



House of Commons
Committee of Public Accounts

Driver and Vehicle Licensing Agency: Trust Statement Report 2002–03

Twenty–eighth Report of
Session 2003–04

*Report, together with formal minutes,
oral and written evidence*

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The Committee of Public Accounts

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Summary

Introduction

In 2002–03, the Driver and Vehicle Licensing Agency (the Agency) collected gross Vehicle Excise Duty (VED) revenues of £4.6 billion, a reduction of 5.6% on the previous year. A further £193 million of gross revenues from 1.75 million vehicles that should have been collected in that year was lost to the Exchequer through evasion. Estimates of VED evasion are derived from periodic roadside surveys and the 2002–03 estimated evasion rate of 4.5% is 0.6% higher than the 1999 estimate.

There are significant variations in the overall cost-effectiveness of the various enforcement measures adopted by the Agency to tackle VED evasion, but the benefits of partnership working with other public bodies has been consistently proven in several pilot trials and recent initiatives. The Agency needs to develop a better balanced portfolio of enforcement measures and targets, and cleanse its computer records to improve accuracy; particularly across the ‘inactive’ elements of its vehicle database.

The Agency failed to notice a change in legislation in 1997, and as a result more than 300,000 drivers were incorrectly charged a total of £3.35 million in fees for the renewal of medical driving licenses. Once this error was detected in 2003, the Agency swiftly made arrangements for repayment, but the cost to the public purse of identifying the affected drivers and processing the refunds was nearly £200,000.

The Agency’s contract for its IS/IT services was re-tendered during 2002–03. The Agency took the opportunity to change the basis of this contract away from standard service provision to a ten-year flexible, partnership arrangement with the new contractor focussing on improved customer-facing services. The Agency had anticipated transfer costs of between £13 million and £29 million, depending on whether it switched or retained the same supplier. However, the final cost was some £4 million more than the £29 million maximum cost originally anticipated.

On the basis of a Report by the Comptroller and Auditor General,¹ we examined whether the Agency was doing enough to tackle the incidence of VED evasion; the financial impact of the various enforcement activities that it deploys to counter VED evasion and whether the Agency had done all that it could to introduce electronic means of payment of VED for the motoring public.

1 C&AG’s Report, *Driver and Vehicle Licensing Agency (DVLA) 2002–03 Trust Statement* (HC 964, HC 1058-II)

Conclusions and recommendations

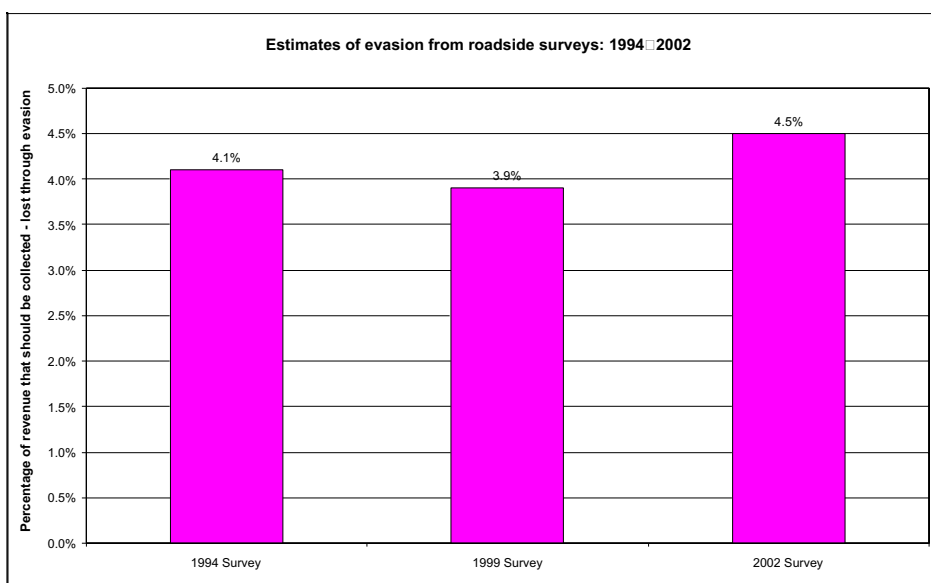
- 1. Despite increasing its enforcement efforts the Agency has not been able to reduce vehicle excise duty evasion.** It has research in hand to help it identify the causes of evasion and recently launched a new 'continuous registration' initiative to help validate its vehicle database records. The Agency's target to reduce the evasion rate to 2.5% by 2007 needs to be pursued vigorously as do its efforts to improve the accuracy of its database. In particular, the Agency should use the data provided by the roadside use of Automatic Number Plate Reading (ANPR) equipment to develop frequent statistical updates on the level of VED evasion, in order to inform optimum deployment of its portfolio of anti-evasion activities.
- 2. The Agency should look to maximise the effectiveness of its portfolio of enforcement activities.** The Agency plans to double wheel clamping activity—the least cost effective enforcement measure—in 2004–05 in preference to more cost effective approaches such as the use of ANPR equipment which has the additional benefit of being able to provide real-time data on the incidence of evasion.
- 3. There is considerable scope for the Agency to expand its partnership working, particularly with local authorities and the police, to combat VED evasion.** Less than 2% of local authorities across Great Britain are using 'devolved' Agency powers to tackle evaders. Yet those that have done so have found it both quicker and cheaper than using their own statutory powers in respect of abandoned untaxed vehicles.
- 4. The Agency needs to be resourced adequately to support any future expansion of local congestion charging schemes.** Although in the case of the Central London Congestion Charge, Transport for London met half the capital cost and all of the ongoing running costs, the Agency is statutorily obliged to supply information to local authorities free of charge. This is unsustainable unless the Agency is able to recoup its costs from the local authorities operating congestion charging schemes.
- 5. There is considerable scope for the Agency to enhance the range of VED payment channels for motorists and for accelerating the plans to introduce electronic methods of payment.** The Agency needs to set itself more challenging targets for the roll-out of electronic VED relicensing facilities and their take-up by the public, whether at Post Offices or elsewhere. Electronic licensing was introduced for Fleet Operators in 1994; whereas the general motoring public are only just now being offered a similar service by the Agency for vehicles less than three years' old.
- 6. When re-tendering its IT/IS contract in 2002–03, the Agency took the opportunity to redefine the nature of its relationship with its IT/IS service supplier to provide a more flexible partnership approach.** Although the cost of switching supplier was higher than anticipated, the Agency's management of the process offers lessons for others. Its insistence on transparency in the new contract arrangements, extending to the supplier's dealings with third party sub-contractors, will help identify the potential 'switching costs' when this new contract expires. The Agency also conducted a detailed evaluation of the skills and knowledge that had to be transferred to the new supplier from its predecessor in order to achieve a smooth transition.

1 The incidence of Vehicle Excise Duty (VED) evasion

1. During 2002–03 the Driver and Vehicle Licensing Agency (DVLA) collected some £4.6 billion of Vehicle Excise Duty (VED).² The Agency’s vehicle database holds records for almost 31 million vehicles.³ The Agency does not use this information to estimate the rate of VED evasion because at any one time an unknown proportion of the vehicle records held are inactive or out of date.⁴

2. To establish estimates of the level of VED evasion, the Agency commissions periodic roadside surveys.⁵ The results of the latest survey in June 2002 indicated that evasion has increased to 4.5% of the total revenue that should be collected; equating to some 1.75 million untaxed vehicles. This equates to 5.8% of the total number of vehicles registered on the Agency’s database⁶ (which also includes details of exempt vehicles—such as ambulances—and vehicles which, at the time of the roadside survey, were passing through the motor trade or held under Statutory Off-Road Notifications). The increase in revenue evasion is despite increased enforcement activity and the introduction of new anti-evasion measures such as the use of automatic number plate reading equipment.⁷ **Figure 1** shows the estimates of VED evasion from the roadside surveys undertaken since 1994.

Figure 1: Estimates of Vehicle Excise Duty evasion from recent roadside surveys: 1994–2002



Source: Analysis of C&AG’s Report, para 34

2 C&AG’s Report, para 8

3 Qq 32–33; DVLA Annual Report 2002–03, p10

4 Q 34

5 C&AG’s Report, para 32

6 *ibid*, para 34, Figure 8

7 *ibid*, para 42; Qq 7–8

3. An evasion level of 4.5% equates to a gross loss of VED revenue of £193 million for the financial year 2002–03.⁸ The Agency claimed that its enforcement activities reduced the actual net revenue lost to some £83 million as a result of the £69 million they collected in fees, penalties and backdated VED; and £41 million of what the Agency terms ‘induced’ relicensing.⁹ The Agency explained that ‘induced’ relicensing was an estimate derived by statisticians from monitoring of the levels of licensing before and after specific anti-evasion campaigns. This information is then used to calculate a financial value for the deterrent effect of the publicity generated by high profile enforcement activities such as wheel clamping.¹⁰

4. The Agency does not have a full picture of the reasons behind the increasing evasion levels; nor does it have a clear understanding of the factors that motivate motorists to evade VED.¹¹ The Agency needs to understand the factors better in order to focus its anti-evasion measures. It is awaiting the outcome of two pieces of research looking at the links between the evasion of VED and drivers who do not have motor insurance.¹²

5. The Agency has introduced several initiatives over recent years to increase the integrity of its database and provide more robust information for its anti-evasion efforts. The first of these was Statutory Off-Road Notifications (SORN),¹³ which requires vehicle keepers to declare to the Agency that their vehicle is being taken off road, and will not be used on public highways during the period of the declaration, and is therefore not liable for VED.¹⁴ The introduction of Continuous Registration, under which the registered keeper of a vehicle as recorded on the Agency’s database remains liable for paying VED unless and until the Agency is informed of a change of keeper and issues an acknowledgement is an important step forward.¹⁵ The introduction of continuous registration will be supported by the issue of a new style Vehicle Registration Document (or ‘log-book’) to vehicle keepers where the Agency is satisfied that it holds the correct details.¹⁶ As a result of these measures the Agency expects to be able to identify more easily the ‘inactive’ population on its vehicle database. It can then focus on these records to improve the integrity of the information held.¹⁷

6. The Agency was also unable to explain the reasons for the regional differences in evasion rates identified by the roadside survey in 2002.¹⁸ The levels of evasion in London, the East of England and Northern Ireland were particularly high.¹⁹ On the basis of vehicle class,

8 C&AG’s Report, para 38

9 *ibid*, para 41

10 *ibid*, para 40; Qq 13–15

11 Qq 7, 25

12 Qq 7, 68; Ev 17

13 Q 7

14 Qq 88–91

15 C&AG’s Report, para 73

16 *ibid*, para 76; Qq 34, 36

17 Qq 35–36

18 C&AG’s Report, para 36, Figure 7

19 *ibid*, para 36, Figure 7; Qq 25–26

motorcycles had by far the highest observed levels of evasion, at some 23%.²⁰ The Agency is focussing on the problem areas and pointed to its increased anti-evasion campaigns in London and its co-operative arrangement with Transport for London.²¹

7. The Agency's enforcement activities, except for wheel clamping, are largely ineffective against individuals who use 'cloned' vehicle registration marks. This weakness will be addressed by new measures introduced under the Vehicle Crime Act 2001. This legislation places requirements on all suppliers and manufacturers of number plates; to be registered with the Agency, to maintain accurate records of all number plates supplied, and to be satisfied that the purchaser does indeed have the right to display the relevant number plate.²²

8. The Agency's performance target for dealing with evasion has changed recently from a cost recovery measure (£2.90 to be recovered for every £1 spent on enforcement in 2000–01) to an activity measure (simply the total number of enforcement cases completed). The Agency explained that this change had been driven by:

- giving a greater emphasis on tackling high numbers of evaders, rather than focussing on a primarily financial target; and
- the increasing variety of anti-evasion measures, making it more difficult to achieve a single cost : recovery ratio target.²³

9. The Agency has the challenging targets of reducing evasion from its current 4.5% to 2.5%, and to halve the inactive register by 2007.²⁴

