

Project 4: Telephone (Vehicle) Relicensing Project

Project description

1. The Telephone (Vehicle) Relicensing Project is a pilot project led by the Driver and Vehicle Licensing Agency (DVLA), which is an Executive Agency of the Department of the Environment, Transport and the Regions (DETR) and one of DETR's group of the Driver, Vehicle, Operator (DVO) organisations. DVLA's primary aims are to facilitate general law enforcement and road safety by maintaining registers of drivers and vehicles and to collect Vehicle Excise Duty (VED).
2. The existing process for customers relicensing their vehicles is to take their V11 license reminder to the Post Office or their Vehicle Registration Office along with an insurance certificate, MOT certificate and payment. There is also a postal scheme which is not used a great deal. The pilot project was established to test the technical and financial feasibility of allowing a discrete set of customers to complete an application by telephone (one pilot) and over the internet (a second pilot). In the event, only the telephone relicensing pilot has been implemented – the private sector partner for the pilot on internet relicensing fell through (DVLA are now in discussions with the Post Office about this aspect). This was clearly reflected in DVLA's Implementation Plan, where they separately identified the costs and likely benefits which would arise from the telephone relicensing pilot as a stand-alone project.
3. The telephone relicensing pilot is being undertaken in partnership with Norwich Union (NU). NU are able, through their insurance venture with Ford Credit Europe (Ford Insure), to target a discrete set of customers who purchased new cars from Ford and who are due for renewal at the end of their one year's free insurance. Customers telephoning NU for reinsurance are invited to have their calls switched through to DVLA for telephone relicensing at the same time. This is possible for those calling within the two week window allowed at the end of each month for vehicle relicensing - those reinsuring outside this two week window can telephone DVLA direct later. Customers can then complete the relicensing application and pay their VED over the telephone using a credit or debit card and receive their new tax disc through the postal system. The key customer service benefits of the project are primarily the additional choice of how and where to relicense their vehicle and a time saving by relicensing by telephone.

4. A key element of the pilot is an internet link between DVLA and Norwich Union which allows DVLA to check, on-line, whether the applicant has valid motor insurance. A national insurance database will be essential for full roll-out of the project (one is being developed by the Association of British Insurers and is unlikely before 2002), but the NU link has enabled the pilot to proceed. If the project were to be rolled out to cover all vehicles (including those over three years old which require MOTs), then operators would need to be able to check MOT certification on-line. The national MOT database is planned to be introduced in 2002, but because the pilot with NU focused on its Ford Insure scheme it has provided a pool of customers with vehicles which are only a year old, thus avoiding the need for evidence of MOT certification.
5. The objectives of the project are shown in the box below, along with the risks which were identified at the Implementation Plan stage.

Objectives of the telephone relicensing project

- Provide a better, more efficient and convenient service to customers
- Improve the efficiency of data collection
- Provide alternative service delivery channels, reducing the need for customers to go to the Post Office
- Contribute to the Prime Minister's 25% target for electronic "dealings" with the public

Additional DVLA objective

- Proving the viability of new delivery channels

Additional Norwich Union objectives

- Enhance retention rates for those due for renewal with NU
- Build relationships with key government organisations
- Develop NU as a leading-edge insurance company in e-commerce and digital trading

Key risks

- That **legislation to allow physical non-production of insurance certificates** will be forthcoming (came into force from September 1999); That **links with insurance companies** are not maintained (NU link has remained solid for the pilot period, and strong interest in further development); That DVLA's **IT provider** could not meet the technical specification and deadlines required (some problems); That **credit cards** would be disallowed (this has been possible for the period of the pilot).

6. An important issue for any partnership is the need for partners to see the benefits of working together, and to feel confident that these benefits are likely to outweigh the risks or costs of doing so. As expected, the project objectives fit closely with DVLA's strategic objective, but only one of the project objectives – customer service – has a direct bearing on NU's interest in the project. Naturally, NU has been keen to participate because it can see that by extending its offer to customers (i.e. adding the vehicle relicensing option to renewal) it might help to improve retention rates and hence market share and profitability. But NU has also been keen to get in early on new e-trading initiatives which will give it an edge over its competitors and this gives it one mechanism to do so. Both partners can therefore see the potential for tangible benefits from participation, and this has played an important part in bringing them together initially and then keeping the relationship going throughout the pilot period.

