



**IDENTITY CARDS BILL  
INTRODUCED TO HOUSE OF COMMONS ON 25 MAY 2005  
REGULATORY IMPACT ASSESSMENT**

This Regulatory Impact Assessment is an updated version of the one that was published alongside the Bill which was introduced to the House of Commons on 29 November 2004.

**Purpose and Intended Effects**

**(a) Objective**

1. The identity cards scheme will help to deliver the following outcomes:
  - (i) less illegal migration and illegal working; and better community relations as a result;
  - (ii) an enhancement to the UK's capability to counter terrorism and serious and organised crime;
  - (iii) reduced identity fraud;
  - (iv) more efficient and effective delivery of public services.
  
2. The cards scheme is part of a longer term strategy to deliver these outcomes and is complementary to other measures such as more effective enforcement measures in IND as set out at Annex A.

**(b) Identity Cards Bill**

3. New legislation is required:
  - (i) to establish a clear legal framework for what is a major policy development and
  - (ii) to provide a statutory basis for spending public money on setting up the scheme and charging the fees required to recover the costs of enrolment services, issuing and maintaining cards and providing verification services.

4. The Bill is an enabling measure. It sets out the framework for the identity cards scheme, which is an inclusive scheme designed for everyone aged 16 or over who is legally resident in the United Kingdom for 3 months or more.

5. The main features of the legal framework needed to introduce identity cards are:

- (i) Setting up a National Identity Register of basic personal information;
- (ii) Specifying information that may be recorded in the Register (including biometric data) and safeguards to ensure this is only available to those with lawful authority;
- (iii) Powers to issue identity cards both as free-standing cards and linked to the issue of designated identity documents (such as passports);
- (iv) Powers for card issuing organisations to verify data provided by people applying for ID cards as part of reducing the risk of people attempting fraudulently to obtain ID cards;
- (v) Provision of information from the National Identity Register to law enforcement and security agencies in specified circumstances, such as on grounds of national security or for the prevention or investigation of crime, and ensuring there is independent oversight of these arrangements;
- (vi) Establishing new criminal offences and civil sanctions to make the scheme effective;
- (vii) Powers to set a date in the future when the scheme would become compulsory, with a requirement to register with the scheme and to set civil penalties for failure to register;
- (viii) Enabling public and private sector organisations to verify a person's identity by checking a card and/or information held on the National Identity Register with the person's consent and enabling powers to make regulations for required identity checks for public services;
- (ix) Establishing an independent National Identity Scheme Commissioner to oversee the operation of the scheme and report to Ministers and Parliament.

6. As with any project of this size and complexity there is a great deal of development work to be done before it is possible to finalise all the operational details, including the precise technical arrangements for recording biometric identifiers such as facial image, finger scans and iris images, which will provide a way of uniquely confirming the identity of cardholders.

7. The Bill therefore strikes a balance between setting a clear legislative framework for the scheme, for example by limiting the type of information which may be recorded, and avoiding constraining the design of the scheme, e.g. by setting out the precise details of application forms in primary legislation. Parliament will continue to have oversight of these arrangements by debating regulations which will set out these details as the scheme develops. Before Regulations are laid the Government

will consult where appropriate, particularly if regulations affect business or voluntary sectors, and appropriate regulatory impact assessments will be produced.

### Compulsory Scheme

8 No date has yet been set for a decision on a move to compulsion for identity cards. There are a number of factors which the Government will need to consider before recommending a move to compulsion to Parliament. These are explained in Identity Cards: The Next Steps (CM 6020).

9. The Bill sets out a “super-affirmative” process whereby:

- (i) the Government must publish a report setting out its case for the move to compulsion;
- (ii) the report must include a proposition on how compulsion would work;
- (iii) the report must be laid before Parliament for debate and vote in both Houses. Both Houses may amend the proposition;
- (iv) the Government then lays for 60 days an order for compulsion via affirmative resolution. The order must be consistent with the motion agreed by Parliament;
- (v) there would be a debate and vote in both Houses.

10. The Government must go back to (i) if the process fails at any point. However, the Government does not need to go back to (i) if it subsequently proposes to relax compulsion in some way, for example not to require individuals over a certain age to renew their registration.

### Impact

11 As the provisions set out above show, the Bill as drafted places no burdens on business, charities or voluntary bodies. There are no provisions in the Bill which will allow the Government to require business, charities or voluntary bodies to make identity checks using the identity cards scheme. The required identity checks power relates only to public services.

12. Should the Government propose any new requirements through other legislative vehicles for business, charities or voluntary bodies to require identity checks or to incorporate the identity cards scheme within existing requirements to undertake checks, the Government will produce and publish regulatory impact assessments relevant to the sector(s) affected. An example of where this has already been done is the RIA produced when revised regulations on identity checks for foreign workers were published earlier this year.

### c) Cost/ Benefit Analysis

13. A strategic outline case was produced prior to the Home Secretary's announcement that the Government was proceeding with an identity cards scheme in November 2003. The strategic outline case confirmed that the benefits of the scheme outweighed the costs.

14. A Gateway 0 Review of the Identity Cards Programme was carried out by an independent review team under the auspices of the Office of Government Commerce (OGC) during January 2004. The team confirmed that the Gateway 0 preconditions had been satisfied and that the Identity Cards Programme was ready to proceed to the next stage. The next key revision of the cost/benefit case is scheduled for completion later in 2005, at the end of the Programme Definition phase when an OGC Gateway 1 review will be conducted..

15. Considerable work has been undertaken to develop further the estimates of costs and benefits in preparation for the Gateway 1 review. This includes:

- (i) more detailed specification of the requirements of the scheme both in terms of enrolment and verification services;
- (ii) a trial to assess the public's reaction to the recording of biometric information and in particular any lessons which can be learned about difficulties which the public might have. Particular emphasis has been given to people with disabilities;
- (iii) a review of the options for delivering the scheme which has concluded that risks will be best managed by creating a new agency to issue ID cards and provide verification services which incorporates the UK Passport Service;
- (iv) close working with key stakeholder groups in the public and private sector to develop benefits profiles and gain a better understanding of what facilities and levels of service they require to make best use of the scheme;
- (v) consultation with the wider public and interested groups, particularly the Home Affairs Select Committee. This has identified additional facilities which will be needed to increase public confidence in the scheme.

#### Costs

16. The Government's decision to set up a new agency incorporating the functions of the UK Passport Service and to link the issue of ID cards closely to passports was influenced not only by the need to have clear lines of political and operational authority for the scheme but by the need to respond to international developments. The US has already imposed a fingerprint requirement on all visitors to the US who have historically not required a visa ('the visa waiver scheme'). This includes British citizens. The EU has mandated biometric passports, incorporating the recording of fingerprints as a Schengen building measure. The costs of recording biometric information and issuing more secure identity documents (in the form of

biometric passports) will become unavoidable<sup>1</sup>. Passports are currently held by 80% of the adult population. Similarly, for foreign nationals, the EU is in the process of finalising specifications for biometric residence permits for all third country nationals, which IND will be aiming to introduce by 2007.

17. The UK Passport Service (UKPS) five-year corporate plans published in 2004 and 2005 included its forward financial projections to fund the infrastructure for issuing biometric passports incorporating one biometric identifier and cover increased running costs associated with the additional work such as interviewing first time passport applicants from 2006.

