

National Audit Office

DEPARTMENT FOR TRANSPORT

Electronic service delivery in the driver, vehicle and operator agencies in Great Britain

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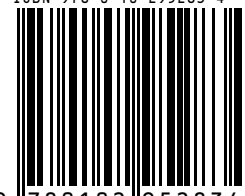
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John Bourn
Comptroller and Auditor General
National Audit Office

11 January 2008

The National Audit Office
study team consisted of:

Ken Foreman, Marcus Popplewell, Alison Hood,
Graham Hill, Sara Hesketh, Louise Fellingham,
Imran Khan and Elizabeth Weller, under the
direction of Geraldine Barker

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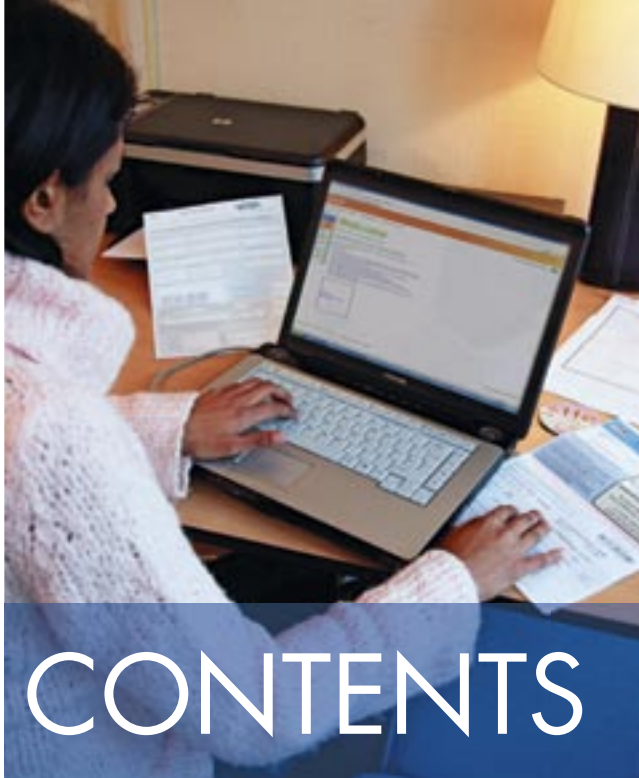
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National Audit Office please contact:**

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Email: enquiries@nao.gsi.gov.uk

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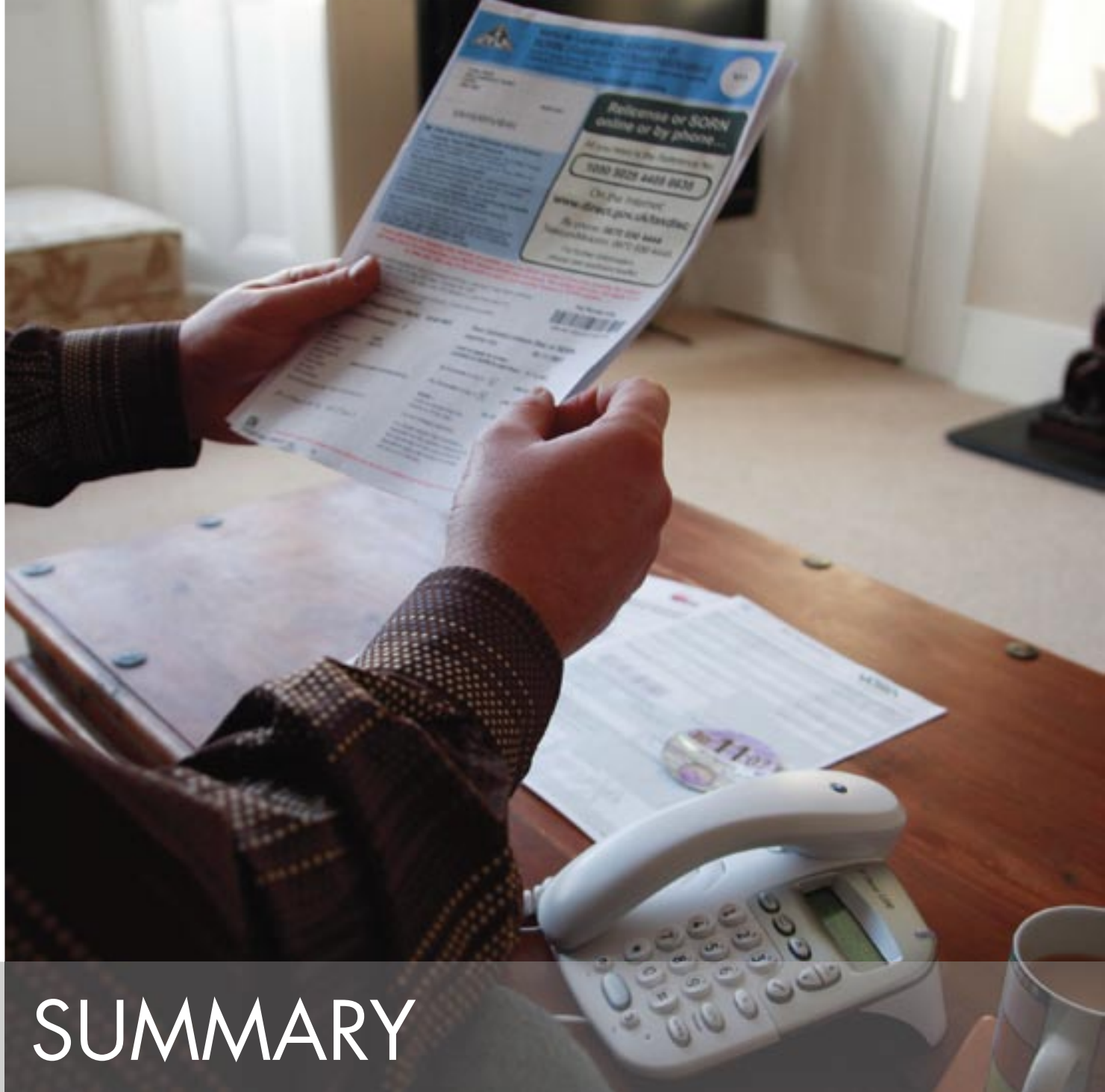
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SUMMARY

The electronic service delivery programme

1 The Driver and Vehicle Licensing Agency, the Driving Standards Agency and the Vehicle and Operator Services Agency provide services for 42 million drivers, the keepers of 36 million vehicles, 100,000 commercial vehicle operators and 19,000 authorised MoT businesses in Great Britain. The services include issuing driving licences and vehicle registration documents and conducting driving and Heavy Goods Vehicle and Public Service Vehicle roadworthiness tests. The Driver and Vehicle Licensing Agency is also responsible for collecting Vehicle Excise Duty, which

raised £5 billion in 2006-07, working with a range of stakeholders, such as the police, to enforce collection of this Duty. The Agencies handled some 124 million customer transactions in 2006-07 for the range of services listed in Appendix 1 which could be made available electronically.¹

2 At the end of the 1990s, the three Agencies began to make some of their services available to customers electronically, typically over the internet, on the telephone or via business-to-business computer systems. In 2003, the Department for Transport and the driver, vehicle and operator Agencies drew together the various projects into a single co-ordinated set of

¹ Transactions are defined as where there is a change to a customer's record.

initiatives, known as the One Stop Service Strategy. The Strategy's primary aim was to meet the Government target for making services available electronically by 2005 and, in doing so, making them easier and more convenient for customers to use and more economical and efficient for the Agencies to operate.² The Strategy also sought to provide joined-up delivery, including new web channels, that were designed around the needs of the customers rather than the service providers. In the Strategy, and subsequently, the Agencies have identified a number of services which would be provided electronically, prioritised those that either deal with the largest number of transactions or provide the greatest opportunities for business benefits and identified the dependencies between them.³

3 To date, the Agencies have made 15 services available electronically, through which they handled 50 million electronic transactions in 2006-07. In this report we examine six of these services in which the Agencies have invested at least £60 million⁴ to improve access and service delivery. The services accounted for 12.6 million electronic transactions in 2006-07:

- applications for provisional driving licence;
- booking of driving tests (both practical and theory);
- taking driving theory tests;
- upgrading from a provisional to full driving licence;
- buying car tax or making a Statutory Off-Road Notification; and
- changing commercial vehicle operators' records.

4 We assess whether these services are realising the benefits and opportunities of their investment. The services are at varying levels of development and maturity. Some, such as the driving theory test or the booking of a driving test, are relatively mature; others, such as the application for a provisional driving licence are still relatively new and have deliberately been launched with the minimum of marketing.⁵ The Department for Transport and the three Agencies are amongst the first to make large scale public services available electronically and online. The Agencies are also amongst the first to make their services available primarily through the Directgov website.

Conclusions

5 In using new technology to improve customer access to these services, the Agencies have:

- delivered high levels of customer satisfaction for their electronic services;
- increased availability – for example customers can now pay car tax, apply for provisional driving licences, book driving tests and amend commercial vehicle details 24 hours a day, every day of the year;
- reduced turnaround times, in some cases very significantly by delivering services in minutes rather than weeks;
- made some transactions easier to carry out – for example, customers buying tax discs online or through the automated telephone service do not need to find their MoT and insurance details as the relevant databases are checked automatically; and
- provided additional services – for example customers can check the details held by the Agencies on their vehicle and on their driver records (as long as they have previously used online drivers' services).

6 The Driver and Vehicle Licensing Agency and the Driving Standards Agency phased the introduction of their services and made extensive use of customer research. This allowed them to take account of customer feedback and make the systems robust enough to cope with heavier volumes of transactions. All six services are achieving high levels of customer satisfaction.

7 There have also been improvements in internal processes which should lead to financial savings in all six services. For example, giving commercial vehicle operators the ability to amend their own details enabled a wider modernisation and centralisation programme which the Vehicle and Operator Services Agency estimates has saved 58 full time equivalent staff and £1.4 million a year from April 2007. A further seven staff savings are due by April 2008, bringing total savings to £1.6 million. Electronic booking of driving tests has reduced the number of Driving Standards Agency call centres handling queries from two to one.

2 Written Answers, Ian McCartney MP, Minister for the Cabinet Office, Hansard, Col 203W, 30 March 2000 sets out the Government target.

3 Appendix 1 lists services which have been identified as capable of being made available electronically. The Department may make other services electronic in the future, or amend or delay some of the services in the list depending on business needs.

4 This figure excludes the Driving Standards Agency's investment which is subsumed in its contract with Pearson Vue to provide the booking and taking of the driving theory test.

5 *Government on the internet: progress in delivering information and services online*, July 2007, HC 529, Session 2006-07.

8 The services have also resulted in improved and more timely data, better management information and the computer infrastructure necessary for future business modernisation. For example, the Driving Standards Agency now has automatic access to details of results for each test centre and each examiner, which it can use to assess performance. Previously, it could only compile this information from manual records.

9 There is scope to make further efficiencies and generate savings. For example the Driving Standards Agency has to collect driving tests results on paper from driving examiners before scanning them and sending them electronically to the Driver and Vehicle Licensing Agency to issue the full driving licence. The Driving Standards Agency has explored the use of a digital pen, laptops, Personal Data Assistants and other devices, but these have proved unsuitable. Emerging technology may provide a cost-effective solution. In November 2007, the Driver and Vehicle Licensing Agency introduced a pilot scheme using email reminders for customers who had previously bought their car tax on line. If this pilot is successful, and represents value for money, postal reminders for car tax could be replaced for some customers by text or email reminders potentially saving £360,000 a year, excluding the cost of introducing the service.

10 The Agencies need to have actively managed, thorough, complete and up to date benefit realisation plans in place from the outset, and update these as projects proceed, to make sure that they take full advantage of the benefits arising from the new electronic services. Although all the Agencies have carried out benefit realisation planning to varying degrees for the services, we found that only the service for buying car tax or making a statutory off-road notification had an actively managed, thorough, complete and up to date benefits realisation plan in place at the outset. All three Agencies have now sought to put benefits realisation processes in place in line with Departmental guidance.

11 For five of the services, customers can choose whether or not to use electronic access. As these services were amongst the first large scale public services to be made available electronically and online, the Department found little previous experience on which to draw when predicting levels of take-up. Take-up varies between services, reflecting factors such as the length of time the service has been available, obstacles to completing

transactions electronically and the ease of use. In the case of the Driving Standards Agency, take-up for electronic booking of both the theory and practical driving test exceeded the 2006-07 target.

12 The automated service to convert a provisional driving licence to a full one was introduced in August 2004 and is now used by 85 per cent of customers. Take-up could be increased if customers were required to opt out of the service rather than opt in. In contrast, only 4 per cent of learner drivers applied for a provisional driving licence online in 2006-07. This service has only been available since April 2006. Of those customers who initiate their application for a provisional driving licence electronically, many, some 92 per cent, are unable to complete the transaction electronically.⁶ Transactions are often incomplete because applicants do not have a digital passport or a credit record and so cannot prove their identity online. The Driver and Vehicle Licensing Agency provides guidance to users on the reasons for incomplete online transactions and which further documents they need to send to prove identity. If other online checks to validate identity were possible, however, this may increase the completion rate and improve take-up. The Department and the Agencies are pursuing such opportunities.