20 C&AG's Report, Fig 6, para 35; Q 26

21 Qq 25, 27–28

22 C&AG's Report, paras 60–62, 101

23 Q 96

24 Qq 37–41

2 The Agency's Vehicle Excise Duty enforcement activities

10. The Agency tackles the problem of Vehicle Excise Duty (VED) evasion through a variety of enforcement activities. Police and traffic wardens have been reporting unlicensed vehicles to the Agency for follow-up action for well over a decade.²⁵ Within the past five years, wheel clamping and the use of Automatic Number Plate Reader (ANPR) equipment have been introduced.²⁶ More recently, various partnerships with local authorities and other enforcement agencies have been established and piloted, and these have had some further success in attacking evasion.²⁷ The Agency has also examined the possibility of including adhesive decals or electronic chips in the number-plates of certain vehicles. If feasible, this would allow the Agency to use its ANPR system to provide live information on actual evasion from traffic sightings.²⁸

11. Taken in isolation, wheel clamping apparently offers poor value for money as an enforcement activity. In 2002–03 the Agency clamped 40,000 vehicles at a cost of £8.7 million or £218 per vehicle.²⁹ Every £1 collected from wheel clamping costs the Agency £4.25.³⁰ The Agency explained that it is the deterrent effect on the motoring population that is the primary purpose of its wheel clamping activities.³¹ The Agency aims wheel clamping at the hardened evader and believes that when the value of 'induced' relicensing from the deterrent effect is taken into account, the overall VED return far exceeds the cost.³²

12. The Agency was unable to allay the suspicion that a proportion of the Agency's wheel clamping efforts are being used by the public as a means to dispose of old, un-roadworthy vehicles without incurring the costs of scrapping. The Agency conceded that, in the main, it is the very oldest vehicles that are wheel-clamped which go unreclaimed by the keeper, and which ultimately have to be crushed at the Agency's expense.³³

13. The cost of the Agency's new wheel clamping contract let in 2002–03 rose by 75%. Under the old contract the cost was on a fixed-price basis. The new contract has an increased number of wheel clamping teams and an incentive mechanism linked to performance.³⁴ The Agency was unable to offer evidence to support its contention that the deterrent effect would increase proportionately with the additional costs of the new wheel clamping contract, nor could it give satisfactory assurance that there was a robust financial

25 C&AG's Report, paras 42, 63

26 *ibid*, paras 43, 51

27 *ibid*, paras 63–71; Qq 12, 30

28 Q 87

29 C&AG's Report, para 45; Ev 17

30 Ev 17

31 Qq 43–48, 124

32 C&AG's Report, para 45; Q 124; Ev 16

33 Qq 22–24

34 C&AG's Report, para 47, Figure 9; Q 51; Ev 16

case to support the Agency's plan to almost double its wheel clamping activity from 55,000 vehicles in 2003–04 to 100,000 vehicles in 2004–05.³⁵

14. The other primary VED enforcement activity used by the Agency is Automatic Number Plate Reading (ANPR) equipment. The Agency currently operates 15 vans to keep a check on around 31 million vehicles.³⁶ ANPR activity yields £1.50 of direct revenue for every £1 of cost.³⁷

15. The Agency needs a variety of VED enforcement activities to tackle different types of evasion. VED evaders who have not kept their records up to date, or who display false number plates cannot in practice be pursued by the Agency despite being sighted by ANPR equipment or by police and traffic wardens.³⁸ Wheel clamping is effective in these cases, as it is not reliant on tracing vehicle keepers from records. The physical immobilisation of the vehicle forces keepers either to declare themselves, or to have their vehicles confiscated – ultimately being sold or crushed.³⁹

16. The Agency acknowledges that on-the-road enforcement is an expensive option, but stressed that it worked in partnership with other agencies whenever possible.⁴⁰ A new offence had recently been created of being the keeper of a vehicle that is not either correctly licensed or covered by a SORN declaration. This removed the previous requirement on the Agency to actually observe the vehicle on the road before enforcement action could be taken. The Agency is now able to enforce VED compliance from the relicensing information held on its vehicle database.⁴¹

17. The Agency's partnerships with police forces, local authorities and other central government agencies in tackling VED evasion have been successful but could be expanded at little cost.⁴² By working together the Agency and local authorities can use their combined powers to speed up the removal of abandoned untaxed vehicles which are often a magnet for arson or vandalism.⁴³ Despite the significant benefits for both the Agency and local authorities, fewer than 2% of local authorities are working with the Agency on removing abandoned vehicles.⁴⁴ More than half of all local authorities do not take part in the Agency's Car Park scheme.⁴⁵ **Figure 2** illustrates that there still remains considerable scope for the Agency to increase the extent and scale of its partnerships with local authorities.

35 Qq 21, 24, 124–126

36 Qq 8, 10; DVLA Annual Report 2002–03, p10

37 C&AG's Report, para 52; Q 42

38 Q 48

39 *ibid*

40 Qq 11–12

41 Qq 88, 91

42 Qq 12, 27

43 Q 28

44 C&AG's Report, paras 69–71

45 *ibid*, para 56

Figure 2: Partnership working between the Agency and local authorities

There are 442 local authorities in England, Wales and Scotland.

Car Park Schemes: Only 189 (43%) local authorities forward to the Agency details of untaxed vehicles sighted in council operated car parks.

Adoption of Devolved Agency Powers by local authorities:

- At 31 March 2003, only 7 (1.6%) had adopted Devolved Powers.
- A further 7 (1.6%) intended to adopt Devolved Powers within 2002–03.
- An additional 16 (3.6%) were in discussion with the Agency at 31.03.03 about adopting Devolved Powers.

Source: Analysis of C&AG's Report, paras 56, 69–71

3 Enhancing the provision of electronic licensing to the public

18. Electronic relicensing for fleet operators was introduced by the Agency in 1994 and motor dealers have been able to license new vehicles on their first registration since 1997.⁴⁶ Electronic services for the individual motorist have not been addressed, except for a telephone relicensing scheme which has not expanded beyond its pilot stage.⁴⁷ The Agency argued that the results of customer surveys show that the public like to use the Post Office to relicense their vehicles.⁴⁸ In any comparison with other government organisations that transact directly with the public on a large scale, the Agency is well behind in broadening customer choice through the introduction of electronic arrangements for the public to conduct its business.⁴⁹

19. The Agency accepted that it should make available a wider range of choices of payment channels.⁵⁰ The introduction of Electronic Vehicle Licensing (EVL) from February 2004 will start to address the issue, but in the first phase will only be available to customers who do not need to produce a valid MOT for the vehicle being relicensed. Later in 2004, this service will be expanded to deal with transactions for cars that do require an MOT.⁵¹

20. The earlier introduction of EVL for the public had been hampered by difficulties surrounding charges for the use of credit and debit cards. The Agency has no statutory permission to hypothecate any of the revenue collected to cover the transaction costs levied by card companies and it was unsuccessful in getting this matter addressed in either of the last two Finance Bills.⁵² The Agency has not acted with sufficient urgency or done all that it could to open up electronic transaction channels for the motoring public.

21. The Agency's targets are to conduct 23% of the public's relicensing transactions by electronic channels by 2006 and to have increased this to 37% by 2016. The Agency recognises fully that some members of the public will always prefer a face-to-face service and it is committed to retaining this type of service alongside its electronic channels.⁵³

46 C&AG's Report, para 13 and Figure 2

47 *ibid*, para 18

48 Qq 3-4, 114

49 Qq 105-114

50 Q 105

51 C&AG's Report, para 18; Qq 2-4, 114

52 Q 107

53 Qq 4, 114

4 Other matters

Congestion charging

22. The Agency's role in supporting the London Congestion Charging scheme is limited to providing information as directed by the Transport Act 2000. This places a statutory requirement on the Agency to provide information relevant to vehicles and keepers, free of charge, in supporting congestion charging schemes. It is difficult for the Agency to work within this statutory obligation particularly as there is no agreed technical framework as to the form and nature of the information to be supplied and it cannot regulate the demand on its service.⁵⁴ The Agency provides data to Transport for London (TfL) for two purposes; to enable TfL to validate applications for exemptions and to assist TfL to pursue evaders of the Congestion Charge.⁵⁵ The Agency stressed that enforcement of the Congestion Charge is entirely the responsibility of TfL.⁵⁶

23. The Agency developed a Web Enabled Enquiry system to meet the information requests from TfL. The Agency explained that while it was statutorily bound to provide data free of charge, TfL had funded 50% of £600,000 development costs for the system. TfL also funds, on a voluntary basis, the running costs associated with their information needs.⁵⁷

24. The number of data requests made via the system, based on TfL's original estimates, was expected to be in the region of 60,000 per day.⁵⁸ However, to date actual requests have been running at about a third of this level and this has led to a review of the charging basis.⁵⁹ The Agency confirmed that it also uses the Web Enabled Enquiry system to receive electronic notifications from scrap dealers of vehicles that have been scrapped and to provide information to local authorities.⁶⁰

Irregular income from Drivers' Medical fees

25. The Agency failed to identify a change in legislation in 1997 that had removed its powers to levy a £6 fee for drivers over 70 with a medical condition who wished to renew their licence.⁶¹ It acted quickly once this error came to light and set about correcting it as a matter of urgency. The fees refunded amounted to £3.35 million⁶² and the Agency incurred costs of £196,000 in identifying, processing and returning the fees to the drivers concerned.⁶³

54 C&AG's Report, paras 90; Q 16

55 C&AG's Report, para 83

56 Q 16

57 C&AG's Report, para 87; Qq 16, 75–80, 122–123

58 Qq 72–73

59 C&AG's Report, para 87

60 *ibid*, para 86; Q 76

61 DVLA Annual Account 2002–03, Note 2, p26

62 *ibid*

63 Q 83

5 The New IT Contract

26. The Agency is a significant user of IT systems. Its vehicle database holds records on almost 31 million vehicles and its driver database holds records on almost 40 million individuals.⁶⁴ It also supports a network of 40 local offices across Great Britain.⁶⁵ During 2002–03, as a result of a major re-tendering exercise, the Agency ended its 10-year relationship with EDS Ltd and struck a new deal with IBM/Fujitsu for all its IT/IS requirements and development.⁶⁶

27. The Agency took the opportunity of the end of its contract with EDS to re-appraise its IT requirements. It sought to extend the boundaries of a straightforward IS/IT provision contract to one that offered greater flexibility to deal with the Agency's agenda for change, particularly in electronic service delivery and the business process changes that would be needed to support it. In changing the basis of the contract, the Agency knew that it would incur additional costs and in its business case had estimated these to range between £13 million (if the provider did not change) to £29 million (if a new provider was selected).⁶⁷ The Agency also told us that it had anticipated having to pay EDS Ltd to provide much of the 'skills transfer' to any new supplier.⁶⁸

28. A new contract with the successful bidder, IBM/Fujitsu became effective in October 2002. Between the date of signing this contract and the transition stage, additional costs of £4 million were identified.⁶⁹ This charge was to novate some software licenses, as the original EDS contract did not allow these to pass to a third party and so new contracts with the software suppliers were required. This arose because the contract signed with EDS in 1993 did not include the full transparency of their contracts with software suppliers and therefore the Agency had been unaware of the terms that EDS had agreed with external parties.⁷⁰ The new contract with IBM/Fujitsu includes revised contract termination clauses to prevent any recurrence.⁷¹

29. The Agency has done well to successfully transfer its IT supplier onto the new 'partnership' arrangement. The additional costs involved in the transfer had not materially affected the robustness of the Agency's overall business case to change to a new supplier.⁷²

64 DVLA Annual Report 2002–03, p10

65 C&AG's Report, para 11

66 DVLA Annual Accounts 2002–03, Note 5, p32

67 Qq 81, 138–139

68 Qq 82, 140–143

69 Qq 131–133; DVLA Annual Accounts 2002–03, Note 5, p32

70 Qq 134–138, 147

71 Q 155

72 Qq 152–154

Formal minutes

Monday 17 May 2004

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon	Jim Sheridan
Mrs Angela Browning	Mr Gerry Steinberg
Jon Cruddas	Jon Trickett
Mr Brian Jenkins	Mr Alan Williams

The Committee deliberated.

