



House of Commons
Transport Committee

The Work of the Vehicle Operating Services Agency and The Vehicle Certification Agency

Tenth Report of Session 2003-04

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

*Ordered by The House of Commons
to be printed 5 May 2004*

HC 250
Published on 26 May 2004
by authority of the House of Commons
London: The Stationery Office Limited
£12.00

The Transport Committee

The Transport Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Transport and its associated public bodies.

Current membership

Mrs Gwyneth Dunwoody MP (Labour, Crewe) (Chairman)
Mr Jeffrey M Donaldson MP (Democratic Unionist, Lagan Valley)
Mr Brian H. Donohoe MP (Labour, Cunninghame South)
Clive Efford MP (Labour, Eltham)
Mrs Louise Ellman MP (Labour/Co-operative, Liverpool Riverside)
Mr Ian Lucas MP (Labour, Wrexham)
Miss Anne McIntosh MP (Conservative, Vale of York)
Mr Paul Marsden MP (Liberal Democrat, Shrewsbury and Atcham)
Mr John Randall MP (Conservative, Uxbridge)
Mr George Stevenson MP (Labour, Stoke-on-Trent South)
Mr Graham Stringer MP (Labour, Manchester Blackley)

The following Member was also a Member of the Committee during the Inquiry:

Mr Gregory Campbell MP (Democratic Unionist, East Londonderry)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publications

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 www.parliament.uk/parliamentary_committees/transport.cfm. A list of Reports of the Committee in the present Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Eve Samson (Clerk), David Bates (Second Clerk), Clare Maltby (Committee Specialist), Miss Frances Allingham (Committee Assistant), Philippa Carling (Inquiry Manager), Diane Sutherland (Secretary) and Henry Ayi-Hyde (Senior Office Clerk)

Contacts

All correspondence should be addressed to the Clerk of the Transport Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 6263; the Committee's email address is transcom@parliament.uk

Contents

Report	<i>Page</i>
1 Introduction	3
2 Vehicle and Operator Services Agency	4
Merger with the Traffic Commissioners	4
Sanctions against foreign operators	5
Information Technology	6
3 The Vehicle Certification Agency	9
Financial Deficit	9
Performance Targets	10
Conclusions and Recommendations	13
Formal Minutes	15
Witnesses and List of Written Evidence	16
Reports from the Transport Committee since 2002	18

1 Introduction

1. As part of our remit to examine the “policy, administration and expenditure” of the Department for Transport and its associated public bodies we are conducting a rolling inquiry into the Department’s Executive Agencies and non-departmental bodies. Our aim is to scrutinise each of the Agencies at least once during the lifetime of this Parliament, and to examine:

- The purpose of the Agency and whether the current allocation of responsibilities is appropriate;
- How the Agency contributes to Departmental objectives and policy;
- Whether the level of accountability and transparency of the Government’s relations with the Agency is appropriate;
- Whether the Agency’s performance is satisfactory and whether it is sufficiently accountable;
- How the Agency’s funding arrangements relate to Government accounts;
- Whether there is sufficient co-ordination of systems and sharing of information between Agencies and with Government.

2. Not all the hearings in this rolling inquiry are expected to lead immediately to a report. Some, like the very first evidence session, with the Chairman of the Strategic Rail Authority, will ultimately lead to bigger, freestanding inquiries. Others provide us with useful background knowledge, and the information we need to consider the questions we have identified about departmental and agency relations in general. Sometimes we intend to publish brief reports drawing attention to particular issues, such as our Eighth Report of last session, on The Highways Agency.

3. On 21 January 2004, we took evidence from Mr Maurice Newey, the Chief Executive of the Vehicle and Operator Services Agency (VOSA), and Mr Jeff Belt, the Finance and Processes Director of VOSA, and, later in the afternoon, from Mr Derek Harvey, Chief Executive of the Vehicle Certification Agency (VCA). We are grateful to them for giving evidence.

4. Some of the issues which were raised in the sessions, in particular with the Chief Executive of VOSA, relate to our inquiry into Traffic Law and its Enforcement, and we will examine them more closely in that context. However, there are a number of matters contained in the attached evidence which we wish to draw to the attention of the House.

