



House of Commons  
Committee of Public Accounts

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# Evasion of Vehicle Excise Duty

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**Second Special Report of 2007–08**

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

*Ordered by The House of Commons  
to be printed 12 May 2008*

## The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

### Current membership

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Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### 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), Emma Sawyer (Committee Assistant), Pam Morris (Committee Assistant) and Alex Paterson (Media Officer).

### Contacts

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# 1 Special Report

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## Background

1. On 17 October 2007 we took evidence from the Department for Transport and the Driver and Vehicle Licensing Agency (DVLA) on the Comptroller and Auditor General's report on Vehicle Excise Duty, which had been published in July.<sup>1</sup> On 22 January 2008 we published our own report on the subject.<sup>2</sup> In our report we noted that according to the Department's figures the rate of evasion of duty by motorcyclists was 38%, up from 30% the previous year, and recommended that the Department and the DVLA target motorcyclists evading payment of duty. We also recommended that they should work with motorcycle industry bodies to reduce concern about the reliability of sampling methods used in measuring evasion by motorcyclists. On 14 February the Department published new statistics for evasion, based on a survey carried out in June the previous year. This put the figure for motorcycle evasion at 9.8%. The Department's press release about the new figures made clear that a new methodology had been used in the survey, but did not refer to the difference from previous years' figures, saying only that:<sup>3</sup>

“Substantial improvements in the way that the roadside survey data are collected mean that evasion estimates for 2007 are not directly comparable with those from previous years.”

2. The Committee's report had received widespread coverage and caused considerable dismay among motorcyclists. After the Department's press release we apologised to motorcyclists for the earlier, incorrect figures.

## Our concerns

3. The significant change in the Department's figures caused us concern on two grounds: first, that we had been given figures that were unreliable; and, second, that the Department had not given us any indication either that they suspected the figures were unreliable and were using a new methodology for the survey or that the results would be so different. We therefore wrote to the Department seeking an explanation.<sup>4</sup> Following a reply from the Department,<sup>5</sup> we decided to recall the Department and the DVLA for a further evidence session.

4. In the second evidence session, on 23 April, the Department told us that the basic change between the surveys in 2006 and 2007 was that the use of cameras had increased from 46% of number plates recorded to 98%. This had meant that they were able to

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1 Comptroller and Auditor General's Report, *Vehicle Excise Duty 2006-07 Accounts*, HC (Session 2006-07) 800

2 Committee of Public Accounts, Fifth Report of Session 2007-08, *Evasion of Vehicle Excise Duty*, HC 227

3 *Vehicle Excise Duty Evasion 2007*, Department for Transport press release, 14 February 2008

4 Ev 8

5 Ev 8

introduce new checks on the accuracy of the data.<sup>6</sup> It was only as a result of these checks that flaws in previous surveys had been discovered.<sup>7</sup>

5. The Department also told us that they had not received the processed data from the June 2007 roadside survey until October, “in the same week as” our first hearing, and that the provisional estimates had been produced in early January 2008. These had looked so different to previous years’ results that they had been double-checked, a process that had taken until the end of the month, allowing finalised figures to be released in February.<sup>8</sup>

6. The Department thus repeated the arguments, first put forward in their letter,<sup>9</sup> that the changes to the methodology of the report were only changes of degree (in that the use of cameras had increased), rather than changes to the nature of the survey, and that usable results were available to them too late to provide to us before we published our report.

## Conclusions

7. While we accept that the Department did not expect the results to be so different from previous years’, we are surprised that they had not drawn our attention to the wide variations in figures in earlier surveys, which should, on grounds of common sense alone, have suggested that something was wrong. It was not until our second hearing in April 2008 that we were given the following figures by the National Audit Office:

Roadside survey conducted in June:	Percentage Evasion in Active Stock	
	All vehicles	Motorcycles
2002	6.3	45.9
2003	no survey	
2004	3.7	20.0
2005	4.5	29.6
2006	6.1	38.0
2007	1.7	9.8

**8. A fall in the motorcycle evasion rate from 45.9% to 20% between 2002 and 2004, followed by a rise to nearly 40% over the next two years, is so improbable that the Department should have known there were serious errors in the surveys. Indeed we understand that motorcycle bodies had repeatedly made this point to them. Given this, the Department should have made clear to us that their figures for road tax evasion could not be relied upon.**

6 Qq 3–4

7 Q 7

8 Q 57

9 Ev 8

9. We find it disingenuous to suggest that a change in methodology that involved almost exclusive use of cameras and enabled the results to be properly checked for the first time was not a change in kind. Even if they were unable to give us any early indications of the results of the June 2007 survey, the Department should have made clear that the nature of the survey had changed significantly.

10. We also find it incredible that from June 2007, when the data were collected, through publication of a NAO report, a PAC hearing and publication of the PAC report, the Department neither suspected that the figures were wrong nor gave any indication to the Committee, but instead apparently waited until February after adverse publicity to release new figures.

11. We are disappointed that the National Audit Office did not scrutinise the Department's figures more rigorously. The Committee does not have the resources to check the detail of evidence put before it: we therefore expect the National Audit Office to maintain its usual high standards in all cases.

12. Parliamentary scrutiny of the executive is an important part of the constitution. It is dependent in large part on the accuracy of evidence provided by witnesses. Government departments are particularly responsible for ensuring that Members are not misled, even inadvertently, by the evidence they provide. As this case shows, offence can also be caused to law-abiding sections of the community by the provision of inaccurate evidence: this in turn can adversely affect the standing of Parliament in the eyes of the public.

# Formal Minutes

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**Monday 12 May 2008**

Members present:

Mr Edward Leigh, in the Chair

Mr David Curry

Mr Don Touhig

Dr John Pugh

Draft Special 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 12 read and agreed to.

