

EXPLANATORY MEMORANDUM TO
THE MOTOR VEHICLES (DRIVING LICENCES) (AMENDMENT) REGULATIONS
2008

2008 No. 508

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

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

2. **Description**

- 2.1 This instrument amends the Motor Vehicles (Driving Licences) Regulations 1999 (SI 1999/2864) (the “1999 Regulations”).

Driving tests

- 2.2 This instrument increases the fee for theory tests in respect of cars, motorcycles and mopeds from 1 April 2008. It also increases the fees for practical and unitary tests for cars and vehicles with trailers from the same date and from 29 September 2008 in respect of motorcycle and moped tests.

This instrument also revokes changes which were due to take effect in April 2008 – higher fees and more questions for lorry and bus theory tests. These formed part of the transitional strategy for implementing Council Directive 2003/59 relating to the Driver Certificate of Professional Competence (CPC) for professional bus, coach and lorry drivers. Due to issues concerning co-ordinated implementation of the Driver CPC across both Great Britain and Northern Ireland, a decision has been taken to postpone the implementation of the longer test (and higher fee) until later this year. This instrument also revokes the related increase (which was also due to take effect in April 2008) in the fee for the provision of theory test pass certificates for lorry and bus tests issued by examiners (other than Driving Standards Agency examiners) appointed organisations with in-house theory test facilities.

This instrument also adds new requirements to the practical motorcycle and moped tests with effect from 29 September 2008. As regards motorcycles, this further implements Commission Directive 2000/56/EC which amended Council Directive 91/439/EEC on driving licences.

- 2.3 Driving tests are administered by the Driving Standards Agency (DSA), an executive agency of the Department for Transport. Fees and charges are set by DSA in line with its Trading Fund status (see paragraph 4.5 below) and the fee pooling arrangements

authorised by the Department of Transport (Fees) Order 1988 (SI 1988/643) (see paragraph 4.6 below).

Driving licences

- 2.4 This instrument implements revised fees for driving licences. The fee changes take effect from 1 April 2008.
- 2.5 The Driver and Licensing Agency (“DVLA”) is the executive agency of the Department for Transport responsible for driver licensing. Fees and charges are set by DVLA in line with its Trading Fund status (see paragraph 4.8 below) and the fee pooling arrangements authorised by the Department for Transport (Driver Licensing and Vehicle Registration Fees) Order 2003 (SI 2003/2994) (see paragraph 4.9 below).

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

Driving tests

- 3.1 The fee for the theory test taken by learner car drivers and motorcycle/moped riders will increase by £1.50 to £30.00 (a 5.3% increase) in respect of tests applied for on or after 1 April 2008. The fee for the theory test was last increased on 3 September 2007 solely to cover the cost of raising the number of questions from 35 to 50. No cost of living increase was applied to the fee at that time.
- 3.2 The fee for the practical tests taken by learner car drivers will increase by £8.00 from £48.50 to £56.50 (a 16.5% increase) in respect of tests booked on or after 1 April 2008. The fee for out-of-hours tests will increase from £58.00 to £67.00 (a 15.5% increase) from the same date. The fee for an extended test will also increase from £97.00 to £113.00 (a 16.5% increase) during normal hours and from £116.00 to £134.00 (a 15.5% increase) out-of-hours with effect from 1 April 2008.

DSA has forecast the cost of delivering this service in 2008/09 will be £105 million. Maintaining fees at current levels would create a deficit of £13.5 million.

The fee for the unitary tests taken to obtain a driving licence for an agricultural tractor (category F), road roller (category G), tracked vehicle (category H) or mowing machine (category K) increase in line with those for learner car drivers.

- 3.3 The fee for the practical motorcycle and moped tests will increase from £60.00 to £80.00 (a 33% increase) for tests taken during normal hours on or after 29 September 2008. Fifty percent of this increase (£10.00) relates directly to the introduction of a longer, more demanding test from that date. The balance of the increase reflects the higher cost incurred by DSA in delivering motorcycle tests in general. New manoeuvres introduced at that date will add approximately 10 minutes to the length of each test. This will result in a loss of examiner productivity as examiners will only be able to conduct six tests per day rather than the current seven. The new test will be delivered from a series of specially constructed Multi Purpose Test Centres to allow the manoeuvres to be safely conducted off-road. The fee for an out-of-hours test increases from £70.00 to £92.00 (a 31.4% increase) from 29 September 2008. Extended test fees rise from £120.00 to £160.00 (a 33.3% increase) during normal hours and from £140.00 to £184.00 (a 31.4% increase) for an out-of-hours test from the same date.

DSA estimates that the cost of delivering the motorcycle test will be £6.6 million in 2008/9. Maintaining fees at current levels would produce a deficit of £960,000.

- 3.4 With effect from 1 April 2008, the fee for the practical car plus trailer test and the practical lorry and bus tests will increase from £89.00 to £105.00 (an 18% increase) during normal hours and from £107.00 to £125.00 (a 16.8% increase) for an out-of-hours test. Maintaining fees at current levels would produce a deficit of £1,258,000.

Driving licences

- 3.5 This instrument implements increases in the fees for a first application for a provisional licence, a licence reissued after revocation and an exchange licence from an overseas jurisdiction. All three will increase from £45 to £50 (11.1%) on 1 April 2008. From the same date the fees for driving licence renewal after disqualification, and for high risk offenders after disqualification, will increase from £60 to £65 (8.3%) and from £85 to £90 (5.8%) respectively. These changes were proposed in consultation papers issued on 15 August 2004, 28 April 2006 and 8 December 2006 and represent the second stage of a two step process. The first set of increases took effect on 1 May 2007.
- 3.6 The fee for a first driving licence application, the only transaction of any significant volume, has increased by around 3.4% on an annualised basis since November 2001. At that time separate fees were charged for a provisional licence application and upgrade to a full licence with a combined cost of £41.
- 3.7 A further consultation paper was issued on 30 August 2007. That consultation proposed rationalising fees for certain transactions into a single common fee level to address the problem of more than one transaction coinciding and the potential for confusion as to which fee(s) applied. These separate transaction streams currently have different fees that reflect (in aggregate) the underlying cost of delivering the service and balance the benefits for DVLA and incentives for individual drivers. The increasing complexity, for both customers and for DVLA administratively, was moving in the opposite direction to that desirable for introducing and encouraging electronic services.
- 3.8 This instrument thus introduces a common fee level of £17.50 in respect of three transactions:
- provision of a duplicate when a driving licence has been lost, stolen or destroyed;
 - exchange of a driving licence for removal of endorsements;
 - exchanging a paper licence for a photocard licence;
- 3.9 The fees for the first two transactions reduce from £22. The fee for exchanging a paper licence for a photocard licence increases from £10.

A fee for processing the 10-yearly renewal of a photocard licence (and so called “vanity exchanges” where the applicant simply wants to substitute a new photograph) is intended to become payable for the first time for transactions following the start of the renewal cycle in July 2008 and will be introduced at the common rate. The intention is to introduce that new fee through two further instruments to be made in mid April 2008. The first (which will be subject to the affirmative resolution procedure) will amend the

Order referred to in paragraph 4.6 below to bring the statutory power to charge that new fee within the fee pooling arrangements authorised by the Order. If the amending Order is approved by Parliament, a second instrument (which will be subject to the negative resolution procedure) will introduce the new fee with effect from early May.

- 3.10 This fee re-alignment neither increases nor decreases DVLA's overall fee income over the longer term. The proposed re-alignment will, in fact, deliver a lower overall fee income in 2008-09 than would have been the case if the status quo was maintained. The proposed common fee level of £17.50 was calculated taking into account the different forecast volumes for the transactions involved. As the volume of applications for the exchange of paper to photocard licences is lower than that for the other two transactions referred to in paragraph 3.8 above combined, the increase in the fee for the former is proportionately higher than the decrease in the fee for those other transactions

4. Legislative Background

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

4.2 Driving tests

This instrument is being made to: (a) effect increases to certain driving test fees; (b) revoke changes to lorry and bus theory tests and related fee increases that would otherwise have taken effect on 1st April 2008; and (c) make changes to the practical test for motorcycles and mopeds which, as regards motorcycles, implements the requirements of EC law referred to below.

- 4.3 The Motor Vehicles (Driving Licences) (Amendment) Regulations 2007 (SI 2007/698) amended the 1999 Regulations so as to increase the number of multiple choice questions in the theory test for lorries and buses and to make a related increases in the fees for such tests and the charge for the supply of theory test pass certificates for lorry and bus tests issued by delegated (non-DSA) examiners. Those changes were due to take effect on 1st April 2008. This instrument revokes those changes in order to give effect to a policy decision to postpone them until later this year.

