



House of Commons
Committee of Public Accounts

**Evasion of Vehicle
Excise Duty**

Fifth Report of Session 2007–08

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

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The Committee of Public Accounts

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Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Mark Etherton (Clerk), Philip Jones (Committee Assistant), Emma Sawyer (Committee Assistant), Pam Morris (Committee Secretary) and Alex Paterson (Media Officer).

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Summary

Evasion of Vehicle Excise Duty (VED) rose to 5% (£214 million) in 2006, up from 3.6% in 2005. Amongst motorcyclists, the evasion rate increased to 38% from 30% the previous year.

The Department for Transport oversees the Driver and Vehicle Licensing Agency (DVLA) which is tasked with tackling evasion. The Agency accepted that it would not achieve its targets of reducing evasion to 2.5% by December 2007 and saving £70 million a year by the end of 2007–08.

Not licensing a vehicle and registering the keeper increasingly reflect the intention to avoid congestion charges and prevent identification of criminals, as well as evasion of payment of VED.

The Department and the DVLA were surprised by the increase in the evasion rate in 2006. This calls into question the effectiveness of the DVLA's current enforcement approach and whether it understands patterns of and motivations for evasion well-enough to design fully effective counter-measures.

Working with partner organisations, such as the police and local authorities is the most effective way to tackle persistent evaders. Greater data sharing with other interested parties would help to identify emerging trends and patterns in evasion. In the medium term the Department and the DVLA may need to move to increasingly advanced technological solutions to VED evasion.

On the basis of a report from the Comptroller and Auditor General,¹ we took evidence from the DVLA and the Department for Transport on: weaknesses in the current system; tackling persistent evaders and motorcyclists; emerging threats to VED and enforcement, false and foreign number plates.

Conclusions and Recommendations

- 1. The VED evasion rate rose to 5% in 2006–07 (£214 million) from 3.6% in 2005–06.** The DVLA uses its records to tackle VED evasion with action on known evaders, including penalty notices, court action, debt collection and wheel-clamping. But there are rising numbers of persistent evaders and vehicles which are not on the DVLA's records. The Department and the DVLA need to target this group by increasing the level of "on-the-road" enforcement activity.
- 2. The Department and the DVLA do not have the detailed figures and analysis needed to understand trends in evader behaviour and to target action against them.** The increase in evasion therefore came as a surprise to the Department and the DVLA. The DVLA needs to gather the data necessary for an up-to-date and forward-looking picture of changes in evader behaviour and motivations, and target its action accordingly.
- 3. Motorists renewing their VED can avoid paying for one month without risk of penalty.** The DVLA should quantify the resulting losses to date and close this loophole without delay by reducing the current two months allowed before late licensing penalty enforcement is initiated.
- 4. Motorists who receive a VED late licensing penalty are not required to renew VED and the DVLA does not recover this lost income.** The DVLA and the Department should recover income lost through late renewal, and should require all motorists to renew VED at the point of payment of the late licensing penalty.
- 5. Persistent evaders with a record of previous evasion are not targeted in the run up to their next VED renewal date.** The DVLA and the Department should quantify the costs and benefits of introducing further monitoring and penalties for repeat evasion, and should find a way of targeting persistent evaders and reducing the number of "repeat" incidences of evasion.
- 6. The Department removed the Secretary of State's target to reduce the "vehicle underclass" from the DVLA in March 2007 and it has not been allocated elsewhere in government.** The Department for Transport should re-introduce a target for tackling persistently unlicensed vehicles, whose owners are often associated with other forms of crime and allocate lead responsibility for meeting the target to a specific body within government.
- 7. The motorcycle evasion rate has risen to 38% from 30% the previous year, and enforcement action against this group has been mainly based on the DVLA records.** The long-standing high and increasing levels of evasion critically undermine the credibility of the DVLA's current motorcycle enforcement regime. The Department and the DVLA need to target evading motorcyclists by making the most of their new powers to enforce VED off publicly maintained roads and by making their on-road enforcement more effective. Unless there is a marked reduction in rates of evasion, they should find alternative ways of tackling it, including impounding unlicensed motorcycles and issuing penalty points against

motorcyclists' driving licences. The Department and the DVLA should also work with motorcycle industry bodies to reduce concern about the reliability of sampling methods used in measuring VED evasion by motorcyclists.

8. **The DVLA does not collate or cross-reference its evasion data with that of other interested parties, for example Transport for London congestion charge evasion data.** The Department for Transport, the DVLA and other government departments should draw up a strategy and detailed plans for sharing intelligence on evasion with each other and related organisations to target and reduce evasion by persistent evaders in particular.
9. **Evasion is becoming more sophisticated and international, making it more difficult to tackle.** Technological solutions, such as electronic chips in number plates, theft-resistant plates and electronic sensors in vehicles, may become essential in the medium-term to help fight evasion. Technical and mandatory standards need to be agreed before some of these new technologies can be adopted. The Department should lead work with other enforcement agencies to develop Europe-wide standards to combat the growth in evasion.

1 Weaknesses in the current system

1. Evasion of Vehicle Excise Duty (VED) rose to 5% (£214 million) in 2006–07 according to the Department for Transport’s annual roadside survey, up from 3.6% in previous year.² The Driver and Vehicle Licensing Agency (DVLA) had two targets to address the problem:

- to reduce evasion loss to 2.5% by December 2007; and
- to reduce the June 2002 figure of persistent evaders by 50% by 31 January 2007.³

2. The DVLA does not understand the reasons for the increase in VED evasion and acknowledges that it was unlikely to meet its targets.⁴ The current level of evasion is high and a disincentive for others to continue paying their VED. The structure of the VED regime and charges overall are determined by the Chancellor of the Exchequer.⁵ The Department’s VED Collection and Enforcement Governance Board is responsible for deciding allocations of enforcement resource.⁶

3. The DVLA has focussed its efforts to counter evasion on enforcement “from the record”, using its vehicle and keeper records to monitor current VED status,⁷ and to send enforcement notices to vehicle keepers. This has done much to reduce evasion amongst motorists who are recorded on the DVLA’s database and to maintain the £5 billion VED raised each year.⁸ The DVLA has a lot more difficulty taking enforcement action against vehicles and motorists who are not recorded on its database. Non-registration may arise from a failure to inform the DVLA about a change in personal details or the purchase or disposal of a vehicle, failure to re-licence or failure to declare a vehicle off-road.⁹ Non-registered vehicles have to be caught evading “on-the-road” to enforce the VED regime and such enforcement can act as a deterrent to others tempted to try evasion.

4. The DVLA’s monitoring systems have not kept up with changing patterns in evasion. For example, evasion of congestion charging and the use of false, foreign or cloned plates are relatively new problems of growing significance in some areas, although no official figures exist. The DVLA relies mainly on the annual roadside survey of one million vehicles passing fixed points across the UK. The survey is undertaken in June each year to check observed vehicle registrations against the DVLA’s records. The survey provides a snapshot of changes in evader behaviour and the DVLA subsequently adjusts its enforcement activity accordingly.¹⁰

2 *Review of Vehicle Excise Duty Evasion Statistics*, Transport Statistics, 4 October 2007

3 Secretary of State targets as set out in the DVLA’s *2006–07 Business Plan*

4 Qq 39, 67

5 Q116

6 C&AG’s Report, para 4

7 Q 38

8 Qq 3, 40

9 Q 46

10 Q 70

5. Under the current re-licensing arrangements, even vehicle keepers who comply with the regulations can easily avoid one month's VED at each renewal point (six-monthly or annually) without risk of penalty. The situation arises because enforcement action by late licensing penalty notice is not initiated until two months after the expiry of the previous licence.¹¹ For those who do receive a late licensing penalty, the regulations and procedures do not require renewal of VED and many people receiving penalty notices still do not re-licence. The DVLA does not target this category of evaders to collect the VED due for the period missed. Nor does it take any action as those people approach the next renewal date for the vehicle in question.¹²

6. Fewer local post offices now offer VED renewal services, and take up of electronic and telephone renewal of VED has been increasing rapidly. It currently stands at 40% of all transactions, with a reducing public demand for renewal at the post office. The Post Office decides which of its branches provide re-licensing services, consistent with the DVLA's overall requirement for geographical coverage. Not all branches can provide the VED renewal service as it is not economic for the Post Office and not all branches have sufficient expertise. The DVLA has routine discussions with the Post Office about services which could be performed by local branches rather than the DVLA.¹³

11 Q 21

12 C&AG's Report, paras 54–55

13 Qq 98, 118–120

2 Tackling persistent evaders and motorcyclists

7. Some vehicles and their keepers cannot be traced from the DVLA's records and have no VED. The most effective enforcement action against this group is to catch the vehicles on the road and wheel-clamp them. The vehicles may then be seized and crushed if VED and the surety are not paid. The principle, as articulated by the police, is "denying criminals the use of the road" and is believed to have a significant deterrent effect on others.

8. The DVLA's performance in tackling persistent evasion has been poor, reducing it from 970,800 vehicles in 2002 to 930,000 in 2005—a drop of 4%. No statistics have been published since then. The Department removed from the DVLA in March 2007 the Secretary of State's target to halve the "vehicle underclass" and it has not been allocated elsewhere within government. Hence the Department, the DVLA and others in government may not give sufficient attention to stopping this type of evasion from becoming an increasing problem. The DVLA could provide no statistics for the number of vehicles that "drop off" its records each year through not re-licensing and not declaring vehicles as off-road.¹⁴

9. The DVLA's resources to undertake on-the-road enforcement action are limited. Joint working with partner organisations, such as the police and local authorities, is the most effective way of targeting persistent evaders and serves to address other vehicle related crime and public nuisance, for example abandoned and burnt out cars.

10. The Government announced in the Pre-Budget Report before the Committee hearing in October, that the DVLA would have new powers from 1 September 2008 allowing it to undertake enforcement activity on privately maintained roads as well as publicly maintained ones. These new powers will facilitate action on some problem areas such as housing estates where the roads are not publicly maintained.¹⁵

11. The motorcycle evasion rate was 38% in 2006–07, up from 30% in the previous year.¹⁶ Enforcement activity against this group has mainly been "from the record"¹⁷ because of a number of difficulties:¹⁸

- In the past, the DVLA and police Automated Number Plate Recognition (ANPR) cameras could not read motorcycle number plates from the rear;
- It is physically difficult to detain motorcyclists at the roadside as they can easily turn around and drive off;

14 Q 34

15 Q 14

16 *Review of Vehicle Excise Duty Evasion Statistics*, Transport Statistics, 4 October 2007

17 Q 6

18 Qq 111, 122, 124

- The cost of insurance encourages non-compliance as insurance is a pre-requisite for purchasing VED; and
- The police tend not to pursue motorcyclists as part of on-the-road enforcement because of the risk to the public in such pursuits.

12. In the light of the roadside survey results showing growing motorcycle evasion over recent years, the DVLA now targets a part of its advertising budget specifically at motorcyclists.¹⁹ But it has not assessed the effectiveness of that advertising. The DVLA's ANPR cameras can now read rear motorcycle number plates, although this facility is still not routinely available on all police cameras.²⁰ In a submission to the Committee, the Motor Cycle Industry Association expressed its concern about the reliability of the sampling methodology used for measuring VED evasion by motorcyclists.²¹

19 Q 134

20 Qq 6, 124

21 Ev 16-18

3 Emerging threats to VED and enforcement, false and foreign number plates

13. Evasion of congestion charges is a factor in the increased level of VED evasion. Vehicle keepers may try to avoid congestion charges by using false or cloned plates so that they cannot be traced from the DVLA's records and hence can not be sent the congestion charge penalty. Many of those vehicles will also show as unlicensed if seen as part of the annual roadside survey. VED enforcement against this group is causing significant and increasing problems for the DVLA. The police experience comparable difficulties when they try to track vehicles wanted in relation to other crimes.