*Resolved*, That the Report be the Second Special Report of the Committee to the House.

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

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

[Adjourned till Wednesday 14 May at 3.30 pm.]

## Witnesses

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**Wednesday 23 April 2008**

*Page*

**Dr Stephen Hickey**, Director-General Safety, Service Delivery and Logistics Group, Department of Transport, **Mr Anthony Boucher**, Head of Statistics Travel Division, Department of Transport, and **Mr Noel Shanahan**, Chief Executive, DVLA

Ev 1

## List of written evidence

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| 3 | Letter from Mr Anthony Boucher, Department for Transport                   | Ev 10 |
| 4 | Submission from The Motor Cycle Industry Association                       | Ev 10 |

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Third Report	Building for the future: Sustainable construction and refurbishment on the government estate	HC 174 (Cm 7323)
Fourth Report	Environment Agency: Building and maintaining river and coastal flood defences in England	HC 175 (Cm 7323)
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Ninth Report	Helping people from workless households into work	HC 301 (Cm 7364)
Tenth Report	Staying the course: the retention of students on higher education courses	HC 322 (Cm 7364)
Eleventh Report	The compensation scheme for former Icelandic water trawlermen	HC 71 (Cm 7364)
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Thirteenth Report	Sustainable employment: supporting people to stay in work and advance	HC 131 (Cm 7364)
Fourteenth Report	The budget for the London 2012 Olympic and Paralympic Games	HC 85 (Cm 7365)
Fifteenth Report	The Pensions Regulator: Progress in establishing its new regulatory arrangements	HC 122 (Cm 7365)
Sixteenth Report	Government on the Internet: Progress in delivering information and services online	HC 143
Seventeenth Report	Foreign and Commonwealth Office: Managing Risk in the Overseas Territories	HC 176
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Twenty-first Report	The Carbon Trust: Accelerating the move to a low carbon economy	HC 157
Twenty-second Report	Improving the efficiency of central government's use of office property	HC 229
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Twenty-third Report	Report on the NHS Summarised Accounts, 2006–07: Achieving financial balance	HC 267
Twenty-fourth Report	The privatisation of QinetiQ	HC 151
Twenty-fifth Report	The cancellation of Bicester Accommodation Centre	HC 316
Twenty-sixth Report	Caring for Vulnerable Babies: The reorganisation of neonatal services in England	HC 390
First Special Report	The BBC's management of risk	HC 518
Second Special Report	Evasion of Vehicle Excise Duty	HC 557

# Oral evidence

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## Taken before the Committee of Public Accounts

on Wednesday 23 April 2008

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon  
Angela Browning  
Mr David Curry  
Mr Ian Davidson

Keith Hill  
Mr Austin Mitchell  
Dr John Pugh  
Mr Alan Williams

**Mr Tim Burr**, Comptroller & Auditor General and **Mr Nigel Gale**, Director, National Audit Office, were in attendance and gave evidence.

**Ms Paula Diggle**, Treasury Officer of Accounts, HM Treasury, was in attendance and gave evidence.

### REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

#### VEHICLE EXCISE DUTY 2006-07 ACCOUNTS (HC800)

*Witnesses:* **Dr Stephen Hickey**, Director-General Safety, Service Delivery and Logistics Group, Department of Transport, **Mr Anthony Boucher**, Head of Statistics Travel Division, Department of Transport, and **Mr Noel Shanahan**, Chief Executive, DVLA, gave evidence.

**Q1 Chairman:** Good morning and welcome to the Committee of Public Accounts, where we are having a supplementary hearing on our Report on the Evasion of Vehicle Excise Duty. The Committee published its fifth Report on Vehicle Excise Duty Evasion on 22 January 2008 and then the Department of Transport published new national statistics estimates of evasion on 14 February, shortly afterwards, based on a roadside survey in June 2007. This caused the Committee enormous embarrassment because we based our Report on the fact that nearly 40% of motorcycles were apparently evading duty and when the Department published their survey it fell right down to 9.8%. Obviously, that covered the Committee in embarrassment. The reason we have summoned you back, Dr Hickey—I should say, by the way, that you are the Director-General of Safety, Service Delivery and Logistics Group at the Department of Transport and you are joined by Anthony Boucher, who is the Head of Statistics Travel Division at the Department of Transport and Noel Shanahan, who is the Chief Executive of the DVLA. Really, in the seven years that I have been Chairman of this Committee, Dr Hickey, I think this is one of the most serious issues that we have had to deal with. Frankly, Parliament and particularly this Committee, if it is going to do its job, has to have some confidence in the figures supplied to it by the Department, and there was such an extraordinary mismatch between these two figures that we really want to know what went on. What we cannot understand and what I now want to ask you, Dr Hickey, is why on earth, when the Committee had its hearing, did you not tell us? You must have known that there were serious

reservations about the reliability of the statistics available to you for 2006 and earlier? It is inconceivable that you could not have had these reservations and therefore we want to know why you did not tell us.

**Dr Hickey:** Thank you for the invitation, Chairman. As I said in my letter to you, I do regret the embarrassment which I know the changes caused to you and to the members of the Committee. I appreciate that and I am sorry about that. I am afraid the answer is that we did not know when we appeared before you last October that the change was likely to have anything like this effect. We did not know until we ourselves saw the results, which, obviously, was just before they were published, so we could not have told you because we simply did not have any basis on which to suggest that such a change was likely to happen.