- 4.4 Commission Directive 2000/56/EC, which amended Council Directive 91/439/EEC on driving licences, requires Member States to introduce additional, special manoeuvres to the practical motorcycle test by 29th September 2008. A Transposition Note is annexed to this memorandum. As the special manoeuvres cannot safely be performed on the public highway this instrument implements the option of requiring them to be conducted at a special testing ground. DSA is establishing a network of Multi-Purpose Test Centres to deliver these more-demanding practical tests. Although these EC requirements apply to motorcycles only, this instrument applies them to motorcycles and mopeds. It is established GB practice that, as far as is practicable, the content of the moped test should replicate that of the motorcycle test.

- 4.5 DSA operates as a Trading Fund under the Driving Standards Agency Trading Fund Order 1997 (SI 1997/873). The Agency is required to set fees and charges for its activities at levels that generate sufficient revenue so that the costs of its operations are recovered from users and are not a burden on the general taxpayer. Fees are reviewed annually in the context of each year's planning cycle. Plans for service improvement, performance targets and fees are published in the Agency's Business Plan for that year.
- 4.6 The fees in this instrument have been set further to the Department of Transport (Fees) Order 1988 (SI 1988/643), which established a common pool for costs incurred in respect of the functions of the Secretary of State in relation to tests of competence to drive motor vehicles. In accordance with the terms of the Order, in setting the levels of fees further to this Order, the Secretary of State has taken into account the costs within those common pools.

Driving licences

- 4.7 This instrument is being made to revise driving licence fees.
- 4.8 DVLA operates as a Trading Fund under the Driver and Vehicle Licensing Agency Trading Order 2004 (SI 2004/1037). The Agency is required to set fees and charges for its activities at levels that generate sufficient revenue so that the costs of its operations are recovered from users and are not a burden on the general taxpayer.
- 4.9 The fees being introduced by these regulations will enable DVLA to cover its costs and fulfil its duty to balance its income and expenditure under its Trading Fund and in line with HM Treasury fees and charges guidance and as permitted by the Department for Transport (Driver Licensing and Vehicle Registration Fees) Order 2003 (SI 2003/2994). In accordance with the terms of the Order, in setting the levels of fees further to this Order, the Secretary of State has taken into account the costs within those common pools.

The 2003 Order provides that the Secretary of State may recover costs relating to vehicle licensing when setting driver licensing fees and vice versa. This is of specific importance because many of DVLA's transactions (e.g. change of driver details, medical notifications, change of vehicle keeper) are provided free of charge so as not to discourage notifications essential to maintain the accuracy of the DVLA registers.

5. Territorial Extent and Application

This instrument applies to Great Britain.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

Driving tests

- 7.1 A key policy objective is to ensure that, as far as is reasonably practicable, the income DSA receives from customers covers the costs it incurs in providing its services. The Agency also seeks to apply the Treasury's "user pays" principle.
- 7.2 DSA's fees are not subject to annual uprating based upon a specific formula. In general, they are reviewed each year and amended accordingly. It is, therefore, not possible to predict precisely when further increases will be applied or their size.
- 7.3 DSA included details of these fee proposals in its consultation paper, *Improved Services for Customers and General Fee Increases for 2008*, which proposed a number of changes to the way it conducts its business to deliver a better service and improve the quality of the assessments it offers, and to ensure that the costs of the services provided are recovered in a fair and efficient manner. The consultation paper was issued on 30 August 2007. There were 95 responses. The proposals to increase the fees for driving tests attracted anticipated strong opposition. However, respondents offered no credible alternatives to raising fees to provide the additional income needed by DSA to maintain its services.
- 7.4 As part of the transitional implementation strategy for the Driver Certificate of Professional Competence (CPC) or professional bus, coach and lorry drivers, it had been intended to increase the number of questions in the lorry and bus theory test from 60 to 100 with effect from April 2008, with consequential increases in (a) the test fee (from £32.00 to £45.00) and (b) the charge for the supply of theory test pass certificates for lorry and bus tests issued by delegated (non-DSA) examiners from (£21.00 to £29.00).
- 7.5 However, the transitional strategy envisaged that the Driver and Vehicle Agency (DVA) in Northern Ireland and DSA would introduce Driver CPC-related changes simultaneously. Unfortunately, the DVA is not able to implement a key change until later than planned. This will impact on the transitional strategy. Rather than create a situation in which GB and NI are not moving forward in tandem, a decision has been taken to postpone the changes to the lorry and bus theory tests originally planned for April 2008.
- 7.6 A further policy objective is to comply with obligations imposed under EC legislation. To that end, the content of the motorcycle practical test is being supplemented to take account of Commission Directive 2000/56/EC, which amended Council Directive 91/439/EEC on driving licences. The Directive requires the introduction of further specific manoeuvres into the test by September 2008. DSA issued a consultation paper in December 2002 on how those changes to the practical motorcycle test could be implemented without compromising road safety due to the nature of the manoeuvres. Taking into account comments received, ministers decided that the manoeuvres should be undertaken at an off-road site before general on-road riding began.
- 7.7 None of the above proposals are regarded as being politically significant.

- 7.8 The changes will be publicised via a Press Notice, messages posted on the DSA website, articles in Despatch magazine and/or Despatch Express which are sent to Approved Driving Instructors and via posters placed in Driving Test Centres.

Driving licences

- 7.9 DVLA has a number of separate transaction streams that currently attract different fees. This reflects both the underlying cost of delivering the service and balances benefits for DVLA and incentives for individual drivers. The complex fee structure for customers and administratively for DVLA does not, however, complement the desire to introduce and encourage streamlined and electronic services. Hence, this instrument replaces the current fee structures with a more common fee level for a number of transactions with simple rules, whilst retaining the issue of free licences for key details changes.
- 7.10 At present, if more than one of the transactions coincide, it may not be clear to customers which of the fees they should pay. The number of such multi-event transactions is set to increase significantly. The result of this uncertainty is that DVLA receives many calls from customers to clarify the position and also has to return application forms and cheques where the wrong amounts are tendered. This is wasteful in time and cost for both customers and DVLA - rationalising the fees into a single common fee level should help address the problem. The single fee will apply to the following licence events: loss of licence (“duplicate”); removal of expired endorsements and motorcycle restrictions; and up-grading from a paper to a photocard licence (all “exchanges”). It is intended that a further instrument will be made, to take effect in May, to introduce a fee at the same level in respect of the renewal of a photocard licence (see paragraph 3.9 above).
- 7.11 The fee for transferring a paper licence to a photocard licence has increased from £10 to £17.50. This increase of 75% will bring this transaction in line with the common fee level for similar transactions. The fee applied before 1 March 2004 was £18, thus there has been an overall decrease in this fee.
- 7.12 The fee for a first driving licence has increased from £45 to £50, an increase of 11.1%. This represents an increase of £5 since 1 May 2007, with an overall fee increase of £8 since 2004. A similar increase applies to a licence issued after revocation.
- 7.13 DVLA consulted on the changes to driving licence fees between August and November 2007. The consultation paper was sent directly to 317 organisations and was made available on the Direct.gov website. There was a low response to the consultation with only 12 replies received. The low response level to the consultation is indicative of a low level of public interest in the policy.
- 7.14 From the limited feedback received DVLA has support to introduce a simplified fee regime for four of the main driving licence transactions, both from the point of view of simplicity and clarity for the customer and for simpler and more efficient processing by DVLA. In a very small sample there was a third as much more support for Option 2 (the current position) as there was for maintaining the status quo and additionally it should be noted that the largest constituency of replies was from those who had no particular preference. An analysis of the consultation responses can be obtained on DVLA’s website – www.dvla.gov.uk.

7.15 DVLA will publicise the changes to all media via a press release in March 2008.

7.16 The new fee structure will take effect from the 1 April 2008.

Generally

7.17 This instrument further amends the 1999 Regulations. The Department has no current plans to undertake a consolidation, which in the case of the 1999 Regulations would be a very significant exercise.

8. Impact

8.1 Final Impact Assessments are attached to this memorandum.

8.2 Driving test fees do not directly impact on the public sector. Candidates are responsible for paying their own test fees, either personally or through trainers approved by DSA to book tests on behalf of their customers. As regards fees for driving licences, the impact on the public sector is likely to be minimal. The greatest impact will probably be felt by the Ministry of Defence (MoD). The MoD recruits specialist drivers from amongst its employees. If an individual does not hold a driving licence, the MoD will pay the licence fee on behalf of the driver. This means that any increases in the fees will directly affect MoD costs, although the impact is probably less than the benefit conferred by the abolition of the vocational driving licence fees in 2004.

9. Contact

The officials at the Department for Transport who can answer any queries regarding this instrument are:

Driving tests

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Driving licences

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TRANSPPOSITION NOTE – MOTORCYCLE TEST CHANGES

DIRECTIVE 2000/56/EC

Commission Directive 2000/56/EC of 14 September 2000 amending Council Directive 91/439/EEC on driving licences.

