. Obtaining replacement Counterparts – Paper counterparts which have been lost or which have endorsements on them which have expired must be replaced.

- As the photo driving licence consists of two parts they must both be submitted in any transaction that requires production of the driving licence. The DVLA issued 1.2 million duplicate licences in 2013, of which the vast majority were issued to the general public<sup>3</sup> and a very small proportion to self-employed drivers (who are counted under business costs below). 419k replacement licences each year are due to a lost counterpart (employees are assumed to apply for a replacement in their own time). A fee is payable for this transaction.

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<sup>1</sup> Oxford Economics – the economic impact of the motor vehicle full-service leasing and rental sector

<sup>2</sup> The DVSA booking system automatically queries DVLA's driver system.

<sup>3</sup> Employees who are professional drivers are assumed to carry out this transaction in their own time and so the cost comes under the general public.

- Drivers who wish to remove expired endorsements from the counterpart must apply for a replacement counterpart and pay the required fee. Approximately 8,000 such transactions took place in 2013.
- Self-employed drivers are assumed to take time out of their business activities when they apply for a replacement counterpart so this is a cost to business. The number of transactions estimated to be by the general public and business is estimated using number of self-employed paper counterpart holders and other counterpart holders.

### 3. Failure to Submit Counterpart When Amending Details -

- DVLA receives just over 300,000 wrongly completed forms – often without supporting documentation – each year. Applicants need to fill in another form and post it to DVLA to get their new licence/counterpart. A small proportion of these will be from the self-employed who are assumed to do this transaction within business time at a cost to business. As above the number of transactions estimated to be by the general public and business is estimated using number of self-employed paper counterpart holders and other counterpart holders.

Change of Address - Members of the general public, employees and the self-employed will follow the same process to notify DVLA of a change of address under Option1– abolish the paper counterpart – as under the do nothing option, so this has not been costed under either option.

Table 1 shows that in total in 2014 there were estimated to be 14.5m counterpart checks of which 3.2m were initiated by business and 11.3m by the general public. It should be noted that paper counterpart checks are carried out mainly by businesses with the exception of practical and theory tests which are carried out by DVSA.

There is considerable uncertainty about the number of people who are likely to hold licences in the future so we assume that the figures in Table 1 for paper counterpart holders would remain constant if the do nothing option was chosen as the preferred option.



**Table 1: Estimated annual volume of transactions involving the paper counterpart in 2014**

	Counterpart holders	Checks per person	Number of checks
<b>1. Checks of paper counterpart details</b>			
HGV Drivers	213,652	2.5	534,130
Van Drivers	138,916	2.5	347,290
Bus and Coach Drivers	82,239	2.5	205,598
Taxi Drivers	26,196	2.5	65,490
Advanced Driving Instructors	4,763	2.5	11,908
Leasing			
Business	1,192,682	1	1,192,682
Public	454,651	1	454,651
Rental			
Business	842,889	1	842,889
Public	6,722,747	1	6,722,747
Learner Drivers			
Taking lessons	737,695	1	737,695
Taking theory test	1,704,769	1	1,704,769
Taking practical test	1,633,434	1	1,633,434
<b>Total</b>	<b>13,754,633</b>		<b>14,453,282</b>
Of which			
Total general public	11,253,296		11,253,296
Total business	2,501,337		3,199,986
<b>2. Obtaining replacement counterparts</b>			
General public	423,998		423,998
Self-employed business	2,573		2,573
<b>3. Failure to submit counterpart when amending licence</b>			
General public	303,160		303,160
Self-employed business	1,840		1,840
<b>Total transactions</b>	<b>14,486,204</b>		<b>15,184,853</b>
<b>Of which:</b>			
<b>Total general public</b>	<b>11,980,454</b>		<b>11,980,454</b>
<b>Total businesses</b>	<b>2,505,750</b>		<b>3,204,399</b>

Note: Self-employed will only be checked if they are renting/leasing a vehicle

## **Costs and benefits of each option**

The costs and benefits for each option are set out below for 2015 – the first year in which option 1 would be introduced.

Included in costs and benefits is the opportunity cost of time to an individual or business from carrying out a transaction involving a paper counterpart or substitute transaction service.

- DFT WebTAG (see <https://www.gov.uk/government/publications/WebTAG-tag-data-book-may-2014> , sheet A1.3.2) provides estimates of the opportunity cost of time of professional drivers e.g. HGV, PSV and van drivers including on costs. It also provides information on the value of leisure time for the general public.
- The opportunity cost of staff working for businesses who deal with paper counterpart transactions is based on median wage costs for administrative workers from the Annual Survey of Hours and Earnings (2013) uplifted for employer on costs.
- Information on the opportunity costs of ADI's time comes from a survey recently carried out by DVSA.

All costs are updated to 2015 prices.

### **Do Nothing**

As this is the status quo option there are no additional costs and benefits from choosing this, however the current costs associated with reliance on the paper counterpart will remain if this is the chosen option. These are discussed below in detail.

The General Public:

**Table 2: costs to the general public from using the paper counterpart under Do nothing (£2014 prices)<sup>4</sup>**

Activity	Volume	Time taken (mins)	Unit Cost (£)	Total Cost (£)
Checking of counterpart				
Visual view of counterpart	10,263,447	0.58	£0.07	£682,519
View Record via DVLA online transaction	50,000	2	£0.23	£11,400
Telephone premium line (Time Cost for those who have forgotten counterpart)	939,849	3	£0.34	£321,428
Obtaining replacement counterparts				
Lost licence fee	416,046	0	£20.00	£8,320,916
Removal of endorsements	7,952	0	£20.00	£159,040
Time to complete form (minutes)	246,504	9	£1.03	£252,913
Postage (standard mail first class)	246,504	0	£0.60	£147,902
Telephone call to apply for a replacement licence	177,494	3	£0.52	£92,652
Wrongly addressed licence transaction with DVLA				
Time to complete form (minutes)	303,160	9	£1.03	£311,042
Postage (standard mail first class)	303,160	0	£0.60	£181,896
Time saved from finding the counterpart				
5 minutes (best)	14,366,677	5	£0.57	£8,189,006
2 minutes (low)	14,366,677	2	£0.23	£3,275,602
10 minutes (high)	14,366,677	10	£1.14	£16,378,012
<b>Total cost to the general public under Do Nothing</b>				
<b>Best</b>				<b>£18,670,715</b>
<b>Low</b>				<b>£13,757,312</b>
<b>High</b>				<b>£26,859,721</b>
Leisure time cost (£/hour)	£6.84			
Average cost per minute of a phone call (£/minute)	£0.06			
Cost of a first class stamp	£0.60			