**Q2 Chairman:** I know you said that in that letter but I do not, frankly, believe that because it was completely implausible, surely, that there should be such a variation, even on the basis of existing figures, between 2006 and earlier years? Somebody must have realised something was wrong, and that is why you decided to do a different roadside survey for 2007 and why you used cameras and not people on the side of the road with clipboards. You must have realised that it was completely implausible to have this kind of variation going down from 40% to 20%. In 2004 a 20% evasion for motorcyclists, in 2006, 38%. In the real world this simply could not have happened. You must have realised this. In fact, Mr Bacon and others have made this point. You were warned by the motorcycle community that there

must be something wrong. Why did you not come clean with us and say “Clearly there is something wrong there and we cannot place any reliance on these figures. That is why, Mr Chairman of the Public Accounts Committee, we are carrying out the survey in a different way and hold back your report until we get it?” Why did you not say that to us?

**Dr Hickey:** Because we did not expect that sort of change. We said at the time that the 2006 figures had come as a surprise to us compared with the figures for the previous year but the methodology itself had been subject to quality assurance, if you remember, by the University of Southampton, who looked over the methodology. The change which happened between 2006 and 2007 was actually a different change from some of the issues that had been raised and it was about the data accuracy. Would it be helpful if I outline in summary what those changes were?

**Q3 Chairman:** Yes, but it is very important that you do not just try and get into a level of statistics that we might find difficult to understand. We are primarily concerned with transparency and openness and honesty in front of Parliament. That is all we are really concerned with.

**Dr Hickey:** Can I confirm that we too are absolutely committed to that. The last thing we would want to do or would contemplate doing would be in any way to mislead the Committee and, if we had reason to think that a big change of this nature, because of a statistical change, was likely, then of course we would say so. I put my hands up; we did not know. The basic change that happened between 2006 and 2007 was that we moved from a majority of the sightings being collected manually. The methodology, as you know, is that we collected in 2006 roughly 1.3 million sightings at the roadside. In 2007 it was a bigger sample, I think 1.7 million sightings. The methodological change, going way back, used to be all by men with clipboards standing by the road, catching a line and writing down a number plate. Over the last few years we have begun to use cameras and I think the Committee is aware of that. Last time round we used cameras for, I think, 46% of the sightings and manual methods for the majority. In 2007 the use of cameras increased quite significantly.

**Q4 Chairman:** I understand that.

**Dr Hickey:** The introduction of the cameras, and the near universal use of cameras—it was actually 98%; we still used clerical methods for 2%—the introduction of cameras as the mainstream method for collecting, as distinct from an add-on, meant that we were able to introduce additional checks which had not been possible previously on the accuracy of this raw data.

**Q5 Chairman:** I am going to interrupt you there because the fact is Mr Touhig asked you about this in our hearing in October. He said specifically that there was a difficulty and you said in a long answer “Might I say something about the methodology? I apologise. It is complex. It is for the Committee

perhaps. The way the survey is done is by standing by the roadside.” Now, in this long answer, which is question 69, nowhere did you tell us what you could easily have told Mr Touhig, that “clearly there is something wrong with the methodology and that is why we are going to no longer just be standing by the roadside and we are going to be using cameras and, by the way, we did this in June 2007 and we are awaiting the results”? Why did you not tell us this?

**Dr Hickey:** I think the fact that we were moving to cameras was mentioned, if I remember correctly, but the impact of the use of cameras was not clear to us at that time. We did not expect this particular change to happen as a result of that. The change that has happened was discovered when we then introduced additional checks which would not have been possible until we had the cameras, and we were surprised ourselves at the scale of the impact those changes made.

**Q6 Chairman:** All right. Mr Boucher, why did you not appreciate the effect of these misread number plates in the past? Obviously, something was going badly wrong with these number plates being misread. As a statistician, did you not smell a rat?

**Mr Boucher:** No. The survey had been operated in the same way for many years and there had always been an element of quality assurance in the previous surveys up until 2006, primarily checking on the—

**Q7 Chairman:** With these wide variations, clearly we now know that there was a problem with misread number plates in the past. We know that. Why did you not jump on it?

**Mr Boucher:** Because I did not know until we did the detailed quality assurance checks with the 2007 survey. It was only through having the video evidence and being able to check that video evidence against the Automatic Number Plate Recognition (ANPR) read-outs that we were able to determine that there had been a bias in previous surveys.

**Q8 Chairman:** I must ask Mr Burr on behalf of the NAO why you did not spot this? We rely on you as well. Why did you rely on the Department to the extent that you did?

**Mr Burr:** It is part of the audit process to test the plausibility of numbers as well as how they are made up, and I think we could have asked more questions than we did. We did not however have any better numbers and they were national statistics, and we would normally assume that we could rely on national statistics.

**Q9 Chairman:** I would have thought the whole process depends on that, does it not? That is why I think it is very important. The Treasury, why did you not address the results for 2007 roadside survey in your Treasury Minute? You just ignored it. I think you are going to have to issue a new Treasury Minute, are you not?

**Ms Diggle:** We certainly will issue a new Treasury Minute.

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23 April 2008 Department of Transport and DVLA

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**Q10 Chairman:** But why did you ignore the results of the 2007 survey as if it never happened?

**Ms Diggle:** We did not actually have them at that point.

**Q11 Chairman:** Did the Department not tell you what was going on?

**Ms Diggle:** Not at that point, because they did not have them either.

**Q12 Chairman:** Sorry. Your Treasury Minute was published in late March 2008. How can you say you do not have this when this Report was released in February 2008?

**Ms Diggle:** I am sorry. What actually happened was the Treasury Minute should have been held back.

**Q13 Chairman:** It should have been, should it not? Are you going to apologise as well?

**Ms Diggle:** I do apologise. We should not have done that.

**Q14 Chairman:** It sounds like incompetence on the part of the Treasury . . .

**Ms Diggle:** It was.

**Q15 Chairman:** To base a Treasury Minute on something which had been completely superseded by events.

**Ms Diggle:** If I could explain what did happen, Mr Chairman, I asked my staff to hold it back and somehow my firm instructions were overlooked.