Draft Report (Driver and Vehicle Licensing Agency: Trust Statement Report 2002–03), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 29 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Twenty-eighth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

Adjourned until Wednesday 19 May at 3.30 pm

Witnesses

Monday 9 February 2004

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Mr Clive Bennett, Mr Trevor Horton, and Mr Ieuan Griffiths, Driver and Vehicle Licensing Agency (DVLA)

Ev 1

List of written evidence

Driving and Vehicle Licensing Agency

Ev 16

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Third Report	The Sheep Annual Premium Scheme	HC 64	(Cm 6136)
Fourth Report	Improving service delivery: the Forensic Science Service	HC 137	(Cm 6155)
Fifth Report	Warm Front: helping to combat fuel poverty	HC 206	(Cm 6175)
Sixth Report	Department of Trade and Industry: Regional Grants in England	HC 207	(Cm 6155)
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Thirteenth Report	Excess Votes 2002–03	HC 407	(N/A)
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Fifteenth Report	Procurement of vaccines by the Department of Health	HC 429	
Sixteenth Report	Progress in improving the medical assessment of incapacity and disability benefits	HC 120	(Cm 6191)
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Twenty-third Report	Government Communications Headquarters (GCHQ): New Accommodation Programme	HC 65	
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Twenty-fifth Report	Managing resources to deliver better public services	HC 181	
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Twenty-seventh Report	Identifying and tracking livestock in England	HC 326	
Twenty-eighth Report	Driver and Vehicle Licensing Agency: Trust Statement Report 2002–03	HC 336	

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number

Oral evidence

Taken before the Committee of Public Accounts

on Monday 9 February 2004

Members present:

Mr Edward Leigh, in the Chair

Jon Cruddas
Mr Frank Field
Mr Brian Jenkins

Mr Gerry Steinberg
Jon Trickett
Mr Alan Williams

Sir John Bourn KCB, Comptroller and Auditor General, National Audit Office, further examined.

Mr Rob Molan, Second Treasury Officer of Accounts, HM Treasury further examined.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

DVLA 2002–03 Trust Statement (HC 1058-II)

Witnesses: **Mr Clive Bennett**, Chief Executive, **Mr Trevor Horton**, External and Corporate Services Director and **Mr Ieuan Griffiths**, Finance and Strategy Director, Driver and Vehicle Licensing Agency (DVLA), examined.

Q1 Chairman: Good afternoon, welcome to the Committee of Public Accounts where this afternoon we are looking at the Comptroller and Auditor General's Report on the Driver and Vehicle Licensing Agency Trust Statement 2002–03. We are joined by the Chief Executive, Accounting Officer of the DVLA who is Mr Clive Bennett. Welcome, Mr Bennett, this is your first time to appear before the Committee, thank you for agreeing to appear before us. Would you like to introduce your colleagues?

Mr Bennett: Mr Ieuan Griffiths, who is the Finance and Strategy Director and Mr Trevor Horton who is our External and Corporate Services Director.

Q2 Chairman: Thank you very much. Perhaps I can ask you firstly about the means that the public have to pay for their licence. If you look at paragraph 13, electronic means of payment, you will see there that you offer the motor industry the ability to pay by electronic means but not the individual taxpayer. Why is that?

Mr Bennett: In fact at the moment the taxpayer does have a slightly improved basis for moving forward with us in a sense that this year we have moved towards bar-coding transactions at the post office, in fact the post office now transfer their counter work electronically. The most important thing is that we have been planning to go electronically with vehicle licensing and in fact that goes live this month, in February, with the initial phase one which deals with those customers that do not need an MoT, cars that are three years or younger. Later this year we start to branch out to those who do need an MoT, when the MoT computerisation system goes live.

Q3 Chairman: There is no reason why the public should have to cope with this old-fashioned type paperwork, why can you not use debit cards or credit cards?

Mr Bennett: The interesting thing is that every time we do a customer survey the customers love the post office. Now many people want to use electronic transfer channels and that is what we are now putting in place.

Q4 Chairman: I am not saying we should prevent people using the post office.

Mr Bennett: Absolutely. We are going to be electronic this year.

Q5 Chairman: There is obviously a lot of interest about the evasion of this licence; there has been a lot of publicity in the last week. Obviously the matter is a concern to the public, I understand there are one million people on the road not paying, is that right?

Mr Bennett: Evasion is a problem to us in more ways than one because obviously there is the issue of simply not paying the tax, which is one issue but more importantly from our point of view is the accuracy of the database that we use for many purposes in the DVLA. Also road safety, the whole point of paying for road tax is that at the same time a member of the public needs insurance and an MoT as well. Yes, we are concerned about that. We are not technically responsible for evasion but we are responsible for helping to deal with that evasion.

Q6 Chairman: Can you repeat that?

Mr Bennett: We are not responsible for the evasion but we are responsible for dealing with removing that evasion, and that is what we seek to try and do in different ways.

Q7 Chairman: The reference is paragraph 34. You will see there that levels of evasion are continuing to increase despite your enforced activities, why is this? Why are levels continuing to increase?

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Mr Bennett: The truthful answer is that nobody is sure and actually convinced of the reasons, that is point number one. The most likely reason, as far as we can see, is insurance because the cost of insurance has an impact. There are other reasons. There is some work going on in the Department at the moment on two fronts, one is through the Jill Dando Institute and the other one is through the work that is happening with Professor Greenaway to look at the whole aspect of exactly what the causes are. Having said that, one of the things we have been doing significantly over the last few years is putting a lot more controls on both ends of the issue, they are what I call the evasion on the broad level, because we have a database for a system which goes back many years. Some of that database has been inactive for a while, which I think is behind the question you asked. What we have sought to do is to address two things, one is to do with the actual underlying database, the inactive side of that database and we have done that originally through SORN, the Statutory Off Road Notification. We are also trying to deal with the on-road evasion, which is the other end of it, which deals with catching people on the road who are evading, and we deal with that through various means. We are working on two fronts.

Q8 Chairman: Let us try and see how we can help you in your efforts, if you look at paragraph 42 you will see the sort of things you are trying to do to deal with people on the roads, for example wheel clamping and the use of automatic number plate readings. I am told that this number plate reading is mounted on a van and you only have 11 vans in the whole country.

Mr Bennett: We have 15, we have 11 here.

Q9 Chairman: How many people are driving in the country at the moment?

Mr Bennett: About 40 million.

Q10 Chairman: You have 15 vans. With all of the publicity we have had over the last week about this child being killed, there must be hundreds of thousands of people running round untaxed and uninsured. You say you take this seriously yet you have 15 vans running round the country.

Mr Bennett: We take it very seriously

Q11 Chairman: You better convince us that you are.

Mr Bennett: The 15 vans are only one way we tackle it, there are many other ways. We work consistently with local authorities using our data in conjunction to find untaxed vehicles. I think the most important change that we brought in recently is Continuous Registration. We appreciate that doing it on the road is an expensive proposition, we could never have the coverage that the police have. We also work in conjunction with others, we use the police, we use the local authorities, we use our own vehicles on the road but more importantly what we are now doing is dealing with evasion by looking at the record. The law changed that such from January if people do not tax their vehicle we can prosecute straight from the record, that stops us having to look at them on the

road, which has always been the issue previously. That has been a major change. It needed a step-change in the way that we handled the legislation.

Q12 Chairman: All right. What about Gatso speed cameras, again they attracted some adverse publicity, why is there no link from Gatso through to you so that you can keep a check?

Mr Bennett: The Gatso speed cameras are a slightly different principle, we do work with the police and we are looking at what is called Project Laser, where the police will use their cameras to pick up untaxed vehicles and feed that back to us, we work with the police on that. That has been very successful in the trials and that is now being branched out.

Q13 Chairman: All right. If you look at paragraph 41, you have this £41 million of induced revenue which appears to be an accounting device which you say you generate annually from the deterrent effect of your work, can you explain it to the Committee?

Mr Bennett: The induced re-licensing?

Q14 Chairman: Yes.

Mr Bennett: We get this from several directions, Trevor will be able to talk to you about the mechanisms, broadly speaking induced re-licensing comes out of things like wheel clamping. Wheel clamping itself very rarely makes major benefits in recovery but it has a huge deterrent effect on the population. We move in a wheel clamping team, having gone through publicity in the area. Many of the Members will have seen the publicity. We publicise the area, we move in the wheel clamping team, very often the police and ourselves have a campaign and then we measure the generated effect of tax in that area from what it was before. That is the induced re-licensing side of it.

Q15 Chairman: How do you know £41 million comes from your work?

Mr Horton: What we do is every year we run about 30 to 40 intensive local campaigns with the police forces across the country, two weeks of local publicity, with two weeks of stopping vehicles on the road. What the Department statisticians do is check the level of licensing before and after those events and from the before and after figures they calculate the level of induced re-licensing. A number of people have been encouraged to re-license following the local publicity and seeing people being stopped on the road.

Q16 Chairman: All right. Can I ask about the congestion charge, you have a relationship with Transport for London how are you exploiting your investment in the relationship with them?

Mr Bennett: The Transport for London situation is very much something that we are legislatively bound to provide the data for. We provide the data on two counts for transport for London, one is to deal with the vehicles that should be exempt, that gives them the information off our database and then, secondly, when they deal with their evasion, if I can put it that way, of the congestion charge they use our data

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statutorily to help with enforcement. That is our relationship with Transport for London. We are not involved in the enforcement. In terms of exposure, which I think was a question in terms of cost, we were due to produce it for free, that was the legislation, which is clearly difficult. We had a debate with Transport for London, in fact the cost was split 50/50 and we developed a web enabling system which enables us to transfer the data to them.

Q17 Chairman: Are you satisfied that you are working closely enough with other agencies to deal with evasion?

Mr Bennett: Truthfully one of my concerns, which is a different one, is that we are more targeted, as targeted as we can be, we do work with the local authorities, we work with the police, we work with Customs and Excise and we work with the United Kingdom PS. We work with a number of agencies across government and those relationships are effectively on the crime agenda as well. The issue is making sure that we get value for money in those relationships on an on-going basis. What I am careful about is rather than have a whole plethora of different ways of dealing with evasion we start to tailor them down.

Q18 Chairman: I am wondering whether you are doing enough, you are losing £200 million a year from untaxed vehicles, is there more that can be done about this? You are using devices like this induced revenue to pretend you are losing less than you really are, what about confiscating vehicles?

Mr Bennett: That is exactly what happens with wheel clamping. We are losing £193 million, that is 4.5%. Had we not dealt with our evasion it would have been more like 5.3%. Secondly, the important thing is that we did get back £41 million induced re-licensing and another £70 million in fees, charges and back tax. In total that means we recovered £110 million, however that is not good enough. Yes, we are short by £83 million if you put the two figures together but we are actively involved in trying to close the gap on evasion on behalf of the taxpayer, which is clearly what we must continue to do.

Q19 Chairman: What about confiscating vehicles?

Mr Bennett: This is the problem at the extreme end of our evasion, if we catch a vehicle on the road that is evading tax we will wheel clamp that vehicle and if the vehicle is not released and paid for we will dispose of that vehicle by crushing it or we will sell the vehicle, depending on its age. That is the ultimate sanction.

Q20 Chairman: How many clamping units do you have in the country at any one time?

Mr Horton: At the moment we have 12 units.

Q21 Chairman: 12 units!

Mr Horton: This year we will wheel clamp 55,000 vehicles, half of those will be crushed and disposed of.

Q22 Chairman: I am told that most of the vehicles you crush are very old and people almost use it as a device to save themselves a charge to take it to a tip. Is that right, are they mainly very old vehicles?

Mr Horton: They are, they are often old vehicles.

Q23 Chairman: That is not much of a deterrent at all.

Mr Horton: Very often they serve as a focus for arson and vandalism and people are very happy to get rid of them.

Q24 Chairman: You are getting rid of them for them.

Mr Horton: If we did not get rid of them they would be a road safety hazard and it would cause local authorities a great deal of grief because our powers are more stringent than theirs. Next year we have ministerial approval to go ahead and expand the scheme, next year we will be wheel clamping 100,000 vehicles, we are doubling the scheme, and again we will be getting rid of at least half of those.

Chairman: Thank you very much.

Q25 Jon Cruddas: Can I turn to Figure 7, which is just before paragraph 37, the movement of the estimated VED evasion levels across Great Britain from 1999 to 2002. You will see there that by far the greatest increase is in Greater London, do you have any reason why, even though you said earlier that you do not know about some of the reasons behind evasion?