14. Part of the DVLA's response to this issue has been to try to stop the opportunities for obtaining cloned or false number plates by registering and regulating number plate suppliers, thought by the police and the DVLA to number some 30,000. Number plate suppliers should request sight of a driver licence and proof of vehicle ownership before issuing a number plate. A supplier's registration is removed if they do not to comply with these requirements. The DVLA has also introduced a voluntary technical standard for theft-resistant plates to help tackle the problem of theft and criminal use of number plates.

15. The Department acknowledged that false and cloned number plates are a weakness in the system. Neither it nor the DVLA has data on the level of false or cloned number plates, or how many vehicles with false plates had a forged VED licence.²² The DVLA does not cross-reference or collate its evasion-related data with partner organisations, for example Transport for London, to attempt to spot anomalies or emerging trends in evasion.

16. The increasing number of foreign-registered vehicles is a relatively new factor in VED evasion. Vehicle keepers should obtain a VED licence once they have been on UK roads for six months. Again, neither the DVLA nor the Department could provide any data on the scale of foreign-registered vehicles evading VED. They also do not know whether a foreign vehicle has been in the UK for six months as to do so with the certainty necessary for enforcement, they would have to record every entry into the country.²³

17. The insertion of electronic chips into number plates would help to tackle evasion. But important issues remain to be resolved: agreement about the standards that would apply and whether these should be Europe-wide; whether chips should be adopted in a "big-bang" approach or on new vehicles only; and supply of the supporting infrastructure as chip readers would be required to decipher the information coming from the chips. The Department recognises the importance of these issues to VED evasion and should lead work with other enforcement agencies to identify appropriate solutions.²⁴

22 Qq 23–25, 28, 30

23 Q 36

24 Q 57

Formal Minutes

Monday 14 January 2008

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon

Mr Austin Mitchell

Mr Philip Dunne

Dr John Pugh

Mr Keith Hill

Mr Alan Williams

Draft Report (*Evasion of Vehicle Excise Duty*), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 17 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Fifth Report of the Committee to the House.

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

Written evidence was ordered to be reported to the House for printing with the Report.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Wednesday 16 January 2008 at 3.30 pm.]

Witnesses

Wednesday 17 October 2007

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Mr Clive Bennett CBE, Chief Executive, DVLA, and **Dr Stephen Hickey**, Director-General, Safety, Service Delivery and Logistics, Department for Transport.

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Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 17 October 2007

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Philip Dunne
Mr Austin Mitchell

Dr John Pugh
Mr Don Touhig

Sir John Bourn KCB, Comptroller and Auditor General, and **Mr Tim Burr**, Deputy Comptroller and Auditor General, National Audit Office, gave evidence.

Ms Paula Diggle, Treasury Officer of Accounts, HM Treasury, gave evidence.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

VEHICLE EXCISE DUTY 2006–07 ACCOUNTS (HC 800)

Witnesses: **Mr Clive Bennett CBE**, Chief Executive, DVLA, and **Dr Stephen Hickey**, Director General Safety, Service Delivery and Logistics, Department for Transport, gave evidence.

Q1 Chairman: Good afternoon. Welcome to the Committee of Public Accounts. Today we are considering the Comptroller and Auditor General's report on *Vehicle and Excise Duty 2006–07 Accounts*. We welcome back Clive Bennett, who is the Chief Executive of the Driver and Vehicle Licensing Agency, and Stephen Hickey, an Additional Accounting Officer at the Department for Transport. Mr Bennett, this is your last appearance I think.

Mr Bennett: I think so, yes.

Q2 Chairman: How grateful you will be! You are retiring, are you?

Mr Bennett: That is right.

Q3 Chairman: I am sorry this is your last appearance because this is really a very poor report. We have a situation where evasion has now increased from 3.6% to 5%. That is an estimated loss of revenue of £217 million. Many vehicle owners are flagrantly violating the law. For motorcyclists it is a staggering 37%. I have got to ask you, Mr Bennett, what has gone wrong?

Mr Bennett: Of course, we are hugely disappointed with the report, and I think I mentioned this in the Annual Report, because every internal indicator we had was showing that evasion was improving. That is largely because, as a result of looking at the results we have got, we found that the people who are registered are in fact reducing considerably but it is the external people who are not registering who are very difficult to get hold of and the only tool we have is wheel clamping. The big lesson here is we have succeeded on what I call the soft evader, the people who are registered, and we have got a problem with the hard evader.

Q4 Chairman: I wanted to ask you about this. Why is it so difficult to deal with the hard evader? Let us just look at motorcyclists where we obviously have a catastrophic situation here where a very large proportion of the biking community has decided they are not going to pay their licence. Why can you not have more spot checks, for instance, so that it gets round in the community that there is a chance of being stopped, have a lorry parked there next to the spot check, your motorcycle is going to be impounded immediately and you will not get your motorcycle back until you pay your licence and there will be an on-the-spot fine and all the rest of it? Why do you not do more of this sort of thing to really drive home to people that this is not acceptable behaviour?

Mr Bennett: The difficulty at the moment from our point of view is the amount of powers we have on motorcycles is relatively limited. We have not got powers to stop, for example. We can spot them on ANPR (Automatic Number Plate Recognition).

Q5 Chairman: Well, the police have powers to stop.

Mr Bennett: The police do.

Q6 Chairman: People commit crimes because they think they are not going to get caught and obviously a large proportion now think they are not going to get caught. Why do you not work with the police to get more spot checks?

Mr Bennett: As I say, we do work with the police to a degree but there is only so much we can do. We do most of our enforcement on motorcycles from the record through Continuous Registration. We now can use ANPR. We used to have a problem with ANPR in that it could not read number plates and the police cannot read number plates from the rear. We can read from front and rear. That is one of the

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limitations because it is physically difficult to pick up that they are untaxed unless you can catch them on the road driving.

Q7 Chairman: That is why I am suggesting to you that there should be more catching them on the road driving. Is that something you are prepared to look at?

Mr Bennett: It is certainly something we are looking at. Certainly one of the things we are looking at with the whole of the hardened evasion category, including motorcycles, is working much tighter with the police through the Home Office and that is one of the things the Department is looking at with us.

Q8 Chairman: It is obvious why more people do not want to pay a licence at all. It is because there are more and more speed cameras, more and more cameras in petrol stations seeing if you drive off and there is the Congestion Charge in London. It is an appalling situation for law-abiding people when they know that an increasing number of people are just cocking a snook at the law, literally giving two fingers to the law, so all these law abiding people have to pay their licence, pay the Congestion Charge, pay for their petrol, all the other things. It is not just spot checks, let us think of something else. Why do you not work more closely with traffic wardens? In big cities there is a plague of traffic wardens walking around looking at law abiding people who are five minutes over paying their parking. Why can you not work with local authorities so if they see a car or a motorcycle that has not got a licence they can immediately report it?

Mr Bennett: We do, in fact, with local authorities, and with the police indeed. If they see any vehicle, whether it is a motorcycle or a car, they will actually send in a notice.

Q9 Chairman: Without a licence?

Mr Bennett: Without a licence. They will send a notice and then we take that through.

Q10 Chairman: They do that as a matter of course, do they?

Mr Bennett: Absolutely. That is a standard enforcement approach.

Q11 Chairman: So every traffic warden as he is walking around in London is told, "As well as seeing whether they are five minutes over you must also check whether this car has got a licence"?

Mr Bennett: I would not say every traffic warden. What I am saying is that the local authorities and the police do report regularly when they see a vehicle that is not taxed and we then follow up on that. How effective that is in its totality would be difficult to measure.

Dr Hickey: Could I perhaps add, Chairman. You are absolutely right, this is a central issue. The problem is not so much finding people who are not paying their tax, that is not too difficult using technology or people or whatever, the real challenge is the physical resources to do so because, by definition, these are people who are not going to

respond to letters and all that stuff. The amount of seizing of vehicles has been rising fairly sharply. The DVLA has doubled the amount of wheel clamping it does. Working directly itself, but also through local authorities, the amount has roughly doubled and for this year we think it is going at about 124,000 seizures a year. In parallel, the police are also greatly increasing the amount of vehicles they seize, not just for VED (Vehicle Excise Duty) evasion but also insurance and all sorts of other reasons, but VED is often a very good indicator. The latest figures I have got for the police are they are seizing about 136,000. In addition to that, local authorities are seizing vehicles, sometimes because they have got powers from DVLA but also for things like abandoned vehicles, which is a problem in its own right. The latest figures I have got for their seizures are around 136,000. Altogether, taking those three, the DVLA, the police and local authorities, we are talking of seizures of vehicles running at—there is a bit of double-counting here—375,000, that sort of number.

Q12 Chairman: It sounds a lot but it is time proportionate.

Dr Hickey: Yes, but it is a lot and it is going up. There is a lot going on but you are absolutely correct to say in the meantime the incentives may be working against us, so it is a bit of an arms race.

Q13 Chairman: Yes. Do you think they need any more powers? Can you give Mr Bennett any more powers?

Dr Hickey: Yes.

Q14 Chairman: Has he got all he needs?

Dr Hickey: No, he has not. I am very pleased that the Chancellor announced last week a very important extension of DVLA's powers which will come in in September 2008 as part of the Pre-Budget Report. One of the limitations that DVLA have got at the moment is that they can only seize vehicles which are on the publicly financed road and they are not allowed to seize vehicles on roads maintained by third parties, for example a housing association estate or a Tesco car park. There are all sorts of bits of road where they cannot take action. The Chancellor announced last week that will be changed from next September and that is a very important extension to their powers.

Q15 Chairman: I think it is pretty obvious why people do not want to pay their licence but you have done enough research, you know what motivates people and you know what can be done to stop it. Are the police saying, "It's all very well but we are asked to do all these other things, we don't have the time"?

Dr Hickey: No. To be fair to them, they have increased their volume quite markedly, they have more than doubled it in the last year or so. Individual police forces vary, of course, but a lot of police are very well aware that there is quite significant overlap between people who do not pay their tax or insurance and—

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Q16 Chairman: Can I just interrupt. There is obviously this great underclass and they are committing many other crimes as well. Is this an easy way of nabbing them? You see the vehicle, the motorcycle, white van or whatever on the road, without a licence, nab them for that, impound the vehicle, put a clamp on it and you may even get them on something else as well.

Dr Hickey: Absolutely.

Q17 Chairman: This is zero tolerance policing.

Dr Hickey: Absolutely.

Q18 Chairman: How interested are the police in all this then?

Dr Hickey: They are interested. If you go out with a clamping team, an ANPR team, getting the pings on the camera that say somebody appears not to be insured, licensed, whatever, come through alarmingly quickly. The real constraint for the police, as for us, for everyone involved, is not so much spotting somebody, it is having the resources to then physically pull them in, find out what the truth is and then, if necessary, seize the vehicle.