Amongst other things, this Directive replaces Annex II of Council Directive 91/439/EEC with a revised Annex II.

Paragraph 6 (skills and behaviour to be tested concerning vehicle categories A and A1) of the revised Annex requires a candidate for a practical motorcycle test to perform additional special manoeuvres to demonstrate satisfactory control of the vehicle. The purpose of the new manoeuvres is to bring the testing requirements more into line with the demands of daily on-road traffic, thereby raising the standard of motorcycle riding within Great Britain.

The Motor Vehicles (Driving Licences) (Amendment) Regulations 2008 amend the Motor Vehicles (Driving Licences) Regulations 1999 (S.I. 2864) (“the Principal Regulations”) as necessary to implement these requirements in Great Britain. The amendments are explained in the table below.

Paragraphs 1 to 5 and 7 to 10 of the revised Annex II relating to the theory driving test, vehicle specification for all categories of motor vehicles and specific manoeuvres relating to categories of motor vehicles other than A and A1, were required to be transposed no later than 30 September 2003. Transposition was effected by SI 2003 No. 636 and SI 2003 No. 2003.

These Regulations do not go beyond what is necessary to implement the Directive, including making consequential changes to domestic legislation to ensure its coherence in the area to which they apply.

Articles	Objectives	Implementation	Responsibility
Annex II of 2000/56/EC	To further harmonise driving tests within the EU Community. To update the driving test manoeuvres taking account of modern traffic conditions and scientific and technical progress made with vehicle design and handling characteristics.	<p>Regulation 12 inserts into Schedule 8 (specified requirements for practical or unitary test), Part I (motorcycles), section D of the Principal Regulations the following new paragraphs:</p> <p>10. Execute a slalom manoeuvre at slow speed</p> <p>11. Execute a figure of eight manoeuvre at slow speed</p> <p>12. Drive the vehicle at a steady walking pace, as if in slow moving traffic, making correct use of the vehicle to maintain a good level of balance</p> <p>13. Execute a manoeuvre avoiding an obstacle whilst driving the vehicle at a speed of no less than 31.25 miles per hour</p> <p>14. Execute a further manoeuvre whilst driving the vehicle in second or third gear and at a speed of no less than 18.75 miles per hour</p>	The Driving Standards Agency for the Secretary of State for Transport.

		15. Execute two braking exercises, one of which must be an emergency stop, whilst driving the vehicle at a speed of no less than 31.25 miles per hour”	
Paragraph 6.2.3. At least two manoeuvres to be executed at slow speed, including slalom.	To allow competence to be assessed in handling of the clutch in combination with the brake, balance, vision direction and position on the motorcycle and the position of the feet on the foot rests.	New paragraphs 10, 11 and 12 implement this requirement	The Driving Standards Agency for the Secretary of State for Transport.
Paragraph 6.2.4. At least two manoeuvres to be executed at higher speed, of which one manoeuvre in second or third gear, at least 30 km/h and one manoeuvre avoiding an obstacle at a minimum speed of 50 km/h.	To allow competence to be assessed in the position on the motorcycle, vision direction, balance, steering technique and technique of changing gears.	New paragraphs 13 and 14 implement this requirement.	The Driving Standards Agency for the Secretary of State for Transport
Paragraph 6.2.5. Braking: at least two braking exercises shall be executed, including an emergency brake at a minimum speed of 50 km/h.	To allow competence to be assessed in handling of the front and rear brake, vision direction and the position on the motorcycle.	New paragraph 15 implements this requirement.	The Driving Standards Agency for the Secretary of State for Transport
Paragraph 11 The part of the test to assess the special manoeuvres may be conducted on a special testing ground.	To allow the assessment of the special manoeuvres to be conducted in a safe environment, without risk to other road users.	Regulation 7(b) amends regulation 40 of the Principal Regulations to require the special manoeuvres to be conducted on a special testing ground	The Driving Standards Agency for the Secretary of State for Transport

Summary: Intervention & Options

Department /Agency: Driving Standards Agency	Title: Increase the fees for statutory tests: <ul style="list-style-type: none">• Theory tests taken by learner car drivers and motorcycle riders• Practical tests taken by learner car drivers• Practical car plus trailer tests	
Stage: Final	Version: version 7	Date: 6 February 2008
Related Publications: Consultation Paper: Improved Services for Customers and General Fee Increases for 2008		

Available to view or download at:

<http://www.dsa.gov.uk>

Contact for enquiries: Rick Annable

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

- The income received from theory tests taken by learner car drivers and motorcycle riders will not meet the costs of providing the tests
- The income received from practical car and car+trailer tests will not meet the increased costs of providing the tests

Government intervention is necessary as the provision of theory and practical tests is prescribed in legislation.

What are the policy objectives and the intended effects?

- To ensure that the cost of delivering theory and practical tests taken as part of the licence acquisition process is fully covered from the income received.
- Complies with the “user pays” principle.
- DSA’s customer service levels in terms of test availability and travel distance to test centres is not adversely affected.

What policy options have been considered? Please justify any preferred option.

All costs are based on 2008 figures

- Increase the cost of the theory tests taken by learner car drivers and motorcycle riders by £1.50 from £28.50 to £30.00 [There will be a corresponding increase in the fee for domestic category P]
- Increase the cost of the practical tests taken by car drivers by £8.00 from £48.50 to £56.50 for standard tests and by £16.00 from £97.00 to £113.00 for extended tests. [There will be a corresponding increase in the fees for domestic categories F,G,H and K]
- Increase the cost of the practical car plus trailer test by £16.00 from £89.00 to £105.00
- Maintaining DSA’s costs at 2007 levels would involve either a reduction in the number of examiners or test centres or both. This would result in increased waiting times for test appointments or increased journey time to attend a more distant center. Neither option is acceptable to key stakeholders
- Reducing the length or quality of assessment is not an option as either would have a negative impact on road safety.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

- The level of theory and practical test fees is reviewed as part of the Agency's annual Business Planning procedures.

Ministerial Sign-off For final stage Impact Assessments:

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:

Jim Fitzpatrick

.....Date: 8th February 2008

Summary: Analysis & Evidence

Policy Option: 1		Description: Title: Increase the fees for statutory tests:	
		<ul style="list-style-type: none"> • Theory tests taken by learner car drivers and motorcycle riders • Practical tests taken by learner car drivers • Practical car plus trailer tests 	
COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' <ul style="list-style-type: none"> • Candidates for theory tests taken by learner car drivers and motorcycle/moped riders and candidates for practical car and car+trailer tests. Cost = £17,515,500 • The cost of such tests is generally met by the candidates themselves. Therefore there is no burden on business or the voluntary sector. • Costs to DSA of not reducing numbers of examiners and increasing waiting times – obtained through revenues reported below. Cost = £17,515,500
	One-off (Transition)	Yrs	
	£ NIL		
	Average Annual Cost (excluding one-off) £17,515,500		
	£ 35,031,000		Total Cost (PV)
Other key non-monetised costs by 'main affected groups'			
NIL			
BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' <ul style="list-style-type: none"> • Revenue to DSA from higher fees £17,515,500
	One-off	Yrs	
	£ NIL		
	Average Annual Benefit (excluding one-off) £ 17,515,500		
	£ 17,515,500		Total Benefit (PV)
Other key non-monetised benefits by 'main affected groups' <ul style="list-style-type: none"> • Complies with the "user pays" principle • Increasing the fees will avoid having to reduce the number of examiners or test centres with a consequential significant increase in waiting times for test appointments and longer journey times for candidates to their nearest test centre 			
Key Assumptions/Sensitivities/Risks			
Assumptions <ul style="list-style-type: none"> • The demand for theory and practical tests will be as predicted • The pass rates will remain constant • The increased fees will not deter candidates from taking theory or practical tests Risks <ul style="list-style-type: none"> • The increased fees may dissuade candidates from taking their theory or practical tests and thereby inadvertently contribute to the number of unlicensed drivers and riders. 			
Price Base Year 2008	Time Period Years 1	Net Benefit Range (NPV) £ NIL	NET BENEFIT (NPV Best estimate) £ - 17,515,500

What is the geographic coverage of the policy/option?		GB		
On what date will the policy be implemented?		For tests booked on or after 1 April 2008		
Which organisation(s) will enforce the policy?		DSA		
What is the total annual cost of enforcement for these organisations?		£ N/A		
Does enforcement comply with Hampton principles?		N/A		
Will implementation go beyond minimum EU requirements?		N/A		
What is the value of the proposed offsetting measure per year?		£ N/A		
What is the value of changes in greenhouse gas emissions?		£ N/A		
Will the proposal have a significant impact on competition?		N/A		
Annual cost (£-£) per organisation (excluding one-off)	Micro Nil	Small Nil	Medium Nil	Large Nil
Are any of these organisations exempt?	N/A	N/A	N/A	N/A
Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)		
Increase of £ N/A	Decrease of £ N/A	Net Impact	£ N/A	

Key:	Annual costs and benefits: Constant Prices	(Net) Present Value
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Introduction

Ministers have decided to increase the fees for theory by learner car drivers and motorcycle /moped riders tests booked on or after 1 April 2008 by £1.50 to £30.00, the practical tests booked by learner car drivers taken on or after 1 April 2008 by £8.00 to £56.50 for the standard test and the practical car plus trailer test by £16.00 to £105.00. There are consequential increases for out-of-hours and extended tests.