Project initiation, design and specification

7. The idea of allowing customers to relicense their vehicles and pay for VED by telephone had been the subject of considerable interest and pre-development work in DVLA for some time prior to ISB being launched. As early as March 1998, a draft submission to DETR had been prepared by DVLA on the subject of electronic vehicle relicensing, and this acknowledged the Better Government agenda and the Prime Minister's target for electronic commerce. When ISB was launched in the summer of 1998, the project was seen as an obvious candidate for Invest to Save funding and a certain amount of ground had been cleared in policy and technical terms. Even though the earlier papers on the project had not gone as far as estimating costs, a considerable amount of thinking had already gone into the most appropriate options to be pursued through the pilots.
8. The anticipated costs of the telephone relicensing project at the bid stage are set out in Table 1, along with the contribution from ISB. The costs of the internet relicensing pilot are noted as a footnote to the table.

Table 1: Project costs and ISB funding for the telephone relicensing pilot		
	Total bid cost *	ISB funding **
Capital costs, including:		
- Telecoms	£88,000	£61,072
- Infrastructure (hardware)		
Revenue costs, including:		
- IT development	£212,000	£147,128
- Development staff	(over 2 years)	
- Call centre staff		
- Line rental		
- Stationery and printing		
TOTAL	£300,000	£208,200 (69.4%) **
<p>* Note: ISB funding was also granted for the proposed internet relicensing pilot. The total project costs for this pilot were £102,000 (all revenue) over two years. The estimated total cost of the entire project – both pilots – was £402,000 if they were considered separately, and £372,000 if they were undertaken in parallel.</p> <p>** The percentage of total costs met by ISB (69.4%) have been derived from the total costs at bid stage (namely £402,000) and the total ISB award (£279,000)</p>		

9. The anticipated benefits of the telephone relicensing project were set out in the bid for ISB funding and are shown in the box below. They include customer service benefits as well as data quality and efficiency savings within DVLA.

Potential benefits of the project
Benefits to customers
<ul style="list-style-type: none"> ■ More choice in where and how to make the vehicle relicensing application ■ More choice in payment methods ■ More convenient service

Benefits to DVLA

- Faster update of the vehicle license database
- Improved links with insurers, financial institutions and VI
- Faster pay over of the VED
- Possible reduction in the number of returned cheques
- Reduced cost of data capture
- Reduced Post Office charges – broad estimate of £140,000 on the basis of anticipated pilot volumes (500 applications per day) and the base cost per application charged by Post Office Counters Limited
- Identification of the technical and business issues to be resolved before a full implementation takes place

10. The bid for ISB was prepared by a team of two DVLA staff with finance and IT expertise. During the bid stage there was some discussion with financial institutions, insurance companies (via the Association of British Insurers) and banks, through which the potential partners for the two pilots were identified. Norwich Union was actively engaged with the ABI on a range of insurance industry matters, and expressed interest in the telephone relicensing project once DVLA had gone public with its requirement for a private sector partner. During the bid stage there were a number of meetings between DVLA and NU to firm up on a potential specification for the project, and the bid writing team at DVLA also did some limited consultation with the operational side of the Agency. Consultees noted, however, that the limited bidding timescale prevented much more than basic discussion about the principles of the project and an overall specification. Although DVLA were critical of the limited timescale, it is likely to have been less of an issue here than for some other projects given the pre-development work which had already been undertaken.
11. The bid was accepted by HMT with no special conditions and there was no feedback other than confirmation (via DETR) of the funding from ISB which would be made available for the project. DVLA consultees suggested that the selection criteria could have been more explicit and that a more user-friendly guide to bidders would have been helpful. Feedback on the quality of the bid and any areas of clarification would also have been helpful.