Q19 Chairman: That is why I am talking in terms of more spot checks because would that not get the word out quite quickly in these communities and then you have physically got them there.

Dr Hickey: Yes, indeed. That is more obvious, as it were.

Q20 Chairman: Mr Bennett, electronically it is quite easy to skip a month's payment, is it not? If you actually take it into a post office it is quite difficult to skip a month, but if you renew it electronically and renewed it electronically every six months, if you knew this, every six months you could skip a month and what would you do about it?

Mr Bennett: Broadly speaking, it is not just an electronic issue. In broad terms we do not begin to enforce remotely using CR (Continuous Registration) at the moment until after the second month has elapsed, if I can put it that way, so we play safe, particularly in the early days of Continuous Registration, because we do not want to create major problems with the public. You are absolutely right, with the electronic there is always the end of the month rush that can cause this. One of the things we are certainly looking at doing is reducing remote enforcement to the one month to stop the one month skippers but we have not yet exercised that. It is an issue. On road enforcement already occurs after one month has elapsed since expiry.

Q21 Chairman: If we look at this in a year's time, the skipping a month will have been solved, will it?

Dr Hickey: There is a paper being prepared at the moment, as recommended in the NAO's report, to look at the details of how to do this, the cost, when it could be implemented, all of that stuff, and that is due to come to the Department next month. We will look at that but subject to it being practicable, affordable and all those sorts of things, of course that is something we ought to address.

Chairman: Thank you very much.

Q22 Dr Pugh: Can I address most of my remarks to the problem of the one million or so cars that are obviously untaxed, uninsured, rogue drivers, if I can put it like that, and in particular the issue of false number plates, which is the greatest way of evading things because when the number plate is picked up it may well correspond with a number plate owned legitimately by some perfectly well insured, well taxed individual. What I want to try and get to is how well do you understand this specific problem because it is the clearest way of evading?

Dr Hickey: With the number plates particularly.

Q23 Dr Pugh: With having a false number plate, a cloned number plate. I have asked the Government, incidentally, the question as to the extent of this problem and they are unable to tell me how many cars there are of this nature on the roads. In terms of cars with false number plates, how many of them are carrying number plates which are plausible to that car and how many are just easily detectable when found, in other words it is a number plate belonging to a completely different model? I say this as somebody who has had my car stolen and returned and found it had a number plate of an appropriate model and an almost appropriate age. In terms of people doing this kind of thing, how smart are they?

Mr Bennett: Mr Hickey may want to answer this as well but, as far as I am aware, there are no stats on the specific numbers of this because it is collected through a wide range of different areas. Our stance with number plates has been to effectively close down the opportunities for criminals to get hold of number plates. We have put in registered number plate suppliers so that you can no longer just go into a shop and buy a number plate, you have to produce a driving licence to prove who you are, you have to produce a V5 to prove that you have that vehicle and if, in fact, the plate supplier is found to be working against the legislation then we can take away the licence. That has been extended now to Scotland and Northern Ireland. We have done quite a lot to extend number plate supply control.

Q24 Dr Pugh: In terms of the people who are picked up with false number plates, how many of them have gone to the trouble of using a *bona fide* number plate that could be for that car?

Mr Bennett: We do not have those figures.

Q25 Dr Pugh: You do not know?

Mr Bennett: We do not know.

Q26 Dr Pugh: Something else that happened to me was my son got charged by TfL with being on the wrong side of a yellow box at the wrong time, I think. The only thing was although a car had his number plate on, he was not in London and the car had never actually been to London and we had quite a long discussion with TfL in order to persuade them that this was so. Clearly that happens to a number of people, apart from my son, and it will happen to people when they are picked up by speeding cameras

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and so on, so an amount of evidence will be put through the system. What is that evidence showing us at the moment? Do you look at that evidence?

Mr Bennett: That is what I am saying, we do not get a collected amount of evidence. You make a very good point and it would be very good if you could pull together this evidence from right across. What we have largely done is provided the public with a mechanism for dealing with that. For example, in your son's case, he could easily invest in plates that will not come off his vehicle.

Q27 Dr Pugh: These had not come off his vehicle because he had the plates and another vehicle had the plates. In fact, there are probably several cars driving round London at the moment that have the same plates.

Mr Bennett: But a lot of people are losing their plates and what we have done is put that in place to actually stop them being taken off and put on other cars and that is something we have tried to do to help the public.

Q28 Dr Pugh: Surely the courts have a number of cases which are thrown out of court because the person can prove when they were alleged to have been speeding at point A they could not possibly have been at point A. These are statistics of fact. Does anybody record it or collate it?

Mr Bennett: We know how many plates broadly are stolen per year, the big problem with the question you ask is 35,000 sets of plates were stolen, so in terms of the plates stolen that is 35,000 but the problem is we do not know how many of the vehicles are wearing false plates. There is a very difficult issue here because you have got to know how many there are and how they are being used and where they are being used and collect that data. We have half of the issue for you, I think.

Dr Hickey: Your point is absolutely right that it is one of the vulnerabilities. Linking with the Chairman's point earlier, the amount of enforcement which is based on number plates is going up, you are quite right. The police would very much echo the concern that this is a vulnerability in the system.

Q29 Dr Pugh: It is a key vulnerability. If a police car is following me they can simply look at the number plate and if I am a legitimate driver they can work out the ownership, the insurance status, the MOT and the current tax status without any further effort, can they not, within a few seconds.

Dr Hickey: Exactly. Is there a straightforward easy answer to this question? No. The thing that was announced last year was the standard for theft-resistant number plates which certainly would not solve all problems and clearly the more sophisticated criminal uses higher levels of technology. There is now a standard out there for theft-resistant number plates which, shall we say, for the more casual criminal, as distinct from the highly sophisticated one, makes it more difficult to start stealing and cloning, and so on. At the moment that is a voluntary standard, it was only agreed and

announced by the Government last year. There is an issue about the take-up of these more theft-resistant number plates.

Q30 Dr Pugh: In terms of the cars we pick up with forged number plates or cloned number plates, how many of them simultaneously have a tax disc that has also been forged?

Dr Hickey: I have not got that number, I am afraid.

Q31 Dr Pugh: This is a key problem here yet nobody seems to have the statistics or information on it.

Dr Hickey: There are certainly statistics about the overlap between tax discs and insurance and other forms of criminality, so the likelihood is high. The point behind your question is absolutely right.

Q32 Dr Pugh: In terms of proactive work, you must have a huge computer that tells you all sorts of interesting things about us all. I assume that somebody who does not want to pay tax probably is not going to go to the trouble of insuring themselves either and you must watch the narrative or the development history of a particular car and every year there must be so many cars that simply disappear off the system and they will not show up as scrapped vehicles because that has to be recorded too. What is the figure for that?

Mr Bennett: We are talking about two different things. Insurance is a different thing. On the vehicle side, for example in a year, take the period of the survey, 1,272,000 cases were issued on CR, so we will chase up 1,272,000 people because they have either not taxed their vehicle or SORN'd their vehicle. So there is 1.2 million that we chase through and take through the first stage of fining and so on.¹

Q33 Dr Pugh: As somebody who has been chased in that respect, because I was a bit late putting the SORN in, how many of those have simply not got round to doing it?

Mr Bennett: The people who have not SORN'd, offhand I have not got the figure here, I am sure I could get that in a moment but quite a number do not SORN and they came out of the survey. The bottom line is we take about 1.2 million right the way through chasing them through CR with reminder letters, we then take them to court, go through debt collection, there is a whole series of steps that take place. Those are the people who are on the register, of course. The problem is we cannot send reminders to people when we do not know who the keeper is, and that is the other side of the problem we were talking about earlier where, of course, we do not know who to chase and who to send the reminder to. There are two sides to this problem.

¹ *Note by witness:* If a vehicle is scrapped but no notification of destruction is received at DVLA, the vehicle does not drop off the system. The record remains live and the registered keeper would still be liable for a CR penalty. We are unable to provide an estimate of these cases, but the last JDI survey of the vehicle underclass in 2005, estimated that vehicles that have been falsely declared as scrapped, but still in use form 6% of the vehicle underclass, roughly 57,000 vehicles.

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Q34 Dr Pugh: The figure for the mystery number of cars that drop off each year that are not SORN'd, that are not scrapped, that are still being chased up, is about what?

Mr Bennett: There are two problems here, there is pay and compliance. If you look at vehicles that have not paid or are not compliant, because they could have paid and are compliant or vice versa, you are looking at something like 618,000 vehicles. So you have got across the board right away, after going through all the process, 618,000 that have not paid. Of those, 352,000 have not paid and are not compliant and 181,000 have paid and are not compliant, bizarrely. So they will pay the fine but they then will not relicence or SORN their vehicle. You have got a mixed problem here. It depends what your tendencies are, of course, if you are going to evade.

Q35 Dr Pugh: My last question is about foreign cars. Foreign cars have to have a tax disc after six months, do they not? Who chases them when they do not get a tax disc after six months, assuming they are still using British roads?

Mr Bennett: We went to a conference last week with police, the Fire Service, local authorities and ourselves and foreign cars are a big problem, as I am sure you are aware.

Q36 Dr Pugh: How big a problem?

Mr Bennett: We do not know. Again, I am sorry to say we do not know. We do not know for sure. We are trying to get to a situation here because the difficulty with foreign cars is you have to see them three times. You are quite right, you have to hit them when they have done the six months, so you have got to find them to issue a warning notice then you have got to catch them after that point in time to take further action. You have to have a database which tracks right the way through against the foreign vehicle licence number, which is quite difficult.

Dr Hickey: It is actually more difficult than that even because the six months (in 12) starts ticking from when you arrive in this country and if you go abroad again, after, say, three or four months, the clock should start ticking when you return (if you return after the 12 month period). Strictly speaking, if you really, really wanted to crack down on this absolutely 100% and so on we would have to start recording every time a car enters the country.

Q37 Dr Pugh: So how many have you cracked down on?

Dr Hickey: It is very limited at the moment.

Q38 Mr Mitchell: I get the impression from this report that you are an over-worked and understaffed department plodding along happily in your own sweet Welsh way, and that is a tribute to Don, with outdated systems and you are not catching up with the situation where this kind of evasion, as our Chairman said, is going to burgeon because of all the congestion charges and cameras and so on and so forth. Is that a fair picture?

Mr Bennett: Well, I do not think it is actually, no. We have to go back to where we came in. The bigger issue for DVLA is we deal with largely tracking vehicles from the record, that is fundamentally what we do and we are empowered to do. For example, that is why we put in Electronic Vehicle Licensing because it makes it easier for people to comply.

Q39 Mr Mitchell: You were surprised at the scale of evasion by the roadside observations in 2006.

Mr Bennett: Yes.

Q40 Mr Mitchell: Why did that take you by surprise?

Mr Bennett: Basically, internally what we can check very easily is that people who are on the register are complying more. For example, if we take what we receive, our Electronic Vehicle Licensing was up by 93%, to an annual take up of 39%. so we had 93% more transactions coming through (the electronic route) which made it easier for people, therefore they were more likely to comply. Our late licensing penalties, the penalties we were talking about earlier where people have not SORN'd or taxed their vehicles, have actually dropped by 6.5% over two years. Our reports from the police and local authorities have gone down by over 20% over four years. Our ANPR activity on the road, the number of hits we were getting from ANPR vehicles, has dropped by 8.5%. Every sign that we had internally was that it was working.