The cost of such tests is generally met by the candidates themselves. There is no burden on business or the voluntary sector.

The projected cost of delivering these services has taken account of the following:

- Direct costs - such as the salary of an examiner conducting the test
- Indirect costs - such as the accommodation, training and supervision of the examiner conducting the test
- Direct Overheads - such as operational support activities
- Indirect Overheads - such as Finance, Human Resources, Information Communications & Technology, Executive and Policy cost
- Return on Capital - Nominal charging of 3.5% cost of investment

The likely volumes of tests are based on published business plan volumes based on historic trends adjusted for demographic and underlying changes in business processes where appropriate

Fees are set to recover the full cost of delivering the service. Each fee is calculated by dividing the predicted costs of delivery by the likely number of tests.

Theory tests taken by learner car drivers and motorcycle riders:

Forecast volume = 1,549,000

Fee increase per test = £1.50

Cost = £2,323,500

Practical test taken by learner car drivers:

Forecast volume = 1,884,000

Fee increase per test = £8.00

Cost = £15,072,000

Practical car plus trailer tests:

Forecast volume = 7,500

Fee increase per test = £16.00

Cost = £120,000

Total cost = £17,515,500

See also Tables 1 to 3.

Why do we need to increase the fees for the theory test taken by learner car drivers and motorcycle and moped riders?

The previous fee increase for theory tests taken by learner car drivers and motorcycle/moped riders took effect on 3 September 2007. This increase was required to support the introduction of the longer test (containing 50 MCQs) from that date. No increase to take account of annual inflation has been applied since 1 April 2006.

Maintaining DSA's costs at current levels would involve either a reduction in the number of examiners or test centres or both. This would result in increased waiting times for test appointments or increased journey time to attend a more distant center. Neither option is acceptable to key stakeholders

Reducing the length or quality of assessment is not an option as either would have a negative impact on road safety..

Preferred Option

Increase the fees for theory tests taken by car drivers and motorcyclists to £30.00

Benefits:

- Recovers the cost of delivering theory tests
- Better reflects the 'user pays' principle
- Fewer accidents as less illegal drivers compared to the baseline, better quality tests compared to the baseline means less accidents

Costs:

- Each theory test will cost more and may dissuade candidates from taking the test
- Costs to candidates of increased fee per test

Costs and Benefits

We forecast demand for theory tests will be 1,549,000 in 2008/09 which will cost approximately £46,733,000 to deliver.

Maintaining the fee of £28.50 would create a deficit of £2,586,000 in 2008/09.

With effect from 1 April 2008, the fee for the theory test taken by learner car drivers and motorcycle/moped riders will be £30.00.

Why do we need to increase the fees for car practical tests?

The proposal is to increase the fee for the practical tests taken by learner car drivers by £8.00 for a standard test and by £9.00 for a test conducted out of hours with effect from tests booked from 1 April 2008. There will be corresponding increases in the fees charged for an extended test.

The cost of the unitary tests to drive/operate vehicles in the following domestic licensing categories of vehicle will continue to be the same as the fee for the practical car test:

- agricultural & forestry tractors (category F)
- road rollers (category G)
- track-laying vehicles steered by their tracks (category H)
- vehicles controlled by a pedestrian (category K)

Income from the practical car test is the single most important revenue stream for DSA. It provides around 60% of our annual income.

These fees will bring the car test fee and the unit cost into alignment.

Maintaining DSA's costs at current levels would involve either a reduction in the number of examiners or test centres or both. This would result in increased waiting times for test appointments or increased journey time to attend a more distant center. Neither option is acceptable to key stakeholders

Reducing the length or quality of assessment is not an option as either would have a negative impact on road safety.

Preferred Option

Increase the fees for practical tests taken by car drivers by £8.00 to £56.50

Benefits:

- Recovers the cost of delivering theory tests
- Better reflects the 'user pays' principle
- Fewer accidents as less illegal drivers compared to the baseline, better quality tests compared to the baseline means less accidents

Costs:

- Each theory test will cost more and may dissuade candidates from taking the test
- Costs to candidates of increased fee per test

Costs and benefits

We forecast demand for practical car tests will be 1,884,000 in 2008/09 which will cost approximately £105,842,000 to deliver.

Maintaining the existing fee of £48.50 would create a deficit of £13,484,000 in 2008/09.

With effect from 1 April 2008, the fee for the practical car test will be:

test	current fee	new fee	% increase
standard weekday	£48.50	£56.50	+16.5%
standard out of hours	£58.00	£67.00	+15.5%
extended weekday	£97.00	£113.00	+16.5%
extended out of hours	£107.00	£134.00	+15.5%

Why do we need to increase the fees for the practical car plus trailer test?

The cost of delivering Category B+E (car plus trailer) practical tests is estimated to be £774,150 in 2008/09.

The fee for this practical test was last increased on 1 April 2006.

Category B+E tests are conducted from the LGV test centres. They take the same time to complete as the vocational test and as such incur the same unit costs. For these reasons the fee for a practical category B+E test has always been the same as the vocational fee.

Maintaining the existing fee level of £89.00 would deliver a deficit of £94,350 in 2008/09.

Maintaining DSA's costs at current levels would involve either a reduction in the number of examiners or test centres or both. This would result in increased waiting times for test appointments or increased journey time to attend a more distant centre. Neither option is acceptable to key stakeholders

Reducing the length or quality of assessment is not an option as either would have a negative impact on road safety..

Preferred Option

Increase the fee for a Category B+E practical tests to £105.00

Benefits:

- Recovers the cost of delivering theory tests
- Better reflects the 'user pays' principle
- Fewer accidents as less illegal drivers compared to the baseline, better quality tests compared to the baseline means less accidents

Costs:

- Each theory test will cost more and may dissuade candidates from taking the test
- Costs to candidates of increased fee per test

Costs and benefits

We estimate the demand for B+E tests in 2008/09 will be 7,500 which will cost approximately £774,150 to deliver.

With effect from 1 April 2008, the fee for the practical car plus trailer test will be:

test	current fee	new fee	% increase
standard weekday	£89.00	£105.00	+18.0%
standard out of hours	£107.00	£125.00	+16.8%

Policy Objectives

- To ensure that the cost of delivering theory and practical tests taken as part of the licence acquisition process is fully covered from the income received.
- Complies with the “user pays” principle.

Equality, Environmental and Social (Health) Impacts

We have conducted initial screening tests on the grounds of:

- Competition Assessment
- Small Firms Impact Test
- Legal Aid
- Sustainable Development
- Carbon Assessment
- Other Environment
- Health Impact Assessment
- Race Equality
- Disability Equality
- Gender Equality
- Human Rights, and
- Rural Proofing

We have not identified any adverse effects resulting from this proposal in respect of the category areas mentioned above.

Risks and Unintended Consequences

There is a slight risk that candidates will be deterred by the increased cost from taking the theory or practical test and will drive or ride without the appropriate licence.

Monitoring and Evaluation

The level of theory and practical test fees will be reviewed annually as part of the Agency’s Business Planning procedures.