Management of the project

12. The project is managed by DVLA according to the PRINCE 2 methodology, and this has clearly been effective in getting the pilot project up and running on time. The steering arrangements for the project are somewhat different from the PRINCE norm, although they are working well and seem entirely sensible. In the very early days of the project's conception (prior to the bid), it was steered by a forum known as Forward Technology Development Steering Group (FTSG) which considered all future project ideas and tracked their development progress. Once ISB funding was awarded, a specific Telephone Relicensing Project Board was established. This has recently been absorbed into Electronic

Relicensing Programme Board. This high level forum meets monthly and is chaired by DVLA's Director of Operations and attended by the Development Director, finance representatives and the managers of the range of electronic relicensing projects being undertaken by the Agency. The purpose of this group is to keep track of progress, encourage cross-fertilisation of ideas and avoid duplication of activity.

13. In addition to the Programme Board, the project's Team Leaders meet weekly. This group is chaired by the Deputy Project Manager and its membership includes the managers and supervisors of the call centre team, two of the call centre staff and the administrative manager for the project. The informal meetings cover any slippage or snagging points, review the latest results of the customer satisfaction survey and identify any action points for improvement. The group prepares a quarterly report to the Project Manager, and there is regular informal dialogue across the whole team.
14. There is regular, informal, contact with Norwich Union by the Deputy Project Manager and the call centre team, but although there were initial plans to invite NU to Project Board meetings, this has not been the case and would be difficult to manage given the Programme Board arrangements now in place in DVLA. NU's management of its part of the project is also undertaken through its own Project Team, which is chaired by the Project Manager and attended by a representative of NU's Projects Bureau, the Ford Insure marketing manager, call centre and support team representatives and a business systems representative. This weekly monitoring forum works to a flexible agenda and discusses any updates on particular issues, identifies solutions where necessary and agrees action points and responsibilities.
15. NU and DVLA met regularly in the early development stages of the project and NU recently visited DVLA to make a presentation on its perception of the project's progress and ways in which the pilot could be rolled out further within NU. Other than the necessary regular telephone contact on specific operational issues, and occasional strategic meetings such as the presentation in January, there is no regular strategic or operational meeting between the two organisations and they do not share agendas and minutes. One consultee suggested that budgetary constraints may be preventing DVLA staff from attending more meetings with NU (there has been only one visit by DVLA to the NU call centre).
16. While we might have expected rather more by way of structured contact between the partners, the working methods adopted by the two organisations seem to be working well and have been kept deliberately flexible in view of the pilot nature of the project. The partnership is considered an equal one by both sides and the arrangements suit the rather different requirements of a public sector agency – which needs to keep its partnership options open for the future – and a private sector organisation which has other priorities relating to its main

insurance operation and a desire not to release commercially sensitive information into the public domain.

Project outcomes, including contingency and monitoring

17. The pilot call centre went live, on target, on 17 September 1999 and was due to run to the end of June 2000. Between 17 September and 31 December 1999 DVLA issued 1,054 licenses. This was well below than the 3,500 per month originally anticipated, and DVLA attributes this largely to an over-estimation about the level of renewal calls to NU. However, call volumes are expected to pick up as the project beds down. Careful monitoring of call volumes triggered discussions with NU about how the volume of relicensing calls could be increased, and further development work is now underway to find ways in which the pool of NU customers could be broadened to provide higher call volumes to DVLA.
18. Although call volumes have been lower than expected, in some ways this has enabled the pilot to get off to a smooth start – high volumes initially could have caused service problems which would have been unhelpful given the objectives of the pilot. Pilot volumes are clearly not the best guide to the real level of demand for such a service, as it is highly dependent on the volume of customers renewing with NU at the end of their free car insurance period. A DVLA customer survey (postal, with questionnaires sent out with every tax disc) has demonstrated very high levels of satisfaction with DVLA's service, with 97% of those responding saying that they would use the service again, and with consistent praise for the quality and flexibility of service being offered as compared with the alternative Post Office option. The fact that 63% of questionnaires were returned – extremely high for a postal response rate – also suggests that these satisfaction levels can be assumed to hold true for the majority of telephone relicensing customers. The postal survey has also been used to test the willingness of customers to pay a surcharge which would help to cover DVLA's credit card processing costs.
19. Although it is too early to assess the cost savings which might arise if the project were to be rolled out beyond NU, there is evidence that some of the benefits identified in the bid document are beginning to come through, for example quicker updating of the license database (which is now fully automated) and better and faster payment for VED (an inability for cheques to bounce, as payment is by credit or debit card). In order to test the pilot further, and accommodate an increase to the customer pool and attract higher call volumes, the pilot project has been extended by DVLA and NU until at least March 2001. The project will be evaluated towards the end of this period as part of a business case by DVLA for its future roll-out to other insurance companies.