**Q16 Chairman:** Sorry?

**Ms Diggle:** My firm instructions were overlooked. It will not happen again—not on my watch anyway.

**Q17 Angela Browning:** I wonder if I could just ask you, Dr Hickey, you have imposed more stringent quality controls on the current contractor's work. Could you just remind the Committee, previously, when these other figures, these unusual figures, particularly involving motorcycles, came out, what was the nature of the contract that you had with this contractor? On what basis were they paid? Was it the numerical amount of information they provided?

**Dr Hickey:** Can I ask Anthony Boucher to answer that question?

**Mr Boucher:** The contractor's payments were staged so that the contractor would be paid some of the payment when we had received a data file and another chunk of payment at the very end of the process, when we had produced a report on how they had done the survey and how it had gone on each site.

**Q18 Angela Browning:** Was any of their remuneration based on the numbers or the quantity of information they provided within a certain timescale?

**Mr Boucher:** No.

**Q19 Angela Browning:** So there was no question that if they were rather lax in the way they were taking down numbers and things like that, there would not have been any additional financial reward for meeting targets?

**Mr Boucher:** We did not have targets on accuracy.

**Q20 Angela Browning:** But numerically did you have targets?

**Mr Boucher:** In terms of the numbers, we specified that we wanted a minimum number of observations for the survey and the contractor had achieved that.

**Q21 Angela Browning:** No doubt, but not very accurately.

**Mr Boucher:** I think there has always been an assumption that the accuracy of the survey would be checked at the roadside. Many of the contractors actually use two people, pairs of individuals, so one would read out the number plate while the next person would write it down.

**Q22 Angela Browning:** Has it never occurred to you to make the terms of that contract contingent not just upon the numbers that they provided but the percentage of accuracy of the data they provided to you for cross-checking?

**Mr Boucher:** That is exactly what we did for the 2007 survey.

**Q23 Angela Browning:** I realise you have now but I would have thought in any business organisation it is the easiest thing in the world, is it not, to ask people to go and take numbers? Did you not think of any quality control involved there?

**Mr Boucher:** The quality control is mainly about making sure that the number plates that were recorded were in a valid UK format so that they could then run through the survey but there was not a quality check in any of the previous surveys about making sure that the number plate as recorded was accurate.

**Q24 Angela Browning:** No, that is very apparent to the whole Committee but why was that so?

**Mr Boucher:** I do not know.

**Q25 Angela Browning:** You do not know?

**Dr Hickey:** The measure which was introduced for 2007 of course could not have been introduced until cameras were being used. The additional checks do require that technology to be there, so they could not have done it in earlier years.

**Q26 Angela Browning:** You do not think there should have been some form of contract that required the people taking the numbers manually to at least have a certain percentage rate of accuracy attached to them? Otherwise people could have just sat there and made up anything, could they not?

**Dr Hickey:** There are two levels of check we have introduced, and the biggest one is actually at the time when they are being done. An accuracy check

of the type you are describing would have required a parallel team of people checking on a 100% basis. That is what is now happening. By definition, that would have doubled the scale of the whole exercise, and still have been subject to individuals' eyesight and those sorts of factors. Your general point is valid but the sort of checks we are now able to introduce, however the incentives would have been structured, could not have been done technically in previous years.

**Q27 Mr Bacon:** One of the things I do not understand, Dr Hickey, is why you took so little notice of the motorcycle industry bodies who were so hacked off with the Department of Transport. The point they were making to you again and again was that the increase between 2004—actually not just 2004; there had been an increase for some years but there was a particularly marked increase in those two years where it appeared to double—was out of all proportion to all the other surveys: the surveys showing the number of bikes on the road, the surveys showing the number of miles travelled, the surveys showing the kinds of journeys undertaken by motorcycles, were all growing at a much slower rate and they said to you the fact that all those other surveys are growing at a much slower rate ought to indicate to you that there is something wrong with the way that you are producing figures on Vehicle Excise Duty evasion, but you carried on and published these figures as being 38% and, as the Chairman said, we rely on the figures that the Department of Transport publish. Why did you not listen to what they were saying?

**Dr Hickey:** As we said at the last hearing, we too were surprised by that scale of increase. We were taken aback by that increase. It is worth saying though that the change which has happened—

**Q28 Mr Bacon:** But you signed your name to it.

**Dr Hickey:** They were the best figures we had. They were the ones we had. It is worth saying though that the change between 2006 and 2007, which had brought, clearly, the motorcycle numbers down quite markedly, had not been a change as a result of those particular issues that I think the motorcycle industry have raised in the past. The reduction from 2006 and 2007 in relation to motorcycles is not massively out of line with the reduction to other types of traffic. The change for private vehicles was one to 1.8. For motorcycles it was one to 2.4 but the change was even higher in relation to goods vehicles and much the same for buses as well. So the change we see from 2006 to 2007 is not a change specifically about motorcycles; it is a change which affected the whole set of figures.

**Q29 Mr Bacon:** Could I ask the National Audit Office to remind us when your Report was published on which we took evidence last October?

**Mr Burr:** In July.

**Q30 Mr Bacon:** We took evidence in October and our Report came out on January 22nd and then you published on the Department of Transport website

this press release in which you, interestingly, make no reference to the earlier figures; you just say it is the start of a new series. You would not know from reading your press release on the Department of Transport website just how big a drop there had been, would you, just how embarrassing the difference was, because you make no reference to it?

**Dr Hickey:** We do not, because the change is of a nature that, strictly speaking, is not mixing comparables. The figures from prior to 2007—

**Q31 Mr Bacon:** You said that it is the start of a new series and is not comparable with the old figures but there is no reason why you could not admit that the old lot were a load of cobblers if you had wanted to. I had to go on record publicly and say I was at fault because I believed your figures. What I said was "I was at fault. I believed the Department of Transport." I would like to ask, Mr Boucher, you started in September 2006 in your present job?