Mr Bennett: There is no exact data but you can surmise. What we are trying to do is get to the bottom of this. Transport for London and the congestion charge tend to make people more aware. There is the insurance rate in London, the insurance difference for a car or a motorbike in London, particularly a car, compared to the rest of the country is huge. They will be my guesses. What I think we will try and do is get to the bottom of why we have this. We have this problem inside London, it has certainly got worse since the previous survey. That is one of the reasons why we are doing a lot more work and campaigns in London, and we are working with Transport for London on that.

Q26 Jon Cruddas: These are only movements, given your comments does that mean London is the worst in total evasion not just movement?

Mr Bennett: It is not the worst in percentage terms. If we are looking at percentages I would say that Northern Ireland is quite worrying, I am certainly quite worried about Northern Ireland. As a class I am concerned about motorcycles. If you take car vehicles across the United Kingdom I would say that London is the worst if not close to the worst, it is certainly the largest population.

Q27 Jon Cruddas: There is a lot going on in local authorities concerning what they are doing in terms of dumping vehicles. In my borough we had something like 15,000 registrations in Barking and Dagenham and an awful lot being crushed. It has work dramatically from 1999–2001, that has been dealt with now. That is basically because the value of scrap plummeted and people are dumping them on

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the roads, is that something that you have picked up in the sense that you have been sweeping up a lot of the dumped cars on the road?

Mr Bennett: That was the point which was raised earlier, there is a sense in which we do become an authority involved in and dealing with abandoned vehicles. To a degree local authorities are fairly spread across the country and autonomous and one of the things we were finding increasingly is they were helping to focus this problem. What we have done in many cases is combined forces with the local authorities and we do joint work with them. Many of them take our data to use under licence and do their own wheel clamping. The big problem they had with abandoned vehicles is that local authorities take a long time to move them, with our powers if the car is untaxed we can move it immediately. We work with the local authorities in partnership, it is equal funding and costs us nothing except that we put our resources together to address that problem.

Q28 Jon Cruddas: Local authorities are doing pilot schemes, for example there is one in Newham and in Barking—I think in Newham they wheel clamped 2,000 cars last year alone—presumably this would mean that we would see quite dramatic reductions in these movements upwards in terms of the estimated VED evasion levels? If your strategy for dumped cars is now being taken over by the local authorities presumably the cumulative effect would be there would be a dramatic change?

Mr Horton: In the first year Newham did this the evasion level dropped from 20% to 5%, which is wonderful. What they found is if they use our powers to get rid of vehicles immediately before it becomes an arson or a vandalism trap it is actually cheaper than if they use the local authority powers.

Q29 Jon Cruddas: We should all be quite positive about the possibility of these movements and the estimated VED changes plunging quite dramatically given the total fight against dumped cars?

Mr Bennett: It is certainly another way of reducing this part of our register which is inactive, that has been the big worry. Given the inactive register the continuous registration enables us to deal with the rest very straight-forwardly.

Q30 Jon Cruddas: Can I ask about the congestion charge, the Chairman talked about the automatic number plate reading, what you do have in London is 200 odd cameras across the whole of the centre of London, do you use them in terms of dealing with evasion, given that this could be a pilot programme for a form of automatic identification that could be transferred more widely?

Mr Bennett: We do do that. Although we only have 15 cameras, and we use those in critical areas, most of the on-going work we are doing is through partnerships with the police, local authorities and Transport for London, we try and form partnerships across the board. For the last two years we have been running conferences with local authorities, the police and the fire service to try and advertise the

service we can offer and try and bring more of those on board. We are seeking to bring as many authorities as possible into this process.

Q31 Jon Cruddas: Can I ask a couple of questions about the headline figures here, in 2002–03 you collected Vehicle Excise Duty totalling almost £31 million, is that correct?

Mr Bennett: Yes.¹

Q32 Jon Cruddas: What is the total number of registered vehicles for the DVLA?

Mr Bennett: It is about 28–30 million, something of that level.

Q33 Jon Cruddas: How many vehicles do you collect excise duty from compared to the amount you have registered?

Mr Bennett: We know how many we do not collect in terms of value I have not worked it out in terms of volume.

Q34 Jon Cruddas: If you have all of these vehicles registered and then you have a different database for all the ones that you collect revenue from presumably the first port of call is to find out why there are more registered than there are paying excise duty and then presumably you should be finding out why X thousand or X hundred thousand do not pay duty?

Mr Bennett: I understand the question. We have a register which is wider than the number of vehicles we tax, a difference of about the 1.75 million. Many of those 1.75 million vehicles have probably not been there for years but are still registered, which is one of the reasons we are using the harmonised registration certificate this year to address that 1.75 million.²

Q35 Jon Cruddas: This continuous registration system that you use allows you to: (A) Clean up your system and (B) to—

Mr Bennett: To start to do that.

Q36 Jon Cruddas: You then cross-reference the cleaned up system with those who are actually paying duty on them.

Mr Bennett: After the first year everybody who has paid tax that year has a new registration document and becomes part of the active register, they are the people who will be tracked through with continuous registration for the record. If they do not pay we automatically put them on our enforcement record. The balance is still the people we have to catch on the road, we along with the police and the local authorities. As we catch those people and as we put

¹ *Note by witness:* The net amount of VED collected in 2002–03 was £4.39 billion from just over 30 million vehicles.

² *Note by witness:* The DVLA register retains the record of all vehicles registered. The vast majority of “inactive” records will refer to vehicles which probably no longer exist. The exercise to replace registration certificates will effectively recreate the vehicle record, isolating those that have dropped out of the system. The best statistical estimate produced by the last roadside survey indicated that some 1.75 million vehicles are in use on the road illegally. These are the ones which we are targeting.

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pressure on them through congestion charge cameras, and all of those things, we clean that record up and bring those into the register, generally, and gradually we shrink the inactive register. That is what continuous registration enables us to do, which is a major step forward. What we cannot do is say that we will get that to zero, it is really difficult to get that to zero but we want to keep reducing that down consistently over the next few years.

Q37 Jon Cruddas: Given all the work-in-progress one has in terms of increasing the powers of local authorities and their creative approach to dealing with what is a priority issue for many communities you are doubling the amount you are going to wheel clamp, you are cleaning up your databases and you are then going to use that to deal with the mismatch between registered vehicles and the amount that pay duty, all of that. Are we going to see dramatic changes over the next year?

Mr Bennett: I have accepted—and with a lot of care, I might say—having looked at this carefully new targets. I think that really answers your question.

Q38 Jon Cruddas: What new targets?

Mr Bennett: They are not in the paper. We are going to reduce evasion to 2.5 by 2007 through the means we have talked about.

Q39 Jon Cruddas: You are virtually going to halve the evasions.

Mr Bennett: Yes. The second thing is we are going to reduce the inactive register by 50% by 2007. We believe we have most of the mechanisms in place, both legal and physical, to start a real movement in that direction. That is why I set the target, I did not do it lightly, and I have accepted the targets.

Q40 Jon Cruddas: That is by 2007. In one year's time where are we going to be?

Mr Bennett: I cannot tell you, we have to work out the phasing, we are looking at that. We know we can do 2007.

Mr Griffiths: We have not agreed the interim targets.³

Q41 Jon Cruddas: Even though we have seen a rise over the last year we can all be comfortably assured we are going to see quite dramatic movements downwards to 2007.

Mr Bennett: I sincerely hope so.

Q42 Jon Trickett: I was looking at the differential costs between wheel clamping and this automated number plate reader, it costs £3.50 to collect every pound from wheel clamping and yet you make £1.50 for every pound if you use the automated plate reader. No private sector operation would operate in this way, why are we doing this?

Mr Bennett: One of the things we have to do when approaching this is look at this as a portfolio of approaches, it is not a single solution. If we took

away wheel clamping we take away our deterrent. There is no question about the fact that although you do not get huge returns from the Agency's books point of view we do get good returns from the induced re-licensing. Wheel clamping broadly speaking has a deterrent effect, it brings in tax revenue but it is not a good money earner on its own for us as an agency.

Q43 Jon Trickett: It is not as effective pound for pound. Pound for pound it is the least effective way you have of preventing people evading road tax.

Mr Bennett: Not at the return level in terms of the induced re-licensing. What you are looking at is the difference between our accounts, which deal with, if you like, the fees and fines, that sort of thing and on the other hand the Trust Statement, which deals with the return we get in tax.

Q44 Jon Trickett: Where is the evidence?

Mr Bennett: Sorry?

Q45 Jon Trickett: Where is the evidence?

Mr Bennett: On?

Q46 Jon Trickett: For the statement you are making that it is a cost-effective way of dealing with it.

Mr Bennett: Do you mean in terms of wheel clamping?

Q47 Jon Trickett: Yes.

Mr Bennett: For wheel clamping the induced re-licensing is significant, we will look that up for you if I cannot find it before we go, it is very significant in tax take.

Q48 Jon Trickett: You are spending £4 million a year on wheel clamping to produce £1 million worth of income in terms of re-licensing. If you had spent £4 million, or even half of that, £2 million a year to divert that money into an increasing number of teams dealing with the ANPR Project that would yield more income and catch more villains, because that is what they are if they are evading tax. I see from the C&AG's Report that they recommend that you re-evaluate the way you are spending your money. It does not justify it, does it?

Mr Horton: Wheel clamping is aimed very much at the hardened evader. The trouble with ANPR is that if you are a hardened evader you usually have false number plates or some other way of making your vehicle unrecognisable. There is not much action we can take if we cannot follow up the report. If we wheel clamp the vehicle we have the vehicle in hand and we can deal with it straightaway. As the chief executive keeps saying all of these measures are targeted to different aspects of the evading community.

Q49 Jon Trickett: You have not convinced me. I want to try and move forward slightly in terms of the re-letting of the contract. You have now decided to wheel clamp 100,000 a year, you are doubling the amount roughly, are you not? Why does it cost about £3 million to let a contract?

³ *Note by witness:* There is a commitment to DfT and HMT that DVLA will reduce evasion to 2.9% by December 2006 and then to 2.5% by December 2007.

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Mr Bennett: The contract has been re-let—it had been in place five years—for several reasons, one reason is there was a renegotiated contract anyway.

Q50 Jon Trickett: Have you compensated them for terminating the contract before it terminated?

Mr Bennett: Sorry?

Q51 Jon Trickett: Were you saying you compensated them?

Mr Bennett: No. What I am saying is the wheel clamping contract had been a fixed price for five years. We reviewed the wheel clamping contract because we were going out for a re-tender and at that time we also believed that the mechanisms by which we drove that tender were different, the content, the number of wheel clamping teams, it was a larger contract.

Q52 Jon Trickett: Why did it cost £3 million to let a contract, whether it was being re-let, or whatever? Why does it cost all this money to let a contract?

Mr Bennett: We went out to tender. We knew what the requirements for the wheel clamping contract were. We went out to tender and this was the best value result from that tender. You are back to the question of challenging whether wheel clamping works in the best way. That is the cost of running a wheel clamping contract for the volume of business that we are doing.

Q53 Jon Trickett: Paragraph 47, Figure 9 says, “The large increase in admin costs arose because of the need to negotiate a new contract with the wheel clamping contractors”.

Mr Bennett: Right.

Q54 Jon Trickett: I am trying to find out what the costs are of letting a contract? This sentence appears to imply there was a large amount of additional money involved in letting a contract.

Mr Bennett: The absolute cost of the wheel clamping.

Q55 Jon Trickett: No, the cost of inviting tenders.

Mr Griffiths: I think the words may not be totally clear. There was very little cost in letting the contract. What we were trying to say in there was that the actual cost of the wheel clamping itself had gone up significantly. There was a need to re-tender the contract because it had come to its natural life end.

Q56 Jon Trickett: It says here, “The large increase in admin costs arose because of the need to negotiate a new contract”. It does not say the value of the contract in increasing the aggregate. It says that the administration costs arose because of a need to negotiate a new contract.

Mr Bennett: It was not the cost of negotiation, it was the cost of the contract itself, that is the whole point.

Q57 Jon Trickett: That sentence is entirely wrong. What you are now saying is the value of the contract has increased.

Mr Griffiths: Yes.