<sup>4</sup> The total cost may appear to be different from the product of Unit costs and volumes because of rounding

### 1. Visual view of the counterpart licence

Currently a driver who wishes to show how many penalty points they have on their licence to someone else can show them their counterpart. We estimate there are 10.3m of these viewings each year (based on the figures in Table 1 and taking account of the alternative channels like view record via online transaction service and transactions via telephone). DVLA have carried out an exercise to examine how long it takes to view the counterpart and estimate 35 seconds. This is valued at the cost of leisure time (£6.84 in 2015 prices, and assumed to stay constant throughout the appraisal period).<sup>5</sup> The total annual cost is £683k.

### 2. View record via online transaction service

Customers who have transacted previously via DVLA online services (e.g. to renew a licence) can access that service and view an up to date status of their record. This service is only available to the minority of customers who have applied for a driving licence by using DVLA's online services so it does not provide an enquiry service to all drivers. There is no charge for this service but logging on takes around 2 minutes of a customer's time<sup>6</sup>. 50,000 such enquiries per annum at 2 minutes per time equates to an estimated cost of approximately £11k.

### 3. Telephone Premium Line

When an individual does not have their counterpart with them for a transaction the business can call DVLA using a premium rate line to verify the driver's entitlements and endorsements. These calls are often a three-way conference between the DVLA, the business and the individual and take on average 3 minutes. Businesses are assumed not to change their charging structure from abolition of the paper counterpart, so any changes in business costs are assumed to impact on the business and are counted there. The direct costs to the general public from the changes need to be counted in table 3 however. These are the opportunity costs of the time in making the telephone call which is valued at £6.84 per hour based on WebTAG. DVLA received 1,207,104 premium line calls last year. Based on the proportion of transactions initiated by the general public relative to all transactions we estimate that 940,000 premium line telephone enquiries relate to the general public at an annual cost of leisure of £321k.

### 4. Obtaining replacement Counterparts Due to Loss or Theft

As the driving licence consists of two parts they must both be submitted in any transaction that requires production of the driving licence. This means that drivers are required to pay a Statutory £20 for a duplicate photocard licence and counterpart when only their counterpart is lost, stolen, defaced or destroyed. The DVLA issued 1.2 million duplicate licences in 2013, of which the vast majority were issued to the general public and a very small proportion to self-employed drivers (who are discussed under business costs below). An exercise was carried out at the DVLA to identify the proportion of drivers who have lost only the counterpart. We estimate that there are 419k such transactions each year of which 416k relate to the general public at a cost to them of just under £8.3m in fees.

### 5. Removal of endorsement information

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<sup>5</sup> Based on DFT's WebTAG databook (<https://www.gov.uk/government/publications/WebTAG-tag-data-book-may-2014>).

<sup>6</sup> Based on usability testing of the service carried out by DVLA when it was introduced.

Drivers who wish to remove expired endorsements from the counterpart must pay £20 for a complete replacement licence. Just under 8,000 members of the general public choose to do so each year resulting in £159k in fees.

#### 6. Time to complete and post a Form

Surveys have been carried out by DVLA to establish the average amount of time taken to complete the DVLA's D1 application for a replacement counterpart. The study consisted of six groups of 8-10 participants who demonstrated that the application form took between six and thirteen minutes to complete. This suggests that the D1 application represents a significant administrative burden. Assuming that the form takes on average 9 minutes to complete, and is completed in the driver's non-working time at a cost of £6.84 per hour. This would mean a cost of £1.03 pence per application form. Forms also need to be posted. The cost of a first class stamp is 60p. We assume that the form will be posted with other letters or when a member of the public is passing a letter box and so does not involve travel time costs. The combined cost of time taken to complete form and postage costs is estimated as £401k.

#### 7. Application for a replacement licence over the phone

DVLA handles 178k applications for replacement licences due to a lost counterpart every year of which 177k are estimated to come from the general public. This process takes 3 minutes of customer time on a standard rate telephone line (charged at £0.6p per minute). The cost of making these calls is £93k.

#### 8. Wrongly Completed Forms

DVLA receives many wrongly completed forms, often without supporting documentation, each year. Applicants will need to fill in another form and post it to DVLA to get their new licence/counterpart. Just over 300,000 such transactions are relating to the counterpart licence. We estimate this equates to a combined cost (of time plus postage costs) of £493k.

#### 9. Finding the Counterpart

Experience is that drivers do not keep the counterpart and photocard together and that finding counterparts at home so that they can be used in transactions can take time. We have no information on average length of time spent searching for a counterpart and so have assumed a range of times from 2 to 10 minutes with a central estimate of 5 minutes. The cost of this to a member of the public is valued at non-work time using the WebTAG value of leisure time (£6.84). The total cost of this activity is substantial with a value of £8.2m under the central estimate of 5 minutes search time for each person.

#### 10. Change of Address

Members of the general public, employees and the self-employed will follow the same process to notify DVLA of a change of address under Option 1 – abolish the paper counterpart – as under the do nothing option, so this has not been costed under either option.

#### 11. My Licence

This new service, which has been built to support abolition of the counterpart, went live on 7 October 2014. It is available to the general public for the checking of their driver details and provides

customers with real-time direct online access to their driver record but usage is very low. The counterpart remains the legal source of endorsement information so the service cannot be used to provide that information to third parties. When the counterpart is removed and the driver record becomes the legal source of endorsement information then My Licence will become the primary enquiry service to obtain both entitlement and endorsement information. We therefore anticipate usage will increase significantly when the counterpart is removed and have therefore not included it in the cost analysis for the do nothing option.