13 Between April 2006 to September 2007, around one in ten car tax transactions could not be completed electronically. Transactions can be incomplete for a range of reasons including: incorrectly entered information; lack of insurance cover or a current MoT Test, which can be a particular problem where renewal dates are the same or close together; or where payment by card is not authorised. The Department has an agreement with the Motor Insurers' Bureau to ensure prompt updating of the insurers' database.

14 In 2006-07, around 60 per cent of transactions using the commercial vehicle operators amendment service added or removed vehicles from licences online, while 25 per cent used the service to change address details or the names of directors, for example. The Vehicle and Operator Services Agency's own research suggests that it needs to publicise its services to encourage take-up and to make it easier for customers to carry out some amendments as customers found them difficult to make and preferred the traditional direct contact and paper-based methods. The Agency intends to publicise the service more widely once it has redesigned the online screens used by customers.

⁶ Based on data from April 2006 to September 2007.

15 Take-up of electronic purchases of car tax or statutory off-road notifications, for the first six months of 2007-08, was around 33 per cent and there is scope to increase it further. Vehicle keepers are required to display a paper tax disc if the vehicle is used on the road and the police rely on this as an immediate visual clue about whether or not the law is being broken.⁷ In August 2007 the Driver and Vehicle Licensing Agency introduced a pilot scheme to allow customers to renew their car tax online up to 25 days before expiry. Previously customers could not renew their car tax, either electronically or at the Post Office, more than 15 days before their existing licence is due to expire. Online customers need to wait five working days for the new disc to arrive by post, leaving only a 10 working day period during which they could purchase the car tax disc. If the pilot scheme is successful, allowing customers to purchase the disc in the 25 day period before expiry is likely to encourage further take-up. In addition the Chancellor's Pre-Budget Report announced that from 1 September 2008 the requirement to display an up-to-date tax disc at all times will be waived for the first five working days following re-licensing. This will allow extra time for the disc to arrive.⁸

16 Data security falls outside the scope of this report and was therefore not part of our investigations. However, following the Cabinet Secretary's announcement of a review of data across Government, the Secretary of State for Transport, the Rt. Hon. Ruth Kelly MP, made a statement to Parliament on 17 December 2007 about measures she was taking to improve the security of personal data. She also provided details about a security breach earlier in 2007 relating to the loss of personal, but not financial, data by a private contractor of the Driving Standards Agency. The Secretary of State announced a series of measures to ensure that transactions of this nature were conducted more effectively and efficiently in the future, and to provide greater assurance to the public. Subsequently, on 21 December 2007, the Driver and Vehicle Licensing Agency announced a short term failure of its secure internet connection in relation to its online driver licensing system. The Department and the Agencies have informed the Information Commissioner of these incidents. If, as a result of these incidents, the conclusions and recommendations contained in this report are affected, we will review the need to revisit the recommendations and notify Parliament as necessary.

Overall conclusion

17 The Agencies' investment of some £60 million in new technology to improve access and delivery of five of these services, and their further investment in the services for booking and taking the driving theory test, have made the services easier and quicker for customers to access and less burdensome to use.⁹ After taking account of the development cost, the services should also lead to savings of at least £33 million but to achieve these take-up must increase and some aspects of the services must improve.

Recommendations

18 We recommend that the:

Driver and Vehicle Licensing Agency should:

- a** evaluate, as planned, its pilots on replacing paper reminders for car tax with e-mails for those customers that want them, and on allowing customers to purchase tax online up to 25 days before expiry, to assess whether they represent value for money and are affordable. If so, it should consider extending these services to customers (paragraphs 3.5 and 3.10);
- b** explore the potential and practicality for validating identity using the Department for Work and Pensions' electronic Customer Information System, to help reduce the rejection rates for first time applicants for driving licences (paragraph 3.3);
- c** undertake research into whether there is a case to end the use of the paper tax disc where enforcement of car tax can be done through access to electronic data (paragraph 3.12); and
- d** inform customers when they cannot complete an electronic application for car tax because the Motor Insurers' Bureau database shows that their car is not insured, so that when renewing their insurance, customers can remind their insurance company to update the database (paragraph 3.4).

⁷ See Appendix 5 for the views of the Association of Chief Police Officers on the need for a paper tax disc.

⁸ 2007 Pre-Budget Report and Comprehensive Spending Review, paragraph 5.91.

⁹ The investment and benefits figures in this paragraph exclude the services for booking and taking the driving theory tests, which are run by an external contractor. Development of the electronic aspects of these services was included in the contract for running these services as a whole and the benefits were not separately identified.

Driving Standards Agency should:

- e** encourage all customers with a photocard provisional licence to use the automatic upgrade unless there are valid personal reasons not to do so (paragraph 3.13).

Vehicle and Operator Services Agency should:

- f** make it easier for commercial vehicle operators to amend their details online, in consultation with customers. The Department for Transport and the Traffic Commissioners, in conjunction with the Agency and stakeholders, should investigate the impact of extending the electronic service to include new licence applications, leading to further potential staff savings of around £2.4 million a year, whilst recognising that there may be circumstances where electronically produced evidence may be unacceptable and the source of such evidence needs to be validated, for legal reasons (paragraph 3.14).

All Agencies should:

- g** work with the Department for Transport to examine the scope to give customers a wider range of options to pay, in addition to debit and credit cards, such as direct debit, subject to the systems being practical, affordable and value for money (paragraph 3.6);
- h** have in place thorough benefit realisation plans and a full estimation of the costs at the outset and maintain these as the work progresses (paragraphs 2.14–2.18);
- i** evaluate all current and future electronic service delivery projects on completion and disseminate the lessons to other teams (paragraph 2.19);
- j** identify services where a significant proportion of electronic transactions cannot be completed electronically, to help identify where improvements to the service might be needed (paragraphs 3.3 and 3.4); and
- k** following the Cabinet Secretary's current review of data security and given that concerns about security may prevent potential customers from using online services, all agencies should strengthen data security where necessary and inform customers of the steps that are taken to protect their personal data where appropriate (paragraph 16).

The Department for Transport should:

- l** when the Agencies are tendering contracts for customer services which include the development of an electronically delivered service, recognise in its procurement guidance the potential value of a high-level breakdown of costs and benefits for that service, to help inform the award of the contract. Such guidance might incorporate advice available through the National Audit Office Value for Money Public Services Toolkit (paragraph 2.11).¹⁰

Other Government Departments in developing electronic access to their services should follow the Agencies' example in implementing the good practice which was also identified in the Comptroller and Auditor General's report on "Delivering Successful IT Projects"¹¹, in:

- m** staged launches which allow organisations to test their services and iron out any teething problems (paragraph 2.11);
- n** low publicity or "soft launches" to allow customers to decide for themselves whether the new service is preferable to the previous one. This enables organisations to gauge customers' reactions to the new service and design ways to increase take-up accordingly (paragraph 2.11);
- o** consulting customers in the development of the services so that new electronic services are easy to use and meet users' requirements (paragraph 2.10); and
- p** prioritising the introduction of services by determining the dependencies between the different projects to help identify priorities and resource allocation (paragraph 1.3).

¹⁰ Advice is available at www.nao.org.uk/psd_toolkit/index.asp.

¹¹ HC 33, Session 2006-07.

PART ONE

The aims of electronic services

The context and scope of the electronic service delivery programme

1.1 The Driver and Vehicle Licensing Agency, the Driving Standards Agency and the Vehicle and Operator Services Agency, provide services, including issuing driving and vehicle licences and conducting driving tests for some 42 million drivers, the keepers of 36 million vehicles, 100,000 commercial vehicle operators and 19,000 authorised MoT businesses in Great Britain. The Driver and Vehicle Licensing Agency is also responsible for collecting Vehicle Excise Duty, which raised £5.0 billion in 2006-07. The Agency works with a range of stakeholders, such as the police, to enforce collection of this Duty. The Agencies are part of the Department for Transport's Safety, Service Delivery and Logistics Group (see Figure 1 overleaf). The combined expenditure of all of the three Agencies' operations in 2006-07 was some £823 million.¹²

1.2 Traditionally, private and commercial customers accessed the Agencies' services by a variety of means including:

- by post, for example an application for a provisional driving licence;
- in person, at, for example, the Post Office or a local Driver and Vehicle Licensing Agency office to buy a car tax disc;
- by phone, such as to book or amend a driving test.

At the end of the 1990s, the three Agencies started to use new technology such as the internet and automated telephone systems to improve access and delivery of their new services.

The aims of the One Stop Service Strategy

1.3 In 2003 the three Agencies and the Department for Transport drew these developments together into a coordinated set of initiatives – known as the One Stop Service Strategy. This identified services which the Agencies could make available electronically and through two customer facing portals designed for private and for commercial customers; and investigated the technical feasibility and economic desirability of doing so. Representatives from the Department and the three Agencies oversaw the Strategy, which prioritised services and identified dependencies, with each Agency responsible for delivering its own services. The Strategy was influenced by:

- the Government's target to make all services capable of being delivered electronically by 2005;¹³
- the Government's intention that services delivered by information technology are designed around the citizen or business, not the provider, and made available through modern, co-ordinated delivery channels;¹⁴
- the need to reduce costs, linked to Spending Review 2004 and the Gershon efficiency agenda; and
- the changing expectations of citizens about how they engage with government.¹⁵

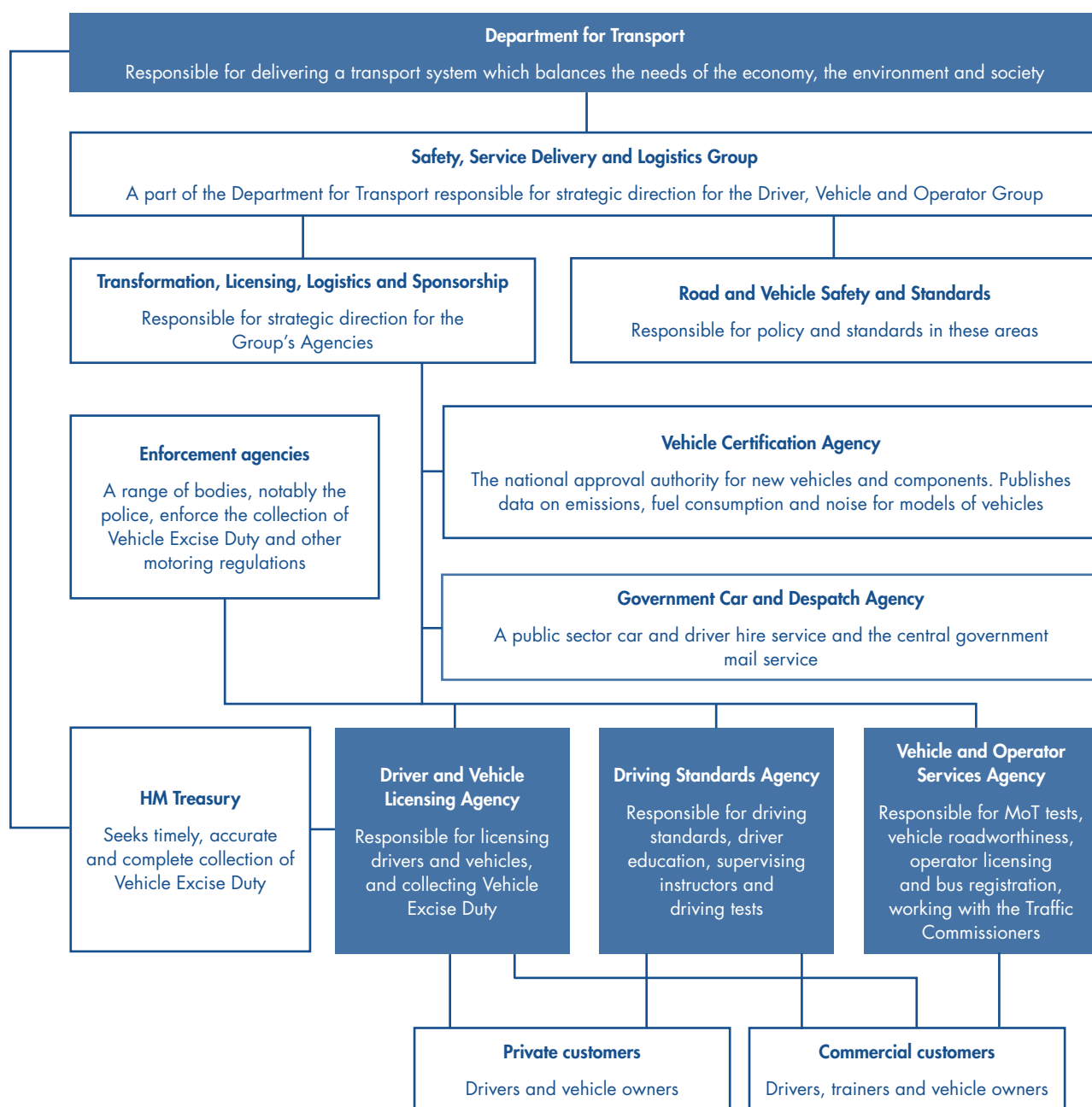
¹² Driver and Vehicle Licensing Agency. Annual Report and Accounts, 2006-07, Page 68, Total operating expenditure, £488 million; Driving Standards Agency, Annual Report and Accounts, 2006-07, Page 56, Annual expenditure £150 million; Vehicle and Operator Services Agency, Annual Report and Accounts, 2006-07, Page 52, Annual expenditure £185 million.