Q58 Jon Trickett: That is entirely different to the sentence here. What is the value of the contract? What was it and what is it now?

Mr Bennett: 4.1–7.2 is the value of the contract.

Q59 Chairman: There are large increases in administrative costs, why does this sentence not say that the administration costs rose?

Mr Bennett: I think we are talking at cross purposes. The administration costs and the running costs of the contract are not the costs associated with negotiating the contract.

Q60 Jon Trickett: I do not think we are getting very far, I think a note would be helpful, if it is all right with the Chairman, from yourselves to explain what that sentence means.⁴ Why does it cost so much to administer the wheel clamping contract in any event? It says two-thirds of the spending on wheel clamping involved contractor costs. Presumably of the £7.2 million budget, if that is what you are saying it is, something like £2.4 million is for your administration of the operation. That is an extraordinary amount of money to administer a contract, is it not?

Mr Bennett: Well, it is—

Q61 Jon Trickett: For every £3 you are spending you are spending £1 to administer a contract which is costing £2, that is a really extraordinary ratio, is it not?

Mr Bennett: I think the difficulty is with the wording. The bottom line of the contract is we are clamping 55,000 vehicles a year, you need a certain level of wheel clamping capacity round the United Kingdom to run that. When it went out to tender we had several bids for that contract, Vinci Park Services were the people who won that contract as the best value contract. Whether wheel clamping delivers the right benefit, which is where you came in, is the point that I was trying explain.

Q62 Jon Trickett: I had moved on from that because I did not get any answer to the questions. I have now moved on to third set of questions and the sentence in Figure 9 which says “approximately two thirds of the Agency’s spending on wheel clamping costs is on contractor costs”. Of a £7.2 million budget the contract is costing £4.8 million and you are costing £2.4 to administers, why is it costing £2.4 million to administer a £4.8 million contract?

Mr Bennett: You have not only got the wheel clamp costs.

Mr Horton: First of all we have a system whereby the contractor has to check with us as a safeguard before they wheel clamp any vehicle to make sure that it is unlicensed, we insist on that so the wrong vehicles do not get wheel clamped. The other major expenditure, something like £1.6 million a year, is on publicity associated with the wheel clamping campaigns. As we were saying before for them to be

⁴ Ev 16–18

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really effective people have to know about them and be worried about them, that is part of the induced re-licensing.

Q63 Jon Trickett: I would not mind a note on the budget and the way that the contract was let.

Mr Bennett: You would like a breakdown of the costs basically.

Q64 Jon Trickett: The contract letting procedure. I do not think I have got very far on these questions.

Mr Bennett: Can I just check, there are two things you are asking for, one is how we contracted and the other is how we went through the tender. The second part is what the administrative costs break down to.⁵

Q65 Mr Williams: Mr Bennett, you made an interesting observation earlier that rising insurance costs are leading to people being unable to afford to insure and therefore because they are not insured they are unable to licence their car. How do we tackle this problem because non-insurance is a far more serious problem, is it not?

Mr Bennett: Absolutely.

Q66 Mr Williams: It is not just a matter of them not licensing it is a matter of the public and other motorists not receiving the protection they are entitled to?

Mr Bennett: Absolutely, yes.

Q67 Mr Williams: What do you envisage as a way of encouraging or persuading people to insure their vehicle, does it not therefore mean in your opinion a much higher penalty?

Mr Bennett: There are a few things. Certainly the first thing is insurance—my assertion about insurance is my view—we do need to do some checking to make sure that is the case. We are doing a lot of work to get to the bottom of that.

Q68 Mr Williams: Are you doing any work on that at the moment?

Mr Bennett: There are two things happening on it, we have a relationship with the Jill Dando Institute who have been working with us on the whole question of modernising vehicle registration, they are looking into the statistics. The other thing which is happening is that we are working with the Department and Professor Greenaway, who is an expert in this field, to look at the whole area of insurance and make recommendations on the best way forward. There are lots of options and it would be wrong of me to try and suggest those. The anticipation is that we will do a full review of what the options are and we will seek to see how we can move that forward in conjunction with the Department and the insurance industry.

Q69 Mr Williams: Do you have enough information available to put a note in to us about it?

Mr Bennett: In what sense?

Q70 Mr Williams: About the impact of insurance rates?

Mr Bennett: I can give you an example, I took one example, for a female with a 10 year old Clio worth £500, in Swansea you can get that insurance for £498, so you are paying as much for the insurance as the car. If you go to the South East you pay £740. What I am saying to you is you are paying twice the insurance for the same car, even to start with the insurance is a very high proportion of the car and therefore my sense is that people will often evade tax because they evade the insurance. That is why I agree that is one of the things we must try and address, that is why the Department is serious about this whole aspect and what exactly we can do to make the insurance better. That, of course, needs co-operation with the insurance industry.

Q71 Mr Williams: Can I ask you to look at that and put a note in to the Committee.⁶ Coming back to the congestion charge, I make it that it must be something like 16 million requests for information a year from London, is that about right?

Mr Bennett: I think we get about 20,000 enquiries a night.

Q72 Mr Williams: 20,000 enquiries a night? We have that each day you have 60,000 separate information requests.

Mr Bennett: It is 20,000 a night, it may be elements of data.

Q73 Mr Williams: We have been told that each day TfL makes 60,000 separate information requests of the Agency.

Mr Horton: That was the original anticipation.

Q74 Mr Williams: It is about one third of that. That means that if we take one third of my 16 million it is about five million a year, what does it cost you to provide that?

Mr Bennett: I can just explain the background, we basically needed—

Q75 Mr Williams: We have a note on the background, take it we know that, I am not being awkward.

Mr Bennett: Do you mean to put the system in? That cost about £600,000. I think it costs £800,000 a year to run.

Q76 Mr Williams: It costs £800,000 a year to run it.

Mr Bennett: That is not just for Transport for London, that is running the web enabling enquiry system, which deals with scrap dealers and which deals with local authorities.

Q77 Mr Williams: What proportion would be for London, just a ballpark figure?

⁵ Ev 16—18

⁶ Ev 17

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Mr Bennett: About two thirds.

Q78 Mr Williams: Somewhere over half a million is incurred as a result London's congestion charge.

Mr Bennett: They pay for that.

Q79 Mr Williams: How much do they pay?

Mr Bennett: Their share. That was always part of the agreement, out of this web enabling system we would get a benefit from the other work.

Q80 Mr Williams: There was no cross-subsidy at all.

Mr Horton: They paid for half of the set-up cost.

Q81 Mr Williams: In the account there is an exceptional charge arising from the switch from EDS to IBM/Fujitsu, that was £33 million, what was that for and how did that arise?

Mr Bennett: I probably need to take a step back again and explain the context. We obviously had the old EDS contract coming up for re-tender, that was a straightforward ISICT contract. When I joined the Agency three years ago one of the things that was evident was we had a huge agenda for change, particularly in electronic services, moving our driver licensing electronically and vehicle licensing electronically, changing the whole processes that surrounded the Agency. When we had the opportunity to re-tender we went for somebody who could do not just the ISICT services but could also deal with business change and a process change as part of that. It was very much a business change transformation and an ISICT contract, it was a partnership effectively between the private sector and the public sector moving that agenda forward. When we were anticipating making the change we did an assessment of the likely costs and it ranged anywhere between 13 million, if we ended up staying with the same supplier, to 29 million, if we had to go to a new incumbent. The reason for that is that if you have to change your incumbent there are other costs involved, there are hardware costs, software costs and transition costs, which are much higher than for the incumbent. We had a 13 to 29 million potential, that was the expected amount that we budgeted. What happened was that as we got to September when we signed the contract we found—it was then IBM/Fujitsu, we realised we had to move to a new supplier—it was still 29 million. We ended up with 29 million, we actually checked all through the year that we had that amount of money to cover the cost so we never exposed ourselves to something that we did not have the costs to cover. What actually happened then between contract signature and transition—and I want to remind the Committee that we transitioned this early, three months early, and it went very smoothly indeed, it was a huge transition—what we found was that during those four months of transition there were some software licences which had not been properly catered for in the original contract which we then had to spend out on and that took the gap from 29 million to 33 million. I know that is a long answer but that is how

it happened, it was the software licences that were hidden to us in the original year's contract which cost the extra four million.

Q82 Mr Williams: It was a very long answer, a very full answer. Why did you pay EDS £5 million for termination and transition costs?

Mr Bennett: That was largely because of the fact that we effectively had to keep them running for a period of time when the new contract came into place. Effectively we had two suppliers for a period of time running in parallel and that has affected the cost of keeping EDS until we had affected full transition.

Q83 Mr Williams: Can I move to drivers' medical fees, £3.5 million of drivers' medical fees was incorrectly collected.

Mr Bennett: This is a complicated one. I can keep it short, broadly speaking there was an error in the legislation which we failed to pick up in the Agency, it is a very complex area of legislation. What had been happening up to 1996 was we had a situation where people who had a medical condition over 70 would pay a £6 fee for licence renewal, people under 70 were getting it free. The legislation changed in 1996 which effectively removed that and gave the over 70s it for free but we continued to charge. It is only when it came to light recently, last year, that we put the balloon up, as it were, and set about correcting it. We handled the error, it was a difficult area of legislation, we spotted it and we put it right and closed it off. It did cost us £196,000 to do that, we repaid the fees going back over a period.

Q84 Mr Williams: The final question is, you failed to meet the deadline that had been promised to Parliament of repaying all of the refunds, have all of the refunds been paid now?

Mr Bennett: I do not think we did fail to meet the deadline. Are you talking about the drivers' medical fees?

Q85 Mr Williams: Yes.

Mr Bennett: They were all done, and done on time as I recall.⁷

Mr Williams: They were done on time.

Q86 Mr Jenkins: In the Report on page 15 and 35 there is a part in there which says, "motorcycles are estimated to have the highest... rate". By motorcycle do you mean a two-wheeled motorised vehicle? There is a great distinction in the motorcycle world between people who run a large, expensive machine costing £7,000 and people who buy scooters or off-riders, do you hold any distinction between those two groups?

⁷ *Note by witness:* All of the medical refunds that could be dealt with by the automated system introduced to deal with this problem (approximately 306,000 cases), were made by 30 June 2003. There were, however, around 4,000 cases where some complexity had arisen and a manual check had to be carried out to ensure that we were not making refunds to those not entitled to them. All those cases were cleared by 9 February 2004.

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Mr Bennett: We do not in terms of the category here. There are two issues, one is how you display the number plates on motorbikes, they are difficult in general. People tend to keep them off the road much more so it makes it difficult to catch them on the road, which traditionally we have had to do. The third thing I would like to say about motorcycles is insurance, again I hinted at this earlier, the average motorbike insurance is even higher than for a car and it is not helped by the fact that many of the suppliers of motorbikes gives free insurance for the first year, you get to the end of the first year, it is a young person and they are faced with another year. Again these are my surmises, I am concerned about them.

Q87 Mr Jenkins: I suggest that you not only look at the older person who rides the big machines, who does pay their insurance and is fearful of their bike being confiscated but the youngsters who run round on these vehicles who face huge premiums. Are you tackling that on category rather than on an overall level? If you turn to Figure 7, in the Greater London area you will see there are far more motorbikes in London than any other part of Britain, there are far more couriers running round London, which I suspect is a major problem in London itself.

Mr Bennett: Again I think you are probably surmising correctly, we do not know until we do the work. What we are doing here is we have gone out to consultation and looked at whether we can put sticky decals on number plates or electronic chips in number plates which will mean we can trace or track those motorbikes in the same way as a car and we can get some factual information. One of the big problems has been getting the factual data. With ANPR one of the valuable things is that we use the data we collect to take a look at what is happening rather than waiting for a three year survey to come along and tell us what evasions there are, which happened last time. We are getting pretty close to the point now where we can measure evasion on the road using our cameras because we get our statistics for that. We can start to look at what is happening with motorbikes, scooters, cars and eventually have that feedback immediately, and that will make a huge difference from our point of view.

Q88 Mr Jenkins: I was going to mention how well the West Midlands is doing but I had better leave that to another day. On paragraph 73 you note unbroken licensing record. Can I ask you, have you taken into consideration the possibility that some people who might be registered keepers might in fact go away for the winter period and spend two or three months in Spain and come back to find they are not only out of date but they have also received an automatic fine?