TABLE 1

FINANCIAL ANALYSIS: INCREASE FOR CAR & MOTORCYCLE THEORY TEST FEES

	2006-07 <i>actual</i>	2007-08 <i>estimate</i>	2008-09 <i>forecast</i>
Volume of total fee earning transactions expected (number)	1,473,054	1,522,000	1,549,000
Fee charged/proposed ² (£) From September 2007	£21.50	£28.50	£30.00
Fee income from service (before proposed increase) (£k)	£31,852	£38,750	£44,147
Increased income from new/revised fee (£k)			£2,324
Operating budget for service (before input price increases and any other added expenditure) (£k)	£28,545	£38,836	£39,241
Additional costs of providing service (examples below):			
- Inflation (£k)			£1,177
- Longer test (£k)			£2,497
- Others (£k) (SDfL/Overheads)			£3,818
Less efficiency savings (£k)			
Interest/GIBS/ROCE	£402	£578	£731
Accumulated surplus / (deficit) brought forward from previous period (£k)	£13,427		
Net surplus / (deficit) for service at year end ¹ (£k)	£2,905	(£664)	£7

TABLE 2

FINANCIAL ANALYSIS: INCREASE FOR CAR PRACTICAL TEST FEES

	2006-07 actual	2007-08 estimate	2008-09 forecast
Volume of total fee earning transactions expected (number)	1,846,846	1,883,000	1,884,000
Normal/Out of Hours Fees (£)	£48.50/£58.00	£48.50/£58.00	£56.50/£67.00
Fee income from service (before proposed increase) (£k)	£90,529	£92,290	£92,358
Increased income from new/revised fee (£k)			£15,173
Operating budget for service (before input price increases and any other added expenditure) (£k)	£89,341	£98,346	£96,950
Additional costs of providing service (examples below):			
- Inflation 3% (£k)			£3,030
- MPTC (£k)			£4,395
- Others (£k) (Management time/overheads/DTC PCs)			£2,242
Less efficiency savings (£k)			(£775)
Interest/GIBS/ROCE	(£112)	£841	£1,273
Accumulated surplus / (deficit) brought forward from previous period (£k)	(£5,760)		
Net surplus / (deficit) for service at year end ¹ (£k)	£1,300	(£6,897)	£416

TABLE 3

FINANCIAL ANALYSIS: INCREASE FOR VOCATIONAL PRACTICAL TEST FEES¹

	2006-07 actual	2007-08 estimate	2008-09 forecast
Volume of total fee earning transactions expected (number)	100,972	115,000	100,000
Normal/Out of Hours Fees (£)	£89.00/£107.00	£89.00/£107.00	£105.00/125.00
Fee income from service (before proposed increase) (£k)	£8,987	£10,349	£9,064
Increased income from new/revised fee (£k)			£1,618
Operating budget for service (before input price increases and any other added expenditure) (£k)	£9,103	£10,431	£9,681
Additional costs of providing service (examples below):			
- Inflation 3% (£k)			£272
- MPTC (£k)			£234
- Others (£k) Offsite testing/Overheads/Management time			£195
Less efficiency savings (£k)			(£60)
Interest/GIBS/ROCE	£27	£83	£131
Accumulated surplus / (deficit) brought forward from previous period (£k)	£2,254		
Net surplus / (deficit) for service at year end ¹ (£k)	(£143)	(£165)	£230

¹ NB Figures relate to total vocational practical tests (bus, lorry and car+trailer). The forecast volume for car+trailer practical tests is 7,500 in 2008/9.

Specific Impact Tests: Checklist

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	No	No
Rural Proofing	No	No

Summary: Intervention & Options		
Department /Agency: Driving Standards Agency	Title: Increase the fees for the practical tests taken by learner motorcycle and moped riders	
Stage: Final	Version: version 8	Date: 6 February 2008
Related Publications: Consultation Paper: Improved Services for Customers and General Fee Increases for 2008		

Available to view or download at:

<http://www.dsa.gov.uk>

Contact for enquiries: Rick Annable

Telephone: 0115 901 5914

<p>What is the problem under consideration? Why is government intervention necessary?</p> <ul style="list-style-type: none"> • The income received from practical tests for motorcycle and moped riders will not meet the increased costs of providing the tests • Government intervention is necessary as the provision of practical tests is a function undertaken by, or on behalf of, the Secretary of State. • The practical tests are defined in regulation • GB is required under EU legislation to implement the new, more demanding manoeuvres.
<p>What are the policy objectives and the intended effects?</p> <ul style="list-style-type: none"> • To ensure that DSA's costs of delivering practical tests is fully covered from the income received • To ensure compliance with the "user pays" principle • To ensure compliance with EU legislation.
<p>What policy options have been considered? Please justify any preferred option.</p> <ul style="list-style-type: none"> • Increase the cost of the practical tests taken by learner motorcycle and moped riders by £20.00 from £60.00 to £80.00 for standard tests and by £40.00 from £120.00 to £160.00 for extended tests. • This option offers the fairest and most cost effective method of recovering DSA's costs in providing the practical tests for learner motorcycle and moped riders • Complies with the "user pays" principle • Meets EU requirements. • Maintaining DSA's costs at current levels would involve either a reduction in the number of examiners or test centres or both. This would result in increased waiting times for test appointments or increased journey times to attend a more distant centre. Neither option is acceptable to key stakeholders • Reducing the length or quality of assessment is not an option as either would have a negative impact on road safety.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

The level of practical test fees for learner motorcycle and moped riders is reviewed annually as part of the Agency's Business Planning procedures.

Ministerial Sign-off For final stage Impact Assessments:

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:

Jim Fitzpatrick

8th February 2008

..... Date:

Summary: Analysis & Evidence			
Policy Option: 1		Description: Increase the cost of the practical tests taken by learner motorcycle riders	
COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' <ul style="list-style-type: none"> • Candidates for practical tests taken by learner motorcycle/moped riders • The costs of these tests are generally met by the candidates themselves. Therefore there is no burden on business or the voluntary sector.
	One-off (Transition)	Yrs	
	£ NIL		
	Average Annual Cost (excluding one-off)		
	£ 950,000		
Total Cost (PV)			£ 950,000
Other key non-monetised costs by 'main affected groups'			
NIL			
BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' <ul style="list-style-type: none"> • NONE
	One-off	Yrs	
	£ NIL		
	Average Annual Benefit (excluding one-off)		
	£ NIL		
Total Benefit (PV)			£ NIL
Other key non-monetised benefits by 'main affected groups'			
<ul style="list-style-type: none"> • Meets "user pays" principle • The longer, more demanding test, will deliver road safety benefits by ensuring better trained motorcycle riders • Increasing fees will avoid having to reduce the number of examiners with a consequential significant increase in waiting times for test appointments. • EU requirements met – thereby avoiding infraction proceedings 			
Key Assumptions/Sensitivities/Risks			
Assumptions			
<ul style="list-style-type: none"> • The demand for category A (motorcycle) and Category P (moped) practical tests will be 90,0000 spread equally across the period • Increased costs for candidates will be from 29 September 2008 • The pass rate will remain constant • The increased fees will not deter candidates from taking the practical test 			
Risks			
The increased fees may dissuade candidates from taking their practical tests and thereby inadvertently contribute to the number of unlicensed drivers and riders. We believe that the introduction of the longer, more demanding test ,will deliver			

better, more competent and therefore saver riders. This will result in improved road safety for all users and will far outweigh the additional costs for individual candidates.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £ NIL		NET BENEFIT (NPV Best estimate) £ NIL	
What is the geographic coverage of the policy/option?				GB	
On what date will the policy be implemented?				29 September 2008	
Which organisation(s) will enforce the policy?				DSA	
What is the total annual cost of enforcement for these organisations?				£ N/A	
Does enforcement comply with Hampton principles?				N/A	
Will implementation go beyond minimum EU requirements?				N/A	
What is the value of the proposed offsetting measure per year?				£ N/A	
What is the value of changes in greenhouse gas emissions?				£ N/A	
Will the proposal have a significant impact on competition?				N/A	
Annual cost (£-£) per organisation (excluding one-off)		Micro Nil	Small Nil	Medium Nil	Large Nil
Are any of these organisations exempt?		N/A	N/A	N/A	N/A
Impact on Admin Burdens Baseline (2005 Prices)					(Increase - Decrease)
Increase of	£ N/A	Decrease of	£ N/A	Net Impact	£ N/A

Key:	Annual costs and benefits: Constant Prices	(Net) Present Value
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Evidence Base (for summary sheets)

Introduction

The fees for practical tests taken by learner motorcycle and moped riders taken on or after 29 September 2008 will need to increase by £20.00 for the standard test and by £40.00 for an extended test to meet the costs of introducing the longer, more demanding test from that date..

The cost of such tests is generally met by the candidates themselves. Therefore there is no burden on business or the voluntary sector.

The projected cost of delivering these services has taken account of the following:

- Direct costs - such as the salary of an examiner conducting the test
- Indirect costs - such as the accommodation, training and supervision of the examiner conducting the test
- Direct Overheads - such as operational support activities
- Indirect Overheads - such as Finance, Human Resources, Information Communications & Technology, Executive and Policy costs
- Return on Capital - nominal charging of 3.5% cost of investment

The likely volumes of tests are based on published business plan volumes based on historic trends adjusted for demographic and underlying changes in business processes where appropriate

Fees are set to recover the full cost of delivering the service. Each fee is calculated by dividing the predicted costs of delivery by the likely number of tests.

Why do we need to increase the fees for the practical tests taken by learner motorcycle and moped riders?

The cost of delivering the service is £6,667,000 per annum

Maintaining the fees at existing levels would deliver a deficit of £960,000 in 2008/009.