Business costs:

**Table 3: costs to businesses from paper counterpart under Do Nothing<sup>7</sup>**

Activity	Volume	Time taken (mins)	Unit Cost (£)	Total Cost (£)
Visual inspection of counterpart				
Business Customer Visual Checks	605,731	0.58	0.14	£85,568
Inspector (business carrying out the check)	7,580,975	0.58	0.14	£1,070,918
Telephone premium line				
Inspector (business carrying out the check)	1,207,104	3	2.26	£2,723,830
Business Customer without counterpart	267,255	3	0.73	£194,161
<b>EDECS</b>				
Annual IT support and maintenance	26		6,500	£169,000
Charge per enquiry	2,000,000		1.50	£3,000,000
Time	2,000,000	5	1.21	£2,421,667
Written request of Driver record				
Time	327,000	19	4.60	£1,504,582
Postage	327,000		0.60	£196,200
Obtaining replacement counterparts (self-employed)				
Lost licence fee	2,525		20.00	£50,504
Removal of endorsements	48		20.00	£960
Time to complete form (minutes)	1,496	9	2.18	£3,261
Postage (standard mail first class)	1,496		0.60	£898
Telephone call to apply for a replacement licence	1,077	3	£0.91	£976
Wrongly addressed licence transaction with DVLA (self-employed)				
Time to complete form (minutes)	1,840	9	2.18	£4,010
Postage (standard mail first class)	1,840		0.60	£1,104
Time saved from finding the counterpart - self employed				
5 minutes (best)	86,605	5	1.21	£104,864
2 minutes (low)	86,605	2	0.48	£41,946
10 minutes (high)	86,605	10	2.42	£209,728
<b>Total costs to business: Best</b>				<b>£11,532,502</b>
<b>Total costs to business: Low</b>				<b>£11,469,583</b>
<b>Total costs to business: High</b>				<b>£11,637,365</b>

<sup>7</sup> The total cost may appear to be different from the product of Unit costs and volumes because of rounding

#### 1. Visual Inspection of the counterpart – Employed driver

Currently a driver wishes to show how many penalty points they have on their licence to someone else can show them their counterpart. Based on a DVLA timing exercise this takes approximately 35 seconds. This is valued at 58p based on a business time cost of £14.53 per hour. Based on an estimated 606k transactions the total cost to business = approximately £86k.

#### 2. Business carrying out the check

So far we have only calculated the time of someone who is presenting the paper counterpart for visual inspection. The time of the business person doing the inspection also needs to be valued. Business will inspect paper counterparts from the general public and businesses. Table 1 estimated 14.45m checks each year, however not all were visual checks. 1.2m were telephone checks, 2m were carried out using EDECs (see below), 327k were written requests for information (see below), 50k were by View Record via DVLA online transaction. Finally 3.3m visual checks relate to driving tests carried out by DVSA and should be counted under government. Removing these alternative channels leaves 7.58m checks visual carried out by business. In the majority of cases the person inspecting the counterpart will be an administrative officer. Using wage costs of £14.53, the annual cost of this transaction is £1.07m

#### 3. Premium rate telephone enquiry – Inspector (the business carrying out a check of the driver)

As noted above businesses can call the DVLA when an individual does not produce their counterpart licence when hiring or leasing a car. They can use a premium rate line to verify the driver's entitlements and endorsements. These calls are often a three-way conference between the DVLA, the business and the individual and take on average 3 minutes. DVLA received 1,207,104 premium line calls last year. Using a call cost of 51p per minute for an average phone call of 3 minutes, taking into account the value of administrative work time for the business of £14.53, we estimate this as a cost of approximately £2.7m per annum to make such calls.

#### 4. Premium rate telephone enquiry – Business Customer without counterpart

We estimate that there will be 267k business customers who have not got their paper counterpart who will need to use the premium telephone line. Estimates are based on the proportion of counterpart transactions initiated by businesses relative to all transactions x 1.2m premium line telephone calls received by DVLA in 2013. The cost to business customers is calculated as £194k based on an average wage of £14.53 for the customer.

#### 5. Licence checking intermediaries via overnight batch enquiries (EDECs/ADLV)



The DVLA currently have established electronic links with intermediaries who carry out driver checks on behalf of large employers. This service is underpinned by strict commercial contracts and audit requirements to ensure the secure handling of driver data. There is an initial set-up cost of £25k for each new EDECS user wishing to become a licence checking intermediary. There are currently 26 EDECS users on board, which has not been included in calculations as it was a one-off cost paid in the past. We do not anticipate any new EDECS suppliers to enter the market because of set up costs outweighing economies of scale to be had by businesses in carrying out checks for employees. There is an annual service and maintenance cost of £6,500 for each user to maintain the IT links. The service costs £1.50 per enquiry and takes 5 minutes to process. Using calculations based on a working time value of £14.53, and totalling the IT service and maintenance costs and per enquiry cost this service costs EDECS users £5.59m per annum.

#### 6. Written request for a DVLA driver record print out

Employers and businesses that need to check driver records can make a written application to the DVLA to obtain a print out of a driver's record. This process is based on the customer providing written consent for the third party to access their data. The company complete a form with a section completed by the individual providing a mandate for the DVLA to share their data with the third party. We estimate this takes around 10 minutes to complete. The form is then posted to the DVLA and the application processed. A print out of the driver's record is sent to the third party via second class mail. DVLA processing time is around 15 minutes and our research shows it takes the business around 9 minutes to process the information received.

The DVLA receives almost 330,000 such enquiries each year. Assuming the requests are posted to DVLA by first class mail and using the value of work time of £14.53 to assess the time cost to process the application by DVLA and to process the information received by the company we estimate this paper-based enquiry service costs business in the region of £1.7 million per annum.

#### 7. Obtaining replacement Counterparts Due to Loss or Theft – self employed driver

It is assumed that the cost of replacing lost counterparts or removing endorsements falls on the business as it comes out of business time.<sup>8</sup> In total approximately 2,500 Self-employed drivers are estimated to lose their counterparts or remove endorsements each year. The total cost of the fee plus time/postage or telephone calls = £51k per annum.