Mr Bennett: That is a risk but that is what SORN is all about, if somebody is going abroad they should Statutory Off Road Notify their vehicle, they can even do that by phoning now, and we mark the register to say that the vehicle is off the road and they will not get penalised. If they are caught on the road having declared they are off the road then the

penalties are even more stringent than they would have been. There is a mechanism for people to let us know.

Q89 Mr Jenkins: Are you going to inform people? I am from the generation where I winter my car and because I put the car off the road I assume I should not tax it if it is off the road.

Mr Bennett: We do handle that in several different ways, one is we have publicised SORN through television advertising, on every tax renewal it says that you must either renew your tax or advise us it is off the road. With continuous registration we have another opportunity to press the point home that you have to let us know if you are taking a vehicle off the road. We are doing a lot of advertising, it is never enough we always want to do more but we only have a certain budget.

Q90 Mr Jenkins: If you keep a car with SORN when do you have to re-register it?

Mr Bennett: Annually.

Q91 Mr Jenkins: You can fall foul if do you not remember to send this form in annually and if you do not tax your car.

Mr Bennett: You get a reminder.

Q92 Mr Jenkins: I am glad you send out so many reminders. Why have people failed to claim this 37 million, is it they cannot read, they are stupid or they do not want the money?

Mr Bennett: It is an interesting point. It is 37 million, which is about 4%, what has happened in all three cases of refund is we got in contact with the drivers, the difficulty is that it is quite costly to keep on reminding people. The difficulty is there is no end to the legislation, when the legislation was formed it did not have a cut-off date. It is true to say that this year I think we paid £77,000 out and it is coming in in dribs and drabs. I want to get an end date and when we know the end date is in place we will write to everyone who is outstanding saying, "the date of closure is . . . please get it in by then". The real honest answer to your question is we did not have a mechanism to close off in the legislation.

Q93 Mr Jenkins: We still have the ability to tell them.

Mr Bennett: We have already let them know, to keep on reminding them time and time again is quite expensive, we have to do that when we know when it ends. They will all get their money.

Q94 Mr Jenkins: You put clamping out to tender, how many tendered?

Mr Horton: Five.

Q95 Mr Jenkins: I was roughly doing some figures when Mr Trickett asked you how much it would cost, if you are going to pay 7.2 million to clamp 55,000 vehicles it works out 1.21 for you and you are paying two-thirds to the clammer for the vehicle they clamp, and they maybe unclamp. Is that the figure?

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Mr Bennett: Yes, I take your figures, I am sure they are right. It is an expensive mechanism, it does not get a full return in terms of our revenue but it is an ultimate deterrent and that deterrent works in terms of raising tax, that is its biggest benefit. We take it away but the amount of impact that would have on induced re-licensing licensing would be huge. I think it is important that we set that in context, it is part of a portfolio.

Mr Horton: We assess the wheel clamping annually with our statisticians and we do generate something like £12 million in induced re-licensing.

Q96 Mr Jenkins: Yet in 2001 you moved your evasion target to one based simply on the number of enforcement case annually. Why?

Mr Bennett: There is a fairly simple answer to that. It used to be a ratio. We used to have a ratio which was 2.9 earnings to one pound spent, so £2.90 earned for every one pound spent. The truth is that the more we have to move into different evasion techniques the more difficult it becomes to recover that. Just out of interest, for last year we were running at 2.6 to one but it was felt that what we really wanted to do was to make more of an inroad into the number of evaders, not simply to look at the value. The other complication was that the value was affected by greater VED because the rate of VED changed and dropped. If we had kept the old ratio going it would have given us an inconsistency. So it was for two reasons: one was the ratio change but, secondly, and more importantly, we wanted to increase the number.

Q97 Mr Jenkins: Do you not understand my concern? Since you are not the enforcement agency you have now set yourself a target based on their output and not your output.

Mr Bennett: Whose output?

Q98 Mr Jenkins: The enforcement.

Mr Bennett: That is based on our enforcement using all of the inputs that we have. We are in control of that in the sense that we get reports from traffic wardens, from the police.

Q99 Mr Jenkins: I know that.

Mr Bennett: We use all of those reports and from those reports we then meet that target. We are dependent upon them but we do a lot of that so we do all the enforcement from that.

Q100 Mr Jenkins: So when the police or the wardens go round car parks, for instance, and they notify to you a number of vehicles, stick a sticker on the windscreen that this car is not taxed, they send the details of the vehicles, and yet when that process goes through 25% of people re-license their vehicles but what happens to the other 75%?

Mr Bennett: This is an interesting point. Let me try and unpick this. There were 820,000 that were successful, that is 55% of total cases. Around 55% were successful, which begs the question what happened to the rest. We get one and a half million leads, if I can put it that way, real leads on people

who appear not to be paying their tax. From that 1.5 million we find 35% are multiples or duplicates, which is quite an issue, so obviously that is double-counting and we do not count those. Within those you cannot assume that somebody has not died or whatever so quite a few of those come out. We were left with 140,000 which were abandoned which were the ones that had gone to court but did not get through to the end. There were 140,000 of those that did not get through the final gate. We start at 1.5 million and we hit 820,000 of those, about 55%, and the gap is what I have just tried to explain. The only ones we can really take action on there are increasing the number of cars we tax.

Q101 Mr Jenkins: One last question, Chairman. In this country people clone cars and particularly I know this because some of my constituents walk into my surgery and say, "I have just been sent a parking fine for parking in London and my car has never been anywhere near London at all". Are we tackling the cloning threat we have got today?

Mr Bennett: That is a very good point. You may be aware that the legislation on that changed last year where, in fact, all number plate suppliers now have to be registered. Several things happened on this. First of all, the law was changed so that when you want a number plate you have to produce personal identity and vehicle identity. Not only that, the person who supplies you with the plate has to have the name of the company that supplied it on the plate. If those people are caught breaking the law by the police or ourselves when we are doing our enforcement those people will be taken off the register and prosecuted. There is a lot tighter control now than there used to be. You could go into any branch of Halfords historically and buy a number plate but that is not on any more. Of course it still happens, there has been some of that in London and I am aware of that, but the point I am making is the actual process is becoming more difficult. You may well have seen reports where people have said they tried the whole of London and they could not get hold of one. It is more difficult to get a plate and if we find one we prosecute.

Q102 Mr Steinberg: When you get to this stage in the meeting, Mr Bennett, just about everything has been asked. I have got to say that you have thrown me off guard because when I read this Report I thought to myself it was not a very good Report but in your answers you have given a totally different impression of the organisation. I am just wondering whether we both read the same Report, to be quite honest. After all your answers to the questions that have been put to you about how successful the DVLA is, you still lose about £200 million a year, do you not?

Mr Bennett: On?

Q103 Mr Steinberg: You keep asking questions back.

Mr Bennett: You mean on evasion? Yes, about 193 million but, as I said earlier on, 110 million will be claimed back through enforcement and induced re-licensing.

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Q104 Mr Steinberg: You give the impression that everything is hunky dory and everything is not hunky dory, is it?

Mr Bennett: No, I am not. I hope I did not give that impression.

Q105 Mr Steinberg: The performance is not very good at all, is it? You are presiding over an organisation that is perhaps one of the most used organisations, public services, in the country. If you want to drive a motorcar you have got to go through your organisation. Quite frankly, you are antiquated, you are old-fashioned, you are non-consumer friendly. In fact, you must be the most non-consumer friendly organisation in the country where 80% of your business is done through the Post Office. If I want to ring up Tesco's and order over the telephone I can or if I want to pay my bank account I can, if I want to pay my Mastercard I can do it over the telephone, but if I want a licence I have got to go to the Post Office, there is no other way of doing it. That is not very consumer friendly in the 21st century, is it?

Mr Bennett: I think you are absolutely right and, as I tried to answer earlier, I am not trying to get out of that at all. It is true to say that we should give consumer choice. One of the problems is we have not had an electronic vehicle licensing process.

Q106 Mr Steinberg: Why not?

Mr Bennett: We have it now.

Q107 Mr Steinberg: What has taken you so long? I have been paying my Visa card by telephone, pressing a few buttons, for about the last eight years.

Mr Bennett: One of the points that is very interesting is, for example, even assuming we have the electronic channels in place, I would think it's important that the credit card could be used. There is a real issue over the use of credit card with tax because at the end of the day to pay for 4.6 billion at the percentage of a credit card is a lot of money for an agency and it would have to be hypothecated, which is not on. We need to have a mechanism and we are in discussion with the Treasury and the Department to get that to Finance Bill. We tried to do that last year and we are trying again this year to get credit cards, to get credit cards in there so we can have a convenience charge.

Q108 Mr Steinberg: Why can you not pay at the supermarket?

Mr Bennett: Sorry?

Q109 Mr Steinberg: Why can you not pay at the supermarket?

Mr Bennett: That is another channel. It may well be that there are other channels but at the moment I thought the issue we were talking about was financial, the credit card issue.

Q110 Mr Steinberg: I am giving you examples of how you can become more consumer friendly. If you can buy Lottery tickets in the supermarket, why can you not tax your car?

Mr Bennett: It is a good point but at the moment—

Q111 Mr Steinberg: You will be able to vote in the supermarket very shortly. Why can you not pay your car tax?

Mr Bennett: Because at the moment it is the Post Office.

Q112 Mr Steinberg: It is the Post Office's fault?

Mr Bennett: Sorry?

Q113 Mr Steinberg: It is the Post Office's fault?

Mr Bennett: The Post Office has mechanisms established and the consumers, contrary to what you have said, actually like the Post Office.

Q114 Mr Steinberg: I do not. I have got to go to the Post Office but I would rather pick up the telephone on a Sunday afternoon and just press a few buttons to pay my bill.

Mr Bennett: That is fine and that is something you will be able to do starting this month as an electronic link. The vast majority of people who want face-to-face service like the Post Office. We do regular customer surveys and every time we do those customer surveys the Post Office comes out as very popular and, indeed, we have increased our popularity rating with the public. I think it is probably inaccurate to say that we are not consumer friendly but I do think you are right when you say that we should be offering choice. What we do not give consumers at the moment, or have not until this month, is the electronic choice, which is what the electronic government is about. When we have this in place during the course of this year our aim is that certainly by 2006 something like 23% of people will take up the electronic option to tax their vehicle. We are aiming to drive it up close to 40%, 37% by 2016. There will always be some people through social inclusion, unless we change that principle, who will need something like the local Post Office to use it. It is a mixed approach.

Q115 Mr Steinberg: Social what?

Mr Bennett: Social inclusion. There are some people who just are not comfortable with computers and do not want to use them.

Q116 Mr Steinberg: We will not go down that line. I will tell you something else I found out about your organisation and that is you are not very MP friendly either. When we have complaints it is very difficult to get through to somebody who can take it up, or who will take it up over the telephone. When we phone up the Department of Work and Pensions or the Inland Revenue there is always an MPs' line that we can go to but when I have tried to take up a complaint about DVLA I can never get through, all I get is a—

Mr Bennett: I am disappointed to hear that. I will look into that because that is important. In terms of written correspondence we have a very good hit rate.

Q117 Mr Steinberg: You could have an MPs' helpline, could you not?

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Mr Bennett: It is a thought. We will have a look at that. I genuinely think it is worth looking at that.

Q118 Mr Steinberg: Good answer. I digress a little bit, but the other thing I have found about DVLA is when I have a complaint about the regional office— You have a regional office, do you not?

Mr Bennett: We have local offices, yes, 40 of them.

Q119 Mr Steinberg: It is like talking to two different organisations because one organisation does not know what the other organisation is talking about. This was on an issue of somebody who had got a personal licence plate, had a crash and had written their car off and they had a problem re-registering because the regional office was saying one thing, Swansea was saying something else, the region handled part of it and the DVLA in Swansea handled the other part. It was so frustrating that I found it very difficult to try and solve this problem.

Mr Bennett: Is this recently?

Q120 Mr Steinberg: Yes. About a year ago, I suppose.

Mr Bennett: The policy works in both exactly the same. We have got 40 dispersed offices with a board director who reports to me and we have got the same policy in local offices. Then we have a central operations director who works for me and they work hand in glove in terms of the policy application. Of course, there are differences in the application. If you have got a direct instance I would look at that.