We need to introduce the longer, more demanding test by 30 September 2008 to comply with the requirements of EU legislation

We are currently operating the practical moped/motorcycle test service at a loss. Without a fee increase, this situation would worsen due to a significant loss in examiner productivity from 29 September 2008 when the standard test day moves from 7 to 6 tests with the introduction of the longer, more demanding practical test. To address the forecast deficit, a fee increase of £20.00 (33.3%) is required. £10.00 (16.7%) of this increase relates to the changed length of the test.

We intend to implement the fee change for tests taken on or after 29 September 2008 in line with the date of the service change.

Preferred Option

Increase the fees for practical tests taken by learner motorcycle and moped riders to £80.00

For:

- Recovers the cost of delivering practical tests
- Better reflects the 'user pays' principle
- Allows EU legislation to be introduced
- Avoids infraction proceedings taken by EU Commission for non-implementation of EU Directive

Against:

- Increased cost to candidates
- May encourage unlicensed riding

Costs and benefits

The costs and benefits are appraised over a one year period since there will be a review of these annually and there is no capital expenditure.

Financial data in support of fee increase for practical motorcycle test fees is given in the Table at the end of this Assessment

We forecast demand for practical motorcycle tests will be 95,000 in 2008/09 which will cost approximately £6,667,000 to deliver.

The higher fees will be introduced on 29 September 2008 to coincide with the introduction of the longer, more demanding test. It has been assumed that demand for tests will be constant throughout the year. The additional costs for candidates will apply from 29 September only.

Additional costs

- 47,500 tests x £20 additional fee = £950,000

Maintaining the existing fee level of £60.00 would deliver a deficit of £960,000 in 2008/09.

With effect from 29 September 2008 the fee for the practical motorcycle/moped test will be:

test	current fee	new fee	% increase
standard weekday	£60.00	£80.00	+33.3%
standard out of hours	£70.00	£92.00	+31.4%
extended weekday	£120.00	£160.00	+33.3%
extended out of hours	£140.00	£184.00	+31.4%

Policy Objectives

- To ensure that DSA's costs of delivering practical tests is fully covered from the income received
- To ensure compliance with the "user pays" principle
- To ensure compliance with EU legislation.

Equality, Environmental and Social (Health) Impacts

We have conducted initial screening tests on the grounds of:

- Competition Assessment
- Small Firms Impact Test
- Legal Aid
- Sustainable Development
- Carbon Assessment
- Other Environment
- Health Impact Assessment
- Race Equality
- Disability Equality
- Gender Equality
- Human Rights, and
- Rural Proofing

We have not identified any adverse effects resulting from this proposal in respect of the category areas mentioned above.

Risks and Unintended Consequences

There is a slight risk that candidates will be deterred by the increased cost from taking the practical test and will continue to ride without a licence.

Monitoring and Evaluation

The level of practical test fees is reviewed annually as part of the Agency's Business Planning procedures.

FINANCIAL ANALYSIS: for practical motorcycle test fees

	2006-07 <i>actual</i>	2007-08 <i>estimate</i>	2008-09 <i>forecast</i>
Volume of total fee earning transactions expected (number)	83,084	85,000	95,000
Normal/Out of Hours Fees (£)	£58.00/£68.00	£60.00/£70.00	£80.00/£92.00
Fee income from service (before proposed increase) (£k)	£4,751	£5,054	£5,707
Increased income from new/revised fee (£k)			£700
Operating budget for service (before input price increases and any other added expenditure) (£k)	£5,411	£5,884	£5,870
Additional costs of providing service (examples below):			
(£k) - Inflation 3%			£191
- MPTC (£k)			£228
(£k) - Longer test			£235
- Others (£k) (Management time/overheads/DTC PCs)			£193
Less efficiency savings (£k)			(£50)
Interest/GIBS/ROCE	(£14)	£24	£63
Accumulated surplus / (deficit) brought forward from previous period (£k)	(£1,936)		
Net surplus / (deficit) for service at year end ¹ (£k)	(£646)	(£854)	(£323)

Specific Impact Tests: Checklist		
Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	No	No
Rural Proofing	No	No

Summary: Intervention & Options		
Department /Agency: Driving Standards Agency	Title: Revised Fees for Category C and D Driving Tests	
Stage: Final	Version: version 1	Date: 4 February 2008
Related Publications: Consultation Paper: Driver Certificate of Professional Competence Further Implementation Arrangements - DSA Consultation Paper 2007.		

Available to view or download at:

<http://www.dsa.gov.uk>

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What is the problem under consideration? Why is government intervention necessary? The fee for the practical licence acquisition test for LGV and PVC tests has not increased since 1 April 2006. Increased, inflationary, running costs require a new, higher, fee. In addition, there will be higher demand for these tests resulting from the implementation of the Driver Certificate of Professional Competence (CPC) in September 2008 for bus drivers and September 2009 for lorry drivers.

What are the policy objectives and the intended effects? The policy aims are twofold:

- to cover current costs for services.
- to provide for additional demand arising from the Driver CPC. This will necessitate additional sites from which to conduct tests. We are seeking to minimise the impact on fees by entering into partnerships with industry whereby we conduct tests from trainers' premises. The alternative would be to build new centres.

What policy options have been considered? Please justify any preferred option.

Two options have been considered:

1. amend existing legislation to increase fees to cover costs. This is in line with user pays principle.
2. maintain the status quo. Maintaining costs at 2006 levels would mean that DSA was subsidising the cost of delivering practical vocational tests and would threaten the strategy for implementing Driver CPC. Alternatively, it would involve either a reduction in the number of examiners or test centres or both. This would result in increased waiting times for test appointments or increased journey times to attend a more distant centre.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

Fees are subject to annual review.

Ministerial Sign-off For final stage Impact Assessments:

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:

Rosie Winterton 19th February 2008

..... Date:

Summary: Analysis & Evidence			
Policy Option: 1		Description: Revised Fees for Category C and D Driving Tests	
COSTS	ANNUAL COSTS		<p>Description and scale of key monetised costs by 'main affected groups'</p> <p>The cost is made up of an increased fee from £89 to £105, payable by candidates for practical vocational tests (we estimate some 105,000 per annum). There will also be a corresponding increase from £107 to £125 for evening and weekend tests. The calculation of the total cost is in the Annex.</p>
	One-off (Transition)	Yrs	
	£ NIL		
	Average Annual Cost (excluding one-off)		
	£ 1,680,000		Total Cost (PV)
<p>Other key non-monetised costs by 'main affected groups' There will be no non-monetised costs to candidates or industry as a result of this increase - the procedure of booking and taking these tests will stay the same.</p>			
BENEFITS	ANNUAL BENEFITS		<p>Description and scale of key monetised benefits by 'main affected groups' DSA benefit. Fees would have been increased further had DSA not been seeking partnerships with industry to conduct tests at trainers' premises. It is estimated that there would be a cost of £10 million in building new centres. Alternatively, the shortfall could have been met by closing test centres or reducing examiners.</p>
	One-off	Yrs	
	£ NIL		
	Average Annual Benefit (excluding one-off)		
	£ 1,680,000		Total Benefit (PV)
<p>Other key non-monetised benefits by 'main affected groups' Conducting tests from trainer's premises will reduce travelling for customers. This will also avoid waiting times for driving tests and will therefore enable drivers to increase their earning potential much earlier as well as becoming more productive at an earlier stage for their employer.</p>			
<p>Key Assumptions/Sensitivities/Risks The increase in cost is estimated as an annual figure - £1,680,000. This is the same cost to industry and benefit to government. The Total Benefit therefore is the two elements together. There will be no change to the admin burdens baseline - no additional effort will be required to apply for a test at the increased fee.</p>			
Price Base	Time Period	Net Benefit Range (NPV) £ NIL	NET BENEFIT (NPV Best estimate)

Year 2008	Years 5		£ NIL		
What is the geographic coverage of the policy/option?		UK			
On what date will the policy be implemented?		April 2008			
Which organisation(s) will enforce the policy?		DSA			
What is the total annual cost of enforcement for these organisations?		£ N/A			
Does enforcement comply with Hampton principles?		YES/NO			
Will implementation go beyond minimum EU requirements?		NO			
What is the value of the proposed offsetting measure per year?		£ N/A			
What is the value of changes in greenhouse gas emissions?		£ N/A			
Will the proposal have a significant impact on competition?		N/A			
Annual cost (£-£) per organisation (excluding one-off)		Micro Nil	Small Nil	Medium Nil	Large Nil
Are any of these organisations exempt?		N/A	N/A	N/A	N/A
Impact on Admin Burdens Baseline (2005 Prices)					(Increase - Decrease)
Increase of	£ N/A	Decrease of	£ N/A	Net Impact	£ N/A

Key:	Annual costs and benefits: Constant Prices	(Net) Present Value
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Evidence Base (for summary sheets)

The proposal

The Module 3 fee will be increased from £89 to £105 for tests booked from 1 April 2008 in respect of tests conducted on weekdays. There will be a corresponding increase to £125 for evening and weekend tests.