#### 8. Wrongly Completed Forms – self employed driver

The cost of re-applying for a new Licence/counterpart following a wrongly completed application is estimated to be just over £5k per annum. This is based on 1840 forms needing to be re-submitted.

#### 9. Finding the Counterpart – self employed driver

Experience is that drivers do not keep the counterpart and photocard together and that finding counterparts at home so that they can be used in transactions can take time. We have no information on average length of time spent searching for a counterpart and so have assumed a range of times from 2 to 10 minutes with a central estimate of 5 minutes. The cost of this to a self employed driver is £105k under the central estimate of 5 minutes search time for each person.

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<sup>8</sup> We assume that businesses do not pay the costs of employees who lose a paper counterpart or seek to remove endorsements from it.

Cost to Government

<b>Table 4: costs to Government from paper counterpart under Do Nothing<sup>9</sup></b>				
Activity	Volume	Time taken (mins)	Unit Cost (£)	Total Cost (£)
DVLA				
of which:				
Production of paper counterpart	9,788,962		0.006	£57,755
Replacement of lost licences	248,000		1.26	£312,480
Duplicate processing cost	305,000		0.46	£140,300
Requests for licence following endorsement	310,000		0.47	£145,700
FTE due to administration of the counterpart				£490,800
Other Government Agencies				
Of which:				
DVSA - License Theory and Practical Checks	3,338,203	0.58	0.14	£471,568
Secure access DVLA Driver Licence Checking Service	350,000	2	0.48	£169,517
Secure Access via Driver Validation Service (Police, courts and DVSA)	2,300,000	2	0.48	£1,113,967
Local Authority Driver Licence Checking Service				
Time	18,800	2	0.48	£9,105
Charge per enquiry	18,800		1.00	£18,800
<b>Total costs to Government under Do nothing</b>				<b>£2,929,991</b>

<sup>9</sup> The total cost may appear to be different from the product of Unit costs and volumes because of rounding

Costs to government are broken down into those that affect DVLA and those that affect other government agencies/local authorities.

## 1. DVLA

Total costs to DVLA are £1.0m per annum under the do nothing option. These include costs for:

- The automatic production of securely printed paper counterparts for all new licences (including those with change of address details) which go out with the photocard licence (£58k pa);
- Replacing paper counterparts which have been lost or where the counterpart needs to be amended to remove points and sending them out (£312k pa). This includes £250k for driving licence photocards which need to be replaced at the same time as the paper counterpart.
- sending out letters to people for additional details who have not supplied all the information they should in their counterpart replacement/ amendment applications (£140k pa);
- costs from notifying drivers with new endorsements to send their licences back to the DVLA and adding new points onto the counterpart licence (£146k pa).
- FTE to administrate casework related to the above transactions (491k pa).

## 2. Other Government Agencies (OGDs) and Local Authorities (LAs)

The following costs occur:

- Driving License Theory and Practical Tests – 3.3m of these are carried out every year (see Table 1) by DVSA. Based on a timing exercise by DVLA we estimate that it takes 35 seconds to view a paper counterpart. Assuming an admin cost per hour of £14.53 we estimate a total cost to government of £472k.
- Driver Licence Checking Service - This is a direct enquiry service provided to OGDs with a statutory requirement to access driver data with the consent of the customer. It is a real-time automated enquiry service which OGDs can access freely for themselves. It takes around 2 minutes to make an enquiry. There are no costs for each enquiry to DVLA so there is no charge for making an enquiry on this service. We estimate the costs to use the service based on 2 minutes of time calculated at the administrative working time rate of £14.53 per hour. DVLA handles 350,000 such enquiries each year. The estimated cost to OGDs is therefore £170k per annum.
- Driver Validation Service - This is a direct enquiry service provided to the police, Courts and other enforcement bodies such as Driver Vehicle Standards Agency. It fulfils the DVLA statutory function of providing direct access to driver records held by the DVLA for enforcement purposes and it takes around 2 minutes to make an enquiry. As an automated service there are no costs for each enquiry to DVLA so there is no charge for using this service. DVLA estimate the costs to use the service based on 2 minutes of time calculated at the administrative officer working time rate of £14.53 per hour. DVLA handles 2.3 million DVS enquiries per annum. The estimated time cost to OGDs is therefore £1.1m per annum.

- Local Authority Driver Licence Checking Service - This is a direct enquiry service provided to LAs with a need to access driver data with the consent of the customer. It is a real-time automated enquiry service similar to the Driver Licence Checking Service above on which it takes around 2 minutes to make an enquiry. There is a charge for making an enquiry on this service of £1 per enquiry as it involves some DVLA input. We estimate the costs to use the service based on 2 minutes of time calculated at the admin officer working time rate of £14.53 per hour plus the per enquiry cost. DVLA handles 18,800 such enquiries each year. The estimated cost to OGDs is therefore £28k per annum.

### **Do nothing benefits**

- DVLA's systems and processes would require no adjustment.
- Drivers and third parties are familiar with the current process.
- Drivers would continue to be able to access the provisional entitlement and current conviction details on their counterpart.
- Third parties would continue to have the choice of physically inspecting a driver's photocard and counterpart to validate driving entitlement and current conviction details or of requesting the data from DVLA, with the consent of the driver and on a cost recovery basis.
- No new communication material would be needed to explain any changes.

## **Option 1 – Commence abolition of the counterpart and provide customers and stakeholders new enquiry services**

We appreciate that in the future some organisations will have a genuine business need for real-time access to the information currently available on the counterpart but that such a service would not meet the requirements of everyone. The DVLA is therefore planning to introduce a range of services to replace the current reliance on the paper counterpart. These services are being developed on the Integrated Enquiry Platform that has been developed as part of the Government Digital Services Transformation Programme.

- Individual Drivers will be able to easily access their own data via the My Licence service. This service will be available to anyone who has access to the internet.
- The DVLA will continue to provide electronic links with intermediaries who carry out driver checks on behalf of large employers. This service is underpinned by strict commercial contracts and audit requirements to ensure the secure handling of driver data.
- The DVLA is also intending to enhance the functionality of “My Licence” to enable customers to share their data with third parties who need to check their driving entitlement and endorsement information. This customer focussed share facility would cater for the needs of other third parties such as small and medium enterprises who employ drivers.