18. Building on these developments in the Passport Service, the additional functions which need to be funded for the ID cards scheme comprise:

- (i) the cost of covering the whole resident population<sup>2</sup> aged 16+ rather than the 80%+ who will have passports by 2008;
- (ii) the cost of recording, matching and storing three types of biometric information (face, fingerprint and iris) rather than the one which is the current standard required for the first generation of biometric passports (face);
- (iii) the cost of providing an on-line verification service which can validate ID cards and other identity enquiries for user organisations. Continuing discussions with user organisations and work on reducing the delivery risks have led to a design decision that on-line checks provide an optimum combination of simplicity, reliability and auditability. However this does mean that the central IT infrastructure will require more capacity and will need to be more resilient than the current passport IT infrastructure or that envisaged in the 2004 UKPS corporate plan. Sufficient allowance also has to be made for supporting users of the verification service via a helpdesk.

19. The current best estimate is that the total average annual running costs for issuing passports and ID cards to UK nationals is estimated at £584m<sup>3</sup>. Some set-up costs will be incurred after the first ID cards/biometric passports are issued as it will be more cost effective to build parts of the infrastructure incrementally.

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<sup>1</sup> Those without biometric passports wishing to visit the US will require a visa when all US requirements are implemented. The current cost of a US non-immigrant biometric visa is \$100 and requires a personal visit to either London or Belfast. It currently takes 31 working days to make an appointment for fingerprints to be recorded and a further 3 working days to issue a visa.

<sup>2</sup> British and qualifying Irish nationals only. Registering and issuing cards to foreign nationals is a more complex process which needs to take account of whether the applicant is visiting the UK for the first time or is permanently settled and the quality of the documentation that they hold, for example whether biometric information was recorded when their documentation was issued. Many foreign nationals will be required to provide biometric information when they obtain visas or residence permits under EU regulations.

20. The running costs of the scheme will be recovered via fees charged for:
- (i) the issuing of passports and ID cards;
  - (ii) the maintenance of passports and ID cards – e.g. to issue replacements for lost documents; and
  - (iii) the verification service – e.g. through charges to accredited organisations.
21. The process of setting a fee structure will require the explicit consent of the Treasury and Parliament. The Identity Cards Bill provides flexibility to set charges for components of the above services, e.g. the accreditation of a user of the verification service as well as charges for usage<sup>4</sup>. Parliament will make decisions on the actual fee structure will be made before the first chargeable cards are issued and when costs which need to be recovered will be clearer having agreed contracts with suppliers. The legislation provides an appropriate freedom of scope to set fees, with the proviso that the scheme cannot be used to raise net revenue for the Exchequer. Therefore it would be possible not to set fees in some areas providing the total expenditure is covered by total revenues. An example might be when people notify changes of address. A fee for the handling of these transactions might be counter-productive.
22. The current best estimate for the unit cost of an adult passport/ID card package for UK citizens valid for 10 years is £93<sup>5</sup>. The actual amount charged to a person will depend on future policy decisions on charging within the scope allowed by the Identity Cards Bill as discussed above. Issues which the Government wishes to explore further on charging include:
- (i) refining estimates of revenues for the verification service as potential users develop more detailed plans for how they will use the scheme;
  - (ii) whether and to what extent offering cards at lower cost, for example to people on low incomes, may be possible.
23. Organisations wishing to use the on-line verification service will have the following options:
- (i) an on-line enquiry facility to confirm information provided with the consent of the card holder. Organisations will be expected to fund any costs associated with their end of this link;

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<sup>3</sup> At 2005/06 prices and including allowances for contingency, optimism bias and non-recoverable VAT.

<sup>4</sup> The Bill also includes a separate measure to allow for the cost of issuing free passports to those born before 2 September 1929 to be met by the fees charged to other passport holders.

<sup>5</sup> At 2005/06 prices and including allowances for contingency, optimism bias and non-recoverable VAT. The estimate of the indicative charge published in the previous RIA was derived from a unit cost of £88 which was at 2004/05 prices and excluded allowances for contingency, optimum bias and non-recoverable VAT.

- (ii) a card/biometric reader with on-line access to the verification service. Organisations will be expected to fund the costs of card readers. The current working assumption is that the cost of card readers would fall within a range of £250-£750 depending on their level of sophistication and performance – for example whether they are able to check a biometric as well as the card in high risk, high value transactions where the card holder is present. Integrated with other security and verification requirements, this cost could fall substantially over the years ahead. No allowance in these estimates has been made for reductions in cost due to volume discounts, however the use of a common standardised technical interface for the online verification system will encourage a competitive market for card and biometric readers to develop, which can be expected to bring costs down over time. The rollout of ‘Chip & PIN’ card readers (see paragraph 61) will also help to establish a competitive market.

### Benefits

24. Examples of the benefits of the scheme are given in section 2 below. In general, benefits fall into the following categories:

- (i) more efficient processes. The scheme will speed up and simplify identity checks for user organisations. This will allow for redeployment of resources, e.g. reducing police resources tied up in administrative tasks to use for front-line services. In some cases it may also generate cashable benefits to the Exchequer, e.g. by increasing the recovery of unpaid fines. It should also allow for reductions in compliance costs with some regulations, e.g. money laundering and rules on checks on the immigration status of employees even in advance of any explicit requirement to use the scheme;
- (ii) removing duplication of functions. A number of Government departments revalidate a person’s identity in the absence of a single definitive record. An example would be a foreign national living in the UK and having to establish his/ her immigration status a number of times to different departments and public services.
- (iii) reduced fraud. A Cabinet Office study published in 2002 estimated the cost of identity fraud in the UK to be £1.3 bn pa split equally between the public and private sectors. Work is underway with key stakeholders to revalidate these estimates and identify other sectors affected by identity fraud which were not counted in the original research, for example telecommunications operators. Key stakeholders such as the Department for Work and Pensions and financial services organisations agree that an ID cards scheme will reduce their exposure to identity fraud. In addition to reducing identity fraud, the scheme could also reduce fraudulent use of services by those not entitled to them, e.g. the use of free non-emergency NHS treatment by those whose immigration status requires them to pay;

- (iv) more convenient access to services. Fast track immigration through iris recognition automated barriers at major UK airports is being deployed for certain categories of pre-registered foreign national. Use of the automated barriers could potentially be extended to those registered with the ID cards scheme.

25. Important benefits which cannot yet be quantified completely are:

- (i) improved enforcement of immigration controls which will help to maintain public confidence in the immigration system. Identity cards will give everyone a means to prove their immigration status which will allow service providers and employers to make checks without the need for specialised knowledge of immigration rules. This will help to reduce the illegal immigration 'pull factor' as currently there is no simple, universal basis for enforcing in-country immigration controls. It will also help to maintain public confidence that current levels of lawful inward migration can be sustained. Lawful migrants currently contribute £2 bn pa to the economy which could be put at risk if the resident population lacks confidence in controls;
- (ii) enhancing the UK's ability to counter terrorism and organised crime. Rebuilding Manchester City Centre after the 1992 PIRA bombings cost £1.2 bn. The economic and social costs of organised crime have been estimated at £20 billion p.a. and the consequences of just one major terrorist outrage can be severe. The identity cards scheme will help to disrupt the support networks of terrorists and organised criminal operations which rely extensively on the use of multiple identities to make it more difficult to monitor their activities;
- (iii) reducing the fear of crime. This is validated by research with the general public which shows that people do see identity cards as a way of re-establishing a sense of order in society and helping the police deal with crime. Parents of younger teenage children see ID cards as a way of protecting their children from unauthorised access to age-restricted goods and services. Fear of crime – particularly terrorism – may also influence organisations' decisions, e.g. on investment;
- (iv) continued benefit of free movement. UK business depends on free movement between our main economic partners. As noted above, failure to conform with enhanced travel document specifications would mean UK citizens having to obtain biometric visas to visit the US at considerable additional cost.