Q41 Mr Mitchell: You must have known you were trusting people too much because you were dealing with crooks.

Mr Bennett: The point I was getting at was that is what you can measure during the year. The problem is you can only measure those people who are not taxed and do not comply when you do the roadside survey because they then cover the road and look at how many vehicles are not registered at all. The trouble is we cannot deal with a vehicle that is not registered, this is the difficulty, because we cannot get to the keeper. The only way to deal with that, as we said earlier on, is to stop the vehicle, clamp it, and those we do deal with. The wheel clamping is the mechanism whereby we do hit some of the hardened evaders.

Q42 Mr Mitchell: That is a police job, is it not?

Mr Bennett: We have a certain level of wheel clamping.

Q43 Mr Mitchell: Now you have got this electronic vehicle identification system, suppose it identifies a wrong 'un, what happens then?

Mr Bennett: We only have the powers in DVLA to measure—

Q44 Mr Mitchell: Does the camera tell you there is something wrong with this?

Mr Bennett: Yes.

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Q45 Mr Mitchell: And what happens then?

Mr Bennett: If we get a vehicle that comes past and it is not taxed against our database we can then take that process through our enforcement process, and we do, because we have the registered keeper and we can take the matter through. In some cases we cannot make it stick, and I mentioned that earlier. Even after getting the camera we cannot always make that case stick, but we do know about those.

Q46 Mr Mitchell: And you cannot track them down?

Mr Bennett: If there is a vehicle that comes past that is not on our database, that is not registered, it will ping the ANPR, and therein lies the problem. This is where the wheel clampers would have to catch the vehicle on the road. We cannot get to the keeper because there is no keeper's address associated with the car, and that is where it gets difficult and that is where we depend upon the physical part.

Q47 Mr Mitchell: That seems like a disastrous failure. How do your methods of enforcement compare in organisation and effectiveness with the BBC's procedures for enforcing licence fees?

Mr Bennett: Our licensing evasion is about the same as the BBC's actually in total volume.

Q48 Mr Mitchell: Is it?

Mr Bennett: Yes.

Mr Mitchell: That is based on what?

Q49 Chairman: It is the same people perhaps!

Mr Bennett: Probably. It is about the same volume.

Q50 Mr Mitchell: Is it the same people?

Mr Bennett: Interestingly enough, TV licensing 5.1% evasion. The difficulty is this area of when you do not have a registered keeper with a name and address, how do you follow up? The only way you can is you grab them at the roadside with their vehicle and that is what we, with the wheel clamping, or the police do or the local authority.

Q51 Mr Mitchell: You seem to have difficulties in dealing with what you might call recidivists where there is a hardened evader and you catch him but then nothing happens subsequently to guarantee that he does not evade again or to stop him evading again.

Mr Bennett: That is the difficulty. If you deal with a hardened evader and put him on the register then once you have got them on the register they become part of the process of taking them through the normal registration. Once you have got them it becomes much easier but, of course, that does depend on the fact that you can catch them in the first place.

Q52 Mr Mitchell: Even if you catch them in the first place you cannot keep track of their later evasions.

Mr Bennett: If you have got them on the database, if they pay the tax or they have SORN'd the vehicle and legalised themselves, from that point on

Continuous Registration will track them because it will send reminders to their address and if they do not pay it will chase them through.

Q53 Mr Mitchell: You do not attach anything to their record and say, "Watch this so and so"?

Mr Bennett: We will have a record on our database. The problem we have got is if a person is prone to evasion, you catch them the first time but they will not necessarily come forward the second time and they then become part of the hardened evaders we take through the court system.

Q54 Mr Mitchell: You have a very trusting view of humanity. When I was young and dashing, which was not too many years ago, before I began to suffer from Menzies Campbell disease, I had an MGB GT sports car, registration OKU 836H, which gives you the year. Some idiot drove into the back of it and it had to be largely reconstructed. I was driving around for a long time getting parking tickets delivered on the spot to a vehicle OKW 836H, which I did not pay because I did not have such a vehicle. I had not bothered to look at the licence plates anyway. It was not until several months after the reconstruction of the car when I was stopped driving down the M1 that the police pointed out I had got a different licence plate at the front than I did from the licence plate at the back.

Dr Hickey: This is the kind of problem we face sometimes.

Chairman: Austin, it sums up your life really, does it not?

Q55 Mr Mitchell: You would never have found out, would you?

Mr Bennett: We would probably have photographed you from one end or the other, so we would have picked up something. We would have either seen you as being compliant or non-compliant.

Q56 Mr Mitchell: You do not photograph front and back.

Mr Bennett: We can photograph from either with our particular ANPR cameras, yes. We can do four lanes at a time now, which has increased our capacity to do that, on a motorway for example.

Q57 Mr Mitchell: There is an organisation here called the Intelligent Transport Society,² and clearly I am not a member, that suggests putting chips in licence plates for easy and straightforward amplification. Would that be a very expensive and difficult system to operate?

Mr Bennett: It is technically possible. From our point of view, we have effected a trial with chips in number plates and technically you can use chips in number plates as effectively as you can use ANPR for the camera. The big issue, of course, is the putting in of the volume of the infrastructure to deal with it and how much that would cost. That is something we are still looking at.

² Ev 14-15

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Dr Hickey: It links to the earlier question from Dr Pugh about the security of number plates and whether if you had chips the security level would be increased quite markedly. If we could wave a magic wand and it all happened then, indeed, that would be more secure. The difficulties with it are that you would have to first of all get agreement about the standards and in particular is this just a UK thing or will it be a Europe-wide issue, and a lot of these issues are Europe-wide. For a kick-off, we would have a whole pile of discussions around Europe. Even when you had got that agreed you would then have a big roll-out programme because we have got 35 million vehicles out there and would we do it only for new vehicles, in which case it would take 10 or 15 years to roll-out, and there would be a lot of cost around that. The final thing in the equation is even if you had chips in you would have to have readers that can read them, and the ITS are correct to say there are readers technically that can do that but the clever criminal would find ways round that. I am sure they would find ways of disabling their chips so they become invisible, as it were. That is a problem with the enforcement of road pricing, for example. You would probably still have to have cameras and number plates even in a world where chips were ubiquitous. It is a very interesting notion they have got, it is certainly one worth bearing in mind, but it is not something we think is going to happen any time very soon, and it is certainly not in itself, nothing is, a magic wand that solves that.

Q58 Mr Mitchell: It would not demand legislative action.

Dr Hickey: It would if it was going to become mandatory.

Q59 Mr Mitchell: If I could just ask you about the underclass. I do not get this. Tackling a vehicle underclass, what is that? That is not the owners, that is the nature of the car, is it?

Mr Bennett: These are the people who will not register their car or will not rel licence or SORN their car.

Q60 Mr Mitchell: So it is the underclass.

Mr Bennett: It is the people who treat their cars as vehicles to use without actual registration.

Dr Hickey: There is a definition of them which is in the report.

Mr Bennett: There is a definition.

Dr Hickey: Basically it is putting together a number of indicators. The indicators are people who have been untaxed for three months, so it is not somebody who has just forgotten for a month or two, three months untaxed; or between keepers for three months, so it is a car that I sold but there is no registered keeper who has allegedly bought it, so it has disappeared somewhere; or the keeper has no postcode so although we think we have a keeper, regrettably we cannot actually find them; or they have a number plate but it is not on the record, it is some funny number that has been invented; or, your point I think, it is a number plate that applies to a different model; or it has been declared scrapped but

actually it is not scrapped, it is still driving around. The definition of the underclass is a vehicle that falls within any one of those six categories.

Q61 Mr Mitchell: Okay. You catch up with that from your own records, has this thing been registered or taxed, but also from observation. When I go round estates canvassing I often see this kind of car there which is there when you are canvassing and at the next election as well, it does not appear to have moved.

Dr Hickey: That is why local authorities as well as ourselves are very keen to do something.

Q62 Mr Mitchell: I have written to you about a case in Grimsby of a poor chap who bought a car which turned out to be reconstructed from a wrecked car but was sold to him with a replacement logbook issued by you and tax disc issued by you. He then found that the number plate on those documents was for a car in a salesroom in Chesterfield which was SORN'd or whatever you call it, not a sawn-off shotgun, and that had been registered with you and this never emerged from your system. Do your computers not talk to each other? How can that happen?

Mr Bennett: I honestly do not know and on the specific case I cannot say. If somebody has rebuilt a car basically it would have to go for re-inspection and the re-inspection would trigger off the ability to re-register that vehicle, so it should have been checked, and very often they are visibly checked as well. I cannot comment on the specific case because I do not know how it happened but if they had gone through the process it would have gone through a routine process which the local offices would cover. It could be illegally put together and maybe illegally registered, I do not know.

Q63 Mr Mitchell: It was illegal.

Mr Bennett: It would be picked up then.

Q64 Mr Mitchell: It was only picked up after this guy had handed over 7,000 quid for a blue Fiat.

Mr Bennett: I do not know whether he checked with our records to check the vehicle was okay or not.

Q65 Mr Mitchell: He bought it with a logbook and a tax disc issued by you.

Mr Bennett: As this is a specific case I am dealing with that separately, but the short answer is there is a mechanism to check.

Q66 Mr Mitchell: Which did not work in that case.

Dr Hickey: Just for clarity, the underclass as in the definitions I gave refers to the vehicle and not the person, just for the record.

Mr Mitchell: This was not an underclass character. I hope you deal with the letter I sent you.

Q67 Mr Touhig: Mr Bennett, we read in paragraphs 3 and 32 of the report that the DVLA did not meet its evasion target in January and will not meet the target in December either. Is that because the targets are unrealistic or are you incompetent?

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Mr Bennett: First of all, it is quite true to say that is the situation. The difficulty with the targets is that we had three targets which were related to one another. Fundamentally there was an underclass target which had been recommended by the Jill Dando Institute, which was a 50% reduction in the underclass, and we have been through how difficult the underclass situation is. That then has a knock-on effect on road evasion and on the tax. It is true to say that those targets will not be possible to hit for that reason, but largely it is because of this issue of the rise in the underclass that we have not been able to stem.

Q68 Mr Touhig: The underclass people who evade?
Dr Hickey: Yes, this 50% reduction was the major factor and clearly we have not done that, indeed it has grown, and that is part of the problem.

Q69 Mr Touhig: You said in answer to the Chairman that every indicator you had showed that the evasion issue was improving. How on earth could it show that from this report? Are your systems that bad? Is your data gathering that bad?

Dr Hickey: Might I say something about the methodology. I apologise, it is complex, but it is for the Committee perhaps. The way this survey is done is by standing by the roadside, and it used to be people with clipboards but increasingly cameras, looking at vehicles. In this particular survey it was 1.3 million vehicles roughly. Of those that went by, about 1.8% were non-licensed. They started off with 1.8% and that 1.8% is the crude number, and that is very consistent with other survey information. It was consistent with the previous survey in 2005, there was no change. It was consistent with a police survey, a much smaller survey, which pointed to 1.9%. The crude measure, standing by the roadside counting the vehicles and checking are they taxed or are they not taxed, had not changed, it was the same, and a lot of other evidence was suggesting the same. The reason why the number got so much bigger was because of the analysis which was then done on those crude numbers. That analysis has two elements to it. One is there is weighting for different types of vehicles and different types of roads, and when you have done all that that gets to 2.2% evasion, which is bad but not cataclysmic. The really sophisticated bit is that they then compare the frequency with which licensed vehicles are spotted with the frequency with which unlicensed vehicles are spotted. Basically what they are saying is that unlicensed vehicles appear less often. People who do low mileage you would expect to appear less often because statistically you are not going to spot them so often. They apply a quite complicated methodology, which I will not attempt to explain, which grosses up for the number of people who are very rarely spotted but do exist out there, and it is that relationship which has changed dramatically between 2005 and 2006.