It is difficult to assess the level of take-up for each of these new services however DVLA has carried out a significant amount of direct engagement and customer insight to enable us to attempt to estimate the likely usage. This is set out below.

Separately, in the future duplication of the driving test checking process will be removed by relying solely on the existing automatic check process between the DVSA booking system and DVLA driver database. This will reduce the overall number of transactions which previously involved the paper counterpart by 3.3m. All of these impact on the general public (as well as on government).

## Costs to the General Public

Removing duplicate checks for driving tests will result in the overall number of checks that need to be carried out on the general public falling to 7.9m (=11.2m-3.3m).

Table 5 sets out the costs to the general public from abolishing the paper counterpart and replacing it with alternative driver checking arrangements. Under Option 1 two different channels will replace the paper counterpart: the customer viewing the 'My Licence' online and via a telephone call to the DVLA call centre. We have assumed that the majority of licensed drivers will not need to enquire about the details on their licences every year.

<b>Table 5: costs to the general public from using the paper counterpart under Option 1 (£2014 prices) <sup>10</sup></b>				
Activity	Volume	Time taken (mins)	Unit Cost (£)	Total Cost (£)
Checking of counterpart (best estimate)				
Time Cost of Telephone Call to DVLA Using Premium Line	3,953,589	3	£0.34	£1,352,127
View My Licence (new service)	3,961,504	1	£0.11	£451,611
<b>Total cost to public under Option 2 (Best)</b>				<b>£1,803,739</b>
Checking of counterpart (low estimate)				
Time Cost of Telephone Call to DVLA Using Premium Line	3,405,073	3	£0.34	£1,164,535
View My Licence (new service)	4,510,020	1	£0.11	£514,142
<b>Total cost to public under Option 2 (Low)</b>				<b>£1,678,677</b>
Checking of counterpart (high estimate)				
Time Cost of Telephone Call to DVLA Using Premium Line	4,745,890	3	£0.34	£1,623,094
View My Licence (new service)	3,169,203	1	£0.11	£361,289
<b>Total cost to public under Option 1 (High)</b>				<b>£1,984,383</b>

<sup>10</sup> The total cost may appear to be different from the product of Unit costs and volumes because of rounding

- View My Licence – This will be available to the general public for the checking of their driver details. It will provide customers with real-time direct online access to their driver record. In order to check provisional entitlement to determine how many penalty points are on their record a customer will be able to log on to My Licence. This service is free. User testing of the service shows it takes 1 minute to use. Based on an individual's non-working time cost of £6.84 per hour the unit cost is £0.11p per transaction.

A range of estimates has been provided for the use of View My License as it is difficult to estimate the take-up of the new service. We have therefore based the ranges on the following rationale:

- Low estimate is based on the take up of My Licence matching the current 40% take-up rate of our Driver Licensing Online (DLO) channel. This is not a like-for like comparison as DLO is a more complex service but it is reasonable to assume that take up will at least match that service.
  - High estimate is based on the assumption that every driver with access to broadband at home will use the My Licence service. 77% of homes having fixed broadband<sup>11</sup> which is expected to increase to 95% in 2017. Management Information gathered from the public beta My Licence service indicated that 74% of customers with broadband access successfully accessed the service. Multiplying 77% by 74% gives us an initial take up rate of 57%. This will rise over time.
  - The mid range (best estimate) assumes that approximately 50% of driver will use My Licence.
  - The best estimated cost of using this channel to the general public would be £452k per annum.
- Premium Telephone Line - Individuals who, as part of a business transaction, are unable or unwilling to use the My Licence service will continue to have the option of using DVLA's premium telephone line. We assume that firms will not change their cost for the transaction involving the check and so bear the cost of the telephone line and cost of admin time (this is examined in the next section). However individuals who use this service will have to spend time on the phone whilst the check is done and this will involve an opportunity cost to their time – valued at £6.84 per hour. We estimate that the average length of time for the phonecall will be 3 minutes – in line with existing use – and will result in an opportunity cost of 34p per transaction. The proportion using it will vary between 60% for the low take up of View My License to 43% with a high take up. Under the best estimate take-up is 50% or 3.95m calls. Under the best estimate scenario the total cost is £1.4m. As the proportion of households with access to the Internet rises, and customers become more aware/familiar with the My Licence service, we assume the number of calls falls.

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<sup>11</sup> Based on Ofcom website review of broadband coverage for homes in the UK. Fixed broadband coverage is expected to increase to 95% of homes by 2017. From 2017 onwards, we assume the proportion remains constant at 95%. For 2016 we assume, based on interpolation, that 86% of users have access to the internet at home.

### Business costs:

Under Option 1 a range of enquiry services will be made available to ensure those who need to check driving licence information can do so easily and with minimal cost. The services are set out below with an assessment of the likely take up and cost impacts on those who use the services.

Table 1 showed 14.45m transactions every year. Of these 3.3m relate to driving tests will no longer be carried out under Option 1. The remaining 11.1m are carried out by businesses for both the general public and other businesses. Of these 11.1m, 7.9m (=11.2m – 3.3m) relate to the general public and the remaining 3.2m to businesses.

Table 6 shows best estimates of the cost to business of transactions which would have involved a paper counterpart.