**Mr Boucher:** Yes.

**Q32 Mr Bacon:** So you were there through this whole period. The surveys using this new methodology and new techniques were in June 2007.

**Mr Boucher:** Yes.

**Q33 Mr Bacon:** That is right. The NAO published its Report in July 2007, when you would not necessarily be expected to have processed all the information resulting from the June 2007 survey but am I right in thinking that the surveys themselves had taken place and were completed during June 2007?

**Mr Boucher:** Yes, they were.

**Q34 Mr Bacon:** So by 1 July 2007 they were done. It was then a question of processing the information.

**Mr Boucher:** Yes, that is right.

**Q35 Mr Bacon:** So for the whole of July, August, September, October, November, December and January, the first three weeks up to the 22 January, it was a case of processing that data.

**Mr Boucher:** Yes. It is a very complex process.

**Mr Bacon:** I am sure it is. During that entire process, those seven months or so, at no point were you able to say—not, obviously, to the National Audit Office, whose Report was only published a few weeks later, but neither to this Committee in October nor at any point subsequent to the hearing that your investigation of this data that you had collected in June, during these six months of turning it over in your minds, had produced anything in your minds that suggested that there was any doubt. This is what you are asking us to believe, is it not? That basically, for those seven months—and it is seven months—you churned away at these figures, they are very complex and they took a long time, and nothing was flagged up to suggest there was any problem, and yet somehow, miraculously, roughly three weeks after our hearing suddenly, bingo, it was suddenly clear.

**Chairman:** After the publication of our report and all the press publicity.

**Q36 Mr Bacon:** Funnily enough, after all the publicity saying it was wrong and after we had had a recommendation saying that you should look at the numbers again and work with industry bodies to make sure that they were reliable, suddenly, bingo, there was this new figure of 9.8% rather than 38%. Are we supposed to believe that for the seven months prior to the hearing you had no idea?

**Mr Boucher:** If I could just explain—

**Q37 Mr Bacon:** I am just asking, is that what we are supposed to believe? Is that what we are supposed to believe, that for the seven months prior you had no idea? A “yes” or a “no” will do.

**Mr Boucher:** I did not have any idea at all—

**Q38 Mr Bacon:** Right, you had no idea. Now, can you tell me about the University of Southampton study, because you did mention it earlier. This is the one from—I do not know how to pronounce his name; it looks Portuguese to me—Pedro Luis do Nascimento Silva. Is that the chap?

**Mr Boucher:** Yes.

**Q39 Mr Bacon:** Could you just remind the Committee of what recommendation six of that report said?

**Mr Boucher:** I do not have the report in front of me.

**Q40 Mr Bacon:** Conveniently, I do, and one of the things it says is, in addition to the various recommendations, “the following areas warrant further investigation: (a) the sample design for the roadside traffic observation survey and whether it remained suitable for the purpose of estimating Vehicle Excise Duty evasion; (b) the methods used to weight the roadside survey results in estimating evasion in traffic and how the survey data are aggregated into different subgroups”—presumably subgroups means different types of vehicles, does it? Cars, lorries, motorcycles etc—“(c) whether alternative estimates of Vehicle Excise Duty evasion can be developed from the roadside survey results and (d) the methods currently used for precision estimation and whether they can be further improved.” Did you pay the University of Southampton to do this report?

**Mr Boucher:** Yes, we did.

**Q41 Mr Bacon:** How much did you pay them?

**Mr Boucher:** I do not recall. I could find out.<sup>1</sup>

**Q42 Mr Bacon:** If you could, that would be good. It would be nice to know. Did you read it, having commissioned it from them?

**Mr Boucher:** Yes.

**Q43 Mr Bacon:** When did you read it? When it was available in August 2007?

**Mr Boucher:** As soon as it had been written.

**Q44 Mr Bacon:** Yes. So, in other words, you did have reason to doubt because they had put it out there in black and white for you: four good reasons to doubt and the fact that further investigation was warranted. Can I just ask the National Audit Office was this drawn to your attention at any point before you prepared the brief for us for our October hearing?

**Mr Gale:** I was aware that work had been done. If I may add that the significance of those points was not emphasised to us.

**Q45 Mr Bacon:** You were aware that there was reason to doubt the methodology because this said so. It said further investigation was warranted.

**Mr Boucher:** The University of Southampton report was primarily based around the statistical method that is used in the middle of the process, which is extremely complicated, and as part of the recommendations they put in some areas where they thought it might be useful to look at in future, but it was not a recommendation to say “We think there is a problem with the existing survey.” Just if you wanted to do a complete audit, a complete check of the survey process, those are other areas that we should look at in future.

**Dr Hickey:** Can I add, Chairman, firstly, that report was made available to the Committee before the last hearing, so it was on the table and everyone knew about it. Secondly, as I understand it, the recommendations of the University of Southampton do not particularly impact the change which actually did happen, which was the cause of the change from 2006 to 2007. The points they were making there are not the points about the nature of the data collection and the accuracy of the original sightings. They are primarily around the sample size. Clearly, the sample size is much bigger now, but they are also fundamentally about the very arcane statistical methodology, as to how you get from the sightings on the road to the estimates of in stock. If you remember from the last time round, that was a really big shift.

**Q46 Mr Bacon:** Mr Boucher, there is, as Dr Hickey describes it, an arcane methodology and you have to make a whole series of assumptions, do you not?

**Mr Boucher:** Yes.

**Q47 Mr Bacon:** Is it not correct that you then have to test those assumptions?

**Mr Boucher:** Yes.

**Q48 Mr Bacon:** And is it correct that, in testing those assumptions, you base them on tests that were done 20 years ago using lorries?