¹³ Written Answers, Ian McCartney MP, Minister for the Cabinet Office, Hansard, Col 203W, 30 March 2000.

¹⁴ *Transformational Government, Enabled by Technology*, Cabinet Office, Cm 6683, November 2005.

¹⁵ Citizens' expectations are set out in *Service Transformation A better service for citizens and businesses, a better deal for the taxpayer*, Sir David Varney, December 2006.

1 Relationships between the Department for Transport, the driver, vehicle and operator Agencies and related stakeholders



Source: National Audit Office

NOTE

The Vehicle Certification Agency and the Government Car and Despatch Agency were not examined in this report.

1.4 The Agencies' objectives are to deliver services through methods that:

- are customer-focused, providing convenience and a reasonable degree of choice that allows access from all types of customers;
- make it easier for the citizen to comply, for example in paying car tax; and
- are efficient for the driver, vehicle and operator agencies to deliver by encouraging customers to make maximum use of self-service means of accessing its services.

1.5 The Agencies have a joint target to process 60 per cent of their transactions electronically by 2007-08. The Driver and Vehicle Licensing Agency has a target that the proportion of customer transactions that could be completed electronically is at least 64 per cent by March 2008. The Vehicle and Operator Services Agency aims to increase the range of electronic services available to customers. The Driving Standards Agency's target for electronic take up of its practical driving test booking service for cars is 64 per cent by 2007-08.

What the Agencies did to introduce electronic services

1.6 The Agencies have so far made 15 key services directly available to customers electronically including the six services examined in this report (a full list of the services is set out in Appendix 1):

- applying for a provisional driving licence;
- booking driving tests (for both practical and theory);
- taking the driving theory test;
- upgrading from a provisional to a full driving licence;
- buying car tax and making Statutory Off-Road Notifications; and
- changing commercial vehicle operators' records.¹⁶

1.7 Another 12 key services are not yet available electronically including: claiming a car tax refund, changing the details on a vehicle registration document and notifying changes of registered keeper when buying or selling a vehicle. The Agencies plan to investigate the technical and economic feasibility of making more of these services available electronically over the next few years.

Scope of our examination

1.8 The six services covered in this report were selected on the basis of being services that new and regular motorists and vehicle operators are most likely to use or services representing large projected benefit or substantial investment (£60 million for five of the services) (**Figure 2 overleaf** and Appendix 2).¹⁷ Five of the services also offer a choice between electronic or traditional forms of access (the driving theory test is only available electronically). Between them, the six services handled some 54 million customer transactions in 2006-07, of which some 12.6 million were electronic. Across all their key services, as listed in Appendix 1, the Agencies handled a total of 124 million customer transactions in 2006-07.¹⁸

1.9 We examined the extent to which the Agencies have achieved benefits for their customers and themselves in implementing these services (Part 2). Part 3 looks at what further progress is possible. Our methodology is explained in more detail in Appendix 3. Stakeholder responses are summarised in Appendix 4. This report does not examine the impact of the electronic delivery programme on the effectiveness of the Agencies' operations, such as road safety, compliance or evasion.

¹⁶ Some services, such as the practical driving test and MoT Tests for commercial vehicles are not suitable for electronic service delivery.

¹⁷ The cost of developing electronic services for booking and taking the driving theory test cannot be identified separately as they are subsumed in the Driving Standards Agency's contract with Pearson Vue for providing these services.

¹⁸ Transactions are defined as where there is a change to a customer's record.

2 Driver, vehicle and operator Agencies' electronic services examined in this report

Service

Applying for a provisional driving licence The Driver and Vehicle Licensing Agency invested £5.2 million in an online application system which went live in December 2005 and was made generally available to the public in April 2006. Learner drivers can still send in a paper application with supporting documentation to the Agency. Four per cent (40,000) of 1 million transactions in 2006-07 were initiated electronically.

Booking a driving test The Driving Standards Agency invested a total of £3.3 million in electronic systems for booking and amending practical driving tests (£2.1 million in developing an online system and £1.2 million in developing an automated telephone system). These services were introduced in phases between December 2001 and October 2003. Learner drivers can still book a driving test by telephoning the Agency, or by sending a paper-based form if they wish. The electronic theory test booking service was introduced in December 2001.¹ Some 63 per cent (1 million) of the 1.6 million theory test bookings and 54 per cent (1.2 million) of the 2.2 million practical test bookings in 2006-07 were made electronically.

Taking the driving theory test The Driving Standards Agency replaced its paper-based theory test with a computer-based test in January 2000.¹ Some 1.5 million theory tests were taken in 2006-07.

Upgrading from a provisional to a full driving licence The Driving Standards Agency and Driver and Vehicle Licensing Agency invested £1.3 million in scanning equipment and a database so that learner drivers can give the provisional licence to the examiner at the end of the practical driving test and receive a full licence automatically without completing further paperwork.

The Driver and Vehicle Licensing Agency removed the separate upgrade fee to enable completion in a single automated stage. This service became available in August 2004. Learner drivers can still send the provisional licence with a form to the Agency if they wish. Some 85 per cent (740,000) of the 870,000 applications in 2006-07 used this new service.

Buying car tax or declaring Statutory Off-Road Notification

The Driver and Vehicle Licensing Agency invested nearly £40 million to develop online and automated telephone services for renewing car tax, where insurance and MoT checks are carried out automatically using links to databases, or making a Statutory Off-Road Notification. Some 17 per cent (7.5 million) of the 45.3 million transactions in 2006-07 were performed electronically using these services.² The services were phased in between February 2004 and April 2007, when all MoT records became available electronically. Applicants can still go to the Post Office with a completed form, evidence of insurance and MoT if they wish.

Changing commercial vehicle operators' records The Vehicle and Operator Services Agency invested nearly £11 million so that lorry and bus operating businesses can check licence details; add and remove vehicles from their licence; track progress of licence applications; amend names of directors and business addresses; and pay licence related fees through the Agency's website. These services became available between April 2004 and January 2006. Lorry and bus operators can still make such amendments using paper-based forms or through telephone calls to the Agency. Some 54 per cent (196,000) of the 366,000 transactions in 2006-07 were made using the electronic service.

Source: National Audit Office analysis of driver, vehicle and operator agency data

NOTES

1 This service is run by an external contractor. Development of the electronic aspects of this service was included in the contract for running the service as a whole but was not separately identified.

2 These transactions exclude those made by operators of fleets of 1,000 vehicles or more and by approved vehicle dealers.

PART TWO

Achievements of the Agencies' electronic services

Progress in delivering electronic services

2.1 In this part, we assess the extent to which the Agencies have achieved benefits from their investment in new technology for the six services covered by this report. Specifically, we examine:

- take-up of the services against targets and forecasts;
- the extent to which services have improved for customers; and
- delivery of benefits to the Agencies and to other stakeholders.

Take-up levels

2.2 The Agencies have a joint target to process 60 per cent of all their transactions electronically by the end of 2007-08. For the year 2006-07, the Department calculates that 67 per cent of transactions were conducted electronically, made up of:

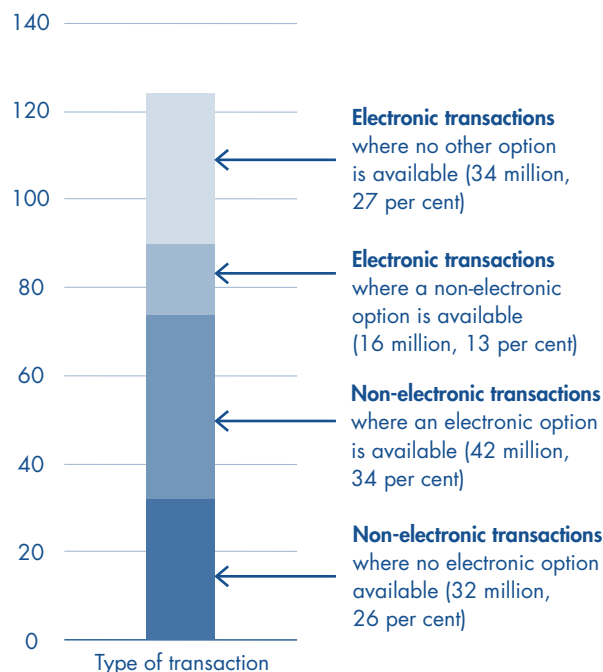
- 67 million transactions that can only be carried out electronically (the driving theory test; Post Office notifications of tax disc purchases to the Driver and Vehicle Licensing Agency; and garages' notifications of MoT Test results to the Driver and Vehicle Licensing Agency); and
- 16 million transactions that were for services, such as buying car tax, driving test bookings, amendments to commercial operator information and full driving licence upgrades, where customers can choose between electronic or more traditional options.

In effect, the Department's measure counts all car tax purchases as electronic. If, however, only electronic transactions directly between citizens and the agencies are considered, 50 million out of the total 124 million transactions (40 per cent) were conducted electronically (**Figure 3**).

3 Proportions of Agency transactions carried out electronically and non-electronically for 2006-07

124 million transactions in total, split between electronic and non-electronic as shown below:

Number of transactions (millions)



Source: National Audit Office

NOTE

Appendix 1 lists the individual services where electronic transactions are possible.

2.3 The Department and the Agencies propose to work to increase the percentage take-up of those electronic services where the customer can choose how to access the service. As shown in **Figure 4**, data for 2006-07 show that the Driving Standards Agency is exceeding its targets for electronic bookings of both the theory and practical driving tests; and the Driver and Vehicle Licensing Agency is close to meeting its forecast for automatic upgrades to a full driving licence. Take-up for the car tax service is somewhat below the target and take-up for the application for a provisional driving licence service falls short of its original forecast by a substantial margin (Figure 4).

Improvements to services for customers

2.4 We assessed each of the six services to establish whether there had been improvements in:

- customer satisfaction;
- availability, accessibility and ease of use of services;
- turnaround times; and
- the range of services available.

The results of our analysis are summarised in **Figure 5**.

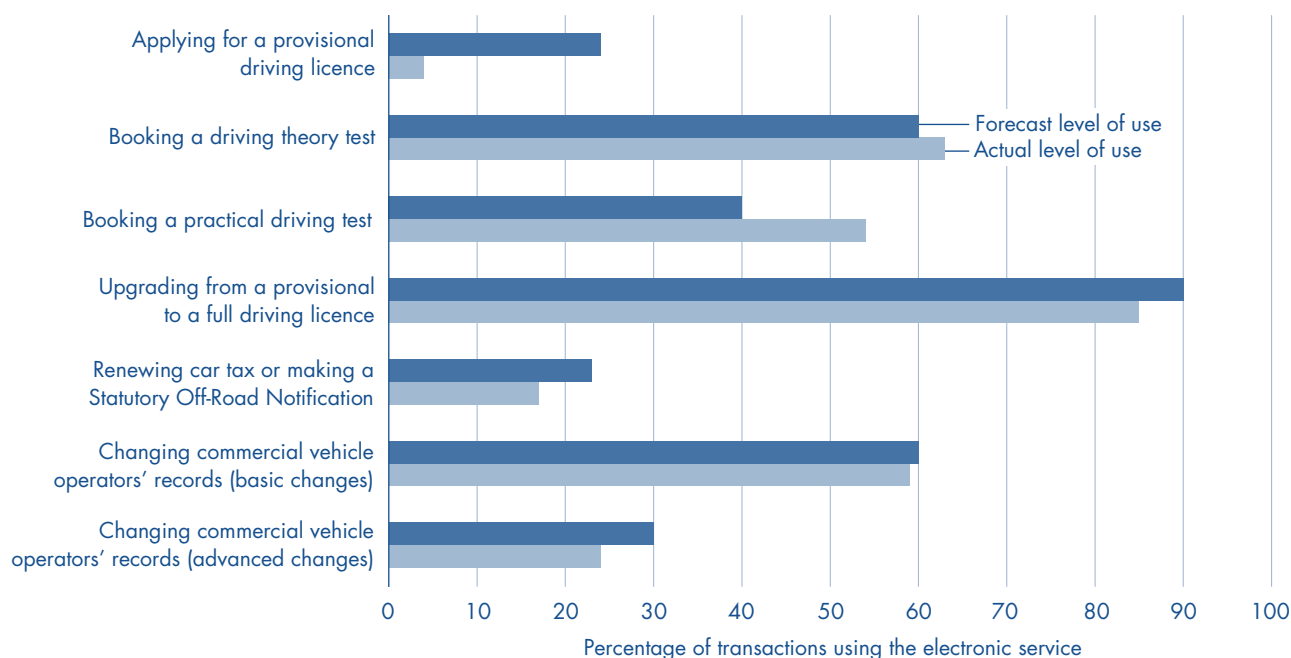
Customer satisfaction levels

2.5 The Agencies' customer surveys show that satisfaction levels are high for all of the services that we examined and that there is little difference between the experiences of customers who access services electronically or by more traditional means. These results are supported by our consultation with driver, vehicle and operator stakeholders who were positive about the new services, considering them to be generally accessible and user friendly (see Appendix 4). Agency surveys in 2006 show that:

- 93 per cent of customers who paid their car tax either online or using the automated telephone service were satisfied with level of service received. Virtually the same rating was given by those using the Post Office (94 per cent);¹⁹

4 Customer take-up levels for the electronic services examined in this report compared to Agency forecasts

Electronic service



Source: National Audit Office analysis of driver, vehicle and operator agencies data

NOTE

Data cover the period April 2006 to March 2007.