Activity	Volume	Time taken (mins)	Cost (£)	Total Cost (£)
Employed driver sharing My licence service	899,986	1	£0.24	£217,947
Inspector (business carrying out the check via Share My Licence)	4,861,490	1	0.24	£1,177,291
Telephone premium line	3,953,589	3	2.26	£8,921,273
EDECS				
Of which:				
Annual IT support and maintenance	26		6,500	£169,000
Charge per enquiry	2,300,000		1.50	£3,450,000
Time	2,300,000	5	1.21	£2,784,917
<b>Total costs to businesses under Option 2 (best estimate)</b>				<b>£16,502,480</b>

<sup>12</sup> The total cost may appear to be different from the product of Unit costs and volumes because of rounding



- Business customer – My Licence will provide employed drivers with a facility to onward share their data either by use of a print facility or by sending a third party a one-time use secure access code for the third party to log on and view the record directly. DVLA estimate it will take 1 minute of the business' time to use. Costs are calculated at an hourly wage rate of £14.53 in 2015. Under the best estimate we anticipate 900k enquiries per annum with an estimated cost of £218k to industry each year. This is calculated by taken the 3.2m business customers who would have undergone a counterpart transaction and subtracting the EDECs volume from it (see below).
- Inspector (business carrying out check via Share My Licence) – My Licence will provide customers with a facility to onward share their data either by use of a print facility or by sending a third party a one-time use secure access code for the third party to log on and view the record directly. The service will also be used by other small and medium employers to check the driving entitlement of their drivers. DVLA estimate it will take 1 minute of the business' time to use. Costs are calculated at an hourly wage rate of £14.53 in 2015. Under the best estimate we anticipate 4.9m enquiries per annum with an estimated cost of £1.2m to industry each year. The 4.9m is the sum of business customers (900k) and the general public (3.95m) using Share My License. We have calculated the general public figure by taking 7.9 m (see above) and assuming 50% use the Share My License facility.
- Premium rate telephone enquiry – Car hire companies and other third parties will still be able to call DVLA if the driver cannot share their record via the My Licence service. Under the best estimate we anticipate 3.95m calls each year to cater for the occasions where driver checks need to be made on-the-spot and digital enquiry services will not be able to cater for that scenario. All of these calls relate to transactions with the general public and are calculated by multiplying 7.9m by 50%. These calls will still take on average 3 minutes. Using a cost of 51p per minute for an average phone call of 3 minutes and taking into account the value of work time for the business (valued at £14.53 per hour). We estimate a cost of £8.9m per annum.<sup>13</sup>

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<sup>13</sup> Note we have assumed that businesses do not raise their prices to offset their increased costs.

- Licence checking intermediaries via overnight batch or real-time enquiries (EDECS/ADLV) -  
The DVLA currently has established electronic links with 26 intermediaries who carry out driver checks on behalf of large employers. This service is underpinned by strict commercial contracts and audit requirements to ensure the secure handling of driver data. We are improving this service to include direct (individual) enquiries as well as overnight bulk enquiries. We do not anticipate any new EDECS suppliers to enter the market because of set up costs outweighing economies of scale to be had by businesses in carrying out checks for employees so the initial set-up cost of £25k for each new EDECS user wishing to become a licence checking intermediary is not a factor. There is an annual service and maintenance cost of £6,500 for each user to maintain the IT links. We have anticipated a growth in the customer base resulting in increased enquiries via the 26 intermediaries. Under the best estimate we anticipate the volume of checks will be 2.3m per annum. The service will take 5 minutes to process. Using calculations based on a wage cost of £14.53, and totalling the set up costs and per enquiry cost this service costs businesses £6.4 million per annum.

## Costs to Government

Costs to government are broken down into those that affect DVLA and those that affect other government agencies/local authorities.

<b>Table 7: costs to Government from paper counterpart under Option 1</b>				
Activity	Volume	Time taken (mins)	Unit Cost (£)	Total Cost (£)
DVLA Total one-off cost to Develop Integrated Enquiry Platform and services (My Licence and Share My Licence), change information leaflets and run communications activity to promote change				£1,000,000
Of which:				
Loss of revenue from reduced transactions in 2015	426,571		20	£8,531,420
FTE from increased telephone calls	108		20000	£2,160,824
DVLA offset costs due to efficiency gains from abolishing counterpart				£1,834,612
<b>Total DVLA annual costs</b>				<b>£8,857,633</b>
Other Government Agencies				
Of which:				
Secure access DVLA Driver Licence Checking Service	200,000	2	0.48	£96,867
Secure Access via Driver Validation Service (Police, courts and DVSA)	2,300,000	2	0.48	£1,113,967
My Licence service shared by customer (authenticated print or one-time access code)	1,750,000	1	0.24	£423,792
<b>One-off costs to Government under Option 1</b>				<b>£1,000,000</b>
<b>Total annual costs to Government under Option 1</b>				<b>£10,492,258</b>
Business time cost (£/hour)		£14.53		
Business time cost (£/minute)		£0.24		

## DVLA

Implementing the Change will cost the DVLA £8.8 million per annum, plus an additional £1m in the first year. This is due to:

- One off Implementation costs - There is a cost to the DVLA of introducing a new enquiry platform to allow organisations to carry out driving licence checks. There would need to be general changes to current systems and processes to account for the fact the licence has changed and the counterpart no longer exists (e.g. screen changes to systems which currently ask for proof of counterpart and printing/despatch changes). There would also have to be updates to existing forms, leaflets and guidance material to inform customers of changes.

One of the purposes of the counterpart is that it ensures clear addressing and delivery of the photocard driving licence. Once the counterpart is removed we would need to find an alternative way of despatching the photocard. There would also need to be a means of drivers notifying us of a change of address other than notifying us electronically. The counterpart will be replaced by a card carrier which will also provide drivers with a means of notifying us of change of address other than notifying us electronically. The overall cost for these changes is estimated £1m (including allowance for optimum bias in line with Green Book Supplementary Guidance (see [https://www.gov.uk/government/uploads/attachment\\_data/file/191507/Optimum\\_bias.pdf](https://www.gov.uk/government/uploads/attachment_data/file/191507/Optimum_bias.pdf))).

- Annual Loss of revenue due to reduced transactions - There would be a loss of revenue as DVLA will be issuing fewer driving licences. DVLA currently issues approximately 1.2 million duplicate licences per annum, 419k of which were due to a lost counterpart. DVLA also receives approximately 8,000 applications per annum from drivers wishing to have expired endorsements removed from their counterpart. Both of these transactions incur a £20 fee.
- Increased FTE to handle additional call volumes – The best estimates of call volumes from the general public and businesses indicates an increase in call volume of 2.7 m calls per annum handled by DVLA’s call centre. We estimate this new work will require an additional 108 Full Time Equivalent staff. This will therefore cost the DVLA an extra £2.2m per year.
- Offset due to efficiencies resulting from abolition of the counterpart – As a result of reduced transactions the DVLA will make efficiencies resulting from reduced staff, stationary (photocard licences and counterparts) and postage. We have calculated the total annual efficiency at £899k per annum. The main elements are:
  - a. Stationary saving £1.3m;
  - b. FTE savings from reduced casework £490k;

This has been used to offset against the DVLA costs from abolishing the counterpart to calculate the total annual cost to the DVLA of £8.8m per year.