Q70 Mr Touhig: It is very complex.

Dr Hickey: I apologise for that explanation but it is a factor and that is why we were surprised as well, to be honest, because that is not visible when you just stand by the road and count them.

Mr Bennett: To add to the point, and the point is very valid, the last time we did that review was we did a JDI survey which picks up the level of non-compliance, if I can put it that way. In 2005 that was 930,000 vehicles. That pointed us in the direction of saying we really needed to do some different things with wheel clamping and our partnerships. The problem is this time we have not yet had that survey done because the survey follows on from the completion of the roadside survey. We will get another one of those and that will give us very specific details about the level of evasion of the hard evader and then we can look again at the actions. The real answer to your question is we rely upon an annual review of the hard evader and then we adjust our enforcement accordingly.

Q71 Mr Touhig: Post this report do you think you are now getting the numbers down or not?

Dr Hickey: The 2007 survey has taken place, it was done in June of this year, but we have not yet got the results. The results will be published, we think, probably early next year, in January.

Q72 Mr Touhig: We wait for those with anticipation.

Dr Hickey: That will be interesting because by last June some of the actions that DVLA are taking had been in place. They were not in place back in 2006.

Q73 Mr Touhig: Forgive me, I have little time. What happens when a vehicle is spotted in a street and it has no tax disc? I do street surgeries and I came up to a street surgery recently and someone said to me, "Look, that car is not taxed", I reported it to the police and the car is still there. Who is responsible for dealing with that?

Mr Bennett: We would have several mechanisms for dealing with that. Sometimes the public will report it to our hotline. We could find that ourselves through wheel clamping, so the wheel clampers would go round, assuming it is on a public road, going back to the point we made earlier, clamp the vehicle and take the vehicle in. We have enforcement officers.

Q74 Mr Touhig: Who does that, you or the police?

Mr Bennett: We would do that if it is on a public road.

Q75 Mr Touhig: Do the police have a role here or not?

Mr Bennett: The police could do it, but it is not their main—

Q76 Mr Touhig: I am told by one of the neighbours the police did visit but the car is still there.

Mr Bennett: The police could send a report on it.

Q77 Mr Touhig: You have got a vehicle, it is untaxed, can you destroy that vehicle?

Mr Bennett: Oh, yes.

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Q78 Mr Touhig: You can.

Mr Bennett: Yes, and we do.

Q79 Mr Touhig: I think it is a good idea that if you get somebody like that, you get them, you prosecute them, you take the vehicle off them and turn it into scrap.

Mr Bennett: If you take the wheel clamping situation, and we have increased wheel clamping, what they will do is take it to a pound, they will hold the vehicle, take the release fee and surety fee and the vehicle will be released, the person has to come back with a tax disc and then the surety will be refunded. If they do not pay the surety fee or release fees we will scrap the vehicle.

Q80 Mr Touhig: Do not give it back to them, they will not do it again.

Mr Bennett: That is what I am saying, that unless they do pay the release fees and surety fee they do not get it back.

Q81 Mr Touhig: Would it not be a good idea if you had the power to just scrap the vehicle? Every one you have got that has not got a tax disc, turn it into scrap metal.

Mr Bennett: The powers say we have to give people the opportunity to claim the vehicle and tax it.

Q82 Mr Touhig: Should we, as legislators, be changing the law, get them prosecuted, get them fined, and scrap the vehicle?

Mr Bennett: That would be a bit draconian.

Dr Hickey: That would be a very controversial policy change.

Q83 Mr Touhig: Yes, it would, would it not? It would be effective though, you might have a better figure then under evasion.

Dr Hickey: I could not possibly comment!

Q84 Mr Touhig: Mr Bennett, we also see that in the report the police say that three-quarters of persistently untaxed vehicles are being used by people perhaps involved in some sort of criminal activity. When will you have a strategy ready to tackle this?

Mr Bennett: We do have a strategy. That particular statistic that you quote came out of the fact that we have done detailed work with the police and one of the things the police have realised is that when a vehicle is untaxed and caught on an ANPR camera—

Q85 Mr Touhig: What does the strategy actually do? Have you got some sort of concordat with the police?

Mr Bennett: Yes. We work with the police across the UK, and the local authorities, and we provide data that enables them and ourselves to check for vehicles that are not taxed. In the police's case, if the vehicle is not taxed they will have our data and they will stop the vehicle and in many cases when they stop the vehicle, and that is the statistic you are quoting, they will find that vehicle has been involved in crime or

the driver is involved in other crime as well. That is why the police do co-operate with us because it has a benefit not only to the vehicle but to crime.

Q86 Mr Touhig: There is an agreed strategy of working with the police to tackle this and that is effective and you are monitoring it?

Mr Bennett: Absolutely.

Q87 Mr Touhig: The report also tells us that last year you spent £5.4 million on advertising and £4.1 million the year before. What impact assessment do you make of this advertising because clearly you are not getting through, are you?

Mr Bennett: We do measure advertising impact actually. Obviously advertising is a difficult area, as you will appreciate. We do try and target the advertising based upon the need. For example, this year, to give you a good example, going back to a subject we talked about earlier, we are doing a lot more motorcycling advertising. We will change our advertising to suit the feedback on evasion. This year we spent £3.9 million with £2.2 million on TV, £0.9 million on radio and we have got production costs of £0.7 million.

Q88 Mr Touhig: Is this advertising focused on the tax evaders?

Dr Hickey: It is by and large.

Q89 Mr Touhig: People reporting tax evaders?

Mr Bennett: It is based both on CR, so it advertises to people who might be casual evaders that they must pay their tax or SORN their vehicle, and it is also based upon pre-warning people that we will take and crush the vehicle.

Q90 Mr Touhig: Say you have got a series of ads that start running on television from tonight and they run for six weeks, do you then do a measure of what impact you have had after that six weeks?

Mr Bennett: We do. For example, pre and post-campaign tracking that we held on the last campaign, 75% agreed it is not worth evading the VED as a result of seeing it, 65% agreed the advertising deters from delaying payments and 63% thought the adverts were a good reminder. That is the kind of feedback we get and we adjust our advertising accordingly.

Q91 Mr Touhig: We also see from the report that 60% of those who did not pay their Late Licensing Penalties you did not pursue. Are you considered a soft touch?

Mr Bennett: This is the table on page 107, I think, of the Annual Report. There are 491,000 cases not pursued and, of those, 165,000 cases, and this is quite important because the chart is difficult to understand—

Q92 Mr Touhig: I am very short of time.

Mr Bennett: 165,000 of the 491,000 unpaid cases were considered and dropped, in other words they were just not valid evaders. There might be a genuine reason why that has happened. Of the 326,000 that

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are left we estimate that 43% do not pay but do comply. So you have got a situation here where you are looking at payment or compliance and what we are trying to do is get both, of course. 43% do not pay but do comply and that 140,000 leaves a balance of 186,000 that are not pursued and are not compliant. It breaks down. It is not quite the way it appears in the report, it improves.

Q93 Mr Touhig: Why is it not possible to tax your car in every post office?

Mr Bennett: We have a limited—

Q94 Mr Touhig: Why?

Mr Bennett: The reason is because of quality of actual activity in the post office. We tend to have enough post offices to meet the requirements of the public and we have enough people who can have enough transactions to—

Q95 Mr Touhig: The more post offices you have got the more people might register and you might spend some of your advertising budget on that.

Mr Bennett: There are two issues. One is how many people you have doing it and there is the expertise in the post office, that is an issue, and then the sheer cost of it. We have a negotiation with the Post Office to get the balance right, so it is a value for money decision.

Q96 Mr Touhig: The public do not think you have got the balance right, Mr Bennett. I hear lots of complaints, “They can’t tax my car at the post office, it is a nuisance to have to go into a main town” and so on.

Mr Bennett: I am sure that is true but there are two things I would say. First of all, the public consistently rate the post office very highly in our surveys and, secondly, they can use the computer now so people do not have to go to the post office and that has eased the problem for people.

Mr Touhig: Just one final point I would make. I have heard more “don’t knows” from you gentlemen today than I think I have heard in the Committee for a long time. If you were not a monopoly I think you would go out of business. Just one other final point: there is perhaps some link or comparison with the TV licence evaders and perhaps when they do the TV licence evasion they could also report back to you and you might go round and see if there are any cars. It is worth trying perhaps.

Q97 Chairman: On Mr Touhig’s point, we are all being lobbied at the moment about our post offices closing and it is a huge issue, particularly in rural areas. When you own the Post Office, when you own the Vehicle Agency and everything, why are you not doing more to encourage business through your own post office outlets? It seems to me you are shooting yourselves in the foot and in the process you are shooting down many village post offices.

Dr Hickey: A lot of the smaller village post offices, as we were saying earlier, do not do car tax.

Mr Touhig: Because you do not let them.

Q98 Chairman: This would be a stream of business which would help the Post Office and help the public.

Dr Hickey: The DVLA has been in conversation with the Post Office about some aspects of work which at the moment DVLA themselves do in local offices and the possibility of some of that being done at post offices. There is a two-way debate here. Of course, the big thing has been the introduction of Electronic Vehicle Licensing which enables people to do it either with a computer or a telephone, which is a very big improvement in terms of customer service because we do it 24/7 and so on, and that does have an effect on the Post Office, no question about it.

Q99 Mr Dunne: I would just like to get to the bottom of the numbers of the underclass. In the 2002 survey you calculated a 970,800 vehicle underclass but in the 2006 survey you have chosen not to publish the figure. Do you have the figure and, if so, what is it?

Mr Bennett: The last figure we had was for 2005. On the back of the main survey, the Jill Dando Institute survey on the underclass, the last one we had was 2005. I think I mentioned this earlier but perhaps I did not, I am not sure. That was 930,000 at that point. In 2005 it was 930,000. Because of the problem with this survey, the lateness of it because of the problems we had with the reconciliation, we have not had had the JDI survey completed for 2006 so we do not know the actual underclass numbers yet. That is what has happened for this year but we did for 2005.

Q100 Mr Dunne: Do you know how many enforcement officers the DVLA has?

Mr Bennett: I can get the number for you. We have actually increased the number of enforcement officers this last year or so. I am just trying to find the numbers now. There are 66 enforcement officers.

Q101 Mr Dunne: Do you know on average how much revenue an enforcement officer recovers?

Mr Bennett: Again, I have not got that in front of me. I know they operate on effectively a certain set of cases. I can get you the figure.³

Q102 Mr Dunne: Do they recover more than their salary?

Mr Bennett: Oh, yes.

Q103 Mr Dunne: Why do you only have 66 of them if you have got nearly one million underclass vehicles?

Mr Bennett: That is a good question, but they deal very specifically with the leads that we have given to us, the reports that come to us from the police, local authorities and so on. It is the enforcement officers who then try and chase those down to collect the tax or make the prosecution stick, if you like. There are 66 of them doing that. The other part of the equation is we have to play across the board with a large volume of activity and it is a value for money issue. We agree with the VED Board where we spread the load across.