2 Vehicle and Operator Services Agency

5. The Vehicle and Operator Services Agency (VOSA) was established as an Executive Agency on 1 April 2003 following the merger of the Vehicle Inspectorate and the Traffic Area Network. The former Vehicle Inspectorate was an agency which had statutory responsibilities for ensuring the road-worthiness of vehicles. It contributed to the maintenance and improvement of road safety and environmental protection by checking vehicles and drivers at roadside and other enforcement checks, and through the annual testing of all vehicles – for example, through the annual MOT test for cars and motorcycles.

Merger with the Traffic Commissioners

6. The Traffic Area Network (TAN) was part of the Department for Transport and administered, on behalf of the Traffic Commissioners, a regulatory service for operators of heavy goods (HGV) and public service vehicles (PSV). There are seven Traffic Commissioners, appointed by the Secretary of State for Transport. They have responsibility in their area for the licensing of the operators of heavy goods vehicles and public service vehicles (which are buses and coaches licensed to carry nine or more fare-paying passengers), the registration of local bus services and disciplinary action against drivers of heavy goods and public service vehicles.

7. The former Vehicle Inspectorate part of VOSA employs approximately 2,200 staff across England, Scotland and Wales in approximately 100 test stations. Their head office is in Bristol, with support offices in Swansea, Cambridge and Edinburgh. The Traffic Area Network part of VOSA has some 300 staff in six Traffic Area Offices in Edinburgh, Leeds, Cambridge, Birmingham, Bristol and Eastbourne, which provide administrative support for eight Traffic Areas (the Leeds and Birmingham offices each cover two areas). Each Traffic Area has its own Traffic Commissioner, except that Mr David Dixon is Traffic Commissioner for both the West Midlands and Welsh areas. Before the merger of TAN and the Vehicle Inspectorate to form VOSA, concerns were expressed that the merger would undermine the independence of the Commissioners.

8. The Senior Traffic Commissioner has said that “provided that the independence of Traffic Commissioners is preserved, in management terms the creation of the new Agency gives government an opportunity to demonstrate its commitment to modern management and thinking. With committed, well-trained staff to support Traffic Commissioners, the Agency is well placed to provide a customer-focused approach to those within the transport industry, and to achieve the stated aim of better targeted enforcement to the benefit of road safety.”¹ However, it is clear that at least one Traffic Commissioner, Mr Christopher Heaps, feels that the Department had failed to give proper assurance about Traffic Commissioners’ independence.² There were also concerns that previous

¹ Traffic Commissioners’ Annual Reports 2002-03, Department for Transport, December 2003, page 9

² Traffic Commissioners’ Annual Reports 2002-03, Department for Transport, December 2003, page 55

reorganisations had reduced the administrative support available to the Commissioners, by removing Administrative Directors.³

9. We were told that VOSA had dealt with the danger that merging the two operations would compromise the Traffic Commissioners' independence by ensuring both that the Traffic Commissioners had their own dedicated staff to support them in their judicial functions, and by trying to ensure that "all the staff that do investigations which the traffic commissioner might be looking at a public inquiry are at one remove from the traffic commissioner so there is clear blue water between the people doing the investigations and making the case and the traffic commissioner examining the case."⁴ TAN staff were previously involved in gathering evidence and making cases to the Traffic Commissioners. **We support the approach taken by VOSA to protect the independence of the Traffic Commissioners, and urge the Agency to ensure that the Traffic Commissioners' independence and ability to function effectively are strengthened by the new arrangements, not diminished.**

Sanctions against foreign operators

10. VOSA performs a very important function in policing the roadworthiness of commercial vehicles on the road network. Not only does it certify HGVs and PSVs at regular tests, it carries out an extensive programme of roadside tests. Its roadside tests are increasingly targeted towards bad operators, and concentrate on traffic work "because increasingly we are realising that serious accidents are often caused by driver behaviour rather than vehicle condition".⁵ While VOSA has been given new powers to stop vehicles and, even in some circumstances, to impound them, Mr Newey identified a serious problem with foreign vehicles, since "our ability to take sanctions against foreign vehicles is not as strong as it is against UK domestic vehicles at the moment."⁶ Although we were told that the Agency generally found that foreign vehicles "are in better mechanical condition than UK based vehicles", we were told that "on drivers' hours, tachograph offences and the like, they are considerably less good."⁷ Mr Newey considered that "VOSA has difficulties in initiating Court action\pursuing non-UK Nationals through the Courts in the first place, given the temporary status of these foreigners in the UK and the sheer logistics of attempting to manage a Court appearance within that time."⁸ We were told that VOSA had proposed a system of fixed penalties and deposits to deal with these problems, such as that applied in France. **In 2002-03 1468 drivers of foreign heavy vehicles were found to be breaking the drivers' hours regulations alone.⁹ We strongly support a more effective means of dealing with such infringements, and urge the Department to introduce such a fixed penalty system as soon as possible. Any suggestion that this is impracticable should be backed up by a full explanation of the difficulties.**