## Other Government Agencies and Local Authorities

- Driver Licence Checking Service - This service will continue to be provided. It is a real-time enquiry service on which it takes around 2 minutes to make an enquiry. There is no charge for making an enquiry on this service as it is automated so we estimate the costs to use the service based on 2 minutes of time calculated at the working time rate of £14.53 per hour. We estimate usage will reduce to 200,000 enquiries per year. The estimated cost to Other Departments is therefore £97k per year.
- Driver Validation Service - This is a direct enquiry service provided to the police, Courts and other enforcement bodies such as the Driver and Vehicle Standards Agency. It provides direct access to driver records held by the DVLA and it takes around 2 minutes to make an enquiry. There is no charge for making an enquiry on this service as it is automated so we estimate the costs to use the service based on 2 minutes of time calculated at the working time rate of £14.53 per hour. DVLA handles 2.3 million DVSA enquiries per year. The estimated time cost to Other Departments is therefore £1.11m per year.
- My Licence shared by the customer – My Licence provides customers with a facility to onward share their data either by use of a print facility or by sending a third party a one-time use secure access code for the third party to log on and view the record directly. The service will be free of charge and will take 1 minute of time at £14.53 per hour. The estimated cost to Other Departments is therefore £424k per year.

## **Benefits and Costs of Option 1 compared to Do Nothing Option**

This section outlines the present value of benefits and costs of Option 1 compared to Option 0. Benefits and costs are calculated over a 10 year appraisal period starting from the introduction of Option 1 on January 1<sup>st</sup> 2015. Costs and benefits are identified by comparing the baseline costs for the general public, businesses and government for option 0 and 1 which were set out in Tables 2 to 7 of the previous section.

Tables 8 and 9 summarise the baseline costs associated with both options. Table 10 outlines the cost for option 1. If the baseline cost of option 1 is:

- Less than the baseline cost of option 0 that reflects a benefit from moving to Option 1;
- Greater than the baseline cost of option 0 that is a cost from moving to Option 1.

The costs presented in Tables 2 to 7 were for 2015. All costs are measured in the 2015 price base year.

<b>Table 8 - total annual costs (£m) of Do Nothing Option</b>		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Costs to General Public	Best	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7
	Low	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8
	High	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9
Costs to Business	Best	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
	Low	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
	High	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Costs to Government	Best	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
	Low	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
	High	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9

**Table 9 - total annual costs (£m) of Option 1**

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total transition costs to DVLA		1.0									
Costs to General Public	Best	1.8	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
	Low	1.7	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
	High	2.0	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Costs to Business	Best	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5
	Low	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2
	High	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8
Costs to Government	Best	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
	Low	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
	High	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5

**Table 10 - Net Value (£m) of Option 1**

**(non-discounted figures, calculated by subtracting option 2 costs from 'do nothing' costs)**

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total transition costs to DVLA		1.0									
Impact on General Public	Best	16.9	17.1	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2
	Low	12.1	12.2	12.3	12.3	12.3	12.3	12.3	12.3	12.3	12.3
	High	24.9	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Impact on Business	Best	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0
	Low	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6
	High	-7.2	-7.2	-7.2	-7.2	-7.2	-7.2	-7.2	-7.2	-7.2	-7.2
Impact on Government	Best	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6
	Low	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6
	High	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6

### Net Present Value of Option 1

Table 11 shows that while there is an increase in costs to businesses and Government however the present value of costs over the appraisal period for option 1 are lower than the do nothing option. Under the best estimate scenario there is a positive NPV of £38.8m.

<b>Table 11 - Net Present Value (£m) of Option 1 (discounted figures)</b>		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>TOTAL</b>
Total transition costs to DVLA		1.0										<b>1.0</b>
Impact on General Public	Best	16.9	16.5	16.1	15.5	15.0	14.5	14.0	13.5	13.1	12.6	<b>147.7</b>
	Low	12.1	11.8	11.5	11.1	10.7	10.4	10.0	9.7	9.4	9.0	<b>105.7</b>
	High	24.9	24.1	23.4	22.6	21.8	21.1	20.4	19.7	19.0	18.4	<b>215.3</b>
Impact on Business	Best	-5.0	-4.8	-4.6	-4.5	-4.3	-4.2	-4.0	-3.9	-3.8	-3.6	<b>-42.8</b>
	Low	-3.6	-3.5	-3.4	-3.3	-3.2	-3.1	-3.0	-2.9	-2.8	-2.7	<b>-31.3</b>
	High	-7.2	-7.0	-6.7	-6.5	-6.3	-6.1	-5.9	-5.7	-5.5	-5.3	<b>-62.2</b>
Impact on Government	Best	-7.6	-7.3	-7.1	-6.8	-6.6	-6.4	-6.2	-5.9	-5.7	-5.5	<b>-65.1</b>
	Low	-7.6	-7.3	-7.1	-6.8	-6.6	-6.4	-6.2	-5.9	-5.7	-5.5	<b>-65.1</b>
	High	-7.6	-7.3	-7.1	-6.8	-6.6	-6.4	-6.2	-5.9	-5.7	-5.5	<b>-65.1</b>
										NPV	Best	<b>38.8</b>
											Low	<b>8.3</b>
											High	<b>87.0</b>

### General public

The Net Present Value to the General Public is £147.7m. The main factors underlying this positive NPV are:

- Time savings from not having to find the paper counterpart in before presenting it to have details checked;
- Fee and time savings from not having to replace lost counterparts or amend endorsement details on counterparts;
- Failure to submit a counterpart when sending a licence in for the details to be changed (e.g. change of address);
- Transactional savings around presentation of the counterpart.
- These reductions offset a small increase in the time it takes to use View Driver licence compared to visually inspecting a paper counterpart.