Impetus for change

The fee for the practical licence acquisition test has not changed since 1 April 2006 and it needs to be adjusted in order to meet increased service delivery costs. However, we are taking steps to minimise the increase. Overall practical test demand (Modules 3 and 4) will increase significantly from September 2008 as a result of implementing the Driver CPC. Were the Agency to expand its estate to cope with that demand, test fees would need to increase by significantly more than the amounts indicated above. DSA has responded to this challenge by proposing to conduct Module 3 tests at trainers' premises, where the location is suitable and the trainer wishes to make use of such a facility. Not only does this help to contain the fee increase, it provides PCV and LGV driver trainers (and their trainees) with an improved customer service.

The new fees will apply to tests booked from 1 April 2008 and DSA will offer to conduct practical driving tests for trainees at trainers' premises from that date.

Costs

Costs of delivery have increased and these are reflected in the new fee for a practical test.

An additional element is the arrangement to seek partnerships with training organisations to deliver tests in alternative locations. Whilst the travelling involved may impact on the average number of tests per day that an examiner can conduct (this will depend on range and distances of locations available), it will reduce associated travel costs for candidates and their trainers. Delivering tests at trainer's premises avoids delays and waiting times for test slots. This will allow drivers to increase their earning potential as the wage for a qualified bus or lorry driver is around 15% more than that for a learner. Also, this option will be cheaper than building test centres (at 2007 baseline prices current cost of new test centre is between £1.5 to £2 million). If DSA had to provide an extra 5 major new test centres to undertake vocational tests for the public, the Agency would probably incur something like £10m capital expenditure.

The new fee will result in increased cost to candidates as outlined above. It is estimated that some 105,000 LGV and PCV tests will be conducted in 2008/09. The increase in fees will result in additional costs of around £1,680,000. On the other hand, the capital and running costs incurred in providing 5 major new test centres would probably add £10 to the test fee and this strategy avoids that.

In addition, if costs were not to increase, DSA would need to subsidise the cost of delivering practical vocational tests which would threaten the strategy for implementing Driver CPC. An alternative route would be to either reduce the number

of examiners or test centres or both. As this would result in increased waiting times for test appointments, or increased journey times, it has been rejected.

Consultation

We consulted on the proposal in August 2007 as part of a consultation on the Driver CPC entitled "Driver Certificate of Professional Competence – Further Implementation Arrangements".

Public consultation

When conducting consultations we aim to consult as wide a range of stakeholders as possible. We post consultation papers on our website. For those particularly affected by the proposals, we place articles in our bi-monthly magazine Despatch, which has a circulation of some 60,000 driver trainers. We have also established an electronic notification system whereby interested parties can register with us to receive weekly updates via email. To date we have some 3,000 individuals registered for this service.

Within Government

The Welsh Assembly, Scottish Executive and the Department for Environment Northern Ireland are routinely consulted concerning regulatory changes. We have also consulted with sister Agencies and interested parties from amongst the Department for Transport, such as the Road User Safety Division and the Transport, Technology and Standards Division.

Small firms impact test

A small business is defined ² as one with:

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

Most lorry and bus training organisations are small businesses. Similarly, in addition to a number of high profile vehicle operators, there are a large number of small companies running buses and lorries. It is not considered that this package of changes will negatively impact on these sectors.

Legal Aid

The current set of changes will have no impact on legal aid.

Competition assessment

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

² Better Policy Making: A Guide to Regulatory Impact Assessments. Cabinet Office January 2003

Social Exclusion Issues

We do not believe that any social exclusion issues are likely to arise from these proposals. The increases apply equally to all candidates. Conducting tests from trainers' premises may have a positive effect on those whose mobility is limited.

Race Equality

The measures will affect all individuals in the same way. We have been unable to identify any negative impact on any group of people based on religious beliefs, ethnicity, colour nationality and ethnic origin. Neither have we identified any such indirect impact, for example as a result of fee increases disproportionately affecting a particular ethnic group.

Disability Equality

We have been unable to identify any negative impact on any group of people based on disability.

Gender Equality

We have been unable to identify any negative impact on any group of people based on gender (including gender reassigned people) or sexual orientation.

Human Rights

We have been unable to identify any negative impact on any group of people based on religious or personal beliefs, age, social status or marital status.

Sustainable Development

Allowing tests to be conducted at trainers' premises will add flexibility to the testing process and enhance the long term delivery of tests in the most economic and environmentally friendly way.

Carbon Assessment

The plan for DSA examiners to test at the premises of trainers will reduce the number of journeys required for the candidates to attend practical tests.

Other Environment

We do not consider that the proposals will have any other significant environmental impact.

Health Impact Assessment

We have been unable to identify any negative impact based on health.

Rural Proofing

Examiners conducting practical tests at trainers' premises will reduce the need to travel. This may have a benefit for those based in rural areas.

Application within the United Kingdom

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

Specific Impact Tests: Checklist		
Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	Yes	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

Annex A

Summary of annual costs to customers

New fee	£105.00
Old fee	£89.00
Difference	£16.00
Anticipated Tests	105,000
Total	£1,680,000.00

Impact Assessment

Summary: Intervention & Options

Department /Agency:
Driver and Vehicle Licensing
Agency

Title:
The continuation of the restructuring of fees.

Stage: Final

Version: 1

Date: 31 January 2008

Related Publications:

Available to view or download at:

<http://www.dvla.gov.uk/consultations>

Contact for enquiries: David J Morgan

Telephone: 01792 783792

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

Currently different driver transaction streams have different fees which are becoming increasingly complex for both customers and, for DVLA, administratively and are moving in an opposite direction to that desirable for introducing and encouraging electronic services. The proposals introduce a common fee level for 5 key driver transactions replacing the two levels of fees in place. DVLA will retain free licence issue for those transactions (e.g. change of name or address) that are currently undertaken free of charge. Where however two transactions take place simultaneously, for example, a change of address accompanied by a new photograph, the higher fee (i.e. that for photograph renewal) will apply.

What are the policy objectives and the intended effects?

To continue the revision of the Agency's simplification of fee structures that started in 2003; move towards a closer alignment between the cost of activities, fees levied and funding the costs involved; and a simpler customer proposition with greater clarity in terms of what is involved.

The main changes proposed relate only to the five drivers' fees by setting these at a common level for simplification. The remaining driver and vehicle fees will not change from those agreed in the 2006-07 consultations. Any changes resulting from this consultation will affect motorists in the GB. This will not affect driver licensing fee structure in Northern Ireland.

What policy options have been considered? Please justify any preferred option.

Two options have been considered:

- 1) To leave fees as they are; or 2) introduce the suggested standardised fee for the five licensing transactions.

The proposals do not seek to increase the overall amount of money received by DVLA. Licences currently issued free of charge will continue to be provided for free, unless the applicant also provides a new photograph, whereby the higher fee applies.

Option 2 is preferred as those licences which currently attract a range of fees from £10 - £25 (in 2008) will be standardised at £17.50. The drivers' incurring the fees will be those who merit the costs such as removal of endorsements, requests for replacement and duplicate licences, 'vanity' photograph replacements, transfers from paper to photocard licences and 10-year renewal applications.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

During 2008-09 DVLA will undertake a major review and consultation exercise for the whole set of fees, including reconsideration of introducing an annual fee. This will probably retain a common fee level as proposed here but the levels could be reduced if an annual fee is introduced.