**Mr Boucher:** The tests that were done on the lorries—

**Q49 Mr Bacon:** That is right? That was the basis of it though, was it not?

**Mr Boucher:** The tests that were done on lorries were to show that the workings of the statistical method actually make sense and works. You could have done it with any vehicle.

<sup>1</sup> Ev 10

**Q50 Mr Bacon:** Had the assumptions been tested more recently than 20 years ago?

**Mr Boucher:** In each survey year we look at what is called the relative mileage of the different vehicles, and the University of Southampton looked critically at that part of the process and gave—

**Q51 Mr Bacon:** Did you actually go out and test the assumptions anew?

**Mr Boucher:** No.

**Q52 Mr Bacon:** So they were quite old assumptions in terms of whether they were still valid.

**Mr Boucher:** But the University of Southampton looked at those assumptions and said that they are robust and fine.

**Q53 Mr Bacon:** I must say, the way you use the words “University of Southampton” sounds like a comfort blanket to me. I have to say I am not that impressed. I think you had available to you reasons to be doubtful that you could have shared with the Committee earlier than you did.

**Mr Boucher:** If I could just respond to that point, please. In October, at the time of the hearing, in the same week as the hearing, was the first time that we received what we call matched data, which is the raw data from the roadside survey which has been matched with the DVLA database. So it is the first time we had the raw data and that was the week before your hearing.

**Q54 Mr Bacon:** The first time you had the raw data? I thought you had the raw data in June?

**Mr Boucher:** Sorry. We get the raw data from the contractor in August. We then check it to make sure that—

**Q55 Mr Bacon:** I thought you did the survey in June.

**Mr Boucher:** The survey was conducted in June. It takes time for the contractor to process the data.

**Q56 Mr Bacon:** Surely that depends on what deadline you have given him in the contract.

**Mr Boucher:** Yes, we gave him a deadline of August, because we wanted to match against the DVLA database—

**Q57 Mr Bacon:** Hang on. You used the phrase “raw data”, not me. I repeated it but the whole point about raw data is it is unprocessed, so you can get that straight away, can you not, in June?

**Mr Boucher:** My mistake. I apologise. The first time that we had matched data was in October, at the time of the hearing. At that point was when we started checking the data and running our own quality assurance checks to see what the data looked like, whether it was making sense. The first time we had provisional estimates, the first time I had seen any figures based on the 2007 survey, was in early January. On seeing those results, the provisional results, it looked so different from anything that had gone before that I ordered an immediate double-check of every single stage in the survey process because at that stage I could not be sure whether

what I was looking at was believable or whether it was simply the result of a processing error. It takes at least three weeks to run the survey systems from beginning to end to get to the final estimates. So on 8 January I had the first provisional figures, that looked so different to anything that had gone before, ordered a complete re-check of every stage of the survey process, and that took us up until the end of January and the finalised figures in early February.

**Mr Bacon:** It verges on the incredible that this processing took so long before anything was flagged up that was a cause for concern or surprise. I have no further questions, Chairman.

**Q58 Chairman:** It is a strange coincidence that at the end of January we publish our Report, there is a lot of publicity around it, the motorcycle community erupts with anger at 40% of them being accused of evading paying tax and, hey presto, two weeks later the Department completely revises the estimate down from 40% to 9% and apparently you, as statisticians, were not aware of any problem right up to January.

**Mr Boucher:** No, I was not aware of any problem right up to the end of January.

**Q59 Chairman:** That is what you tell us and we must assume that is correct then.

**Mr Boucher:** We pre-announce the publication several months in advance.

**Q60 Chairman:** All right. I do not have any further questions. Mr Shanahan, how can we have any confidence in your enforcement abilities now, when you apparently do not know the size of the problem? We have got wildly conflicting estimates.

**Mr Shanahan:** We have the results from the survey but, in addition to that, we put our own ANPR cameras in place, so I will now have a monthly number. It is raw. It is basically looking at vehicles that are in traffic. I will be able to calculate a percentage from that that identifies those that are not taxed and use that number monthly and use that to dictate what levers we have on enforcement—wheel clampers, ANPR cameras, debt collections. So I am going to use those numbers monthly to help indicate where I should put my focus.

**Chairman:** I have no further questions. I think Mr Mitchell might have a question.

**Q61 Mr Mitchell:** Just to return to motorbikes, why is it so difficult to read motorbikes?

**Dr Hickey:** Because motorbike number plates are on the back and the traditional cameras are forward facing.

**Q62 Mr Mitchell:** Does that mean that if I want to escape speed camera fines I should buy a motorbike?

**Dr Hickey:** I would not wish to advise you on how to escape any fine.

**Q63 Mr Mitchell:** I would evade them on a motorbike.

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23 April 2008 Department of Transport and DVLA

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**Dr Hickey:** ANPR cameras traditionally have been looking at front number plates, so it is more difficult to use cameras in relation to motorbikes. That is beginning to change now. DVLA now has technology with cameras which look at rear numbers as well, so we are beginning to use cameras in relation to motor cycles as well but that is just coming in now.

**Q64 Mr Mitchell:** Speed cameras do show everything, because my wife has several very fetching portraits of herself from various police

forces around the country. Just one more question. Are we ever going to get accurate estimates for motorbikes? It sounds like an impossible situation.

**Dr Hickey:** It is a very big subject. As I say, we are clearly trying to improve it. It is worth saying that there is a significant margin of error flagged in the publication as well. We know that there is a margin of error but we continue to try and improve the quality of the service.

**Chairman:** That concludes our hearing on this event. Clearly, the effectiveness of Parliamentary scrutiny has been seriously compromised and we do not expect it to happen again, Dr Hickey. Thank you.