### Businesses



Table 11 shows that the present value of benefits over the appraisal period for option 1 for business is £-42.8m. This is because the annual costs under option 1 are higher than in the do nothing scenario.

The main factors underlying this negative NPV are:

- It will take 1 minute to check a driver's licence record using View Driver Licences Shared by the Customer which is longer than physically inspecting a counterpart.
- There will be a significant increase in the use of the DVLA premium call line;
- The number of EDECs users will remain static but their customer base will grow resulting in more enquiries via that route.

### Government

Table 11 shows that the Net Present Value of Option 1 to Government (excluding transition costs) is £-65.1m. There are an additional £1m transition costs to DVLA. The majority of these costs are DVLA costs from implementing the change.

The main factors underlying the negative NPV are increased costs to DVLA. These include:

- A reduction in revenue as a result of no longer charging a fee for the replacement of the paper counterpart when it is lost or when endorsement points need to be removed;
- Increased FTE costs from increased telephone enquiries from both the general public and businesses.

### **Non Monetised Benefits**

#### General Public

Drivers will benefit from removal of a bureaucratic burden and inconvenience of having to retain a paper counterpart to the driving licence. Real time access to their own driver record also provides a convenient and secure method of viewing their information.

#### Business

There would be a reduced risk of fraud arising from drivers presenting an out-of-date or counterfeit counterpart for inspection by third parties. The driving licence may also be worth less to fraudsters if the less secure paper counterpart is removed and access to the DVLA driver data becomes common practice. We believe that these non-monetised benefits to businesses will be substantial.

Organisations that need to carry out driving licence checks where the counterpart is not presented to them can do so over the phone with the driver's permission. The DVLA check line is only available for a limited time on Saturdays and not at all on Sunday. This means that any licence checks for these drivers have to be carried out in advance, meaning they sometimes have to turn away 'walk in' customers. The online checking service would be available at all times.

### Government

Data obtained from the DVLA will be more up-to-date than that shown on the counterpart particularly if a driver has failed to have their counterpart updated with a motoring conviction.

There will be some road safety benefits from wider access to up to date and accurate information.

## **Non-Monetised Costs**

### General Public

None. There may be familiarisation costs to using the online facility but these are likely to be minimal because My Licence has been developed based on user testing and customer insight to ensure it is as user-friendly and intuitive as possible. In addition the DVLA will carry out extensive communications with the public to ensure they are fully aware of the new service before the counterpart is abolished.

### Businesses

There will be some familiarisation costs to businesses from adapting to the new environment (without a counterpart) and learning to use new systems. We expect these to be minimal due to extensive communication activity planned prior to the change.

### Government

There will be some learning costs to Other Government Department's from learning to use new systems. We expect these to be minimal.

## **Risks and Uncertainties**

It is recognised that it is not possible to determine the exact level of take up will be for the new enquiry services. The benefits anticipated for businesses will only be delivered when the IT solutions are in place and businesses are ready to incorporate them into their infrastructure and processes.

We anticipate the intermediaries and direct access via Share My Licence will cater for the vast majority of the enquiry volumes once the counterpart is abolished.

A telephone call to verify driver data costs 51p per minute and takes on average three minutes per call or £1.53 per enquiry. An enquiry via a licence checking intermediary costs businesses that use such a service £1.50 per enquiry. Use of My Licence takes 1 minute and accessing Share My Licence takes the business 1 minute.

There have been questions raised by stakeholders regarding who will have access to the information and how will it be kept secure. DVLA will ensure that robust procedures are put in place to ensure that the person enquiring against a driving record is entitled to do so. All access will be subject to the customer meeting DVLA requirements around user verification and transfer of data.

Following the abolition of the paper counterpart the DVLA will continue to work closely with employers and other third parties who rely on our data to further refine and develop enquiry systems that are tailored to their needs. This will enable us to continue to deliver savings to motorists and businesses.

## **Wider Impacts**

### **Social Impact**

Statutory Equalities Duties Impact – There are no race, gender, sexual orientation, transgender, age disability, pregnancy/maternity or religious implications.

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 – None

### **Financial Impact**

Competition Impact – Abolition of the driving licence counterpart will not affect the scope and nature of competition between businesses.

Small and Micro Business Assessment – This assessment indicates an impact on all businesses however we anticipate the impact on small firms will be small as we assume they will take advantage of the free share My Licence option. An Ofcom report on the Business Consumer Experience in 2009 stated that 90% of businesses had internet connections, which was similar to the proportion with fixed-line telephones. In addition the Government's broadband policy, stipulates that 95 per cent of premises should have access to superfast broadband by 2017 and that the remaining five per cent will have access to standard broadband.<sup>14</sup> Given these internet access figures, we predict that most businesses, large or small will be able to benefit from the My Licence option. We do not anticipate any disproportionate burden falling on small or micro businesses as a result of the abolition of the counterpart and therefore conclude they are not exempt from the measure

### **Environmental Impact**

Wider Environmental Issues Impact – The introduction of an electronic channel will have no significant environmental impacts.

Rural Proofing Impact – This policy will have no impact on rural communities.

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

## **Policy Review**

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<sup>14</sup> <https://www.gov.uk/broadband-delivery-uk>

The policy will be reviewed in December 2019, in line with the Department's post legislative scrutiny requirement to review actual impact. In addition, take up rates of electronic services will be regularly monitored as the DVLA continues to develop enquiry services in partnership with businesses to ensure they fully meet customer needs and minimise cost.

### **One-In. Two-Out**

The measure is in scope of One-In. Two-Out. The measure is classified as an In because it will result in an increased burden to business. Although businesses will be negatively affected the measure provides significant savings for the general public and therefore society as a whole will benefit.

### **Business Net Present Value**

The business net present value for Option 1, the preferred option, is -£42.8m.

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

This policy is expected to cause some additional cost to business due to the projected access to broadband for customers to use My Licence and the share My Licence services. Those who are unable to utilise these services will have to use the premium rate telephone line. As access to broadband (and digital services) increases, and the DVLA develops further services to meet business needs, this cost will decrease. This measure is therefore an 'In', with an Equivalent Annual Net Cost to business of £3.7m (i.e. an annual net cost to UK business of £3.7 million in 2009 prices).