Ministerial Sign-off For final stage Impact Assessments:

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:

Rosie Winterton 19th February 2008

..... Date:

Summary: Analysis & Evidence				
Policy Option: 2 (compared to option 1 – Status Quo)		Description: A standardized licence fee for five licence transactions		
COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups'	
	One-off (Transition)	Yrs	There are no additional costs as the fees are already set to change in 2008 .– some licensees will pay a higher fee and some a lower one, but the net impact will be nil across licensees. All printing costs, etc. are already budgeted for.	
	£ 0			
	Average Annual Cost (excluding one-off)			
	£ 0		Total Cost (PV)	£ 0
Other key non-monetised costs by 'main affected groups'				
BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups'	
	One-off	Yrs	Fees received by DVLA will not be affected as overall income (over a two year horizon) will remain the same	
	£ 0			
	Average Annual Benefit (excluding one-off)			
	£ 0		Total Benefit (PV)	£ 0
Other key non-monetised benefits by 'main affected groups' Standardised pricing that leads to less confusion and inconvenience (because of transaction rejects). A reduced need for guidance to applicants and reduced complexity/ administrative costs for DVLA.				
Key Assumptions/Sensitivities/Risks Current transactions provided free of charge will continue unchanged unless a new photograph is supplied whereby the higher fee is applicable. Differential fees for driving licences will better reflect the resources needed rather than the reason for the transaction. Drivers who request duplicate or replacement documents for "vanity reasons" will continue to bear the cost of production so as not to burden the compliant.				
Price Base Year 2009/10	Time Period Years 2 (Due for review in 10/11)	Net Benefit Range (NPV) £ 0	NET BENEFIT (NPV Best estimate) £ 0	
What is the geographic coverage of the policy/option?			GB	
On what date will the policy be implemented?			1 st April 2008	
Which organisation(s) will enforce the policy?			DVLA	
What is the total annual cost of enforcement for these organisations?			£ 0	
Does enforcement comply with Hampton principles?			Yes	
Will implementation go beyond minimum EU requirements?			No	
What is the value of the proposed offsetting measure per year?			£ N/A	
What is the value of changes in greenhouse gas emissions?			£ N/A	
Will the proposal have a significant impact on competition?			No	
Annual cost (£-£) per organisation (excluding one-off)	Micro Nil	Small Nil	Medium Nil	Large Nil
Are any of these organisations exempt?	N/A	N/A	N/A	N/A
Impact on Admin Burdens Baseline (2005 Prices)			(Increase -	

Increase	£ 0	Decrease	£ 0	Net	£ 0
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Key: **Annual costs and benefits:** (Net) Present

Title of proposal

The continuation of the restructuring of fees. These changes commenced with the 2003 review of fees and have continued in 2004 and 2006. The proposed changes are given in Annex A.

Purpose and intended objectives of the measures

To continue with the revision of the Agency's simplification of fee structures commenced in 2003, continued in 2006-07, and moving towards:

- a closer alignment between the cost of activities, fees levied and funding the costs involved; and
- a simpler customer proposition with greater clarity in terms of what is involved.

The principles established in last year's review are observed consistently throughout these proposals. The main changes proposed relate to five of the drivers fees and for simplification move these to a common one. Changes resulting from this consultation will affect only drivers in GB. Any changes affecting the driver licensing fee structure in Northern Ireland (NI) will be dealt with by the Department of the Environment Northern Ireland (DoENI) but it is expected that NI will maintain driver fee levels broadly at parity with GB.

Objectives

The 10-yearly renewal cycle for photocard licences will commence in 2008. Photographs then have to be renewed every 10 years to ensure that the card continues to contain an accurate likeness of the licence holder.

Different fees have been in place for some time, but it is likely that with the new 10-yearly renewal transaction, there will be increasing numbers of transactions featuring more than one element, and complexities and anomalies may arise because of the different fees.

Background

The fee review, conducted in 2003, brought together the costs of the driver licensing and vehicle registration systems that had historically been considered separately. This joint consideration was underpinned by legislation. The new fee structure was set to recover the combined costs by considering the driver and vehicle costs as a consolidated whole and allowing fees to be set overall to cover the full costs. This principle was continued in 2006.

The principles established within the 2003 and 2006 consultations were:

- to simplify processes for the motoring public and DVLA;
- to encourage driver registration and learning to drive;
- to facilitate e-services through simplified transactions; and
- to ensure offenders cover the full processing costs of issuing of new licences.

The current proposals do not vary this regime.

Risks

Perception that fees are increasing.

That the timescale for legislative change will not allow the new fee structures to be in place by 1 April 08.

OPTIONS

Option 1

- **Transfer from Paper to Photocard Licence.** The agreed fee level for this transaction is £10. The transaction results, after renewal of the medical confirmation and identity validation with photograph, in the issue of a driving licence with a validity date 10 years from the transaction date.
- **Replacement of a driving licence lost, stolen or destroyed, and Removal of Endorsements.** The agreed fee level for these three transactions is £22. DVLA set the fee levels differently as an incentive to applicants. They result in the issue of a driving licence with the same validity date as for the original issued, but could result in the issue of a licence with a 10-year validity if accompanied by a current photograph.
- **Change of Address and renewal of over 70 licence.** These transactions will continue to be processed free of charge.

Option 2

- **Ten Year Renewal of Photocard Driving Licences; Transfer from Paper to Photocard Licence; Replacement of a driving licence lost, stolen or destroyed; Voluntary Replacement for “vanity” reasons with a new photograph; and Removal of Endorsements.** The proposed fee level for these five transactions is to be common at £17.50.

The transfer from paper to photocard licence transaction will still need identity validations resulting in the issue of a licence with a 10 year future validity, whilst the replacement, “vanity” exchange and the removal of endorsement transactions are regarded as administrative renewals and retain the original licence validity. If a new photograph is made for the remaining transactions for the other transactions, driving licences will be issued with a full 10 year validity.

COSTS AND BENEFITS

Business Sectors Affected

It is the assumption in this proposal that driving licence fees are a matter for individual drivers. We acknowledge that some organisations choose to pay their drivers' fees but, in the overall context of this consultation and with the continuing free issuing of vocational licences, and processing of additional entitlements, the effects on the various business sectors will be negligible.

Assumptions

The two options are framed to recover the same level of funding overall. The financial model used to compare income with costs contains the following main assumptions about the volume of transactions that DVLA will process in 2008-09:

The calculations are thus simple in terms of revenue generated under Option 1 and Option2, but we have rounded the figures for ease of handling. The projections for 2009-10 are similar for each category, but the 10 Year renewals should increase to nearly 1.8 million.

Benefits

Option 1: Stability of current arrangements.

Option 2: Greater simplicity for customers and DVLA in handling transactions. For example, it may be that a driver enters a 10-year renewal transaction having not previously notified us of a change in details and having lost the driving licence. The principle to be adopted is that if there is a chargeable element to a transaction then a fee should be levied. Through unifying the fee levels, customers will be clear what it will cost. This also avoids a transaction monopoly on the part of customers. It also reduces enquiry call levels and administrative costs for DVLA, which can be reflected in future fee levels through DVLA reduced costs. There will also be benefits to customers by being prompted to, perhaps, renew a photograph on their licence without a further fee charge if, for instance, they were applying for a duplicate licence following loss or theft and had two or three years only remaining on the validity of their current photograph. This would also produce a benefit for DVLA as the details on the driver register would be validated and the photograph updated thus ensuring the reliability and accuracy of its records.

Costs

Option 1: No change for businesses or drivers. This option represents the status quo.

Option 2: There is no change for businesses – vocational licences remain free and the average transaction fee will remain unchanged as the total fee income and transaction numbers remains constant.

For individual drivers, there will be changes from the current agreed position – but on average the fees encountered will remain the same. The proposals mean the same fee being charged for the different transactions, but clearly in reaching a common level some fees reduce and others increase. In summary, those requiring a duplicate licence following loss or theft and those requiring exchanges to remove endorsements or change of photograph ("vanity exchanges") will pay less compared with current fee levels whilst those trading in a paper licence for the photocard licence will pay more. This overall concept – a common charge for a new card issued – is simpler than currently where different transaction streams bear different fee levels.

EQUITY AND FAIRNESS

The amendments proposed continue with the principle of fair and equitable recovery of costs, whilst ensuring that changes in fees do not impede policy delivery.

Option 1: This represents the current position.

Option 2: With some exceptions, specified below all drivers in receipt of a new driving licence card will pay the same fee.

Exceptions:

- The first provisional applicants / exchange from another jurisdiction or reissue of licences to offenders, all of which represent different circumstances and resources applied.
- The first provisional or overseas exchange involves additional checking and initial registration. This provisional licence fee covers two driver licence transactions – processing and issue of the first licence **and** the subsequent upgrade to the full driving licence.

There remains some differentiation in that those who undertake transactions outside the 10-yearly renewal or paper exchange retain the original validity date rather than a new 10 year period – unless they exercise the option of providing a new photograph.

SMALL FIRMS IMPACT TEST

There appears to be no impact from these proposals.

COMPETITION ASSESSMENT

There appears to be no impact from these proposals.

ENFORCEMENT AND SANCTIONS

There appears to be no impact from these proposals.

MONITORING AND REVIEW

DVLA monitors continuously its financial position. The Agency's fees structure is formally reviewed on an annual basis. Interested parties are consulted as part of this review process.

Specific Impact Tests: Checklist

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No

Summary

DVLA wishes to amend its fees structure to continue the restructuring begun in 2003 and continued in 2006. The fees must be set so as to continue to meet the objective of recovering the Agency's costs. We are responding to representations made to DVLA that we should simplify the fee structures to provide greater clarity and reduce potential confusion for customers. In doing so we will reduce operational and enquiries complexity that will help to constrain future fees.