26. In the longer term, should the card scheme become compulsory it could provide the means to make more fundamental improvements in the delivery of Government services. Everyone registered with the scheme will have a unique National Identity Registration Number (NIRN). While not part of the immediate business justification for the scheme, as Government services update their systems



over time they could cross-reference their personal numbering schemes with the NIRN. This would allow for more efficient interaction between citizens and public services and allow citizens to quote just one number in their dealings with different parts of Government while still ensuring that service specific information remained under the control of each service, thereby protecting privacy. While not currently costed as part of the functions of the Identity Cards Scheme, it could also provide a basis for people to notify changes of personal details, such as address, only once. The scheme could then notify other Government services.

27. As noted above, the Government was satisfied that the benefits of the identity cards scheme justified the costs when it announced the decision to proceed in November 2003. The ongoing work on costs and benefits - especially in the light of confirmation of international requirements to introduce biometric passports and residence permits – continues to support this judgment.

d) Business Sectors Affected

28. There are no proposals in the legislation on identity cards to require any organisations or individuals to undertake any checks on identity cards.

29. However, business sectors such as financial services and employers are likely to be affected by the scheme once it becomes established. If any specific regulations or changes to regulations are made with regard to these groups, there will be consultation and publication of relevant regulatory impact assessments. In the absence of specific regulations applying to these sectors, organisations will need to weigh up the costs, risks and benefits to them of changing current practices to incorporate the use of identity cards. This is a move which the Government would encourage and it will therefore continue to work closely with private sector organisations, for example through the private sector user group of organisations interested in using the verification service, to ensure that the scheme develops along lines which will meet their business requirements.

30. The Identity Cards Bill also provides a power for the Secretary of State to require any person to provide information to help validate information on the National Identity Register. The purpose of this provision is to conduct background checks on individuals to authenticate the identity a person wishes to register in the National Identity Register. As the nature of the checks will vary from applicant to applicant and also over time, it is not possible to identify at this stage whether any particular business sector will be affected by any regulations made under these powers. The Bill reflects comments received on the draft Bill by some commercial organisations and now allows for the Secretary of State to reimburse people and organisations affected by this provision (see paragraph 74).

## **Achieving the policy outcomes**

31. This section is divided into four sub-sections to cover in turn each of the four main outcomes that the cards scheme will help to deliver:

- (a) less illegal migration and illegal working; and better community relations as a result;
- (b) an enhancement to the UK's capability to counter terrorism and serious and organised crime;
- (c) reduced identity fraud;
- (d) more efficient and effective delivery of public services.

32. Each sub-section addresses the nature of the problem; how the identity cards scheme will help and gives examples of the types of costs and benefits to particular sectors, society and individuals. The nature of any likely costs and indications of whether and when any obligation to use the service might arise along with any assumptions are also set out. Other current initiatives which complement the use of ID cards are set out at Annex A.

### **(a) Less illegal migration and illegal working; and better community relations as a result:**

The problem

33. The government wants to encourage lawful migration to the country to meet the challenges of demographic changes and skills and labour shortages. Lawful migrants across all income levels benefit the economy by around £2 billion per annum. In sustaining and perhaps increasing current levels of lawful migration, it is important to retain the confidence of the resident population that immigration controls will not be abused, particularly with regard to people staying longer than their entitlement and who then work illegally and use services for free to which they are not entitled.

34. It is difficult to establish the scale and trends of illegal migrant working in the UK. The UK is currently reviewing the methods used in other countries to estimate the scale of their illegal working populations. Illegal working occurs in sectors where principally casual, low-skilled jobs prevail e.g. construction, textiles/clothing, hotel & catering, household services/cleaning, agriculture and the sex industry<sup>6</sup>.

35. There is very little evidence on the wages of illegal migrant workers although it is reasonable to assume that large numbers are working below the minimum wage.

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<sup>6</sup> Information from OECD, TUC and discussions with IND enforcement officials.

Even in cases where some work at or above the minimum wage, they may be working very long hours, under poor conditions.

36 The effect of illegal working and the sectors affected are summarised in the table below.

<b>Those affected</b>	<b>Implications</b>
Illegal workers	<ul style="list-style-type: none"> <li>• Poor pay rates and working conditions</li> <li>• Poor living conditions</li> <li>• Risk of exploitation</li> </ul>
Government	<ul style="list-style-type: none"> <li>• Loss of taxation and National Insurance revenue<sup>7</sup></li> <li>• Fraudulent claims for benefits, e.g. asylum seeker support payments</li> </ul>
Businesses	<ul style="list-style-type: none"> <li>• Distortion of legitimate trade through unfair competition<sup>8</sup></li> <li>• Lost productivity when legitimate employers find they have been employing illegal workers</li> </ul>
Society	<ul style="list-style-type: none"> <li>• Supplying illegal workers is often part of organised criminal activity and helps support other forms of criminality such as the sex industry and drug abuse</li> <li>• Lack of confidence in immigration controls can put at risk the cohesiveness of communities</li> </ul>

How the ID cards scheme will help

37. The scheme will provide a straightforward means to record and verify the immigration status of all residents aged 16 and over. The verification service will be available not just to the authorities responsible for maintaining immigration controls but to providers of public services and private sector organisations. It will help to ensure that decisions on service entitlement or employment are made with reference to the correct immigration status of the individual concerned. This is particularly important for employers as the law is becoming increasingly difficult to comply with because of the greater range of documents which employers have to check due to enlargement of the EU. The measure would therefore help legitimate employers who would have a simple way to check status. It would also help to enforce the law against unscrupulous employers who would no longer have a defence in claiming that they examined an unfamiliar document which appeared genuine to them.

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<sup>7</sup> The DWP-led Operation Gangmaster is designed to facilitate the sharing of intelligence and the mounting of joint operations against illegitimate gangmasters by enforcement agencies from a variety of departments. Past operations undertaken by multiple agencies indicate that often (especially in this sector), the employment of illegal workers goes hand in hand with non-payment of tax and National Insurance.

Increasing the effectiveness of enforcement measures against unscrupulous employers is part of existing strategic measures to counter the problem of illegal working - see Annex A. There are limits to what increased enforcement and regulation can achieve if people are able to stay in the country unregistered as most can at present.