³ Note by witness: On average £35k in 2006/07.

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Q104 Mr Dunne: If they are recovering more than it costs to employ them surely it would be worth considering employing more.

Dr Hickey: The number has increased from 41 to 66, so there has been quite a significant increase.

Q105 Mr Dunne: There are 43 police forces in this country, so that is less than one and a half of your officers per police force, which is not very many.

Mr Bennett: Going back to the point I made, there is a limited amount of resource. It is a question of what you can do here. As was said earlier, the number of reports we have been getting has been dropping and at the same time we have been increasing enforcement officers, so on a *pro rata* basis there is not a huge pile of cases, if I can put it that way.

Q106 Mr Dunne: Okay. If we look at the police enforcement which you obviously rely on more than your own officers, I have been in an ANPR vehicle and I have seen how effective it is and I have seen the ping that comes through when the vehicle is not taxed, and in my force it goes “Yabba-dabba-do”, the *Flintstones*’ tune, and it is very exciting and it comes within a second and a half of seeing the vehicle come up, so I have seen how effective it is and I understand the resource constraint on the external police vehicles which can go and pursue the offender. How much incentive goes to the police in terms of a share of the recovered revenue that you provide them in order to encourage them to put more resource into this?

Mr Bennett: Not from us, it is a cross-subsidy.

Q107 Mr Dunne: They do not get any share of the recovered revenue. Do you provide any other sort of incentive, such as funding any ANPR vehicles around the country?

Mr Bennett: No, but we do work in co-operation with the police and we do joint ventures.

Q108 Mr Dunne: Yes, but you have just told us you have only got 66 people doing that and that is less than one and a half per force.

Mr Bennett: No, we have got our ANPR vehicles and our wheel clamping vehicles. We work in corporate terms with the police and pool resources between the police, local authorities and ourselves.

Q109 Mr Dunne: Should you not consider some kind of revenue sharing for effective enforcement?

Dr Hickey: The revenue from evasion ultimately goes to the Treasury because we are collecting a tax here, so I do not think we could divert that money.

Q110 Mr Dunne: You could discuss with the Treasury whether that would not be an effective way of reducing this very significant amount of evasion.

Dr Hickey: Yes. We work together.

Q111 Mr Dunne: Dr Hickey, I am sorry, I have got limited time. Can I suggest to you that is something you as a Department ought to pursue because it would help not only in recovery of revenue but also

reduction in offending and, as we have heard, 75% of criminals have untaxed vehicles so it would have a much wider benefit for society at large, I would suggest. Could we turn to motorcycles for a moment. I have been out with my police force and noticed the challenge that the police have in dealing with motorcycle offences. I happen to have in my constituency a couple of roads which bisect the constituency which are well-known and well advertised motorcycle racetracks to the West Midlands conurbation. ACPO rules of engagement prohibit pursuit of motorcycle vehicles, is that correct? Can you confirm that?

Dr Hickey: I do not know whether it is a rule but, you are quite right, the police are very nervous about doing that.

Q112 Mr Dunne: Well, they do not do it. Consequently, any motorcycle that pings through ANPR is essentially able to get away scot-free. Would you agree?

Mr Bennett: Essentially.

Q113 Mr Dunne: That seems to be the case. That might explain why the evasion rates for motorcycles are so much higher than it is for ordinary vehicles. Have you considered taking measures which might have much more effect on motorcycle owners, such as giving them points in the event that they do not have a properly taxed motorcycle rather than just a fining regime?

Dr Hickey: Can I say that we are looking at a whole raft of possible issues which are essentially policy changes and would require legislation. Amongst the options or ideas that we are happy to pursue that is certainly one.

Q114 Mr Dunne: Could you consider that. Can I give you another one that I would like you to consider which is that many motorcycles, particularly in the area I have witnessed for myself as a racetrack, have illegal racing exhausts attached to the motorcycles which causes a great deal of noise pollution to the residents along the roads that they use. These are illegal and yet you are issuing them with VED certificates despite the fact that they are operating illegal vehicles.

Mr Bennett: We will take that one away.⁴

Q115 Mr Dunne: Can I suggest that if the current measures to police this are ineffective you should consider any motorcyclist who is caught with an illegal exhaust should have points deducted from their licence and I think that would deal with that problem overnight.

Dr Hickey: I am happy to look at that.

Q116 Mr Dunne: Thank you. Could you write back to the Committee and expand on that point. I have got two more sets of questions. In relation to potential policy proposals to use Vehicle Excise Duty as a means of encouraging the polluter to pay,

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green taxation, and there seems to be growing cross-party consensus that this is something that is likely to come, what impact do you think having much higher rates of Vehicle Excise Duty will have on evasion and your ability to prevent it?

Dr Hickey: Could I answer that, Chairman. I think the question on the structure of VED, which is what your point is about, is something not for us, it is something for the Chancellor and it would be inappropriate in some ways for us to comment.

Q117 Mr Dunne: I am not asking you to comment on the policy, I am asking you to comment on if we do have much higher rates of duty payable, given the difficulty you are having already in collecting, what will that do to your ability to reduce evasion and to collect such tax?

Dr Hickey: It would clearly depend on the structure and the relevant incentives and it would depend on whether you were lowering at the bottom end and increasing at the top. If it was lower then hopefully that might reduce the disincentives to pay, to put it that way, but if it was increased at the top that could increase the disincentives. On the other hand, the one at the top would be the larger machines, the more expensive machines, where there are other reasons why they might be illegal.

Q118 Mr Dunne: My final question is a follow-up to the Chairman's and Mr Touhig's about your relationship with the Post Office. Could you tell us what proportion of VEDs are collected on-line?

Mr Bennett: EVL use is increasingly coming up, take up is about 39/40% now on-line Electronic Vehicle Licensing.

Q119 Mr Dunne: I am surprised to hear that because my local post office had its ability to issue VEDs removed. It was not his own choice; it was taken away from them by yourself.

Mr Bennett: Sometimes it can be taken away by the Post Office. What happens is they have to cover a certain area with a certain number of post offices, and there is an agreement we have with them to do that. I cannot remember the number—I can write to you if you want—but we did actually increase the number of post offices. We cannot give it to all of them because it simply a) is not economic and b) the skill and the expertise for the number of transactions would work against us in terms of quality of documentation.⁵

Q120 Mr Dunne: As the number of post offices is declining through a Government process over the next year, could I encourage you to have a look at your contract with the Post Office and look at whether you could not ensure that all sub-post offices which remain (which will be in receipt of Government subsidy) have the ability to issue Vehicle Excise discs? It seems to me a good way of joined-up thinking across government at very little cost to the DVLA.

Mr Bennett: I think the reality is that the volume will continue to drop because the public want to use Electronic Vehicle Licensing, quite obviously. What

we are doing with the Post Office, which answers your question, is to talk to them about other potential business they could do with the DVLA to preserve something of the Post Office's on-going business, so that is what we are looking at with the Post Office. I think it would be very wrong for me to promise you that we would suddenly start spreading out a reducing amount of VED across a broader amount of offices. That just is not going to happen because the public do not want it to happen, they want to use Electronic Vehicle Licensing.

Q121 Mr Dunne: The public of a certain age want to but there is a certain age of the population that does not use computers.

Mr Bennett: They can use the telephone as well, it is not just the computer, so you can pick up the phone and re-license or book your vehicle for SORN.

Chairman: I wonder if I can let Mr Bacon come in because there is going to be a division in three minutes' time.

Q122 Mr Bacon: I will try and be quick and I apologise for not being here at the beginning. I know the Chairman has asked a question about motorcycles. The single thing that struck me most about this Report was the enormous division between cars on the one hand and motorcycles on the other. Yes, it is true that five per cent of non-payers is a situation that is getting worse from three per cent the year before, nonetheless, on any view, nine and a half out of ten are paying. It is not bad and it could be a lot worse. With motorcycles it is of a wholly different order; two out of five are not paying. We have had a note from the Motorcycle Industry Association, which seems to jump through any number of hoops and divide itself by the number it first thought of to show that it is all to do with sampling and really it is the wicked old DfT and the DVLA. There may be something in this and perhaps you could comment on that if there is time, but what I really want to know is why is there this huge difference?

Mr Bennett: There are lots of reasons why it is more difficult and I think we have covered a few of these, but if I can quickly go over them. One is that motorbikes are much more able to not go on public roads and much less frequently because they tend to be used for leisure activities, which makes it difficult for us because we can only enforce on public roads at the moment.

Q123 Mr Bacon: Hang on, you are not saying that it is all due to people motocrossing?

Mr Bennett: No, I am just saying they do not use them all the year round in the way that cars are used.

Q124 Mr Bacon: It is an easier vehicle to hide or stick in a garage when you are not using it and so on and so forth; granted.

Mr Bennett: Secondly, it is more difficult to pick them up on ANPR because of the number plate size and most of the Police ANPRs cannot yet read the number plates. Our new ones can, so that is set to

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change. The other thing is just the cost of insurance itself encourages non-compliance because the tax level is very small, as you probably appreciate.

Q125 Mr Bacon: What is the fee for a tax disc for a motorbike?

Mr Bennett: About £43 for a motor cycle for example, typically average, against £153 on average for a car.

Q126 Mr Bacon: Does it go up with cubic capacity so a small motorbike and a Harley Davidson would have a different tax disc?

Mr Bennett: I have only got the average here of £43.

Q127 Mr Bacon: What is the range?

Mr Bennett: Offhand I cannot remember. Will somebody respond please and I will come back to you on that.

Q128 Mr Bacon: Just send us a note. Do I take it that the Motorcycle Industry Association's excuse or explanation that it is all sampling is not adequate? It cannot be accounted for by sampling, even if your sampling is—

Dr Hickey: They are making the same point that we also make about the whole thing. There is a gap between, as it were, the ones you actually spot when somebody is on the road and the numbers that you then apply in the methodology, and there is a gap there for all of them, and it is particularly acute in this case. Our statisticians are obviously looking at that bit of paper we received yesterday.

Q129 Mr Bacon: It sounds like the gap is just too big, surely, to be accounted for purely by sampling error.

Dr Hickey: Yes.

Q130 Mr Bacon: Good, I thought that is what you would say. My final question: what is your total advertising spend?

Mr Bennett: This last year?

Q131 Mr Bacon: Yes, including television advertising?

Mr Bennett: It was £5.4 million in 2006-07.

Q132 Mr Bacon: That includes radio, television and print?

Mr Bennett: Radio and television, the works.

Q133 Mr Bacon: Have you thought of spending a bit of that, even for a limited period, on a blitz on this motorcycling issue?

Mr Bennett: Yes indeed—

Q134 Mr Bacon: It would be a quicker way of doing it than doing anything else and would put the fear of God into people.

Mr Bennett: That is a very good point and indeed we have got an advertising campaign which does exactly that. That is what I was explaining earlier. We use the survey positively because it is the only time we really understand the under-class issue. We then use that to target our advertising more effectively and we have a current campaign, that started in the summer, specifically targeting motor cycles.

Q135 Mr Bacon: And could you co-operate with the Police for targeted temporary blitzes? That would obviously help with the workload.

Mr Bennett: And we will increase it. One of the things we are starting to do is to re-gear our enforcement to, for example, go where bikes go—rallies and that kind of thing—on a routine basis because of the problem. So, yes, we are doing that and we always review our enforcement focus based upon where the problem is.