Q121 Mr Steinberg: I got it sorted in the end but it would be handy if you did set up something. Can I tell you something that my constituents would be very, very annoyed about, if they were paying anything to the London congestion charge. We have our own congestion charge. My constituency had the first congestion charge in the whole of the country, the Durham congestion charge, and I think London copied it but slightly on a bigger scale.

Mr Bennett: Slightly.

Q122 Mr Steinberg: My constituents would be very annoyed if they thought they were giving any subsidy whatsoever to London because we pay enough subsidy as it is. Can you give us an absolute guarantee that none of my taxes and none of my licence fee goes to subsidise London?

Mr Bennett: I can from us because everything that we provide is paid for by London. That is not quite answering your question because I do not run the London congestion charge. Our costs are recovered from Transport for London.

Q123 Mr Steinberg: I hardly think Ken Livingstone will be coming to get anything from us.

Mr Bennett: That is the honest answer to the question, you do not subsidise anything through DVLA.

Q124 Mr Steinberg: Okay, that is fine. Let us move on to the enforcement and deterrent activities in the Department. It seems from listening to the answers

that you have given to some of the questions that it is not very efficient. Jon Trickett went on about wheel clamping and we did not really get to a conclusion other than it costs £7 million to administer and you take in £2 million in revenue. Mr Horton, I think, said that it was a deterrent and it was necessary. It is important for the deterrent to be there, I agree with you, but if the deterrent is there why do you need to increase the amount and pay, what was it, £3 million more for the contract when you could have had exactly the same contract, the deterrent would still have been there, and you would not have cost the taxpayers an extra £3 million?

Mr Griffiths: One of the issues on this one is picking up £7.2 million to run the scheme and that includes some of the publicity and things. Part of it is the issue that Clive was trying to get into earlier on where we actually take about £2 million to £3 million direct back through our books, however the statisticians tell us that it actually generates somewhere around about £12 million through induced licensing. From our perspective we are generating £14 million as both a deterrent effect and generating money both for ourselves and £12 million for the Treasury out of that.⁸ It is still good value for the £7.2 million spent. That is where we were coming from. It actually underpins some of the other advertising activities that we do as a fallback position that reinforces the need to re-license.

Q125 Mr Steinberg: That was not what I asked, to be quite honest. The point that was being made was that it was important to have wheel clamping there because it is a deterrent.

Mr Horton: Yes.

Q126 Mr Steinberg: What I am saying is you do not need to increase the cost of the deterrent because the deterrent is already there, so you do not need to increase a loss maker because the deterrent is there.

Mr Bennett: It is not a loss maker. Your point is valid that there is only so far you can take wheel clamping. Your point is a valid one in the sense that you cannot keep adding it *ad infinitum*. When we looked at the wheel clamping issue there was a need to push a little more wheel clamping out with the campaigns we have got going. It is not the singular answer and I have obviously failed to communicate this, which is our problem and we will write to you. It is not a singular answer, wheel clamping is one part of a collection of activities and in order to get coverage you need to do all of it.

Q127 Mr Steinberg: That is the point I was going to lead to. The thing that seemed to be successful was the ANPR, which was very, very successful. You might have a number of ways of doing it but you

⁸ *Note by witness:* The figures quoted above for revenue have been understated: the statisticians tell us that the scheme actually generates somewhere around about £24 million through induced licensing. From our perspective we are generating £26 million as both a deterrent effect and generating money both for ourselves and £24 million for the Treasury out of that.

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have invested more in the most unsuccessful way and not enough in the one that is successful. That seems rather silly to me.

Mr Bennett: If I may deal with it and it may not work in terms of trying to get this point over because I do understand that we have failed to communicate this well. We are not only using ANPR on our own. The point is when you come to ANPR you are dealing with along the road, catching the people, and they will be using our reports, using Transport for London, using the police, a lot of people out there catching people on the road. The wheel clamping is a unique thing that we are doing which is a back-up to all of that. You are not comparing apples with apples. At an agency level you are correct in what you say but at a corporate level in UK plc we have got a lot more along the road checking but not the benefit that wheel clamping has which is grabbing the person who is actually there at the point who is guilty of evasion. That is much stronger and tougher. When you are doing it along the road you have to go all through the mechanisms of proving the individual, where they were at the time, whether they are guilty, it is a much more difficult process. That is in a nutshell.

Q128 Mr Steinberg: In a nutshell.

Mr Bennett: We have obviously failed.

Chairman: Thank you, Mr Steinberg. Thank you for telling us about the congestion charge in Durham. I am glad that when I was a student I was not charged for getting my old banger on Palace Green, which I only paid £90 for. It was taxed, of course.

Mr Steinberg: I do not know why you needed to take your car in the first place. You were rich, that is why.

Q129 Mr Field: Mr Bennett, before you follow too quickly Mr Steinberg's suggestion about having an MPs' helpline, could I suggest that some of us on this Committee are very critical of having MPs' help lines. We believe you should be providing that service for our constituents and not for us. I hope that the thrust of his question of having a consumer friendly organisation, not just for MPs but for constituents, is taken on board. I have just two questions I would like to ask you arising from what Mr Williams was asking. When he was questioning you about the transition of the contracts you talked about "incumbent costs". Could you just tell us a little more about that?

Mr Bennett: Do you mean the difference between the incumbent and the new?

Q130 Mr Field: Yes.

Mr Bennett: What I was saying—

Q131 Mr Field: I do not know the answer. It was a comment you made. When you were trying to justify the figures growing you talked about "Oh well, of course there were incumbent costs" and then at a later stage, which is my second question, you talked about the costs being "hidden from us". I want you to explain this a bit more.

Mr Bennett: The part about the £4 million, the hidden costs, was we had a contract with the previous supplier which went back to the beginning, 1993 from memory—

Q132 Mr Field: This is EDS?

Mr Bennett: Yes.

Q133 Mr Field: Who are friends of ours on this Committee.

Mr Bennett: That contract was not very visible in terms of the software terms and conditions. For example, what we found when we actually dug under the surface to start the transition was pieces of software where the terms and conditions effectively meant we had to pay again to use the software. In the new contract we knocked that on the head. At the time we had that potential problem. That £4 million that I was talking about was simply where there was no visibility until we started transition and then we found that some of the software we use we had to pay again for the right to use it. That was the bottom line.⁹

Q134 Mr Field: When you say it was not visible, presumably EDS produced a contract which you signed and said you now had to pay for this, so it was just unread rather than it was invisible.

Mr Griffiths: When we had the contract with EDS the contract was for the services and providing a specific system service under the contract. When we came to renew the contract we found that some of the terms of the licences that EDS had entered into actually precluded novation of the contract, so we had to go back to the contract suppliers to sign new licences so that we could continue operating the system that we operated with our new service provider. We had not expected that. Because the contract that we had signed back in 1993 did not include that sort of openness or transparency of contracts we were not aware of those until it came to renew and put the new services in place.

Q135 Mr Field: There were sort of landmines hidden in the contract that were exploded once you made it plain that you were not continuing with EDS, is that right?

Mr Griffiths: I would not put it quite like that.

Q136 Mr Field: They were roughing you up.

Mr Griffiths: It was a feature of the contract rather than them putting a poison pill in or whatever. I think it was just the way in which the original contracts were put in place meant that we did not have full visibility of what EDS were doing.

⁹ *Note by witness:* The Agency incurred unanticipated costs when it sought to transfer software licenses to its new supplier. The cost had arisen as the old contract with EDS was insufficiently transparent in respect of software licenses with third parties and did not allow the licences to be novated. Consequently, new contracts with the software suppliers were needed.

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Q137 Mr Field: When you say it was not a poison pill, the result was that taxpayers paid more and EDS picked up more money from taxpayers.

Mr Bennett: No, EDS is not the software supplier. It was the software supplier.

Q138 Mr Field: On the incumbent costs, could you just tell us a little bit more about what you meant by that phrase?

Mr Bennett: I am trying to remember what we were referring to. Are you talking about the difference between the 30 and 29?

Q139 Mr Field: It was part of that explanation.

Mr Bennett: Bear in mind this is quite unusual in government, not too many times do you change from the incumbent, most people tend to simply go. We had to completely change everything. Whereas, for example, when the EDS contract was signed originally with DVLA they simply marched in and took over the equipment, hardware, software and operated it, in this particular case we had to transfer all the hardware, all the software, all the linkages that all of the various businesses were linked to to get it running. The difficulty with that is you have got to keep the business running while you get the new business up and running, so you have almost a double-whammy of costs in that period because you are keeping the old business running and the new. That was what I was referring to.

Q140 Mr Field: The reason why I am asking this question because at previous hearings Mr Trickett in particular has been asking about whether we have been comparing like with like when we have lost contracts in the public sector having put them into the private sector because the private sector comes up with a cheaper bid. If we knew about these incumbent costs—which to me is a new heading now—and you were then going to have to add those into any contract when it came to the end of the contract if you wanted to ask somebody else to tender for that contract, it might make the original bidding a different process.

Mr Bennett: Yes, that is a thought.

Mr Griffiths: I think some of the other issues Clive was talking about might well fit into those sort of categories. What we found on the transfer was that we had to pay EDS to actually provide a lot of the skills transfer to the new supplier. Some of these—

Q141 Mr Field: Sorry, can I just stop you there. On top of what you thought you would have to pay?

Mr Griffiths: No. We did expect to have to do this. It was a question of—

Q142 Mr Field: At the costs that they charged you?

Mr Griffiths: Yes.

Q143 Mr Field: Sorry, do please go on.

Mr Griffiths: As you run complicated computer systems you actually get to know the systems as well as a document that is written down, there is a custom and practice and a lot of background knowledge within the systems as to how they are put together

and how the structures work. The last thing we wanted to do was to pass the new systems because we had to replicate the systems, the whole hardware suites, and transfer the software on to the new hardware suites to make them work. The last thing we wanted to do was to do that without having had sufficient knowledge passed to the new supplier and we anticipated quite a high level of time and cost for doing that and it worked out more or less as we expected on that aspect.

Q144 Jon Trickett: Did EDS bid for the new round?

Mr Bennett: Yes.

Q145 Jon Trickett: I do not know if you will be able to answer this in open session but let us just try. Presumably the lowest bidder, lowest tender, won?

Mr Bennett: No, best value won. That is a different issue. It was based upon best value judgments and that is all I can say at this point.

Q146 Jon Trickett: In evaluating which tender should win, had you taken into account the costs of transferring from the incumbent contractor to the new contractor?

Mr Bennett: Yes, we had. As I said earlier on, we already knew that would cost more than staying where we were but you then had to take that into account in terms of all the other things. I just want to set this in context, I think it is quite important. In real terms the total cost, even with the transfer across to a new supplier, is probably something like 5% across the life of the contract, in fact, if you look at the overall terms. For that we have significantly changed, this is not a similar process to what we had before. What we were asking both bidders to do—I cannot remember how many bidders there were to start with but we certainly ended up with two—was to effectively look at a complete new approach. Even at the IS ICT level, for example, we had the whole of the desktop infrastructure and the local office technical support. That was not in the old contract. Both of the bidders had to bid for that new piece of business. Both of the bidders were bidding for a whole look at how the processes would operate differently and bringing to bear different expertise in terms of the electronic take-up and so on. We were looking at a very broad cross-section and there was a full evaluation process that went into that, including obviously where you had to pay more for the transition versus the others. It was all in there and the decision was made on that basis.

Q147 Jon Trickett: Am I right in trying to understand the answers to the questions from Mr Field that the software supplier retained intellectual property rights? Was that not the issue?

Mr Griffiths: No, it was external third party software that was the problem, people like SAG Software who provide the operating system that underpins one of our core systems. We actually retain IPR in the core system itself. It was rather a curious licensing arrangement but one that has actually worked okay. On the original outsourcing to EDS the intellectual property actually passed across to

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EDS but it was a perpetual licence that came back to us. In practical terms we retain full use of all the old systems.

Q148 Jon Trickett: A final question. The cost of 5% averaged over five years, did you say?

Mr Bennett: No, over 10 years. In the Report it talks about—

Q149 Jon Trickett: So you aggregated the contract value for 10 years and the cost of the transfer is 5% of 10 years aggregated?