38. The scheme will have greatest impact on illegal immigration and illegal working if it became compulsory to register with the scheme. The Identity Cards Bill requires a separate decision by Parliament via a super-affirmative procedure before this can take place. It would be possible for the scheme to be made compulsory for foreign nationals (or categories of foreign national) in advance of UK nationals. Any requirement to produce a card for accessing public services which have to be provided for free or for social security benefits can only be made if the scheme were compulsory. However, even prior to any decision to make the scheme compulsory, the Government expects that legitimate employers would want to encourage their employees to provide verifiable proof of identity when taking up a job. The availability of a highly secure, easily verifiable ID card as an option would make it easier to take action against unscrupulous employers as they would have less of a defence should they choose not to carry out appropriate checks. The scheme allows for records of on-line ID verification checks to be held, so establishing whether an employer has complied with the law will be more straightforward.

#### Costs

39. The costs which could fall on employers will depend on the following factors:
- (i) The cost of card readers. The move towards a standardised and principally on-line verification service should reduce the level of complexity and therefore cost of card readers though there may be some additional running costs, e.g. to cover the transmission and receipt of information.
  - (ii) The cost of the verification service. While the Bill contains powers to charge for such a service, the Government has not decided whether to apply any charges to employee checks. Any decision will be taken only after extensive consultation once the costs of the service are clearer and account can be taken of other benefits which might accrue to employers, e.g. simplifying the recording of employee data, better information on which to vet job applicants.
  - (iii) The level of check which an employer decided is necessary. Only an on-line check would give an employer the assurance that a record of the check would be held on the National Identity Register and would therefore provide a defence against prosecution. However the demand for on-line checks will probably be greatest in those sectors most affected by illegal working such as

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<sup>8</sup> Intelligence from the agricultural labour supply sector suggests that legitimate gangmasters are struggling to retain business because they are undercut by those who employ illegal workers and do not pay the national minimum wage to their staff.

agriculture, construction and hotels and for those working in sectors where the public could potentially be at risk if a person is employed under a false name e.g. staff working in airports.

Timescales

40. No reference to checking a UK ID card in the legislation on illegal working can be made until the scheme goes live which is currently scheduled for 2008. At this point, the list of documents which may be used to show eligibility to work to comply with section 8 of the Immigration and Nationality Act 1996 could be amended by order using powers in the 1996 Act.

41. Any move to make an ID card the preferred document for checking eligibility to work would depend on the rate of take-up of the card, particularly among foreign nationals. A majority of the population would be registered by 2014, though the Bill would allow for the possibility of bringing categories of foreign national onto the scheme more quickly.

42. To make the ID card near-mandatory for employee checks would require the scheme to be compulsory. The Bill sets no dates for a move to compulsion. Compulsion could also apply to particular groups, e.g. certain categories of foreign national, but this would require the same level of Parliamentary approval as any general compulsion provision (see paragraphs 9 – 10).

Assumptions

43. The assumptions about the contribution of an ID card scheme in maintaining immigration controls and reducing illegal working and the actions being taken to validate those assumptions are set out in the table below.

<b>Assumption</b>	<b>Actions</b>
Immigration officers and police officers will be able to check immigration status during enforcement operations.	<p>The Immigration and Nationality Directorate is part of the delivery arrangements for the scheme to ensure that immigration status information is recorded correctly.</p> <p>It has been established that the necessary legal powers to undertake checks are in place and that the National Identity Register can lawfully record immigration status.</p> <p>The requirements specification for the scheme includes processes for undertaking</p>

Assumption	Actions
	<p>identity checks.</p> <p>Work is continuing with the police and Immigration Service to estimate the specification and numbers of readers. This work is also identifying the relationship with existing plans to deploy similar equipment, e.g. mobile fingerprint readers for the police and increasing the number of mobile fingerprint readers already in use by the Immigration Service for checking the status of asylum seekers.</p>
<p>Legitimate employers will want to undertake checks in advance of any regulations requiring them to do so.</p>	<p>Consultation with industry groups is identifying added value benefits of identity checks, e.g. improved vetting of potential employees, which might encourage take-up of checks.</p>
<p>Sufficient enforcement resources are allocated to deal with unscrupulous employers.</p>	<p>Increased enforcement is already part of IND's strategy. The introduction of ID cards will allow for more effective use of these resources.</p>
<p>Robust internal controls do have a deterrent effect on illegal immigration.</p>	<p>The further drop in asylum claims in 2004 (31% fewer than in 2003) has demonstrated how applicants divert away from countries that put in place stronger controls.</p>
<p>Full benefits only accrue if the scheme is made compulsory.</p>	<p>Plans allow for wide ownership of ID cards even if the scheme is not made compulsory for some time (or never), by linking registration to the issuing of documents such as passports and residence permits.</p>

b) An enhancement to the UK's capability to counter terrorism and serious and organised crime

The problem

44. Those involved in facilitating and funding terrorist and organised criminal activities make use of multiple identities to make it more difficult to investigate their crimes. At least one-third of terrorist suspects are known to have used more than one identity either for facilitation or planning the commission of terrorist acts. The facilitation and funding of terrorist activity increases the risk of terrorist outrages in the UK and abroad. Quite often several traces can point to different aliases of the same person and valuable time can be lost in linking the different names being used

by the same person. The risk is mainly focussed on the use of false identities for facilitation but there are also cases where weaknesses in the issuing of identity documents increase the risk of commission of terrorist acts, for example the ease with which Richard Reid ('the shoe bomber') was able to obtain more than one passport.

45. False identities and false identity documents are standard 'tools of the trade' for organised criminal organisations. As well as the economic costs of organised crime it is also linked to many of the crimes which cause most misery in society such as drugs misuse and drug-related crimes, people-trafficking, prostitution and people working illegally in unsafe and overcrowded conditions. It is estimated that organised crime may cost the country up to £20bn pa.

46. Fear of crime – either crime facilitated by organised criminal operations or of terrorist outrages – can result in unquantified economic losses as organisations might be less likely to make investments in the UK.

How the ID cards scheme will help

47 Disrupting the activities of terrorists and organised criminals is a key Government priority. The ID cards scheme will contribute in the following ways:

- (i) reducing the opportunity for those facilitating terrorist and organised criminals to operate using multiple identities. Most people who facilitate terrorist activities obtain legitimate Government-issued ID documents or good quality forgeries so as not to draw obvious attention to themselves;
- (ii) encouraging or requiring verifiable proof of identity when conducting major financial transactions. The requirement to produce existing forms of identity such as passports is already in place but the vulnerability of passports to forgery and the lack of a standard, checkable document for foreign nationals currently allows people to appear to comply with the law but still hide their tracks;
- (iii) in cases of serious crime or threats to national security, providing the capability for law enforcement and intelligence and security agencies to be provided with information on when a person's record on the National Identity Register has been checked or amended. The National Identity Register would be capable of holding audit information of on-line checks. Provision of this information would be subject to appropriate authorisation procedures – akin to those used for covert surveillance – and independent oversight. In conjunction with the rollout of e-Borders systems at UK ports, ID cards will provide the police and security services with better information on the movements of key targets in and out of the country. The Spanish authorities have confirmed the value of their compulsory identity card scheme in helping to marginalise ETA terrorists by keeping their activities under proper

surveillance. Police identification of terrorist suspects makes the terrorists' lives harder: they have to find round-about ways to stay in hotels, rent accommodation, hire cars, buy mobile phones, and generally carry out their activities. It also means that the police have a better idea of who they are looking for: recent photograph, age, address, etc. and can therefore focus their investigations faster;

- (iv) allowing for more efficient use of police resources. There is considerable scope for reducing the administrative burden on the police in dealing with the routine identification of individuals with their consent e.g. motorists. The voluntary production of an ID card – or a biometric 'card not present' check – would save police administrative costs and be more convenient for the general public;
- (v) checking of fingerprint biometric information at scenes of crime. The police retain records of fingerprints from scenes of crime which could not be matched against their records. It would be possible for the police to run checks of this information against the National Identity Register to identify possible suspects in unsolved cases. This would have a broader application than terrorist offences.