³ Traffic Commissioners' Annual Reports 2002-03, Department for Transport, December 2003, page nine, et al

⁴ Q41

⁵ Q26

⁶ Q31

⁷ Q82

⁸ Ev 33

⁹ *Ibid.*

Information Technology

11. The Annual Report of the Department for Transport makes it clear that over the period 2002 to 2005 the Driver, Vehicle and Operator Group, of which VOSA and VCA are part, will invest “around £100 million to modernise its service delivery”.¹⁰ These are significant sums of money. VOSA has been allocated £13.9 million for investment in new IT infrastructure. We were told that IT projects such as operator self-service had had to be deferred while the network was upgraded, and that this would be done “in the spring”.¹¹

Government and its agencies do not have an entirely unblemished track record in dealing with information technology projects: we will be keeping the implementation and effectiveness of VOSA’s electronic service delivery under review.

12. One of VOSA’s key initiatives is for a new computerised system for MOT testing and administration, which is intended to produce:

Improved road safety and environmental protection by raising testing standards and enabling increased motorists’ compliance with annual testing requirements.

Increased consumer protection by improving the consistency of testing, reducing unnecessary MOT test failures and related repairs.

Reduced crime and fraud by preventing fraudulent or unauthorised issue of test certificates and eliminating forgeries.

Modernised and more efficient administration of the scheme through networking communications enabling real time access to testing information and results, reducing the compliance burden on MOT stations, and enabling delivery of an electronic vehicle relicensing service to motorists.¹²

13. It is clear that this PFI project, which was led by the Vehicle Inspectorate, is not progressing smoothly. In our experience, this is far from unusual, and we re-iterate that such contracts should be used only when risk can be properly transferred to the private sector.

14. The original contract proved to be undeliverable. In a written answer on 8th March Mr Jamieson said:

(a) in the original contract the expected start of roll-out date for the computerised service was May 2002 at a transaction charge per recorded test of £1.07.

(b) the current contract stipulates that roll-out of the service should have started by mid-February 2004 with no increase in transaction charge. The start of the Vehicle and Operator Services Agency’s (VOSA) testing has been delayed following slippage in SBS Software and an independent review of progress has recommended changes to plans to reduce risk and allow for additional testing. In the light of the review team’s recommendations VOSA are discussing a revised programme with SBS.

¹⁰ Department for Transport, 2003, para 2.17, page 24

¹¹ Q40

¹² HC Deb, 15 March 2004, c11W

Discussions are not yet complete -but on current expectations the service is unlikely to be rolled out until late 2004.¹³

15. We had already asked VOSA to give us details of the risk involved in the contract with Siemens. We were told:

much of the risk of designing and implementing the new MOT system will be carried by Siemens Business Services (SBS). Although VOSA has rights to review and approve various key SBS plans and design documents, the onus is still on SBS to reach VOSA's stated business requirements throughout the agreement. If VOSA were to correctly terminate the contract as a result of SBS breaches, they would not have to make any compensation payment to SBS, but would instead be able to sue SBS for VOSA's losses, subject to a cap which varies depending on the stage of the project. VOSA would only have to compensate SBS on termination if VOSA exercised its right to terminate the contract without cause or SBS justifiably terminated the contract for VOSA breaches.¹⁴

16. More detail was given in a recent written answer:

“VOSA could seek to terminate its contract with Siemens Business Services (SBS):

1. for material default by SBS which is either not capable of remedy or is not remedied within a specified period depending on the breach;
2. if SBS is or is near being insolvent;
3. if SBS undergoes a change of control which is not in VOSA's or DfT's interest;
4. if there are prolonged serious problems as a result of events outside VOSA's or SBS' control and alternative arrangements cannot be agreed.