¹⁹ These results are based on a survey of 1,271 private motorists carried out by ORC International in 2005-06.

5 Assessment of electronic services against customer benefits evaluative criteria

Criteria	Electronic service							
	Applying for a provisional driving licence	Booking a driving test:		Taking the theory driving test	Upgrading from a provisional to a full driving licence	Buying car tax	Changing commercial vehicle operator records:	
		Theory test	Practical test				Basic changes	Advanced changes
Are a high proportion of customers satisfied?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Is the service available 24/7?	Yes	Yes	Yes ¹	N/A	N/A	Yes	Yes	Yes
Are disability discrimination accessibility standards met?	Yes	Yes	Yes	Yes	Yes	Yes	No ²	No ²
Is the service easy to use?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Have turnaround times improved?	Yes	Yes	Yes	Yes	Yes	Yes ³	Yes	Yes
Are there new functions?	Yes	Yes	Yes	Yes	N/A ⁴	Yes	Yes	Yes

Source: National Audit Office analysis of driver, vehicle and operator agency data

NOTES

1 Currently this service offers two levels of response. For 18 hours a day the customer receives an immediate confirmation of booking. Between midnight and 6 a.m. the customer applies for the test online and receives booking confirmation by email the next working day. The Driving Standards Agency plans to make the immediate service available 24/7, although as the volume of out of hours transactions is low, this is not a high priority.

2 The Agency plans to apply latest standards by April 2008.

3 The vehicle is taxed as soon as the transaction is completed online, therefore the turnaround is faster than at the Post Office. From 1 September 2008 the requirement to display a tax disc at all times will be waived for the first five working days following re-licensing (see paragraph 3.5.).

4 This service was not designed to increase the range of services.

Key: N/A = not applicable.

- 88 per cent of candidates applying for their provisional licence were satisfied. Some 11 per cent of applicants surveyed applied online and 96 per cent of those were satisfied with the quality of service received;²⁰
- satisfaction with booking the driving theory test was high (97 per cent). The internet was the most popular method for booking the theory test (67 per cent of those surveyed used this route) and is the method with which candidates are most satisfied (98 per cent);²¹
- of those booking their practical test online, 95 per cent were satisfied with the service; a similar proportion to those using the phone service;²²
- 91 per cent of operators amending their commercial vehicle records online were satisfied with the service.²³

20 These results are based on a survey of 1,778 driving test candidates carried out by Ipsos MORI in January 2007. Of those candidates, 999 had applied for a provisional driving licence in the past two years.

21 These results are based on a survey of 1,778 driving test candidates carried out by Ipsos MORI. Of those, 1,235 candidates had booked their most recent theory driving test themselves.

22 These results are based on a survey of 1,778 driving test candidates carried out by Ipsos MORI. Of those, 589 booked their practical driving test themselves. Of those, 423 booked it online.

23 The Vehicle and Operator Services Agency survey was carried out by Ipsos MORI in July and August 2006 with a sample size of 700 operators.

Availability, accessibility and ease of use

2.6 We found that:

- four of the services were more widely available to customers. Whereas the traditional over-the-counter route for buying car tax, for example, is available only when the Post Office is open, those with internet access can use the equivalent online service 24 hours a day, every day of the year;
- for the 18 months between April 2006 and September 2007, the six electronic services we examined were available for at least 98 per cent of the time, except for the provisional driving licence application service (available for at least 95 per cent of the time between April and September 2007) and the changes to commercial operators' records service (available for at least 89 per cent of the time between April 2006 and March 2007);
- five of the six electronic services comply with international disability access guidance and so are accessible to disabled users.²⁴ Whilst the Vehicle and Operator Services Agency's service allowing commercial vehicle operators to amend details of their records complied with the standards for disabled users when it was introduced, standards have since changed. The Agency plans to apply the latest standards by April 2008, once it has redesigned the online screens used by customers;
- customers were broadly positive about the service allowing commercial vehicle operators to amend their records online, but raised concerns about the ease of carrying out some of the advanced amendments (such as adding and removing vehicles and adding and removing operating centres, transport managers and directors); and
- the use of new technology has led to services which offer greater convenience than their traditional counterparts. For example, customers buying their car tax or making an off road notification online do not have to present insurance and MoT documents for physical inspection. And, when upgrading a provisional driving licence to a full licence, customers need only hand over the provisional licence to the examiner at the end of the driving test, removing the need for any additional paperwork.

Turnaround times

2.7 In many instances, the turnaround time for electronic services is also quicker (Figure 6) as customers no longer have to queue at a Post Office or Agency local office, or wait for the Agency to process the transaction or for

the results to be delivered by post. Customers using the Vehicle and Operator Services Agency electronic commercial vehicle operators' service, for example, can add or remove a vehicle from their operator's licence in seconds rather than the 14 days it could potentially take using the traditional route. Learner drivers can book a driving test or change the date of a previously booked test instantly online rather than waiting to speak to a call operator. Although customers applying for their car tax online need to wait for up to five days while the paper tax disc is sent through the post, they save the time they would otherwise have had to spend looking for MoT and insurance certificates, travelling to and from the Post Office, and queuing up.

Additional services

2.8 Although the Agencies did not design all the new services to increase the range of functions available to customers, some nevertheless have added functions, including:

- Driver and Vehicle Licensing Agency customers can check online whether the details held about them as drivers (providing they have previously used the online drivers' services) and the vehicles for which they are the registered keeper are correct;
- driving theory test customers can practise the test online in advance;
- the driving theory test is also more rigorous, as it includes an assessment of hazard perception which was not previously available; and
- commercial vehicle operators can access a range of supporting explanatory material more easily.

Use of customer research to inform the design of electronic services

2.9 The Driver and Vehicle Licensing Agency and the Driving Standards Agency use of customer research was an important factor in developing the services to meet customers' needs. For example, the Driver and Vehicle Licensing Agency used focus groups, surveys and user testing to help design its online services. The Driving Standards Agency used a similar approach for its online driving test bookings service and uses customer feedback gathered through mystery shopping and analysis of online usage patterns to develop its services. This revealed problems with "lost" bookings, for example, and led to a change in the location of the "save" button for online bookings and clearer guidance to customers on the need to "save" changes.

²⁴ The W3C guidelines have been produced by the Web Access Initiative, an international scheme to promote accessible website development. The guidelines were designed to ensure that the needs of a wide range of disabled people are taken into account, rather than focusing on the needs of one group of disabled people.

6 Comparison of driver, vehicle and operator agency electronic service turnaround times with traditional methods of delivery

Service	Traditional turnaround time ¹	Electronic turnaround time ¹
Applying for a provisional driving licence	3 weeks	Once transaction completed online, up to 8 days to wait for licence to arrive
Booking a driving test:		
Theory test	2 weeks (postal)	Results immediate
Practical test	2 weeks (postal)	Results immediate
Taking the driving theory test	Results in 2 weeks	Results immediate
Upgrading from a provisional to a full driving licence	15 days	6 days
Buying car tax	13 days by post or 7 minutes at the counter, plus queuing and travelling time to and from the Post Office	Once transaction completed electronically, up to 5 days to wait for disc to arrive
Changing commercial vehicle operators' records:		
Basic changes	3 days (including time for documents to arrive by post)	3 days (including time for documents to arrive by post)
Advanced changes	Up to 9 weeks ²	Up to 8 weeks ²

Source: National Audit Office analysis of driver, vehicle and operator agency data

NOTES

1 Turnaround times are based on available data for 2006-07 and 2007-08.

2 These turnaround times allow a mandatory two week period for the customer to provide the necessary paper evidence required by the Traffic Commissioners, a further three week statutory period of objection and administrative time for Traffic Commissioner decisions.

2.10 Both agencies also used a phased approach to introducing the services which allowed them to make full use of customer feedback:

- The Driver and Vehicle Licensing Agency launched the online car tax service by making it available initially to certain invited customers and then extending it to the public, but without publicising this availability. This allowed the Agency to use customer feedback to develop and further refine the system and to help ensure it was robust before it was used by greater numbers of customers.
- In introducing the online test booking service, the Driving Standards Agency split the service into six stages. It introduced the first three stages (basic bookings, amendments to bookings and block bookings) for the theory test in phases and introduced the same three stages for practical test bookings. The Agency did not publicise the availability of the services until it was satisfied that they were running effectively.

2.11 Phasing in these services avoided the risks of overloading new systems and ensured that the Agencies were able to develop systems that users wanted. It is in line with the good practice identified in the Comptroller and Auditor General's report "Delivering Successful IT Projects" in particular in selling the benefits to users and winning the support of wider stakeholders.²⁵

Delivery of benefits to the Agencies

2.12 We assessed whether the Agencies have delivered benefits to their businesses from the investment, examining whether:

- financial benefits are likely;
- transaction costs have decreased;
- the Agencies had been able to introduce more efficient processes; and
- there had been other benefits as a result of the investment.

Our findings are summarised in **Figure 7 overleaf**.

25 HC 33 Session, 2006-07.

7 Assessment of delivery of business benefits

Criteria	Electronic service ¹					
	Applying for a provisional driving licence	Booking a practical driving test	Upgrading from a provisional to a full driving licence	Buying car tax	Changing commercial vehicle operator records: Basic changes	Advanced changes
Have financial savings been identified?	Yes	Yes	Yes	Yes	Yes	Yes
Was there an actively managed benefits realisation plan?	No	No	No	Yes	No ²	No ²
Are unit costs cheaper than non-electronic transactions?	Yes	Yes	Yes	Yes	Yes	Not yet
Have Agencies considered re-engineering processes?	Yes	Yes	Yes	Yes	Yes	No
Are there other benefits?	Yes	Yes	Yes	Yes	Yes	Yes

Source: National Audit Office analysis of driver, vehicle and operator agency data

NOTES

1 The services for booking and taking the driving theory tests are run by an external contractor. Development of the electronic aspects of these services was included in the contract for running the service as a whole and the benefits were not separately identified.

2 A detailed benefits plan was produced when these services were launched in 2003 but there is no evidence of any active management or review of the plan until project closure. A separate initiative, centralisation of operator licensing, is now responsible for realising benefits for these services.

Financial savings

2.13 We saw the business cases for five electronic services. The services for booking and taking a driving theory test are run by an external contractor (Pearson Vue). Development of the electronic aspects of these services was included in the contract for running the services as a whole. The Driving Standards Agency undertook a competitive bidding process for these services and transferred the financial costs and benefits of delivering the service to the successful supplier. Good practice suggests it can be helpful to consider a high-level breakdown of costs and benefits for the development of proposed services to help inform the award of the contract. The latest forecasts of financial benefits for the other services are shown in **Figure 8**. Financial savings across the services were expected to come from:

- termination of a fast keying contract to input driving test result data, removal of the need to manually analyse test results and savings in staff numbers to process licence upgrades;
- reducing the number of driving test bookings made through call centres, leading to staff reductions;

- reducing the fees paid to the Post Office for handling car tax renewals; and
- centralising the commercial vehicle operators' licence function and reducing the number of staff.

2.14 The benefits are to be achieved over several years, such as reduced payments by the Driver and Vehicle Licensing Agency to the Post Office for the administration of car tax renewals and reduced staffing to administer applications for provisional driving licences. Savings are starting to come through in some electronic services:

- The Vehicle and Operator Services Agency has reduced staff processing time and, between 2004-05 and 2006-07, contributed to a saving of 77 full-time equivalent staff issuing and managing operator licences. The Agency has saved a further 58 posts following centralisation of the licensing function with seven more due to be saved by April 2008.
- The Driving Standards Agency has reduced the number of call centres from two to one and the number of staff in call centres from 212 to 132.

8 Costs and forecast benefits of the electronic services examined in this report

Service	Cost of developing the electronic service (2007-08 prices)	Forecast of net financial benefits ¹ (2007-08 prices)
Applying for a provisional driving licence	£5.2 million	£22.3 million ²
Booking and amending a practical driving test	£3.3 million	£4.7 million ³
Upgrading from a provisional to a full driving licence	£1.3 million	£1.1 million
Buying car tax	£39.5 million	£3.9 million
Changing commercial vehicle operators' records (basic and advanced changes)	£10.8 million	£1.1 million
Total	£60.1 million	£33.1 million

Source: National Audit Office analysis of driver, vehicle and operator agency data

NOTES

1 Forecast financial benefits are based on the estimated future savings of the service less the cost of development (over 12 years for the Driver and Vehicle Licensing Agency; over 10 years for the Vehicle and Operator Services Agency; and over 5 years for the Driving Standards Agency).