48. The support of the security services for an ID cards scheme has already been noted. This is echoed by the police. Lord Stevens of Kirkwhelpington, the former Commissioner of the Metropolitan Police has said:

"...I think identification cards would be of great assistance...Up to a year and a half ago I would have been against identification cards because we had no certainty that the documentation used for identification cards could actually prove with certainty the identification of someone. Biometrics, the use of eyes, the use of fingerprints is now a certainty in a way that never was before so therefore identification either whether it be on border controls or whether we have to deal with stop and search in the street, anti-terrorism kind of activity or even along the normal way that police officers work would give a certainty we need."

Sir Ian Blair, the current Commissioner of the Metropolitan Police, explaining on Frost on Sunday (17 April 2005) why he supports ID cards:

"...at one stage or other we've got to start with a position where we do know who people are."

#### Assumptions

49. The assumptions on which the benefits of an ID card scheme in combating terrorism and organised crime and the actions being taken to validate those assumptions are set out in the table below.



<b>Assumption</b>	<b>Actions</b>
<p>The scheme would provide a step change in preventing people from obtaining multiple identities.</p>	<p>This requirement is intrinsic to the design of the scheme.</p> <p>The legislation allows for the conduct of rigorous background checks, coupled with the recording of biometric information unique to each individual.</p> <p>The requirements for the enrolment and issuing processes are being specified taking account of best practice, e.g. lessons learned from piloting biometrics and background checks on passport applicants.</p>
<p>Key ID card checks would be performed on-line to minimise the usefulness of high quality forged cards and to provide an audit trail.</p>	<p>Following consultation with key user groups, there is a clear requirement for most verification checks to be made on-line. Ongoing specification work is taking account of the need for the verification service to have the necessary capacity to support this.</p> <p>There is close collaboration with key stakeholders, particularly in the financial services sector, to ensure that conducting on-line ID card checks provides them with a business benefit.</p>
<p>The police and security services will be able to examine the use of ID cards held by criminal suspects.</p>	<p>The legislation allows the scheme to provide information provided the necessary authorisation procedures have been followed. The arrangements will also be subject to independent oversight.</p> <p>The scheme requirements specifications include business processes to meet these needs.</p> <p>The transition planning arrangements include establishing independent oversight arrangements and best practice is being drawn from the experience of organisations with similar oversight functions.</p>

## Costs

50. The costs of the facilities necessary for the ID cards scheme to contribute to the fight against terrorism and organised crime are already covered as part of:

- (i) the basic costs of the scheme, e.g. the ability to conduct background checks and record biometric information is integral to the scheme as are the facilities to allow for authorised information to be provided to the police and security services;
- (ii) continuing work with the Police and Immigration Service to estimate the specification and numbers of readers. This work is also identifying the relationship with existing plans to deploy similar equipment, e.g. mobile fingerprint readers for the police and increasing the number of mobile fingerprint readers already in use by the Immigration Service for checking the status of asylum seekers.

51. The costs to organisations of conducting on-line checks are covered in section (c) below as these checks should also deliver tangible benefits to these organisations, e.g. reductions in identity fraud.

## Timescales

52. There is no particular date envisaged when organisations might be required to conduct specific checks purely for the purposes of countering terrorism and organised crime. The ID cards legislation does not allow for exclusive mandatory ID card checks in advance of the scheme becoming compulsory unless specifically authorised by Parliament.

### c) Reduced identity fraud

#### The problem

53. Identity fraud costs the economy at least £1.3 billion every year<sup>9</sup>. Individuals pay for this in general through higher charges for financial services. There can also be a heavy personal cost in putting right credit ratings and in extreme cases parents suffering the trauma of having a deceased child's identity stolen. While there are some cases of straightforward theft of a person's identity, identity fraud is rarely committed for its own sake, rather it is an enabler for other offences such as money laundering. It has been estimated that false identities are used to launder around £390m every year.

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<sup>9</sup> 2002 Cabinet Office Study

54. The Cabinet Office study estimated that around 50% of the cost of ID fraud fell on the private sector, primarily on the financial services sector. Members of CIFAS – the UK's Fraud Prevention Service reported a 275% increase in incidents of identity theft between 1999 and 2002 with a 67% total increase from 2002 to 2004. These are likely to be underestimates as some incidents of identity theft or fraud are recorded as other crimes or just written off as bad debts. It is likely that the introduction of 'Chip and PIN' credit and debit cards over the next few years will fuel a further rise in identity fraud. 'Chip and PIN' will mean that the value of stolen credit cards will be much reduced. The Association for Payment Clearing Services (APACS) which processes most card transactions in the UK believes that fraudsters will resort to stealing identities and then applying for legitimate Chip & PIN cards with the stolen details.

55. The UK often follows the trends in the US. Reports of identity theft in the US rose by 87% between 2001 and 2002 (the last year for which figures are available) and the US Federal Trade Commission (FTC) has reported that identity theft tops its list of consumer complaints accounting for 43% of all complaints in 2002<sup>10</sup>. The FTC's most recent report published in September 2003 estimated the cost of ID theft in the US based on the experience of individuals (i.e. through misuse of credit cards and other financial services) as \$50 billion pa.

56. The public sector also suffers. For instance, identity fraud facilitates some VAT missing trader fraud by allowing people to register companies for VAT, charge VAT to customers but then disappear without paying the VAT to HM Customs & Excise. Customs estimates that missing trader intra-community (MTIC) fraud for the period 2001-2003 was between £1.7 - £2.6bn pa.

57. There is also a financial and emotional cost to victims of identity fraud. Heinous cases such as the theft of the identity of a deceased child ('Day of the Jackal' frauds) are now increasingly rare thanks to improved data exchanges between the UK Passport Service and the Office for National Statistics. However victims of more conventional forms of ID fraud can still spend many hours getting their credit history put right alongside the emotional distress. CIFAS estimates that victims spend, on average 60 hours correcting their records, whilst a US survey found that some victims can spend over 240 hours correcting their records.

How the ID cards scheme will help

58. The ID cards scheme would provide the means both for individuals to protect themselves from ID fraud by ensuring that their personal details were associated with biometric information which was unique to them and for organisations to make more

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<sup>10</sup> National and State trends in Fraud and ID Theft, Federal Trade Commission 2003.

rigorous checks on the identities of their customers. The verification service offered by the card scheme will support more rigorous checks in:

- (i) face-to-face transactions where a person can produce a card which can be verified;
- (ii) 'card not present' transactions where an on-line check could still be made, supported by some additional verification measures. While this type of check would be less reliable than a check involving the presentation of a card, it would still be highly beneficial in some cases.