Mr Bennett: Yes, that is true. What I have basically done is taken the cost of the base contract plus the likely development on that and expressed the transfer as a percentage of that.

Q150 Jon Trickett: Is it right to say it is 50% of the first year's costs?

Mr Bennett: Probably slightly less than that.

Mr Griffiths: The annual running costs are somewhere around about 28 million/30 million. Because of where we are at the moment in terms of system renewal there is a very high level of development spend on top of that. At the moment we are in the process of putting the electronic vehicle licensing system in which should go live next week.

Q151 Jon Trickett: I am just trying to get the value of this. Was the transfer cost then £20 million-ish?

Mr Bennett: No, the transfer cost was £33 million, the full transfer cost.

Q152 Jon Trickett: The cost of moving from EDS across to the new contractor cost you £33 million?

Mr Bennett: Yes.

Q153 Jon Trickett: Which it would not have cost you if EDS had continued to do it.

Mr Bennett: It would have cost us probably closer to £13 million. If we had stayed where we were it was a £13 million cost roughly; if we had a change it was £29 million in our estimation. It was always going to cost more to change and you had to take that into account obviously. I guess that is why perhaps a lot of people do not change because sometimes that does affect your best value calculation.

Q154 Jon Trickett: Notwithstanding the fact it was somewhere between £15 million and £30 million EDS, even though they were sitting there with the training and everything in place, was still not value for money relative to the—

Mr Bennett: Not in the overall assessment, no. It would still have cost us an amount of money because it was a brand new contract with different conditions.

Q155 Mr Field: Has this new contract taken into account the cost of getting free at the end of the contract?

Mr Bennett: Yes. I think behind your question, what we have done is learned a lot. Certainly we have built into what I call the termination terms of this contract a significant number of changes which we want to make sure are a lot easier when we get to the end of this contract. I think the answer to your question is absolutely yes.

Q156 Mr Field: Given that this is a theme coming out from a number of our reports and we might want to bring those together as a single report, we might come back and ask for a note when we are nearer to getting our ideas together for that omnibus report. Thank you very much.

Mr Bennett: Yes.

Q157 Chairman: Thank you. Just one last question to sum up our discussion on evasion. Everything we have heard today shows that if you are going to tackle evasion effectively you have got to work with the different institutions and agencies across government.

Mr Bennett: Absolutely.

Q158 Chairman: In that sense you are, or should be, the king of joined-up government and yet we see that levels of evasion are rising and, therefore, you are not succeeding in your aim. What are you going to do about it?

Mr Bennett: I do believe we are not solely responsible for evasion in that sense because there are a lot of factors which have to be explored. We are gearing up significantly and we have made commitments on targets that are significantly better than what we had. We have put a lot of processes in place which we believe will enable that to go down faster. Continuous registration is a major plank of that, which we talked about earlier. I believe that we have done all that we can do at the agency level but obviously we need to do more and more. Part of the thing that needs to be brought forward is this examination going on by the Jill Dando Institute and Professor Greenway as to what else can be done on the insurance industry and the broader aspects of government. It is also a factor for the police, it is a factor of speed cameras, a whole raft of issues that are an effective aid, it is not simply that DVLA are out there, as you rightly say.

Q159 Chairman: We accept that.

Mr Bennett: What we are saying is we do want to work in partnership. We want to do these things that we can do but we do run out of steam unless we run in partnership with some of these other aspects and we are looking forward to getting those reports and getting stuck into doing some more things that are in partnership with broader government.

Chairman: Thank you very much, that is a good note to end our hearing. Thank you to yourself and your colleagues for appearing this afternoon, we are very grateful.

Supplementary memorandum submitted by the Driving and Vehicle Licensing Agency (DVLA)

Questions 60 and 64 (Jon Trickett): Wheel clamping Contract

1. The original wheel clamping contract was awarded in August 1997 for a term of three years at a fixed price of £9.54 million (£3.18 million per annum). The contract was extended for two years to expire in August 2002. This was the maximum period provided within the contract. There was no provision within the terms of the contract for any increase in costs—not even for inflation. We had no choice therefore but to re-tender the contract in 2002.

2. The new contract was awarded in November 2002, for a term of three years at a fixed price £17.8 million (£5.95 million per annum) with an option to extend a further two years. Since the contract was let, new compounds have been opened in Blackpool, Milton Keynes and Bridgend with two additional London teams. These were variations to the existing contract and the annual cost increased to £7.2 million.

3. There were no additional costs involved in the letting process for both the original and existing contracts. These exercises were conducted through DVLA's Procurement Unit as part of their normal day to day responsibilities.

4. The increase in contract costs was in part due to the circumstances in paragraph 1 and also the following extra DVLA requirements:

- significantly enhanced performance targets;
- one additional wheel clamping team;
- two additional mobile teams;
- new IT system with the ability to clamp up to 100,000 vehicles per annum;
- ability to provide vehicle pounds over a wider geographical area;
- provisions to support Operation Cubit¹; and
- the whole of UK rather than just GB.

These requirements were not part of the 1997 contract.

5. Annex 1 shows a table of wheel clamping costs broken down into contractor's costs, publicity costs and DVLA's staffing costs for managing the scheme. It also includes the generated revenue from wheel clamping including induced relicensing. (Induced relicensing is the term applied to those cases where a motorist takes out a licence either because the vehicle has been wheel clamped or because there is some kind of enforcement campaign in the area ie ANPR cameras, road checks, special publicity campaigns, windscreen warning notices). Annex 2 shows the number of vehicles wheel clamped since the scheme began in 1997.

6. Whilst the high cost of running the wheel clamping operation is recognised, it must be emphasised that it more than covers its costs if induced relicensing is taken into account.

7. Continuous Registration (CR) will address the problem of short term evasion, often called "month skipping" and ANPR is only effective if we have the details of the registered keeper on record. Wheel clamping is aimed at the hardened VED evader who probably also avoids getting their MOT, paying motor insurance, properly registering the vehicle, and possibly drives unlicensed or whilst disqualified.

8. DVLA has been set tough targets to reduce the size of the motoring "underclass" (defined as vehicles outside the registration system) by 50% by January 2007. This cannot be done by CR alone. DVLA aims to achieve this target by enhanced on road enforcement. This will include increased and targeted wheel clamping of unlicensed and unregistered vehicles, and by providing the necessary databases of unlicensed and unregistered vehicles to the police so that they can target offenders on the road.

9. The driver of a vehicle clamped for being untaxed has to pay £80 to have the clamp removed. They are also required to pay a surety of £120 in lieu of a valid tax disc. We also prosecute for the VED offence, which carries a maximum penalty of £1,000. If, after 24 hours, the vehicle has not been released, it is taken to a secure pound. The fee for release from the pound is £160, plus the surety of £120, plus £15 storage for every day it is there—and we also prosecute for the VED offence.

10. Wheel clamping is the ultimate deterrent in our fight against untaxed cars. It is one of the most high profile and visual means of enforcing VED. It has an important presentational impact, and it is very popular with the law-abiding public who applaud the tough action against evaders. The police are very supportive as they recognise that VED evaders and vehicles without current registered keepers are often found to be committing other road traffic offences and are also a pointer to general criminality. It is also an important disincentive to would be evaders and encourages voluntary compliance.

11. Wheel clamping is an essential part of DVLA's armoury to deal with the whole range of untaxed vehicles. Used in conjunction with various campaigns, ANPR cameras and the VED Evasion Hotline, wheel clamping is highly visible. It not only catches evaders but raises public awareness of the Agency's enforcement activities, and has the advantage of being deployed quickly in response to complaints from the public.

¹ Operation Cubit is a scheme which enables the local authority, police and DVLA to use joint teams for targeted sweeps of nuisance vehicles in problem areas, sometimes with additional funding from the Fire Authority.

12. The DVLA has now received Ministerial approval to expand the existing national wheel clamping scheme. It will reinforce the existing operations by expanding them into areas where there is currently no regular presence. This will make an important contribution to the achievement of the accuracy and evasion targets.

Question 71 (Mr Alan Williams): Insurance and VED Evasion

13. Indications from the 2002 Roadside Survey are that around 1.75 million vehicles are currently untaxed in the UK. This represents some 5.5% of vehicles on the road across a range of taxation classes, which equates to a total 4.5% total revenue loss. The evasion rate for motorcycles is estimated at 25%.

14. The Association of British Insurers and the Motor Insurance Bureau estimate that around 5% of motorists evade insurance. VED evasion is highest in areas where insurance premiums are higher than the national average eg London and the South East. To further the initial work carried out by the Jill Dando Institute, DVLA has commissioned work in the next Roadside Survey to establish if there is any correlation between those who evade VED and those who do not have insurance.

15. The Department for Transport has appointed Professor David Greenaway from Nottingham University to conduct an independent review of motor insurance and DVLA has submitted a paper to Professor Greenaway for consideration as part of that review. The DVLA paper put forward three options:

- separate the current link between VED and insurance so that the check on valid insurance would no longer be part of the VED renewal process;
- incorporate insurance renewal (through an intermediary) and VED renewal via a DVLA portal; and
- insure the vehicle rather than the driver and have an insurance windscreen disc to improve detection.

16. In addition, the DVLA paper recommends that there should be more stringent obligations and regulation of the insurance industry in relation to maintenance of the Motor Insurance Database.

17. Professor Greenaway is due to report his findings in the Spring.

31 March 2004

Annex 1

COMPARISON OF WHEEL CLAMPING FIGURES: 1997–98 to 2002–03

<i>Financial Year</i>	<i>Budget</i>			<i>Generated Revenue</i>		<i>Total Vehicles Clamped</i>
	<i>Contractor's Fee</i>	<i>Publicity (1) Costs</i>	<i>Admin (2) Costs</i>	<i>Wheel clamping Fees Collected</i>	<i>Induced (3) Relicensing</i>	
1997–98*	£2.12 m	£1.4 m	£75,000	£130,000	£8.4 m	6,000
1998–99	£3.41 m	£1.6 m	£186,000	£448,000	£8.8 m	10,000
1999–2000	£3.70 m	£1.3 m	£190,000	£696,000	£10.6 m	21,000
2000–01	£3.86 m	£1.6 m	£183,000	£811,000	£11.9 m	24,000
2001–02	£3.89 m	£2.7 m	£265,000	£1 m	£22 m	25,000
2002–03	£7.12 m**	£1.2 m	£370,000	£2 m	£24 m	40,000

* The roll-out of the wheel clamping scheme began in August 1997, therefore the figures represent eight months of the 1997–98 financial year as opposed to 12 months for 2002–03.

(1) The 1997–98 publicity costs also included the expense of the original wheel clamping advertising ie TV commercial, radio jingle, poster and press production that publicised the scheme. This publicity material was used to promote the scheme over the term of the initial 3-year contract.

(2) Admin costs consist of staff salaries. Clerical grades (22) deal with the routine correspondence and telephone enquiries associated with the wheel clamping process. Executive grades (6) carry out the general supervision duties and also deal with appeals, complaints and contract management.

(3) Induced relicensing figures quoted are based on a calculation performed by DFT statisticians in order to estimate the effect of an enforcement campaign. The calculation involves a comparison of the number of licensed vehicles in a targeted area before and after a publicity campaign. This is then compared to other areas. The difference gives the number of induced relicensing cases and also the revenue generated.

** The budget figure for 2002–03 in the C&AG Report is shown in Figure 9 on page 62 as £7.2million. This is only the contractor's fee and to this needs to be added the cost of publicity and administration for the total budget which gives a figure of £8.69 million. Using this £8.69 million budget figure the ratio of costs to revenue generated is 4.2:1 as opposed to the 3.5:1 ratio given in the C&AG's Report on page 62. When the induced relicensing figure of £24 million is added to the directly generated revenue figure, the overall revenue exceeds the full costs of the scheme by a ratio of 2.99:1

<i>Year</i>	<i>No. of vehicles wheel clamped</i>
1997-98	6,000
1998-99	10,000
1999-2000	21,000
2000-01	24,000
2001-02	25,000
2002-03	40,000
2003-04 (10 months)	47,000

NB The Comptroller and Auditor General's Report only shows the number of vehicles clamped between 1 May 1999 and 31 March 2004.