2 This figure estimates net financial benefits for the Driver and Vehicle Licensing Agency's wider Drivers Re Engineering Project of which the application for a provisional driving licence service is a part. This is an intermediate case figure from within a range of £9.8 million to £28.7 million in the original business case. The Agency has not identified separately the benefits for the application for a provisional driving licence service.

3 This figure consolidates forecast financial benefits for the practical test booking and the practical test booking amendments systems. It excludes customer benefits valued by the Driving Standards Agency at £3.8 million, the level of fee increase that would have been required to fund extended contact centre opening hours if the online option had not been available.

2.15 In some cases, estimates of benefits have been revised since they were first evaluated, for example:

- in the case of the provisional driving licence, the Driver and Vehicle Licensing Agency recognised its proposal to re-engineer all of its licensing services were not practicable. The Agency is now focusing on streamlining its paper-based processes following the introduction of the electronic service;
- for car tax, the financial benefits were recalculated to account for changes in the fees charged by the Post Office and revised forecasts of take-up;
- some services were delivered later than planned. In most cases the delay was less than one year, but the commercial vehicle operators service was delayed by almost three years; and
- costs of implementation increased in the online amendment of vehicle operators' records service from £7 million to £9 million.

2.16 The savings in Figure 8 are to some extent underestimates because costs include expenditure on computer systems that would have been required even if the Agencies had not made these services electronic. For example, the amount spent on the Vehicle and Operator Services Agency's changing of commercial vehicle operators' records electronic service includes spending on

the Traffic Area Network modernisation programme.²⁶

The Department has not been able to identify accurately and remove such costs from these cost calculations. In addition, the benefits may be understated because they do not include any estimates of savings, in relation to time and convenience, for individuals and businesses.

2.17 Departmental guidance in achieving the benefits of investment projects recommends that Agencies should accompany their project implementation plans with appropriate benefits delivery or realisation plans. We reviewed the benefits realisation plans for the six services against good practice. We found that, at the time of our review, only the buying of car tax service had an actively managed, sufficiently thorough, complete and up to date benefits realisation plan in place at the outset. All three Agencies have now sought to put benefits realisation processes in place in line with Departmental guidance.

2.18 Though post project evaluations were undertaken for the first phase of the Vehicle and Operator Service Agency's electronic commercial vehicle records service and the Driving Standards Agency's automated driving licence upgrade service, neither of these evaluations revisited the economic appraisal supporting the investment. At the time the National Audit Office's study was undertaken, post-project evaluations had not been carried out for any of the other electronic services

²⁶ The Traffic Area Network modernisation programme redesigned the Vehicle and Operator Services Agency's systems for licensing, compliance and finances.

we examined. The Driver and Vehicle Licensing Agency is, however, revisiting its economic appraisals for the car tax and the drivers' re-engineering services, of which the first provisional driving licence application service is a relatively small part, on a regular basis to confirm that the economic benefits still outweigh the costs.

Transaction costs

2.19 Figure 9 shows the differences in Agency costs between electronic transactions and the traditional delivery methods for the six services based on the current levels of take-up. It shows that in all cases it is cheaper for the Agencies to carry out electronic transactions, although transaction costs have not been compiled on a consistent basis between each Agency.

Making processes more efficient

2.20 The introduction of electronic services has given the Agencies the opportunity to redesign their administrative processes and make them more efficient. For example, the Vehicle and Operator Services Agency has modernised its approach to processing changes to goods and public service vehicle operator records. These largely paper-based processes were previously performed at six Traffic Area Offices situated around the UK. They are now centralised at the Agency's operator licensing offices in Leeds. Licensing centralisation in the Agency has resulted in savings of 58 full-time equivalent staff with a further seven to be saved by April 2008. This will result in a total saving of £1.6 million a year by April 2008.

2.21 In 1999, the Driving Standards Agency planned to automate the process by which it notified the Driver and Vehicle Licensing Agency of practical driving test results, to allow the automatic issue of a full driving licence. As part of this initiative, the Driving Standards Agency explored the potential of using a mobile computer device to capture data during the test. The Agency concluded that such an approach was not practicable with the available technology despite an extensive review of the possible options. It has, instead, established a centralised in-house facility in Newcastle to scan and validate the results of driving tests, which are sent there in paper form, into a computerised system. This system then automatically notifies the Driver and Vehicle Licensing Agency that evening of the details of drivers who have passed their driving tests so that a full driving licence is issued. This allows the Driver and Vehicle Licensing Agency to handle the resulting transactions completely electronically.

Additional benefits for the agencies and other stakeholders

2.22 All six services have delivered wider business benefits. For example, better management information is now available to the Driving Standards Agency which can monitor the performance of individual driving test centres and examiners using the test results data generated by the service to upgrade provisional to full licences. Before this, managers had to compile such performance information from manual records. Better information for stakeholders is available through the Vehicle and Operator Services Agency's electronic access system, which is part of its commercial vehicle operators' electronic service. The system allows partners, such as local authorities, to check whether vehicle operators hold a valid operator's licence.

9 Comparison of Agency transaction costs for electronic services and traditional delivery methods

Service ¹	Transaction cost (2007-08 prices)	
	Traditional delivery method (£)	Electronic service (£)
Applying for a provisional driving licence ²	6.98	3.58 ⁵
Booking a practical driving test ³	5.38 ⁶	2.21
Upgrading from a provisional to a full driving licence ²	5.42	3.40
Buying car tax or making a Statutory Off-Road Notification ²	1.27	0.93
Changing commercial vehicle operators' records (basic and advanced changes combined) ⁴	33.64	4.47

Source: National Audit Office analysis of driver, vehicle and operator agency data

NOTES

- 1 The services for booking and taking a driving theory test are run by an external contractor. The Driving Standards Agency does not have data on the transaction costs of the booking service. The theory test is only available electronically.
- 2 The figures for this service are for staff resource costs and other direct costs associated with delivery.
- 3 The figures for this service are for staff resource costs, other direct costs and depreciation of set up costs.
- 4 The figures for this service are for staff resource costs and make certain assumptions about staff attendance and efficiency.
- 5 This cost refers to a one stage application, where the transaction is completed electronically. Where the transaction cannot be completed electronically, a two-stage application, the transaction cost is £7.96.
- 6 The traditional delivery method is booking the driving test using the Driving Standards Agency's telephone call centre.

PART THREE

Areas for further development

3.1 As shown in Part 2, the Agencies have improved services and customers are starting to see some benefits to their businesses from the investment in new technology. There is scope, however, to improve further the services offered to customers and to increase efficiency within the Agencies as a result of this investment.

Improving services

3.2 We identified issues with some of the services which may discourage users from choosing the electronic option and so act as a barrier to increasing take-up. These centered around incomplete transactions; restrictions to access; payment options; and call charges for queries. The impact of increasing the take-up of electronic services could be substantial. For example, the Driver and Vehicle Licensing Agency estimates that if the proportion of motorists buying their car tax or making a Statutory Off-Road Notification online increased by 10 percentage points, from current levels of around 34 per cent to 44 per cent, it could reduce its costs by around £4 million a year. The Agency estimates that a similar 10 percentage point increase in online applications for a provisional driving licence, from 10 per cent to 20 per cent, could reduce its costs by around £300,000 a year.

Incomplete transactions

Provisional driving licence applications

3.3 The process for issuing the provisional licence is summarised in **Figure 10 overleaf**, which shows that there is a high rate of transactions (92 per cent) that cannot be completed electronically.²⁷ Of those applications started electronically, 31 per cent are not completed at all.²⁸ The main problems occur with trying to confirm electronically the identity of applicants, many of whom are teenagers,

but who currently need either a credit record or a digital passport to complete the process online. Those who cannot prove their identity in either of these two ways have to print off the form and submit it by post with supporting documentation. More young people could complete the application online if the Driver and Vehicle Licensing Agency was able to check the applicant's identity against data held in the Department for Work and Pensions' customer database.²⁹ As well as reducing take-up for the service and causing frustration among customers, the low level of transactions completed electronically (less than 10 per cent of those driving licence applications initiated electronically during the first six months of 2007-08) means that the financial savings for the Agency are likely to be lower than originally forecast.

Buying car tax

3.4 Around one in ten electronic car tax transactions were also incomplete over the 18 month period April 2006 to September 2007. Transactions can be incomplete for a range of reasons including: incorrectly entered information; lack of insurance cover or a current MoT Test, which can be a particular problem where car tax and insurance renewal dates are the same or close together; or where payment by card is not authorised. The Department has an agreement with the Motor Insurers' Bureau to ensure prompt updating of the insurance database. By January 2008 the target in the agreement will be tightened to 95 per cent of mandatory policy and vehicle records being updated within seven days. The Motor Insurers' Bureau provides a facility – askmid.com – which allows motorists to check whether their vehicle is on the insurance database. If it is not, the Bureau encourages customers to contact their insurance provider. The Driver and Vehicle Licensing Agency will make reference to this facility on its car tax electronic service from the start of 2008.

²⁷ April 2006 to September 2007.

²⁸ June to November 2007.

²⁹ If the Department's database is used only as a checking service, such as whether a person has a legitimate National Insurance number, explicit statutory authority is not required.

10 Summary of process for applying for a provisional licence online



Source: National Audit Office analysis of driver, vehicle and operator agency data

The application for a provisional licence is, for most customers, their initial contact with the Driver and Vehicle Licensing Agency. Customers can apply by filling in and submitting an online form accessed via the Directgov website. The Agency then checks an applicant's identity by accessing their credit record and a corresponding photo and signature from the Passport Service (although this is only possible for people with digital passports). If this step is successful the application can proceed as a fully electronic transaction. This is known as a one-stage application and makes up almost 10 per cent of all electronic applications.

Where a one-stage application is not successful, the transaction reverts to a two-stage application using the additional form and possibly additional documentation. The applicant must print the form from the website and return it to the Agency within 28 days of the initial transaction.

Where the two-stage applicants fail to send the required form and information within 28 days the application is rejected and a refund issued. The current rejection rate is 31 per cent. No reminder is sent out to encourage customers to complete their transaction.

Making the car tax online service more accessible

3.5 While customers can access the electronic car tax service 24 hours a day, seven days a week, customers could not, until recently, renew their car tax until 15 days before the existing licence was due to expire. Customers need to allow up to five working days for the new disc to arrive, in effect this means that there is only a 10 working day period in which the new car tax disc can be applied for. In August 2007 the Driver and Vehicle Licensing Agency introduced a pilot scheme to allow customers to renew their car tax online up to 25 days before expiry. If the pilot is successful, allowing customers to purchase the disc in the 25 day period before expiry should encourage further take-up. In addition the Chancellor's Pre-Budget Report announced that from 1 September 2008 the requirement to display an up to date tax disc at all times will be waived for the first five working days following re-licensing. This will allow extra time for the disc to arrive.³⁰

Increasing the options for payment

3.6 The payment method for all services accessed electronically is by credit or debit card. The Driver and Vehicle Licensing Agency and HM Treasury have discussed the scope for providing direct debit payment facilities to the public for car tax, though no agreement has been reached about the details for implementation. The Department, and the Driver and Vehicle Licensing Agency, should continue

to examine the feasibility of allowing the payment of car tax by direct debit and establish a business case in terms of value for money and affordability. As well as being convenient for customers, such a change would also save the Agency money by removing the need to post reminders to customers to re-license their vehicle. We estimate this would save 15p on each transaction. If all electronic service users who currently pay through debit or credit cards paid through direct debit instead the saving would be some £2 million a year.

Reducing call charges

3.7 Customers using a contact centre following a problem with the electronic service can currently pay higher phone charges. At the moment, the Driver and Vehicle Licensing Agency and the Driving Standards Agency use 0870 numbers for their customer contact centres and the automated telephone service to buy car tax. These calls are charged at a higher rate than normal geographic numbers and the Agencies use the income earned to offset the fees charged for services. Both the Agencies intend to follow OFCOM guidance and move to new 0300 numbers intended for public bodies and not-for-profit services. Calls to these numbers will cost the same as calls to geographic numbers (beginning 01 or 02). The cost of dialling 0300 numbers will depend on customers' service providers and will range from nothing up to 3.5p a minute. In addition, the Agencies will be charged a fee for every call.

³⁰ 2007 Pre-Budget Report and Comprehensive Spending Review, paragraph 5.91.

3.8 During 2007-08, with respect to car tax only, the Driver and Vehicle Licensing Agency expects to deal with some 11 million calls to its automated telephone services. The forecast income from the rebates for these calls is around £1.4 million for this year, less the costs of handling these calls. Following the introduction of 0300 numbers, the Agency has budgeted to pay £200,000 for taxation calls in 2008-09. The move to 0300 numbers will cost the Driving Standards Agency around £800,000 a year in lost revenue. The Driving Standards Agency has budgeted to pay £176,000 for customer calls in 2008-09. When the Agencies move to 0300 numbers, they will have to consider either putting up fees to recover the lost revenue or obtaining revenue from other sources.