59. An example of a 'card not present' transaction would be Customs' checking of personal details provided with an application for a VAT registration number with the verification service. Most applications are currently processed by post. Checks could be batched via a direct interface between the VAT registration systems and the verification service. Applications showing any anomalies would be referred for further investigation. Customs have already begun trialing such an approach with checks against the National Insurance number database though the sophistication of the checks which can be done is very limited, e.g. a name and date of birth match only. Customs estimate that this type of fraud could be reduced by around 10% pa if all checks could be made against the National Identity Register.

60. In addition to reductions in fraud, the ID cards scheme could also generate efficiency savings in processing some transactions. For example the Know Your Customer (KYC) regulations designed to counter money laundering require financial services organisations to check identity documents for major transactions. In addition to providing a higher level of assurance, the on-line verification of an ID card would be a quicker and less resource intensive process than keeping a manual record of a passport (e.g. a photocopy) as the results of the transaction could be recorded automatically on both the organisation's systems and the National Identity Register.

#### Assumptions

<b>Assumption</b>	<b>Actions</b>
Key ID card checks would be performed on-line to minimise the usefulness of high quality forged cards and to provide an audit trail.	<p>Following consultation with key user groups, there is a clear requirement for most verification checks to be made on-line. Ongoing specification work is taking account of the need for the verification service to have the necessary capacity to support this.</p> <p>There is close collaboration with key stakeholders, particularly in the financial</p>

Assumption	Actions
	services sector, to ensure that conducting on-line ID card checks provides them with a business benefit.
Support for 'card not present' checks would be available to support organisations which use telephone and post to deliver services to customers.	<p>Consultation is continuing with the Association for Payment Clearing Services to learn from their experience in reducing 'card not present fraud' to see if the procedures and solutions they are adopting are applicable to ID cards.</p> <p>The ability to conduct automatic verification enquiries via interfaces between users' IT systems and the verification service is also being investigated.</p>

## Costs

61. The ID Cards Programme is working closely with APACS to examine the technical architecture underpinning Chip & PIN and to benefit from lessons learned during the rollout. The dialogue will help to develop considerations of where shared technical opportunities with the Chip & PIN infrastructure might exist in the future. Financial services and retail organisations are already investing heavily in the 'Chip & PIN' smartcard reader infrastructure. As of March 2005, 705,000 Chip & PIN tills had been installed (about 82% of the final target). ID cards will be more widely held at the time when these readers will need to be replaced or upgraded. If the replacement readers could also read ID cards, the cost of the ID card reader infrastructure for organisations which have invested in Chip & PIN could be negligible.

62. In addition to the costs of the equipment, organisations may have to make a contribution to the costs of the verification service (see paragraphs 20 - 21). The charging structure will not be decided before further detailed consultation with user organisations. The Identity Cards Bill does not impose a particular charging structure, e.g. whether charges are levied by transaction, fixed subscription charges or some combination.

## Timescales

63. There are no provisions in the Identity Cards Bill to require financial services organisations to make use of the scheme. In fact the Bill prohibits any organisation from making the ID card the exclusive way to prove identity for its products or services in the absence of any specific regulation on compulsion. Organisations will

therefore be free to decide for themselves when would be the most appropriate time to begin investing in card readers. The only Government regulation which might encourage earlier take up would be any move to amend the Money Laundering Regulations to make the checking of an ID card a more explicit requirement. There are no plans to make such an amendment.

d) More efficient and effective delivery of public services

The problem

64. Across public services there is a drive for more efficiency to make services more customer friendly. There is also pressure to make sure that services are only provided to people who are entitled to them. The lack of a simple, secure common method of identification inhibits organisations' ability to achieve these objectives. Currently there is a very large range of different documents that can be produced, none of which is designed to be verified electronically. There is a risk that those who are entitled to public services suffer from reduced and slower service levels because of the overheads of conducting eligibility checks using current methods.

65. There are already many situations in which statutory services require an individual to produce proof of identity, for example, in claiming benefits, in taking up a place in Higher Education, applying for a student loan, or in applying for social housing. Currently, people need to provide a number of different cards or pieces of paper in order to prove identity.

66. As pressures grow on public services, service providers will have to bring in complex procedures for checking a range of documentation as the old assumption that if you are here you are probably here legally is no longer acceptable. There are also cultural problems about getting service providers to ask only certain groups for proof of identity for fear of being accused of discrimination. An added risk is that the lack of a common way to authenticate transactions is an inhibitor to take-up of e-government. Departments wishing to conduct more sensitive business on-line have to set up specific processes for each transaction.

How the ID cards scheme will help

67. The ID card will be the most secure and reliable form of verifiable identification issued by the Government. It will be designed to be verifiable in a way that is not possible with current forms of ID such as passports and driving licences.

68. Should the Identity Cards Bill pass into law in its current form, there will be no automatic requirement to produce an ID card for any public service. The Government recognises that there is no 'one size fits all' approach to how the card scheme will help public services. The Bill does include a 'Required Identity Checks'

provision. This allows Parliament to approve regulations as to how the card scheme might be used for particular services which allows for full consultation and debate with those involved in using and administering the services. This will include any assessment of any new burdens on local authorities that may arise. The Government is prohibited from mandating the production of an ID card for services which must be provided for free, or for social security benefits, in advance of any compulsory requirement to have a card.

69. Providers of public services will be able to use the verification service in the following ways:

- (i) 'card present' checks where there is a personal interaction with the individual, e.g. registering with a GP;
- (ii) on-line 'card not present' checks where inquiries can be made of the verification service while the individual is perhaps on the telephone or has forgotten to bring their card;
- (iii) more automated on-line checks between service providers' IT systems and the verification service, e.g. verifying details such as name, address and date of birth which have been keyed in from an application form or by the individual themselves via the Internet.

70. Examples of areas where public services will benefit from the ID cards scheme include:

- (i) administration of social security benefits. A limited amount of more general benefit fraud – approximately £20 - £50m pa - is estimated to be identity related;
- (ii) improving eligibility checks for free non-emergency NHS treatment. Eligibility for free non-emergency NHS treatment is based on a person being 'ordinarily resident'. An ID card would help in making this determination;
- (iii) adult allocation of National Insurance number. The Department of Work and Pensions Job Centre Plus could align adult NINO registration with Identity Card enrolment, providing a more streamlined service to customers whilst improving security standards around the allocation process;
- (iv) speeding up and improving the accuracy of Criminal Records Bureau (CRB) checks. An ID card check could provide greater certainty that the person applying for clearance was not using false documentation or a false identity, simplify the process for organisations which conduct the visual checks on identity documents and could streamline the background checking process by the CRB itself;
- (v) higher education. Some illegal immigrants apply to British universities to gain access to the country but have no intention of studying. An ID card/residence permit which clearly recorded their immigration status would make this more

difficult. There are also cases of overseas students applying as home students to pay lower course fees;

- (vi) general administration of services. The ID cards scheme could provide the infrastructure for a one-stop shop for people to notify changes of personal details such as address. For e-Government services alone it is estimated that by the time ID cards are widely held, there could be as many as 39m re-registrations from businesses and citizens. Currently these incur postal and other costs e.g. in providing new/updated PINs to citizens. As noted in paragraph 26 this is not currently part of the core proposition for ID cards but indicates some of the longer term potential for the scheme to improve the delivery of public services.