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# Written evidence

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## 1. Letter from Chairman to Dr Stephen Hickey, Department of Transport

### VEHICLE EXCISE DUTY EVASION: 2007 ROADSIDE SURVEY RESULTS

As you may know the publication by your Department on 14 February 2008 of the latest estimates of Vehicle Excise Duty evasion has caused the Committee considerable concern and, frankly, some embarrassment.

The Department's new evasion figures, particularly for motorcyclists, show a dramatic reduction on the previous year's national statistics on VED evasion on which the Committee based its report as recently as January. This has naturally led to media comment on the value of the Committee's examination and the quality of its report.

It is clear that your Department must have had concerns about the methodology used for the 2006 evasion estimate and that officials were looking at alternative methodologies long before the Committee's hearing. But you failed to tell the Committee about that either at the hearing or subsequently when you had the results from the new method. You therefore allowed the Committee to draw up a report on the basis of information and evidence which you knew had been called into question. You might not have felt able to give us the specific new estimate for evasion until it was cleared for publication, but that is no justification for not flagging up the underlying problem.

I recognise that the Treasury Minute response to the Committee's report will presumably refer to the new evasion statistics, and to the implications for past estimates. But I would appreciate an early explanation of the following:

- Why the Department did not advise the Committee at the earliest possible date that it had reservations about the previous year's statistics;
- Why the Department did not inform the Committee at the hearing in October 2007 that it was working on enhanced data collection and estimating methodologies for the June 2007 roadside survey;
- Why the Department took so long to publish the results of the 2007 roadside survey; and
- Why the Department did not immediately alert the Committee once they had very different figures from those which had been discussed with the Committee at the hearing.

As Parliamentary scrutiny has not been well served by the way the Department has handled this matter, the Committee may decide to take further evidence.

I am copying this letter to Robert Devereux and to the Comptroller and Auditor General.

26 February 2008

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## 2. Letter from Dr Stephen Hickey, Department of Transport to the Chairman

### VEHICLE EXCISE DUTY EVASION: 2007 ROADSIDE SURVEY RESULTS

Thank you for your letter of 26 February.

Can I first express my regret for any embarrassment which the latest results have caused to the Committee; and reassure you that neither I nor my colleagues had any advance knowledge—at the time of the October hearing or indeed until very shortly before the 2007 results were published last month—that the increased use of camera checks in the last survey would reduce the estimates. Nor did the statisticians, who were able to use the new camera data to introduce additional quality checks.

As you know, the survey is very large, involving as it now does around 1.7 million vehicles. Matching the data collected at roadside to the information held on the vehicles database is therefore an important and difficult challenge. As we mentioned when we appeared before the Committee last year, we have been moving increasingly away from manual data collection (where individuals write down number plates) to video (through the use of cameras). We did not foresee the effect that would have on the 2007 results nor that it would show that for past surveys the evasion rate may have been erroneously inflated.

I attach a detailed note setting out the reasons for this effect and the (lengthy) quality assurance process by which it was revealed. You will see that the main reason for the change was that the greater use of cameras enabled a new, and previously impractical, level of quality assurance; but that the effect of the more comprehensive and detailed checks was “asymmetric”—reducing a cause of inaccuracy which we now realise had previously tended specifically to inflate the estimates.

I would like to make clear that at no point did we withhold any information from the Committee. When we appeared before you, we had no reason to think that the improvements to the 2007 survey would result in such a change in the evasion estimates. The statisticians similarly had no reason to anticipate that the use of visual images to undertake a new level of quality assurance would reveal a bias in previous survey estimates.

Nor could we have contacted the Committee in advance of publication. As you will know, the National Statistics Code of Practice includes a condition that statistics are not divulged before their official publication—and neither officials nor Ministers are made aware of the results until a few days before. As soon as public discussion was permissible, on the morning of 14 February, Jim Fitzpatrick did try to contact you, but this did not prove possible beyond his leaving a voicemail and a text message. At official level we did, of course, contact the NAO.

I should also say that, although it now appears that previous results have inflated evasion, it remains the view of our statisticians that the pattern, and hence increases and decreases in evasion, are correct. It is therefore likely that there was indeed an increase in evasion from 2004–06—so the Committee’s recommendations remain pertinent and we intend to act upon them.

I apologise for the difficulties the latest results have caused for the Committee. It is particularly unfortunate given that they represent the most accurate data yet produced on this complex but critically important issue. I very much hope that the improved survey will continue to provide a sound evidence base for our strategy in the future.

I hope this is helpful. If you have any further questions on the way in which the survey was carried out and the way in which the results were published I would be more than happy to answer them.

I am copying this letter to Robert Devereux and to the Comptroller and Auditor General.

7 March 2008

ANNEX

## 2007 ROADSIDE SURVEY

### *Survey methodology and data collection*

The 2007 Roadside Survey involved observations of around 1.7 million vehicles. In order to ensure the greatest possible accuracy, it involved two particular changes to the data collection and validation methodology.

First, the use of cameras (as distinct from purely human observation) was extended as far as possible to all sightings (apart from motorcycles, where camera technology is less effective and a few survey sites where there were operational difficulties with the cameras). In the 2006 survey cameras had been used in just under half the observations.

Second, this meant that it was possible for the video picture to be manually checked for all the ANPR results. This enabled number plate errors to be identified and corrected far more comprehensively than in previous surveys.

The effect of these changes on the eventual results proved greater than expected. The reason is that the DVLA database contains many millions of number plate records relating to old vehicles, including those which have been exported or scrapped, as well as more recent vehicles. If the survey identifies a vehicle number which matches one on the DVLA database, but which is not currently taxed (or SORNed), it is assumed to be an evading vehicle. The much greater checking and validation during the 2007 survey substantially reduced this cause of error. What has become clear is that the impact of the greater data accuracy was “asymmetric” and not “neutral” in its effect, impacting the results in one direction; and that the impact was greater than expected. (It is important to bear in mind, of course, that—since the vast majority of vehicles are properly taxed—the sample size of untaxed vehicles is relatively limited, so changes in the characteristics of this sub-sample may have relatively pronounced effects on the results).