Raising customer awareness of services

3.9 All of the Agencies launched their services initially without publicity. This had advantages in that it tested the level of demand for the services and allowed technical problems to be ironed out before the systems had to cope with larger volumes of transactions. Since launching its electronic services, the Driving Standards Agency has used publicity and marketing successfully to promote further take-up. For example, publicity for the electronic test booking service includes leaflets, posters, magazine articles and presentations. These approaches have helped electronic bookings of the theory test rise from 39 per cent in January 2005 to 71 per cent by June 2007. Similarly, electronic booking of practical tests rose from 30 per cent in January 2005 to 67 per cent by June 2007. The Driver and Vehicle Licensing Agency is also starting to promote the car tax service more widely to encourage take-up, including considering the use of incentives such as monthly prize draws for people using the service. Once the problems outlined above with the application for a provisional licence are resolved, the Agency intends to publicise the service more widely to help increase take-up. The Vehicle and Operator Services Agency intends to publicise its service more widely once it has redesigned the online screens used by customers.

Increasing the benefits for Agencies

Electronic reminders

3.10 The next phases of the Driving Standards Agency's test booking service will introduce the facility for multiple bookings for trainers and confirmation of appointment by emails. The Agency is taking this opportunity to withdraw confirmation letters, which should realise savings on postage and stationery estimated at £480,000

a year. Electronic reminders or notifications would offer an effective, and economic, way for the Driver and Vehicle Licensing Agency to remind vehicle keepers to renew their car tax. The Agency is carrying out a pilot in November 2007 to send e-mail reminders to customers due to re-license in December and who have submitted their e-mail address details in a previous car tax transaction. If the pilot is successful, represents value for money and is affordable, it could be extended to customers who wish to receive reminders by e-mail. We estimate that if this option were available to customers it could save the Agency some £324,000 a year less the cost of its introduction.

Making internal processes more efficient

3.11 For the automated upgrade to a full driving licence service, examiners enter test results manually on a paper form. These results are then sent by mail to a central Driving Standards Agency office for scanning and then sent electronically to the Driver and Vehicle Licensing Agency to allow the issue of a full driving licence. The Driving Standards Agency estimated that the financial saving from a particular electronic system to record practical driving test results at the time of the test, thus removing the non-electronic part of the process, was £650,000 a year. The cost of a new electronic system is likely to exceed this figure at present. The Agency has considered the potential of several electronic options. The most promising was a digital pen and paper solution. But the Agency considered that the business risk of this option – only one manufacturer could supply the digital pen and paper – outweighed any potential benefits. In view of the potential financial savings offered by removing the scanning stage from the process, and the improved turnaround time for customers, the Agency is continuing to keep under review alternative options, such as touch screen notebook computers or personal data assistants, for recording information electronically during a driving test and to assess the costs against the potential savings.

3.12 For the electronic car tax service, the abolition of the need for the paper tax disc would mean that customers would not need to wait for the disc to arrive, a potential disincentive to using the service. This has the potential to save the Agency £4.8 million each year in stationery costs, plus further savings in distribution to the Post Office and the Agency's Local Office network, and in reduced handling of duplicate disc requests. One of the important benefits of the paper disc, though, is that it allows the police to see readily whether a vehicle is legally licensed. The car tax database could provide law and other enforcement authorities with more accessible, complete and reliable data on vehicle and

driver licensing details. Three police forces in England, all Welsh and Scottish Police Forces, the Courts Service and Her Majesty's Revenue & Customs are trialling an electronic system that enables them to access instantaneously drivers' licensing details.³¹ This access could be extended to vehicle data in a similar way in the future. The Department, in conjunction with the Driver and Vehicle Licensing Agency, would need to agree any decision to withdraw a paper licence with the police, who are responsible for enforcing compliance with the relevant law. The Association of Chief Police Officers currently considers that withdrawal of the tax disc would not be a sensible measure (more details of their views are set out in Appendix 5). In looking to make such a major change, the Agency would also need to recognise the risk of any potential for increases in evasion of Vehicle Excise Duty.³²

Withdrawal of non-electronic services

Driving Standards Agency

3.13 The closure of traditional, paper-based delivery methods is not a practical option for most services to private customers because of the potential social exclusion issues. The upgrading of the provisional licence to a full one at the end of the practical driving test could, however, be further encouraged. Take-up rates for this service are already high at some 85 per cent. The most common reasons customers give for not using the service are that; it was not offered (although the Driving Standards Agency requires this service to be offered to all successful candidates); they preferred to do it themselves; or they wanted to keep their existing licence for identification purposes. Around five per cent of customers have paper licences and so cannot use the automatic process as the Driver and Vehicle Licensing Agency does not have the photograph needed for the electronic upgrading process. By publicising the electronic service's faster turnaround time for issue of the full licence, the Driving Standards Agency may be able to overcome this problem.

Vehicle and Operator Services Agency

3.14 The Vehicle and Operator Services Agency has plans in place to make amending commercial vehicle operators' details through its website more user-friendly. The Agency is, however, unable to operate a fully electronic service because, for legal reasons, the Traffic Commissioners may require paper evidence for new applications for operator licences. The Agency estimates that if paper evidence requirements were substantially removed, the need for manual interaction in the application process would reduce accordingly, which in turn could lead to savings from staff reductions estimated at some £2.4 million a year. There will, however, be circumstances in which electronically produced evidence, such as bank statements and signatures, may be unacceptable and where the source of such evidence needs to be validated.

All Agencies

3.15 Although the Department for Transport does not have a policy on making electronic services mandatory for commercial users, such an approach has precedents elsewhere in government. HM Revenue & Customs, for example, is aiming for the universal electronic delivery of business tax returns by 2012.³³ The 2006 Carter review of HM Revenue & Customs was supportive of the move to make use of electronic services a requirement rather than an option.³⁴ The driver, vehicle and operator Agencies are looking to move to the virtually complete use of electronic channels for commercial customers. The Driving Standards Agency, for example, is considering making the electronic practical test booking service compulsory for the block booking of tests by commercial users, such as driving schools.

³¹ The three police forces are: North Wales, Strathclyde and Staffordshire.

³² The estimated loss of Vehicle Excise Duty on the 2006-07 Account was 5 per cent (£217 million), an increase from 3.6 per cent in the prior year and significantly higher than the Agency's targets of 2.9 per cent by 31 January 2007 and 2.5 per cent by 31 December 2007 (see paragraph 3, *Vehicle Excise Duty 2006-07 Accounts*, C&AG's Report, part of HC800, July 2007).

³³ HM Revenue & Customs, Departmental Report, *Integrating and growing stronger*, Spring 2007, p23.

³⁴ *Review of HMRC Online Services*, March 2006, Lord Carter of Coles.

APPENDIX ONE

Extent of electronic services offered by the driver, vehicle and operator agencies

	Electronic service available?	Extent of electronic service delivery ¹	Number of transactions (2006-07)	Number (and proportion) of electronic transactions (2006-07)	Number of transactions (First half of 2007-08)	Number (and proportion) of electronic transactions (First half of 2007-08)
Driving Standards Agency service						
1. Booking driving tests:	Yes	Optional				
Book driving theory test			1,580,000	990,000 (63 per cent)	1,165,000	860,000 (74 per cent)
Book practical driving test			2,180,000	1,184,000 (54 per cent)	1,340,000	880,000 (66 per cent)
Amend practical driving test			1,270,000	423,000 (33 per cent)	805,000	315,000 (39 per cent)
2. Theory Test	Yes	Non-optional	1,520,000	1,520,000 (100 per cent)	1,165,000	1,165,000 (100 per cent)
3. Upgrading provisional to full driving licence	Yes	Optional	870,000	738,000 (85 per cent)	500,000	425,000 (85 per cent)
		Total	7,420,000	4,855,000 (65 per cent)	4,975,000	3,645,000 (73 per cent)
Driver and Vehicle Licensing Agency service						
1. Apply for a driving licence	Yes	Optional	995,000	40,000 (4 per cent)	550,000	55,000 (10 per cent)
2. Request duplicate driving licence	Yes	Optional ²	1,030,000	n/a ²	590,000	75,000 (13 per cent)
3. Application for a replacement driving licence	Yes	Optional ²	2,510,000	n/a ²	1,340,000	70,000 (5 per cent)
4. Exchange driving licence to new style	Yes	Optional ²	1,030,000	n/a ²	525,000	20,000 (4 per cent)
5. Renew over 70 driving licence	Yes	Optional ²	1,300,000	n/a ²	655,000	1,000 (0.2 per cent)
6. Notification of death and cancellation of driving licence	No	n/a	120,000	n/a	60,000	n/a
7. Buy car tax or Statutory Off-Road Notification ³	Yes	Optional	49,320,000	11,105,000 (23 per cent)	25,985,000	8,540,000 (33 per cent)
8. Request duplicate tax disc	No	n/a	230,000	n/a	145,000	n/a
9. Vehicle tax refund	No	n/a	3,730,000	n/a	1,970,000	n/a

	Electronic service available?	Extent of electronic service delivery ¹	Number of transactions (2006-07)	Number (and proportion) of electronic transactions (2006-07)	Number of transactions (First half of 2007-08)	Number (and proportion) of electronic transactions (First half of 2007-08)
<i>Driver and Vehicle Licensing Agency service continued</i>						
10. Provide details of an unlicensed vehicle	No	n/a	120,000	n/a	50,000	n/a
11. Request duplicate vehicle registration documents	No	n/a	1,495,000	n/a	720,000	n/a
12. Change of details on vehicle registration documents	No	n/a	13,210,000	n/a	6,870,000	n/a
13. Notify sale/purchase of vehicle to/from a motor trader	No	n/a	5,665,000	n/a	2,885,000	n/a
14. Notification of seriously damaged vehicle	Yes	Optional	530,000	520,000 (99 per cent)	355,000	350,000 (98 per cent)
15. Notification of destruction	Yes	Optional	170,000	25,000 (14 per cent)	26,000	4,800 (18 per cent)
16. Certificate of destruction	Yes	Optional	720,000	720,000 (100 per cent) ⁴	400,000	400,000 (100 per cent) ⁴
17. Sale of marks	No	n/a	205,000	n/a	110,000	n/a
18. Cherished transfers	No	n/a	520,000	n/a	295,000	n/a
		Total	82,900,000	12,410,000 (15 per cent)	43,531,000	9,515,800 (22 per cent)
<i>Vehicle and Operator Services Agency service</i>						
1. Changing commercial vehicle operators records (basic amendments)	Yes	Optional	305,000	180,000 (59 per cent)	142,000	87,000 (61 per cent)
2. Changing commercial vehicle operators records (advanced amendments)	Yes	Optional	65,000	16,000 (25 per cent)	32,000	9,500 (30 per cent)
3. MoT computerisation	Yes	Non-optional	32,605,000	32,605,000 (100 per cent)	18,430,000	18,430,000 (100 per cent)
4. Commercial vehicle MoT test bookings and payments ⁵	No	n/a	790,000	n/a	525,000	n/a
5. Commercial vehicle MoT test history maintenance reports	No	n/a	20,000	n/a	12,000	n/a
6. Bus service registration ⁵	No	n/a	15,000	n/a	7,000	n/a
		Total	33,800,000	32,801,000 (97 per cent)	19,148,000	18,526,500 (97 per cent)
<i>Source: Driver and Vehicle Licensing Agency, Driving Standards Agency and Vehicle and Operator Services Agency</i>						

NOTES

1 Some electronic services require further development before they are fully automated. For example, Phase 3 of the Driving Standards Agency's Internet Booking Service, which will enable Approved Driving Instructors and driving schools to block book practical driving test slots for their clients, is not scheduled to be delivered until 2008.

2 This has been available as an electronic service since June 2007 but has not yet been officially launched to the public.

3 This service includes buying car tax and first registration and licensing of a vehicle. In 2006-07, customers renewed over 46 million car tax discs and almost 9 million of these (19 per cent) were purchased as an electronic transaction.

4 Virtually all these transactions are electronic but a small number are keyed manually.

5 An electronic version of this service is under development.

APPENDIX TWO

Summaries of the electronic services examined by the National Audit Office

1 Summaries of the six electronic services examined in this report are set out below along with the benefits achieved so far and the opportunities for future benefits, as follows:

- A Applying for a provisional driving licence
(Driver and Vehicle Licensing Agency)
- B Booking a driving test (theory and practical)
(Driving Standards Agency)
- C Taking the driving theory test
(Driving Standards Agency)
- D Upgrading from a provisional to a full driving licence
(Driving Standards Agency and Driver and Vehicle
Licensing Agency)
- E Buying car tax or Statutory Off-Road Notification
(Driver and Vehicle Licensing Agency)
- F Amendments to commercial vehicle operators'
records (Vehicle and Operator Services Agency)

A Applying for a provisional driving licence (Driver and Vehicle Licensing Agency)

The electronic service

- Customers are able to apply online for their provisional driving licence rather than by post.
- Provided that an applicant has a UK passport with a digital photograph, and the applicant's identity can be verified through electronic cross checks of the Identity and Passport Service's database and a database held by a private sector credit reference agency, they can complete their application online (the Driver and Vehicle Licensing Agency refers to such applications as one-stage applications). The Agency is able to use the applicant's photograph and signature from the Identity and Passport Service's database on the licence. If the applicant is not a passport holder, or the Agency is unable to confirm the applicant's identity electronically, then the applicant has to print out the application form and post it and any other supporting documentation, such as a birth certificate, to the Agency, together with a photograph if required, for processing (referred to as a two-stage application).
- This online service is part of the Agency's wider Drivers Re-Engineering Project, which aims to: replace the Agency's old computer systems that store information on drivers; deliver efficiency improvements through the redesign of business processes and the elimination of paper handling; and enhance services to customers and partners by making them available online.