71. Some Government services are used disproportionately by those in more socially excluded groups. Because the ID cards scheme is universal, it provides a means to provide secure ID to everyone, not just those who can afford to drive or travel abroad. Benefits will be maximised if the scheme is made compulsory as service providers can then plan on the basis that all their customers should be able to produce a card. The fee setting powers in the Identity Cards Bill allow for reduced charges or no charges to be levied in particular cases.

#### Assumptions

Assumption	Actions
The verification service meets the needs of user organisations	<p>All of the key public service organisations have been consulted about the requirements specification.</p> <p>Special teams have been formed in some cases to work with service providers to help them analyse the potential benefits to their businesses.</p> <p>Performance criteria for the verification service such as availability, response times and resilience are being derived in consultation with user organisations.</p> <p>The Identity Cards Bill includes provision for each public service to set out its own rules for the production of ID cards if it does not already have sufficient powers via other legislation.</p>
Where cards have genuinely been lost or	The requirements specification allows for



<b>Assumption</b>	<b>Actions</b>
stolen, procedures will be in place to ensure that services are not denied	<p data-bbox="866 239 1203 271">'card not present' checks.</p> <p data-bbox="866 322 1461 439">The Identity Cards Bill provides the power for organisations to check whether a card has been reported lost or stolen.</p>
Cards are widely held	<p data-bbox="866 452 1453 651">The ID Cards Programme is conducting research to identify what features of the card scheme might create incentives for people to obtain cards in advance of renewing their passport.</p> <p data-bbox="866 703 1453 860">The Identity Cards Bill allows for the scheme to become compulsory provided Parliament consents after a rigorous super-affirmative procedure.</p>

## Costs

72. Providers of public services will have to invest in card reader infrastructure and the timescales of the ID Cards Programme allow for this to be planned into technology refresh programmes. The ID Cards Programme is working closely with key public service stakeholders to agree where the scheme can be of most benefit to them and to ensure that the necessary facilities are built into the verification service.

## Timescales

73. There are no provisions in the Identity Cards Bill to require identity checks for public services by a particular time. The Bill allows for each service to decide when and how ID cards could be used and requires Parliament's consent if no identity checking powers already exist in other statutes. There is also a requirement for consultation about any regulations made under the Bill. Decisions on investment necessary to make use of the scheme, e.g. card readers, are likely to be made in the light of the rate of take-up of cards and investment plans to introduce or refresh technology.

### (e) Other regulatory implications of the Identity Cards Bill

74. The Bill includes a power to require 'any person' to provide information to the Secretary of State which may be required to conduct background checks on people applying for ID cards and passports. The provision will be used in cases where the legal basis for sharing such information is unclear or does not exist. The power must be exercised by laying a specific order before Parliament for each 'gateway'. It is not

meant to circumvent using and paying for commercial services which provide such a function, e.g. credit reference agencies, and the Bill makes clear that the Secretary of State may pay for information received under this power. Should there be any requirement for businesses to provide information outside usual commercial arrangements like credit reference agencies, the Government would consult widely and publish specific regulatory impact assessments.

### **Equity and Fairness - wider implications**

75. The Bill and the administration of the scheme is bound by the Race Relations Act 1976, as amended by the Race Relations (Amendment) Act 2000 and by the Disability Discrimination Act 1995 and the Disability Discrimination (Amendment) Regulations 2003.

76. The identity cards scheme will be a universal and inclusive scheme, designed to cover everyone who has the right to be here. This will be especially the case if the scheme moves to compulsion. It will show that everyone belongs to our society whether they were born here, have chosen to make their home here or are just staying for a while to study or work.

77. The Bill is flexible enough to cater for special requirements in the applications procedure, including for those who may have difficulty in applying. Ongoing work is being done to identify problems which may be encountered by people with particular needs so that these can be taken into account in the process design work. This includes:

- (i) including 750 disabled people in a broader trial of biometric enrolment technology to ensure that lessons learned can be fed into the requirements specification;
- (ii) qualitative research with disabled people or organisations representing their interests, again to feed into the requirements specification to ensure that the scheme meets their needs;
- (iii) qualitative research conducted to examine perceptions of the customer experience in applying, enrolling for and using ID cards. The sample for this research focused on those likely to have particular issues, including minority ethnic groups, people from different faiths, people with disabilities, representatives of people in vulnerable situations (e.g. the homeless) and foreign nationals. A full report of the research findings can be found on the Identity Cards website ([www.identitycards.gov.uk](http://www.identitycards.gov.uk));
- (iv) a series of consultation meeting with representatives from different faith organisations, to understand the particular needs and concerns of people from faith communities.

78. A Race Equality Impact Assessment has been prepared as a separate document.

### **Consultation with Small Businesses - Small Firms' Impact Test**

79. There are no proposals in the Identity Cards Bill to require employers to undertake any specific checks on identity cards, or any obligation over and above those imposed by existing and recent immigration legislation<sup>11</sup>. Employers and financial and other private service providers will need to weigh up the costs, risks and benefits of changing current practices to incorporate the use of identity cards. An Impact Test does not, therefore, apply, although the requirements specification for the verification service includes simpler forms of check which might be more affordable for small businesses. The Government will address any specific cost implications for small businesses in further regulatory impact assessments as the programme develops.

80. Illegal workers are more likely to be working in particular employment sectors, some of which have a large proportion of small businesses, such as employment agencies/ labour providers, construction and agriculture which also all have a high turnover of staff. The Small Business Service has been consulted throughout the consultation periods and the Programme has participated in a number of events and workshops with employers' organisations which will continue.

### **Enforcement and Sanctions**

81. Offences and civil penalties included in the Bill are summarised in the tables below.

<b>Criminal Offences</b>	<b>Maximum Penalty</b>
A person involved in the administration of the scheme to disclose information about people registered on the scheme without authorisation	<i>Summary</i> – 6 months imprisonment, or fine, <i>Indictment</i> – 2 years imprisonment
To obtain fraudulently an identity card	<i>Summary</i> – 12 months (England, Wales and Northern Ireland) 6 months (Scotland) imprisonment, or fine, or both <i>Indictment</i> – 2 years imprisonment, or fine or both
To use fraudulently an identity document	<i>Summary</i> – 6 months imprisonment, or fine, or both <i>Indictment</i> – 10 years imprisonment
To alter fraudulently an identity card	<i>Summary</i> – 6 months imprisonment, or fine, or both

<sup>11</sup> The Immigration (Restrictions on Employment) Order 2004 (SI 2004 No. 755).

<b>Criminal Offences</b>	<b>Maximum Penalty</b>
	<i>Indictment</i> – 2 years imprisonment
To create a false entry, or to tamper with the National Identity Register	<i>Summary</i> – 6 months imprisonment, or fine, or both <i>Indictment</i> – 10 years imprisonment
To possess false identity documents	<i>Summary</i> – 12 months (England, Wales & Northern Ireland) 6 months (Scotland) imprisonment, or fine, or both <i>Indictment</i> – 2 years imprisonment, or fine or both

<b>Duties not giving rise to a criminal offence</b>	<b>Civil Penalty</b>
Duty to register when required to do so under the Bill.	£2,500
Duty to apply in manner prescribed when required to register.	£1,000
Duty to renew ID cards for those compulsorily registered.	£1,000
Duty to inform the National Identity Register of a change to prescribed registered details.	£1,000
Duty to surrender an identity card or to notify an invalid card when required to do so	£1,000

### **Competition Assessment**

82. It is not anticipated that costs associated with the ID cards scheme would impact disproportionately on any particular types of business or market, nor that these would be sufficient to result in market exit nor changes to the structure of any market. Should the scheme become compulsory and employers were required to check ID cards in preference to other documents, there could be a disproportionate effect on employment agencies/labour providers, construction and agriculture, other employers with a high turnover of staff and a high incidence of migrant workers and organisations employing people in sensitive organisations, e.g. where the actions of their employees might pose a significant risk to the public. However, requirements would be applicable to all businesses in each sector and so the costs should not disadvantage particular firms within a sector.