Dr Hickey: The range of VED is from £15 to £65.

Mr Bacon: £15 to £64 is my version. Thank you very much.

Q136 Chairman: Why are you so poor at pursuing people through the courts? There are many people who are not pursued through debt collection agencies or through the courts.

Mr Bennett: If you take the cases that we send to court, we send on this particular example 108 cases to court and, of those, 29 court cases will pay. This is in thousands so it is 108,000 and 29,000 will pay. The real problem is getting the payment out of the courts to offset it. This is one of the reasons why we moved towards debt collection. It costs us for every court case we put through. With debt collection we only pay on a no-win no-fee basis. We get about the same success rate though in collecting the fee.

Q137 Chairman: I think that concludes our hearing. It has been a very interesting hearing. I am sorry, Mr Bennett, that it has been a very poor report because you are a very pleasant witness. I wish you well in your retirement.

Mr Bennett: Thank you.

 Memorandum submitted by the British Motorcyclists Federation

With the DVLA claiming a 38% VED evasion rate for motorcycles (extrapolated from a recorded figure of 16%), the British Motorcyclists Federation believes that the time has come to admit that the current system for motorcycles is not fit for purpose. Although we dispute both the methodology and results of the study, if it does stand to be accurate, this indicates low public confidence in the system and that the system is unenforceable. In fact, with only 1.6 million motorcycles on the road, increasing enforcement activity would probably not be cost-effective.

The current Vehicle Excise Duty system is incoherent with regards to motorcycles. There are currently four bands, 0–150cc, 151–400cc, 401–600cc and over 600cc. The costs for each are £15, £32, £47 and £64 respectively. This is a tax on ownership based on engine capacity (with the 151–400cc category barely used).

The system for cars is classed by carbon dioxide emission which is a tax on pollution with some hybrid, electric and very low polluting vehicles exempt from any charge. Recent figures from the Department for Transport published in the Governments Motorcycling Strategy: Response to the Transport Select Committee state that even the worst polluting motorcycle is around 14% better than the new car average. In fact, a significant proportion of the motorcycle parc falls far below the 100g/km of carbon dioxide which is used as the cut off for free VED.

Another factor that should be taken into account is usage patterns. Motorcycles are often garaged over the winter months and this means that many owners pay annual VED for three or four months use. Average mileage for a motorcycle is less than 5,000 per annum compared to 8,000 for private cars and 20,000 for company cars (Office of National Statistics). Many leisure motorcyclists travel only a few hundred miles per year and therefore the temptation for them to register the motorcycle as off the road must be very strong. This lower mileage combined with lower carbon dioxide output per mile indicates that motorcycles annually produce significantly less carbon dioxide than a car. The fact that motorcycles generally weigh a tenth of a car should also be taken into account, as motorcycles do very little damage to the road network compared to HGVs and passenger transport vehicles.

In short, the British Motorcyclists Federation would like to see an end to VED for motorcycles as the system is incoherent, unenforceable and does not reflect usage.

Memorandum submitted by The Intelligent Transport Society for the United Kingdom

The Intelligent Transport Society for the United Kingdom, known as ITS (UK), is pleased to provide comment on the Report on the Vehicle Excise Duty 2006–07 Accounts. ITS (UK) is a “not for profit” organisation of around 150 organisations in the transport field who are working to promote the use of Intelligent Transport Systems (ITS). These are combinations of sensors, communications and mobile Information Technology designed to assist all modes of transport. ITS (UK) is fortunate in having membership from across the UK and beyond drawn from the public and private sectors and from academia. We are funded entirely from member subscriptions and can therefore independently represent the interests of the whole membership spectrum in this rapidly developing field.

Lesser known acronyms, used in the submission, are included in full as below:

ACPO VCIS	— Association of Chief Police Officers—Vehicle Crime Intelligence Service
DSRC	— Digital Short Range Communication
EVI	— Electronic Vehicle Identification
OEM	— Original Equipment Manufacturer
PNC	— Police National Computer
RFID	— Radio Frequency Identification
VED	— Vehicle Excise Duty
VIN	— Vehicle Identification Number
VRM	— Vehicle Registration Mark

1. OVERVIEW

Motoring and vehicle taxation offences are currently enforced by police officers or specialised single-function systems. The current concerns about the rapid rise in evasion of Vehicle Excise Duty (VED) offer an opportunity to consider a 21st Century approach based on flexible Intelligent Transport technology that is technically very much harder to deceive, and which offers benefits across a wide range of enforcement activities such as MOT, Insurance status, PNC Lost/Stolen vehicle index, road user charging etc. ITS (UK) believes that it would be ineffective to launch an initiative to improve the coverage or/and accuracy of the DVLA databases without radically changing in parallel the roadside systems for detecting and tracking offenders.

2. CURRENT SITUATION

Traditionally VED enforcement has been achieved by recognising the vehicle registration mark—the “number plate”—and looking up the associated name in the DVLA records. Initially identification was done by a person viewing an actual vehicle or at a photograph or TV image however the development of Automatic Number Plate Recognition speeded this process considerably. At first error rates—“incorrect readings” or “failure to read”—were high but improvements to camera mountings, photosensitive electronics and image recognition software helped push accuracy above 90%. The acceptability of digital camera evidence has now extended the accuracy and flexibility of deployment.

However, despite the improvements in camera performance non-compliance with the current Regulations regarding the display of VRMs is increasing. Motorists are deceiving ANPR cameras using plates that are cloned, stolen or distorted (eg incorrect spacing and/or fonts or foreign registered marks) to avoid detection; the statistical evidence, contained in the Committee's Report, is confirmed by anecdotal evidence.

ANPR is a multi-stage process. The camera has to recognise the presence of the moving vehicle; it has to "find" the number plate which would be in a very different location for a small car compared to a 38 tonne HGV; it then has to capture the plate's image and translate it to alphanumeric characters before the decoded plate can be matched against the DVLA database. This is an intrinsically slow and cumbersome process and further ANPR improvement is difficult and expensive.

3. ITS TECHNOLOGY OPTIONS

A far better way to carry out enforcement would be to use some form of Electronic Vehicle Identification (EVI). EVI is not one unique product—it is a term for a variety of systems that can identify vehicles at a distance using a roadside unit that interrogates some form of in-vehicle unit by wireless. Technologies readily available range from a "dumb" device holding minimal information (eg the Vehicle Identification Number [VIN]), to a "smart" device that provides two-way communication; stores and updates vehicle, driver and traffic data; and is integrated with other on-board systems.

An EVI system cuts out at least three steps in the process: a roadside installation would interrogate the EVI devices on passing vehicles generating an instant stream of identities which could be matched either at the roadside or in a back-office database. The mis-matches (or "electronic silence" from non-equipped vehicles), would then be used to check the vehicle's VED, MOT, Insurance, disqualified driver status, etc) and could automatically trigger enforcement action as required. In effect the roadside device would be notifying that a particular vehicle was on the road.

The most commonly discussed EVI systems for enforcement are some form of "chip" (very similar to the tags used by shops to deter theft) which would be embedded in the actual number plate or in a VED licence holder. Alternatively, there are microwave devices of the types used extensively for road user charging (eg the Dart-Tag or the M6(T) tag). The chip embedded in the plate is cheaper than the microwave device but being located low on vehicles' bodywork limits accurate reading; consequently the chip should be placed in a more favourable position—e.g. within a VED licence holder.

Various forms of EVI are currently available however there are issues regarding their introduction and deployment. There are emerging standards for EVI (with development being sponsored by the DfT) but there is much commercial pressure and the market is still vulnerable to proprietary designs. The microwave standards used for pricing are not only well established but are specified in an EC Directive. Microwave devices are usually fitted to the windscreen so there would be an immediate opportunity to use the device to give remote wireless confirmation of payment of Vehicle Excise Duty. Both types of EVI would be extremely difficult to clone cost-effectively.

Finally, the Committee may wish to consider the social issues and the potential that most VED [and similar] evasions constitute an inability to pay relevant fees as opposed to a determined effort to evade detection by the registration authorities. Any serious process aimed at boosting vehicle registration or insurance is likely to be opposed by lobby groups because they tend not to recognise the difference between anonymity and personal privacy so it will be difficult to argue convincingly against the claims of extending "the ability of Big Brother to track us".

The adoption of wireless ITS technologies for vehicle identification may bring immediate benefits to VED enforcement whilst simultaneously facilitating the detection of a multitude of additional capabilities such as detection entry onto/within road user charging zones, minimising the environmental impacts of noise and exhaust pollutants, simplifying checks on vehicle and driver documentation speeding up stolen vehicle verifications and enabling the delivery of traffic data and traveller information to the vehicle.

4. SUMMARY

ITS (UK) invites the Committee consider this issue in a wider context other than solely identifying better ways to ensure VED compliance. The widespread deployment of EVI technology was last considered over two years ago and since then performance has increased and prices have fallen. Consequently a "Requirements and Technology" study, coupled with an implementation plan, could aid identification of the broader policy interactions.

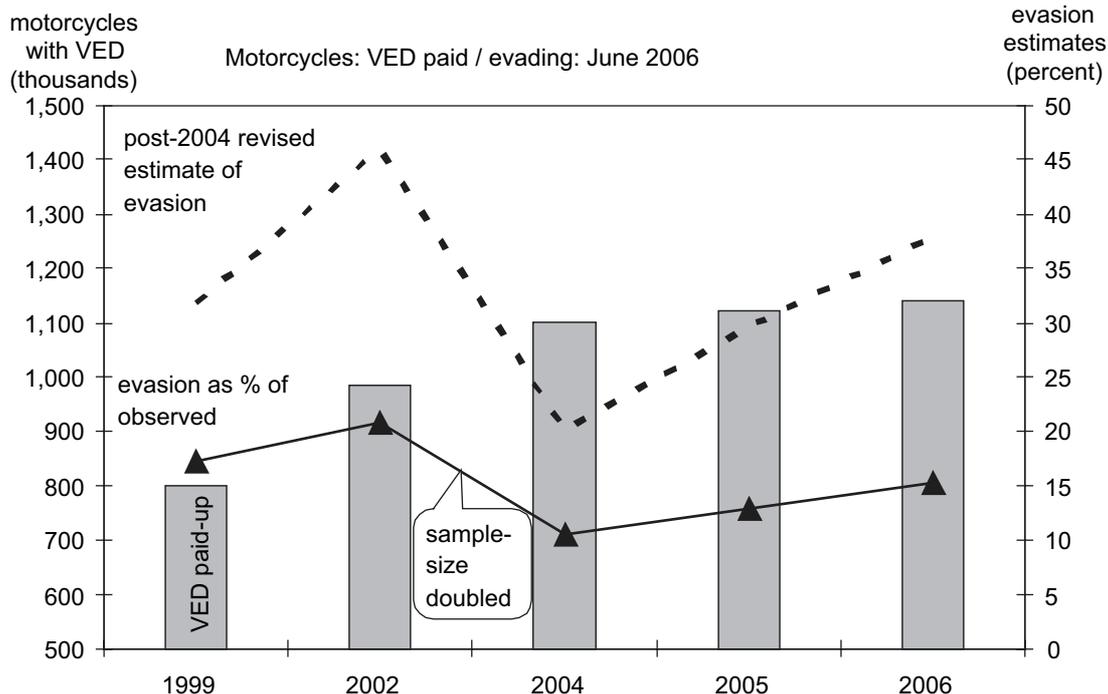
Memorandum submitted by the Motor Cycle Industry Association (MCI)

INTRODUCTION

1. The UK motorcycle industry turns over in the region of £3 billion per annum and employs approximately 15,000 people
2. The Motor Cycle Industry Association (MCI) was founded in 1910 and is the sole UK trade body representing the non retail motorcycle industry. In this respect, the MCI represents over 90% of the established UK industry, including manufacturers, importers, accessory manufacturers, factors, related products and services and some motorcycle dealers. .
3. The MCI is funded through membership subscription, though the majority of its income comes from the yearly Motorcycle Show at the NEC in Birmingham. This is organised and managed by Motor Cycle Industry Exhibitions Ltd, a wholly owned subsidiary of MCI and attracts between 150–200,000 visitors per annum
4. The Motor Cycle Industry Association (MCI) is pleased to contribute to the Public Accounts Committee Enquiry into VED evasion.
5. The MCI would like to restrict its comments to the important area of motorcycle VED evasion and submits specific comments on the issue of how evasion rates are evaluated. The MCI has strong concerns that the current methodology is producing results that are both alarming and paint an inaccurate, indeed sensational, picture of motorcycle VED evasion.