Date of launch

- The online service became available on a trial basis in December 2005 and became fully available from April 2006, but has not yet been formally launched or publicised.
- Since June 2007, four further electronic services have become available as part of the Driver's Re-engineering Project: change of address on driving licence; requesting duplicate driving licences; exchanging paper driving licences for the new photocard licence; and renewal of driving licences for drivers aged over 70.

Set-up costs

- The set-up costs were £5.2 million (see Figure 8).
- The marketing and promotional costs between April 2005 and November 2007 were £380,000.

Unit costs

- The unit cost to the Agency of an online application is £3.58 for a one stage application or £7.96 for a two-stage application, compared to £6.98 for postal applications.

Take up and customer satisfaction

- Of the one million provisional driving licence issues during 2006-07, just over 40,000 (4 per cent) were initiated through the electronic channel against a target of 24 per cent. Of these, less than 10 per cent of online licence applicants (4,000) were able to complete a one-stage application.
- The delay in formally launching and publicising the electronic service, and actively encouraging take up, is because the Agency wants to ensure the infrastructure is sufficiently reliable and it has resolved difficulties in verifying applicants' identities. Where an electronic application cannot be completed online, applicants are given 28 days to send forms and supporting documentation to the Agency. In such cases, around 70 per cent of applicants go on to complete the transaction.
- The Driving Standards Agency's 2007 survey of candidates found that 11 per cent of those candidates who applied for a provisional driving licence in the past 24 months had applied online. 96 per cent of those who used the online service found it easy to use compared to 88 per cent who found the postal application method easy to use.
- Based on turnaround time performance data for 2007-08, it typically takes one to two days to issue a driving licence for one-stage applicants; and around eight days, from receipt of a completed application form for two-stage applicants. This compares with three weeks for the postal transaction.
- The application for a provisional driving licence service was available for 97.9 per cent of 2006-07 and for 95.2 per cent of the first 6 months of 2007-08.

Delivery of financial savings and other benefits to the Agency

- The Drivers Re-Engineering Project was expected to contribute to cost savings amounting to £2.5 million in 2007-08, rising to £9 million a year in 2013-14, and a headcount reduction of 185 full time staff by March 2008. These savings were to be made possible through business process efficiencies and allowing customers to access the Agency's services without the need for staff intervention.
- As a consequence of low levels of take-up, and many customers having to complete the transaction by post, efficiency savings are lower than projected at the outset of the project and the planned headcount reduction for the Re-Engineering Project as a whole has been reduced to 41 full-time equivalent staff by March 2008 and 185 by March 2009.

A Applying for a provisional driving licence (Driver and Vehicle Licensing Agency) *continued*

	Re-engineering benefits	Other benefits
Current	<ul style="list-style-type: none"> The full electronic service application process is less expensive to the Agency than its postal counterpart, as it removes the need for paper handling. However, those online applications that go through the two-stage process are more expensive than the purely postal alternative. Although the staff resource needed for the two-stage transaction is reduced, the key additional costs arise from transaction charges from Information Broker (78p), Government Gateway (7p) and credit card charges (averaging 25p). 	<ul style="list-style-type: none"> Easier service for customers, if they can complete the transaction online. More accurate and up to date information about drivers as customers are able to view their own record details subsequently. More up to date data for partners such as the police.
Future opportunities	<ul style="list-style-type: none"> Revising identity verification rules and tolerances to enable more applicants to pass through the first stage application process without compromising the effectiveness of the checks. Gaining access to other electronic government databases – such as the Department for Work and Pensions' electronic customer information system – to help verify an applicant's identity. This would reduce external information checking costs and increase the success rate of one-stage transactions. 	<ul style="list-style-type: none"> Offering applicants the option to have completed online forms posted to them rather than printing them off. Sending emails or text messages to applicants who are passed to the second stage of the online application process to remind them to submit completed forms and supporting documentation to the Agency within 28 days.

B Booking a driving test (theory and practical) (Driving Standards Agency)

The electronic services

- Customers can book and amend practical and theory driving tests online or through automated telephone services, rather than booking tests by post or through existing non-automated telephone call centres.

Date of launch

- Customers have been able to book theory tests online since December 2001. Since January 2003, customers can also check, amend or cancel their test bookings online. The third phase of the theory test electronic booking service, to enable driving test instructors to block book theory tests, went live in November 2003.
- Customers have been able to book practical driving tests online since December 2003. From July 2005, customers have been able to amend booked details or cancel an existing booking to invoke a refund.
- The Agency launched an Automated Speech Recognition telephone booking system in June 2004 to allow customers to change their practical driving test date.

Set-up costs

- The set-up costs for the practical test booking service (allowing customers to book and amend test dates online) were £2.1 million for developing an online system and £1.2 million for developing an automated telephone system (see Figure 8).
- The costs of setting up and running the online booking service for theory tests form part of the Driving Standards Agency's contract with its supplier, Pearson Vue. The Agency did not identify these costs separately in the contract.
- The total marketing and promotional costs since 2004 were £23,000.

Unit costs

- The unit cost to the Agency of an electronic booking of a practical driving test is £2.21 compared to £5.38 for a booking through the non-automated telephone call centre.
- Excluding the fixed element of the contract (valued at £27 million), Pearson Vue charges the Driving Standards Agency £15.24 per car or motorbike test.

B Booking a driving test (theory and practical) (Driving Standards Agency) *continued*

Take up and customer satisfaction

- Almost 2.2 million practical driving tests were booked in 2006-07, of which 1.2 million, 54 per cent, were booked online. In the same year, customers made 1.3 million changes to booking details of which 423,000, 33 per cent, were made electronically.
- Levels of take-up for the online practical driving test booking service are above the target of 40 per cent for 2006-07.
- In 2007, 96 per cent of respondents to the Driving Standards Agency's customer satisfaction survey expressed satisfaction with booking online compared to 94 per cent using the Agency's non-automated telephone call centre.
- Almost 1.6 million theory driving tests were booked in 2006-07, of which 63 per cent were booked online, exceeding the Agency's 60 per cent target for 2006-07.
- Seven out of ten candidates book their theory test themselves. Satisfaction with booking the theory test is 97 per cent. The internet is the most popular method for booking the theory test (67 per cent) and is the method with which candidates are most satisfied (98 per cent).
- The theory test internet booking service was available for 98.9 per cent of 2006-07 and for 98.9 per cent of the first 6 months of 2007-08.

- The practical test internet booking service was available for 99.8 per cent of 2006-07 and for 99.0 per cent of the first 6 months of 2007-08.

Delivery of financial savings and other benefits to the Agency

- Introduction of the internet booking service was expected to lead to staff savings amounting to £190,000 in 2004-05, rising to £580,000 a year in 2008-09 through, for example, headcount reductions in call centre staff as take-up of the electronic service increased.
- Electronic booking of driving tests has reduced the number of Driving Standards Agency call centres handling queries from two to one.
- The financial savings from operating the computerised theory test and online booking service form part of the Driving Standards Agency's contract with the supplier, Pearson Vue, and have not been identified separately.
- Wider business benefits from operating the electronic services include more and better management information about candidates and their test results.

Re-engineering benefits

Current

- The introduction of electronic services to book and amend practical driving test details has helped reduce the number of Driving Standards Agency telephone call centres, from two to one.

Future opportunities

Other benefits

- Enhanced customer choice and service.
- Reduced waiting times to confirm the time, date and location of driving test bookings.
- Better management information.
- Extend the practical driving test service to allow electronic bulk booking for driving schools and individual driving instructors.
- If the practical test bulk booking service is of a good quality, the Agency could make use of this service compulsory for business users.
- Use incentives for individual learner drivers to push electronic take-up beyond current levels.

C Taking the driving theory test (Driving Standards Agency)

The electronic service

- The computerised driving theory test replaced the Driving Standards Agency's paper based theory test.

Date of launch

- The driving theory test was introduced in 1996 and is currently contracted out to Pearson Vue who provide the theory driving test centres and the testing facilities.
- The computerised touch-screen driving theory test was introduced in January 2000. Candidates take the test at one of Pearson Vue's 161 test centres.

Set-up costs

- The costs of setting up and running the computerised driving theory test service form part of the Driving Standards Agency's contract with the supplier, Pearson Vue. The Agency did not identify these costs separately in the contract.

Unit costs

- Excluding the fixed element of the driving theory test contract (valued at £27 million), Pearson Vue charges the Driving Standards Agency £15.24 per car or motorbike test.

Take up and customer satisfaction

- Just over 1.5 million driving theory tests were taken during 2006-07.
- 94 per cent of candidates surveyed were satisfied with the theory test.
- The theory test systems for the delivery of the theory test were available for 99.8 per cent of 2006-07 and for 99.8 per cent of the first 6 months of 2007-08.

Delivery of financial savings and other benefits to the Agency

- The financial savings from operating the computerised theory test form part of the Driving Standards Agency's contract with the supplier, Pearson Vue.
- Wider business benefits from operating the electronic service include more and better management information about candidates and their test results.

Re-engineering benefits

- | | |
|----------------------|--|
| Current | <ul style="list-style-type: none"> ■ The paper-based theory test has been fully computerised and has made enhancements, such as the hazard perception test, possible. |
| Future opportunities | <ul style="list-style-type: none"> ■ N/A |

Other benefits

- Reduced waiting times as the results of the test are known immediately following the test.
- Better management information.
- None identified.

D Upgrading from a provisional to a full driving licence (Driving Standards Agency and Driver and Vehicle Licensing Agency)

The electronic service

- This service is a joint initiative between the Driving Standards Agency and the Driver and Vehicle Licensing Agency to enable the automated upgrading of a customer's provisional driving licence following a practical driving test pass.
- Rather than apply for a full driving licence by post, successful practical driving test candidates can upgrade their provisional driving licence automatically by handing it over to the driving test examiner. The test examiner retains and destroys the provisional licence and transmits the pass confirmation to a central Driving Standards Agency office which inputs the test result onto the Agency's Road Safety Information System. Once the data is input on the System, it is automatically transmitted to the Driver and Vehicle Licensing Agency which then issues a full driving licence to the successful candidate.

Date of launch

- The Driver and Vehicle Licensing Agency issued the first automatically upgraded driving licence in August 2004.

Set-up costs

- The set-up costs were £1.3 million (see Figure 8).
- The marketing and promotional costs in 2004-05 were £54,000

Unit costs

- The unit cost to the Agencies of a driving licence upgraded automatically is £3.40 compared to £5.42 for the postal alternative.

Take up and customer satisfaction

- Almost 870,000 licences were upgraded in 2006-07, of which 740,000 (85 per cent) were through the electronic route. This is slightly below the Agencies' expectation for 2006-07 of 90 per cent. There is a similar electronic channel for the Ministry of Defence which tests its own drivers and the Driver and Vehicle Licensing Agency issues around 35,000 licences each year for these in addition to the Driving Standards Agency transactions.

Delivery of financial savings and other benefits to the Agencies

- The business case for the automated provisional licence upgrade service identified staff savings and efficiencies amounting to £360,000 in the first year of operation, 2004-05, rising to over £940,000 a year after 2006-07.
- Savings were realised through, for example, the termination of the Driving Standards Agency's fast keying contract to input driving test results data and savings in staff at the Driver and Vehicle Licensing Agency to process licence upgrades.

Re-engineering benefits

Current

- The project enabled the Driver and Vehicle Licensing Agency to reduce the numbers of staff responsible for processing postal licence upgrade applications.

Future opportunities

- The main cost of the existing process is the scanning and validation unit based in the Driving Standards Agency's Newcastle office. The Agency is keeping under review ways to improve processes and use emerging technology instead to record and transmit results electronically.

Other benefits

- Enhanced customer service.
- A by-product of the service is more comprehensive management information about driving test outcomes and the performance of individual examiners.
- Cost savings to the Driving Standards Agency through the ending of a fast keying contract and the ending of the requirement for senior driving test examiners to manually compile management information about driving tests.

E Buying car tax or making a Statutory Off-Road Notification (Driver and Vehicle Licensing Agency)

The electronic service

- Car owners can now renew car tax, or declare their vehicle off road (Statutory Off Road Notification), online or through an automated telephone service, rather than doing so at the Post Office or a local Driver and Vehicle Licensing Agency office.
- The service is possible as MoT and insurance checks are carried out automatically using links to the motor insurance industry's Motor Insurance Database and the Vehicle and Operator Service Agency's MoT database.

Date of launch

- The service was first available, to those car owners who did not need an MOT, from February 2004. The service became fully available to all car owners in April 2007 when the MoT computerisation project was completed.