83. The scheme would also benefit these markets and other industries by helping to secure their ability to meet any labour and skills shortages which cannot be met from the resident population via managed migration.

## **Monitoring and Review**

84. The Identity Cards Programme is subject to continuing external review by the Office for Government Commerce (OGC) Gateway process. The next Gateway review of the Programme is scheduled for later in 2005. The legislation requires additional Parliamentary debate and approval for key decisions about the scheme over and above the passing of the Bill. Examples are:

- (i) decisions on which documents will be linked to the issuing of ID cards, e.g. present plans are based on passports and residence permits but others could be added such as driving licences
- (ii) approval for each individual public service to require identity checks and the nature of those checks
- (iii) any move to set a date by which it would be compulsory to register with the scheme.

## **Consultation**

85. Findings from the initial consultation exercise, which ended in January 2003 are published in "Identity Cards - A Summary of Findings from the Consultation Exercise on Entitlement Cards and Identity Fraud" (Cm 6019). This includes a summary of findings from qualitative and quantitative research.

86. The draft Identity Cards Bill was published in April 2004 (Cm 6178). The consultation period ran for 12 weeks. A summary of the findings from the consultation and the results of further qualitative and quantitative research was published on 27 October 2004 (Cm 6358), alongside the Government's response to the Home Affairs Select Committee report on identity cards (Cm 6359).

87. Further and ongoing consultation with all stakeholder groups will be taking place throughout the development of the scheme. The Programme includes a Research work stream, as well as Communications, Stakeholder management and Benefits Realisation work streams to take forward various forms of consultation. Reports of findings from research conducted by the Programme may be found on the Identity Cards website ([www.identitycards.gov.uk](http://www.identitycards.gov.uk)). The main recent reports to be published are: 'Special Issues Research' (Mar 2005), 'Awareness, Understanding and Attitudes to ID Cards' (Sep 2004) and 'Public Perceptions of ID Cards' (Aug 2004).

## **Burden on other Government Departments**

88. Work is continuing with Government departments to update the work undertaken for the Strategic Outline Case produced in November 2003. Current plans are for this to be completed in time for the OGC Gateway 1 review due later in

2005. The Identity Cards Bill itself places no obligation on any department to make use of the scheme.

**Ministerial Sign-Off**

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Signed

Date            May 2005

Minister's name, title, department

Tony McNulty, Minister of State, Home Office.....

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**IDENTITY CARDS PROGRAMME**  
**May 2005**

### Complementary Initiatives

Many initiatives are currently under way with the objectives of tackling illegal immigration and illegal working, security and organised crime, identity fraud and improving the administration of public services. The identity cards scheme is not intended to be the sole method of solving any of these problems. Therefore, all these other initiatives are continuing regardless of the introduction of the cards scheme, which will act as complement these measures, not replace them.

Assessments of some of the other initiatives that are under way are summarised in the table below.

OUTCOME	MEASURE	ASSESSMENT
<p><b>Less illegal migration and illegal working; and better community relations as a result</b></p>	<p>Increase the resources provided to the Immigration Service, and intelligence/ security agencies.</p>	<p>Around £3bn p.a. is spent on immigration and security measures relating to borders, immigration and counter- terrorism. It would require a substantial increase in resources for there to be step-change in delivery from these agencies, beyond the initiatives that they have already identified. The Immigration and Nationality Directorate published a five year strategy for asylum and immigration in February 2005 (Cm 6472)</p>
	<p>Tighten up on existing regulations</p>	<p>Under section 8 of the Asylum and Immigration Act 1996, employers can establish a statutory defence to the charge of employing someone illegally by checking and recording one of a number of specified documents at the point of recruitment. The laws preventing illegal working have proved difficult to enforce with low levels of prosecutions, hence the Government's decision to introduce the Immigration (Restrictions on Employment) Order 2004 earlier this year, strengthening the regime of document checks by employers. However, this change is not capable of addressing the fundamental issue of having a universal form of ID which is secure and highly verifiable.</p>
	<p>Enhance the security of existing documents e.g. by the introduction of biometrics.</p>	<p>Biometrics are already being used with great success in the UK visa application process in certain countries. There is an international drive towards the incorporation of biometrics in visas, travel documents etc. An EU directive covers incorporation of biometrics in visas and residence permits and a further, draft, Directive deals with passports and travel documents. Enhancing document security alone has limited benefits without the ability to ensure that there is a definitive database (or set of linked databases) to guarantee against duplicate identities and that all biometric documents can be verified against the database record.</p>

OUTCOME	MEASURE	ASSESSMENT
<p><b>Reduced identity fraud</b></p>	<p>Strengthening the criminal law.</p> <p>Increase cross-working between public and private sector organisations to reduce identity fraud.</p>	<p>The penalties for fraudulently obtaining a driving licence and passport were aligned in the Criminal Justice Act 2003 and both offences were made arrestable. The Identity Cards Bill includes further measures to strengthen the law in relation to possession and control of false identity documents.</p> <p>The Home Office has established an Identity Fraud Reduction Steering Committee and Forum to oversee joint projects. Early progress includes establishing a website to increase public awareness, production of a manual on identity fraud which provides guidance on spotting counterfeit documents, setting up a database of passports which have been reported as lost or stolen and providing access for DVLA to the Passport Service database for identity checking purposes. None of these initiatives or other projects in progress (such as better identification of illegal use of the identities of deceased persons) will provide the protection against identity fraud which a universal identity card scheme offers.</p>
<p><b>An enhancement to the UK's capability to counter terrorism and serious and organised crime</b></p>	<p>The ID fraud programme is making a major contribution to the Government's counter-terrorism strategy through improving identification systems to support the counter-terrorism effort by enabling swift identification of, and action on, suspects.</p>	<p>The shorter term measures to enhance the security of identity documents such as the introduction of biometrics into passports and residence permits will make an important contribution to the counter-terrorism strategy. The limitations of adopting only this approach have been noted above.</p> <p>The false identity document offences will also provide a means to disrupt terrorist networks' use of false identities by providing a simpler route to prosecute those in possession of false documents without the need to prove intent to use them.</p>
<p><b>Speedier, more convenient access to public services and services to consumers more widely.</b></p>	<p>Departments are involved in a range of initiatives to improve the delivery of services. The two major initiatives which are related to ID cards are encouraging the wider use of e-Government services and trials of local authority smartcards.</p>	<p>e-Government services will be facilitated by the ID card scheme's verification service which will be able to provide a higher level of authentication of individuals in an on-line environment.</p> <p>Local authority smartcard schemes are used primarily for low value services. They are not issued as proof of identity documents on a par with passports. However there are important lessons to learn on how people use smartcards for accessing services and what benefits they see as individuals.</p>