20. As noted in the introduction, discussions are still underway with the private sector about the potential for an internet relicensing project.

Additionality, longer term effects and value for money

21. The additionality claim made in the bid document was that the project would probably proceed later than planned if ISB funding was not available, on the grounds that the Agency had identified a simpler version of the project in its Corporate Plan, but had other spending priorities at the time of the bid and no EYF facility to cope with unplanned projects. DVLA consultees suggested that a less elaborate pilot could have been undertaken using a telephone link with an insurance company to check insurance details, but this would have been less effective than piloting an on-line insurance link and having a guaranteed pool of customers with vehicles less than three years old. The trigger for a major initiative such as the one currently being piloted would probably have come in 2002 or 2003 with the launch of the national MOT database, and further work within the insurance industry on a national insurance database (potentially due around the same time). The suggestion made by DVLA consultees was that the project had probably been accelerated by about three years by ISB, a claim that we would agree with.
22. There have been some cost over-runs compared with the figures presented in the ISB bid document – with forecast spending on the telephone pilot likely to be closer to £450,000 than the original £300,000 estimate. It is not clear what the implications of this spending over-run are for the internet pilot which is still at the development stage, and there is no information in the most recent progress reports which identifies its current status.
23. In spite of higher than expected costs, DVLA are particularly pleased with the feedback from customers and are rating effectiveness strongly and much higher than originally expected. NU have no hard evidence to suggest that the enhancement of their offer to customers has led to higher retention rates, but their gut feeling is that the initiative is a success and they are keen to continue the relationship, broadening the customer pool if possible. Both partners feel that the project represents good overall value for money, but DVLA will be testing this further during the extended pilot period before developing proposals for the project's future.

Administrative and accountability issues

24. As this project has had only one public sector partner, and there is no financial transaction between DVLA and NU, no problems were envisaged with the project's administration and accountability and none have emerged to date.

Conclusions

25. The telephone relicensing project clearly fits well with the objectives of the Invest to Save Budget, even though it only involves one public service organisation. The valuable experience gained in building a relationship with a private sector partner has enabled an innovative approach to customer service to be tested in a meaningful way, and the project was specified and implemented on time. We would flag up the rigorous monitoring of progress and service quality as a model of best practice to others engaged in similar initiatives.
26. We found it somewhat difficult to track the progress being made on the internet pilot from the Implementation Plan and Progress Reports prepared by DVLA for submission to HMT. Although DVLA felt that HMT's monitoring requirements were somewhat burdensome, we would argue for rather more proactivity on HMT's part in relation to obvious issues of this kind, even where responsibility for funding any cost over-runs lies with the organisation in question.
27. The telephone relicensing operation has been very popular with those customers who have been able to access it so far, and its prospects for national roll-out look good provided that some key database infrastructure – notably for MOT and car insurance – can be established within the next one to two years. There will also be some difficult policy hurdles to overcome, not least the debate about the future of the Post Office and the recent concern about accessibility to financial services in rural areas. Nevertheless, the popularity of the project and the fact that the pilot telephone relicensing system works well clearly provide an essential platform to take the project much further in the future.