VED EVASION SURVEYS

6. The Department for Transport has conducted regular roadside surveys over a number of years to provide data concerning evasion of Vehicle Excise Duty (road-tax). By estimating the number of vehicles evading VED a notional figure for lost revenue can be calculated.
7. The VED-evasion methodology has remained largely unchanged for decades, although traffic patterns (especially motorcycle traffic patterns) have changed dramatically.
8. Observations are taken at a specified group of 236 locations, equally dispersed between major and minor roads in built-up and non-built-up areas, spread across the country and selected to reflect general traffic patterns. There is an unsubstantiated assumption that motorcycle traffic patterns must match those of general traffic which may create a source of bias in the samples due to the selection of survey sites.
9. The method used to estimate motorcycle VED evasion assumes that any repeat sightings will be proportionate to the vehicles total mileage. Again, there appears to be no evidence to support this assumption for motorcycles as opposed to general traffic. This assumption appears to have been last tested on keepers of Heavy Goods Vehicles nearly a quarter of a century ago. It seems highly unlikely that personal travel by motorcycle bears much resemblance to patterns of commercial transport by HGV.



Source: Data extracted from Transport Statistics Bulletins; Vehicle Excise Duty Evasion (2004–06).

10. The number and proportion of valid observations recorded for motorcycles each year is relatively low—in June 2006, the survey yielded valid sightings of 9,309 individual motorcycles, 0.9% of all vehicles in the survey during a month when motorcycles accounted for 1.4% of traffic. The motorcycle sample was just 0.8% of the licensed motorcycle stock in June compared to the 3.5% sample of cars and 0.5% of the imputed total motorcycle stock (assuming the VED-evasion estimated is reliable). There appears to be a very strong association between the number of valid sightings in the motorcycle sample on one hand and both the size of, and confidence in, the estimate of motorcycle VED evasion on the other—smaller numbers of motorcycles in the sample have generated the highest estimates of evasion with the poorest statistical confidence limits.

11. The (now) annual roadside survey takes place in June. Motorcycling is very sensitive to seasonal factors and June typically produces some of the highest levels of motorcycle use, so it is all the more disappointing that the road side survey design prevents a representative number of valid motorcycle observations to be recorded. The DfT publication *Compendium of Motorcycle Statistics 2006* shows that motorcycling is concentrated into the summer months, when there is about double the amount of motorcycle travel seen in winter. The VED evasion survey does not account for this seasonality and is consequently at risk of over-estimating the general extent and cost of motorcycle evasion.

12. Until the 2004 survey, the DfT recognised that the motorcycle sample size was too low to allow an estimate of relative mileage to be used to inflate the final estimate of motorcycle VED evasion. From 2004, the motorcycle sample size effectively doubled (to its present disappointing level) and the Department felt justified in applying the relative mileage methodology to motorcycles to produce the extremely high VED-evasion estimates seen in recent years. Whilst this is in itself a cause for contention, DfT also chose to re-write the pre-2004 motorcycle VED-evasion estimates (based on the then much smaller motorcycle samples of less than 500 per year) as if these had suddenly gained the statistical credibility the Department had previously stated they lacked. The sample size has fallen by 10% since 2004, even though the amount of June motorcycle traffic rose by 10% over the same period. The motorcycle sample has fallen both as a total number and as a proportion of all observations and as a proportion of motorcycles in use.

13. Application of the relative mileage methodology produces very wide ranges of statistical uncertainty in the final results for motorcycle VED-evasion. This is manifest in the extremely erratic estimates of motorcycle VED evasion levels which now vary wildly from year to next (dotted black line in the diagram above), in clear contrast to the trends seen in other more directly measurable aspects of motorcycle use. The number of motorcycles reported to have either current VED or SORN have each been rising at rates that agree with other general indicators of overall motorcycle activity (traffic estimates, number and length of reported trips, collision rates, number of new and used vehicle transactions, number of new driving licences issued for motorcycles, etc.). Yet the rate at which motorcycle VED-evasion is estimated to be rising is out of step and grossly out of scale with these other indicators.

14. This is one of the most perplexing aspects of the apparent motorcycle VED-evasion trends reported in recent years; that evasion is apparently riding way ahead of growing compliance rates. Vehicle Licensing Statistics 2006 reports the number of motorcycles with current VED at the end of 2006 was up by 1.5% and those with SORN declared up by 13%, significantly ahead of the average for all vehicles.

15. That the number of motorcycles recorded on the DVLA database either with current VED or SORN'd have both been rising at the same time as VED-evasion would appear unlikely in itself; that VED-evasion apparently rose by 47% in one year, from an already highly-unlikely 471,000 evading motorcycles in the year 2005 to 694,000 in 2006, simply beggars belief—especially given that the number of evading motorcycles actually observed on the road in the 2006 survey was less than 1% higher than the previous year.

16. Data describing when an evading motorcycle was last taxed/SORN'd, whether reported stolen, etc is not published with the VED Evasion Survey, nor is there any data on follow-up investigations regarding why evading motorcycles were in use. Therefore it is difficult to suggest what mechanisms might make some motorcycles more or less likely to be evading VED and from there to suggest targeted solutions. However, we can say that solutions which target the compliant vehicles (such as licensed-offender style electronic tags) promise to be neither equitable nor effective. We must also consider the costs of developing and administering a higher compliance regime, who would bear them, whether they would they result in a significant net improvement, etc.

17. Whilst it is clear that a single observed use of a vehicle without VED counts as an act of evasion, it is less clear whether total compliance with the licensing requirements would yield significantly greater VED revenue. Faced with a total compliance regime, some keepers would presumably choose not to use their vehicle, while others would choose to continue riding and to pay resulting in some extra VED revenue. However, total compliance would also suggest compliance with the arrangements for VED refunds, so it is by no means clear that any estimate based solely on current apparent VED evasion can truly reflect the extra revenue that is sensibly recoverable. Any meaningful revenue loss estimate based on estimated instances of unlicensed use, which (especially in the case of currently evading motorcycles) may well be limited to very few months of the year, would have to account for the net effects of refunds and compliance costs—the current VED survey methodology does not address this.

 IN CONCLUSION

18. All vehicle keepers have a social responsibility and a duty in law to ensure their vehicles are compliant, motorcycle users are no exception *per se*.

19. Any policy or method designed to combat VED evasion should be proportionate to revenue loss and should not penalise the majority of vehicle keepers who are compliant.

20. As a tool for informing policy makers about targeting resources to reduce VED evasion in respect of motorcycles, the current survey appears deeply flawed—there is reason to believe the methods employed may grossly over-estimate both the size of evading motorcycle stock and the consequent revenue loss in represents.

 Supplementary memorandum submitted by the Department for Transport

Question 114 (Mr Philip Dunne): *Motorcycles with illegal exhausts*

We only register vehicles which meet the proper type approval standards. However, clearly modifications can be made subsequently. Enforcement action is then at MoT or by the police, and in the latter case it is clearly helpful to them if the vehicle in question is registered and taxed and they can trace a keeper. It is, therefore, important to encourage a high level of compliance with taxation so that enforcement can be effective. Placing too many conditions on the taxation process could have a detrimental effect on overall compliance, rather than improving it.

With regard to controls on the use of racing exhausts on motor cycles, alteration of exhaust systems or silencers so as to increase noise is an offence under the Road Vehicles (Construction and Use) Regulations 1986. These require motor cycles to be constructed so that their noise does not exceed a certain level and alteration of exhausts or silencers so as to increase noise is an offence. Motorcycle replacement silencers are also required to be marked to show compliance with European or British Standard noise limits and silencers intended for off road use must be marked to indicate this.

During the MoT test, these components are checked and a motor cycle may fail if it does not have the required exhaust markings and/or if the noise it makes is unreasonably higher than a similar motor cycle fitted with a silencer in average condition. However, a motor cycle or other vehicle owner may evade MoT, and hence VED, controls by refitting the standard equipment and replacing it with a noisy one after passing the test. That is why the police are responsible for enforcement outside the MoT test on public roads and have powers to take action if they suspect an offence under the Regulations is being committed. They also have powers under the Regulations to take action if they suspect that the noise being caused is avoidable through reasonable driver care.

Spot fines may be issued for penalties under the Regulations or fines of up to £1,000 may be levied on summary conviction for more serious or persistent offences (or if liability is disputed). The police also have powers to address noise nuisance under the Police Reform Act 2002 and the Crime and Disorder Act 1998 under which Anti Social Behaviour Orders can be served on the motorcycle owner, imposing a ban from certain roads or even confiscation of the motorcycle. So there are tough penalties available to the police, and the Government would welcome greater use of these penalties to address this problem. Home Office colleagues are working with the police to raise awareness of the powers available and this work has a high priority. In the meantime, given the scope of powers already available, there is no proposal to make the offence endorsable.

Question 119 (Mr Philip Dunne): *The Post Office*

The Post Office Ltd (PO) provides a number of services for DVLA customers, most significant of which is the issuing of Vehicle Excise Duty Licences over the counter (as well as the Drivers Premium Service (document checking service) for Driving Licence renewals; Returned Cheques and postal transactions).

There are currently 4,750 PO branches which deal with motor vehicle licence (MVL) transactions, approximately 600 more than in 2004. The 2004 changes introduced primarily rural offices to the network at no additional cost to the Agency and increased the percentage of customers with access to a MVL issuing post office branch within 2 miles of their home from 92% to 95%.

Commercial decisions are made on the number of branches the PO can offer to provide this service. Adding extra offices to the network increases the cost of the collection of vehicle excise duty without raising the total revenue collected. Consequently, the PO and the Agency seek to strike a balance between convenience to the motorist and cost.

Talks continue with the Post Office about future business opportunities, such as the potential for them to provide image capture facilities for the 10-year renewal of photocard licences.

Questions 7, 111 and 113

Finally, I should like to take this opportunity to reiterate that we are exploring the following areas raised by the Committee:

- enforcement in respect of untaxed motorbikes (Q.7 and Q113); and
 - exploring the scope for improving our partnership working with the police and others to support/encourage increased VED enforcement (Q 111).
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