The methodological changes above were changes in data collection and validation, not in the method of estimating evasion. The methodology on which the survey analysis is based was reviewed in 2007 by the University of Southampton. Their conclusion—which was published and reported to the NAO and Committee—was that it was largely fit for purpose. They did make a few suggestions for improvement, but these were minor and had no significant impact on the result. The impact on the results stemmed from the change in the way the data were collected, the comprehensive use of cameras, and the improved checking which this in turn allowed.

*Survey timetable*

The raw data for the survey was collected by the contractor in June 2007. Statisticians received the raw data in August and checked that the database met the specification. That database was sent to DVLA and DVLNI in September for matching against the vehicle licensing databases. The outputs from the matches were returned to the statisticians in October. By the time of the PAC hearing on 17 October the statisticians had only just completed their checks that the data files had arrived in the correct format and that the rules for identifying evading vehicles had been applied correctly.

Over the following months the statisticians ran their detailed quality assurance programme, completing in December. The survey contractor had already manually checked all the ANPR readouts, but the statistics team took sub-samples of the observations to double-check against the video images, and additionally manually re-checked 18,000 video images of suspected evading vehicles. The database was finalised in December, and used to produce the first, provisional, estimates in January.

Statisticians immediately noticed that these provisional results were substantially different to previous years and so ran a series of further checks. A first draft of the publication tables were produced, along with an account of the detailed quality assurance, for peer review on 5 February. One official from DVLA and one from DfT centre were involved in this review, but for quality assurance purposes only and on the condition that the results would not be shared with anyone else, either within the Department or externally.

In accordance with the National Statistics Code of Practice, the results were not shared with senior officials or Ministers until shortly before publication. A very restricted set of named officials were shown the results on 8 February. Ministers were briefed on 12 February and the results published on 14 February.

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### 3. Letter from Mr Anthony Boucher, Department for Transport

#### PUBLIC ACCOUNTS COMMITTEE MEETING: EVASION OF VEHICLE EXCISE DUTY

During the recent committee meeting into vehicle excise duty evasion, I agreed to subsequently provide the committee with the cost of the report that the Department commissioned from the University of Southampton. For ease of reference, this agreement was given in my response to question 41 at the meeting.

I am now able to inform committee members the cost of this report was £9,250.

29 May 2008

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### 4. Submission from the Motor Cycle Industry Association

*Comments from the Motor Cycle Industry Association (MCI) to the Minutes of Evidence taken at the Committee of Public Accounts hearing on 23rd April 2008. (Witnesses Dr Stephen Hickey Mr Anthony Boucher and Mr Noel Shanahan)*

#### GENERAL

MCI has been questioning the methodology of the VED evasion survey since 2004, when the rate of motorcycle VED evasion started to bear an increasingly lower resemblance to known PTW registration and use patterns. Attempts to persuade the DfT to review the VED survey methodology have been largely ignored.

MCI noted the evidence given in response to Committee's questions on 23 April.

MCI is given to wonder if the witnesses were entirely open in their responses to the Committee questions. MCI was intrigued by the repeated response that DfT were unaware of the progress of the 2007 survey, or that there was any marked differences in the data that was emerging.

#### SPECIFIC COMMENTS

Q3. Dr Hickey says a bigger sample size in 2007 (1.7M sightings, up from 1.3M in 2006) resulted in a more accurate survey. However, this cannot explain the much lower estimate of motorcycle VED evasion, because the number of motorcycle sightings recorded in 2007 (9,166) were FEWER than the number in 2006 or 2005 (10,405 and 9,942 respectively). Also, 9,166 represents 0.5% of the 1.7M total sightings, which is less than half of would be expected from traffic counts at that time of year.

Q4. Dr Hickey says they used ANPR cameras to capture the registration marks of 98% of the surveyed vehicles. However, Appendix A of the VED Evasion Survey report from DfT says the registration marks of ALL motorcycles were collected manually (page 11, para 4). So, unless this is a grossly incorrect statement by DfT then NONE of the massive reduction in motorcycle evasion sightings can be down to the ability

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to double check everything from a camera-image of the surveyed vehicle. The statement by DfT also flatly contradicts previous suggestions that front-facing ANPR accounted for a better motorcycle evasion estimate in 2007.

Q8. Mr Burr says NAO relies on National Statistics, but surely a key task of an auditor is to check the whole process from start to finish.

Q21. Mr Boucher says roadside clipboard accuracy is checked at the roadside because there are two people involved in recording “many” of the sightings but actually states that one is reading the plate while another writes the number, so there is no check on what is being read or written at the time, merely two people splitting the chore.

Q26. Dr Hickey says that a roadside accuracy check would need “. . . a parallel team of people checking on a 100% basis”. In fact, they would need a parallel check of only a proportion of those readings. Given that the whole survey was until recently based on manual readings, it would be quite feasible to have more staff at the roadside to enable consistent double-checking of the roadside readings now that these only account for 2% of the whole survey.

Q45. Mr Boucher and Dr Hickey say of the University of Southampton study into the VED Survey methodology that; it looked at the middle of the estimation process, found the methodology generally sound and made a few recommendation for the future. But neither Mr Boucher nor Dr Hickey acknowledged that this was only “part one” of a more wide-ranging study, for which further funding was not forthcoming, thus preventing UoS from looking at the effect on accuracy which many aspects of the VED Evasion Survey in question.

*Craig Carey-Clinch*

*Nich Brown*  
MCIA

*6 May 2008*

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