Set-up costs

- The set-up costs were £39.5 million (see Figure 8).
- The marketing and promotional costs between April 2005 and November 2007 were £945,000.

Unit costs

- The individual unit costs of buying car tax and making a Statutory Off Road Notification are set out below.

Transaction method	Car tax	Statutory Off Road Notification
Electronic	£0.97	£0.59
Post Office	£1.37	£0.42
Local Office	£3.42	£0.60
Paper form	–	£0.70

Source: Driver and Vehicle Licensing Agency

- The combined unit cost to the Agency of an electronic car tax or Statutory Off Road Notification transaction is £0.93 compared to £1.27 for payment at the Post Office and £3.11 for the Driver and Vehicle Licensing Agency local office.

Take up and customer satisfaction

- Over 45.3 million car tax discs were renewed, or Statutory Off-Road Notifications declared, in 2006-07. Of these, 7.5 million (17 per cent) were carried out electronically, somewhat below forecasts for 2006-07 of 23 per cent.
- The Agency forecasts that take up will level off at around 39 per cent of total transactions unless further measures are taken to stimulate growth.
- Some 91 per cent of customers were satisfied with the quality of service provided by the Agency when buying car tax or making a Statutory Off Road Notification. For those customers that used the online or automated telephone service, the level of satisfaction was 93 per cent, virtually the same rating given by those using the Post Office (94 per cent).
- The car tax service was available for at least 97.5 per cent of 2006-07 and for 99.3 per cent of the first 6 months of 2007-08.

Delivery of financial savings and other benefits to the Agency

- The initial business case for the electronic car tax service showed a net loss of £5.7 million but only included benefits and costs falling to the Driver and Vehicle Licensing Agency. The business case did not include, for example, wider benefits to customers, such as improved customer choice, service and time savings from not having to travel to buy car tax.
- Subsequently, the Agency revised the business case for the service to reflect, among other things, the latest outturn costs and benefits; the effect of delays in making the service fully available to all car owners (caused principally by delays in completing the MoT computerisation project); and latest projections of, for example, take-up. The effect of these revisions on the business case is that it now has a projected financial benefit of £3.9 million.

Re-engineering benefits

- | | |
|----------------------|--|
| Current | <ul style="list-style-type: none"> ■ Enhanced customer convenience, through the ability to use the service at any time, and with MoT and insurance status being checked automatically. ■ Cost savings to the Agency with the electronic transaction being cheaper than the alternatives of car tax being purchased at the Post Office or a Driver and Vehicle Licensing Agency local office. |
| Future opportunities | <ul style="list-style-type: none"> ■ Exploring the scope for operating a paperless car tax system. ■ Replacing postal reminders to customers about the expiry of car tax with electronic reminders. |

Other benefits

- More accurate and up to date information about vehicles through the electronic capture of data, at source, about vehicles.
- Establishing a computer system that is sufficiently flexible to support future developments.
- Incentives to customers to use the electronic service.
- Exploring the potential to offer additional payment channels such as direct debit.
- Extending the electronic service to vehicle fleet operators such as car rental firms.

F Amendments to commercial vehicle operators' records (Vehicle and Operator Services Agency)

The electronic service

- The service allows businesses operating heavy goods vehicles, buses and coaches to: check all their licence details held on the Vehicle and Operator Agency's commercial vehicle operators' records system; add and remove vehicles from their licence; track progress of licence applications; amend names of directors and business addresses; and pay licence related fees. The alternative is to use postal methods.

Date of launch

- The service has been available since April 2004 for straightforward transactions, and related fee payments, such as adding and removing vehicles from an operator's licence.
- From January 2006, the service was extended to include more complex variations to the operator licence such as amending the names of directors and business addresses.

Set-up costs

- The set-up costs for the basic and extended services were £10.8 million (see Figure 8).
- The Agency has budgeted £49,500 for marketing and promotion between December 2007 and March 2009.

Unit costs

- The staff resource cost to the Vehicle and Operator Services Agency of an electronically amended operator licence is £4.47 compared to £33.64 for the postal method. This calculation includes only staff costs and does not include overheads such as accommodation or computer related costs.

Take up and customer satisfaction

- The electronic service has over 33,000 registered users. Of the 300,000 basic transactions to add and remove vehicles from licences, and pay related fees, around 180,000 (59 per cent) were carried out electronically during 2006-07 against a target of 60 per cent.
- For more advanced changes using the extended electronic service, over 15,000 of the 63,000 transactions (25 per cent) were carried out electronically against a target of 30 per cent.
- The Vehicle and Operator Services Agency's 2007 survey found that 91 per cent of operators were satisfied with the Agency's operator licensing services generally. Of those surveyed who used the Agency's website to amend their licence details, 91 per cent were satisfied with the service. 54 per cent of the respondents, however, did not transact online with the Agency.

- The Agency carried out further customer research in early 2007 to help inform improvements to its online service. Though users were generally satisfied with the service, they found that some amendments, particularly those for more complex variations, were confusing and lacked clarity.
- The Agency's service standard for turning around straightforward amendments to commercial vehicle operators' records, involving the addition and removal of vehicles from operator licences, is 14 working days. Performance against this standard is measured from the date the operator either posts notification of the amendment to the Agency or notifies the Agency using the online service to the posting of a new licence to the operator. The Agency's average performance against this standard is three days for online amendments and five days for notifications received by post.
- The turnaround time service standard for more advanced changes, whether notified online or by post, is 13 weeks. The additional time is required to enable, for example, the commercial vehicle operator to provide necessary supporting documentation; where applicable, to allow a statutory period of objection; and, where required, to give the Traffic Commissioners time to reach a decision.
- The service was available for use by customers for 99.8 per cent of 2006-07 and for 99.8 per cent of the first 6 months of 2007-08.

Delivery of financial savings and other benefits to the agency

- The Agency's modernisation programme, of which this service formed part, was projected to deliver staff and efficiency savings amounting to £782,000 in 2001-02 rising to £1.8 million a year by 2004-05.
- The Agency has not reviewed the original business case to establish whether the projected benefits have been delivered. However, between 2004-05 and 2006-07, the staffing of the Agency's operator licensing function has reduced by 77 full-time equivalent staff, from 230 to 153 reflecting the modernisation programme and other Agency initiatives to deliver efficiencies. The Agency has saved a further 58 posts following centralisation of the licensing function with seven more due to be saved by April 2008.

F Amendments to commercial vehicle operators' records (Vehicle and Operator Services Agency) *continued*

	Re-engineering benefits	Other benefits
Current	<ul style="list-style-type: none"> ■ The electronic service has allowed the Agency to re-engineer its business processes. In particular, it centralised its operator licensing service in April 2007. 	<ul style="list-style-type: none"> ■ Enhanced customer service. ■ More accurate and up to date information about vehicle operators and the vehicles they operate. ■ Cost savings.
Future opportunities	<ul style="list-style-type: none"> ■ Providing an electronic bus service registration service, with benefits to local authorities and Transport Direct. ■ Greater use of electronic communication. For example, the Agency could use text messaging and emails for licence reminders. 	<ul style="list-style-type: none"> ■ Improving the electronic service, in particular the screens for more advanced licence variations, to make it more attractive to users. ■ Once the electronic service is easier to use, the Department for Transport, alongside the Traffic Commissioners, should explore the scope for making its use compulsory. ■ Extending the service's ability to work with web browsers other than Internet Explorer. ■ Providing additional online information to users such as profiles recording the operator's transaction history with the Agency.

APPENDIX THREE

National Audit Office report methodology

1 This appendix sets out the principal methods we used to collect and analyse information for the study.

2 We examined six electronic services covering the three driver, vehicle and operator Agencies. We focused on the largest and most strategically important services which represent either high volume transactions, substantial investments or were projected to realise the greatest benefits. These were:

- **applying for a provisional driving licence** (Driver and Vehicle Licensing Agency);
- **booking a driving test (for both practical and theory)** (Driving Standards Agency);
- **taking the driving theory test** (Driving Standards Agency);
- **upgrading from a provisional to a full driving licence** (Driving Standards Agency and Driver and Vehicle Licensing Agency).
- **buying car tax** (Driver and Vehicle Licensing Agency); and
- **changes to commercial vehicle operators' records** (both basic and advanced changes) (Vehicle and Operator Services Agency).

3 For each electronic service we reviewed quantitative data to establish, against a set of evaluative and good practice criteria:

- What was spent on infrastructure and setting up the service.
- Whether investment costs were recouped and over what time period.
- Take-up, availability and customer satisfaction.
- Whether forecast efficiencies, cost savings and headcount reductions had been delivered.

4 For each service reviewed, we visited the relevant agency offices (in Bristol, Leeds, Manchester, Newcastle, Nottingham and Swansea) from where it had been overseen or from which it was being operated. We examined investment appraisals and business cases. We interviewed project and service managers within the businesses, and frontline staff, to get a better understanding of the processes involved, any challenges to achieving benefits and efficiencies and how electronic services linked in with other business processes. This allowed us to develop process maps of the transactions which we used to compare with non-electronic transactions and identify any further benefits not yet being realised.

5 We consulted relevant stakeholder organisations to gain their perspective on the usability of electronic services; opportunities to develop further electronic services; and any perceived benefits or problems with the services. Details of the organisations we consulted, and a summary of responses, are set out in Appendix 4.

6 We engaged consultants (KPMG) with expertise in electronic commerce and computing-enabled business transformation. KPMG provided advice on the extent of business change achieved by the driver, vehicle and operator Agencies through the use of electronic services and the scope for delivering further efficiency gains and improvements in customer service, although without providing detailed potential costs and benefits.

APPENDIX FOUR

Stakeholder responses

1 We consulted relevant stakeholder organisations to gain their perspective on the usability of electronic services; opportunities to develop further electronic services; and any perceived benefits or problems with the services. The organisations we consulted were: the Automobile Association; the British Vehicle Rental and Leasing Association; the Motor Schools Association; the Road Haulage Association; and the Traffic Commissioners. A summary of key stakeholder responses is set out below.

2 Stakeholders raised concerns about the possible consequences of moving from services based in Post Offices to electronic services which also relied on the postal service. A postal strike, for example, could delay delivery of important documents. Documents might also be lost in the post.

3 Stakeholders considered the approach of initially launching electronic services without extensive publicity (“soft launches”) to be a positive initiative. However, the issue arose about when “soft launch” hinders the take-up of the service due to the public not being aware of it.

4 Stakeholder views on the general usability of the driver and vehicle Agencies online services were generally positive. The electronic services were considered accessible and user friendly, notably the car tax service for the single vehicle owner, although this service was less user friendly for business users who owned more than one vehicle.

5 Stakeholders fully supported making services available electronically, but maintained that non-electronic channels should also remain as an option. Most of the stakeholders’ members have internet access, yet some are reluctant to use electronic services. The main reasons for this appeared to be:

- despite having internet access people were not sufficiently confident they would be able to use it to carry out a transaction;
- concerns over the security risks associated with internet transactions;
- the convenience of existing non-electronic methods, such as over the phone.

6 Stakeholders considered that the financial savings made by the Agencies from switching to electronic services should be passed back to the consumer.

7 Stakeholders believed that there are further opportunities for Agencies to work together to provide interconnected electronic transactions, such as pre-paid accounts or a single payment account for all driver, vehicle and operator Agencies.

APPENDIX FIVE

Removal of a paper car tax disc – summary of views from the Association of Chief Police Officers

To establish the practical implications of removing the paper car tax disc, and instead rely on electronic checking of the Driver and Vehicle Licensing Agency database for vehicle and driver licensing data, we sought the views of the Association of Chief Police Officers. The Association recognises that developments in technology, and the increasing availability of and access to accurate and timely electronic data, might make the abolition of the tax disc in the future inevitable. The consensus view, however, is that we are some way from a position where adequate and sufficient technology was widely available. Until that is the case, the paper tax disc provides law enforcement agencies with an immediate visual clue about whether or not the law is being broken. Removal of the paper disc would not, therefore, in the view of the Association of Chief Police Officers, be a preferred option at this time. Reasons for this view are summarised as shown below.

Social factors

- Whilst enforcement authorities can recognise when a vehicle is unlicensed through use of technology such as Automatic Number Plate Recognition cameras, the person on the street cannot. This means the social pressure of neighbours and citizens being able to see and report an untaxed vehicle would be lost.
- If the need for a paper tax disc is removed, some people might be more inclined to risk not purchasing tax and car tax evasion would, as a consequence, increase.

Technology issues

- Current vehicle databases are not yet sufficiently fully accurate to enable 'real-time' checks.
- The technology required to carry out real time checks is not yet sufficiently developed or available to the vast majority of patrolling officers.
- There would be an increased load on the Police National Computer as officers would be compelled to check every vehicle.

Enforcement

- The paper tax disc provides law enforcement agencies with an immediate visual clue that the law is being broken, giving police officers an immediate tactical advantage over a suspect. No tax often means no MoT and no insurance.
- Vehicles being driven on false number plates would be more difficult to detect for the patrolling officer. Currently not only do offenders have to get plates made up or steal them, they have to make or steal a tax disc too.