VOSA may also terminate without cause. In this case it would have to pay compensation to SBS covering its legitimate costs and for some loss of profit.”¹⁵

We subsequently asked VOSA for more information about the contract milestones, the size of the contract itself, and the damages payable. The Agency responded promptly and fully to our inquiries. Although one of VOSA's targets for the coming year is to have a robust MOT computerisation system being rolled out nationally by March 2005,¹⁶ complete rollout is now not expected until May 2005. There are three milestones at which liquidated damages are payable for any SBS delays.

17. Although the liquidated damages payable to VOSA are capped at the relatively low sum of £585,000, if SBS fails to deliver the new system it risks losing a contract which could be worth £250 million over 10 years. We hope that this will be sufficient incentive to ensure the contract is now delivered on time, but VOSA's assertion that for

¹³ HC Deb, 8 March 2004, c 237W

¹⁴ Ev 32

¹⁵ HC Deb, 15 March 2004, c11w

¹⁶ HC Deb, 2 April 2004 c57 WS

delays beyond 120 days “VOSA can, and in the past has, claimed damages for additional losses suffered”¹⁷ does not give us great confidence. We note that even between Mr Jamieson’s answer of 8th March and our enquiry in April the timescale for roll-out of the new system had slipped from “late 2004” to “May 2005”. Any problems which arise must be promptly addressed and the public must not be expected to pay for further delays. It is unacceptable that there has been at least three years delay in implementation of the new system. This is precisely the kind of episode which puts “e-delivery” in doubt.

¹⁷ Ev 39

3 The Vehicle Certification Agency

18. The Vehicle Certification Agency (VCA) is the UK's national approval authority for new road vehicles, agricultural tractors and off road vehicles. It tests and approves vehicles and vehicle parts to national and European standards; it assists with the preparation of regulations and provides public advice and enforcement services for the Department for Transport. As an Executive Agency of the department, it is closely linked with the UK Government and European policy formulation and enforcement of vehicle safety and environmental standards. VCA's approval certificates are recognised in the countries of the European Union and the Geneva-based United Nations Economic Commission for Europe. It competes against approval authorities in other European countries as manufacturers can obtain approval certificates from any EU country.

19. Most of the Vehicle Certification Agency's 104 staff are based at its headquarters in Bristol with the remainder operating from the Vehicle Type Approval Test Centre (VTAC) at Nuneaton or from its offices in Detroit, USA, and Nagoya, Japan. We were told that the office in the States "more than covers its costs" and that, although the Japan office "does not quite cover its costs", "it works in a slightly different fashion in that a lot of the customers that it is dealing with are the same people that have been dealt with by our UK office, which is primarily the UK plants: Toyota, Nissan and Honda. It is a support to the activity that we are undertaking for these companies."¹⁸

Financial Deficit

20. In 2002-03 the VCA had a deficit of £663,000 on a turnover of £7.2 million. While the VCA accounts show small surpluses in 1999-2000 and 2000-01, it had had a deficit of £54,000 in 2001-02. Mr Harvey, the Chief Executive, explained that although the Agency had got more work last year, it had not got enough to cover its costs completely. He maintained that the deficit was partly caused by delays in the work programmes of VCA customers, and that "we hope to be back into the black this year".¹⁹

21. As Mr Harvey noted, if the deficit continues

"if we continue to be like that, the Department would ask other questions about why we were subsidising this activity, why we did not simply let the Germans or French do it all. If that were to happen, there would be other consequences for UK plc. There would not be a type approval authority for this expertise and this ability to support the UK manufacturers, and there would not be this practical back-up, if you like, to our policy negotiations in Brussels and Geneva."²⁰

In our view, such thinking should begin now. Each of the Member States of the European Union has its own type approval authority, and since certificates issued by one are accepted in all other countries, they are in competition. While the VCA is a full cost recovery

¹⁸ Q225

¹⁹ QQ134-137

²⁰ Q146

agency, we were told that not all other countries charge the full costs of their certification.²¹ The VCA can, however, compete on the quality of its reputation, in that “although the certificates were supposedly accepted throughout the world ..., we think ours are more likely to be accepted without any hindrance because of our reputation”.²²

22. We were told that there were measures in place to try and make common standards across the various certification authorities, but that an international certification agency would be likely to be bureaucratic. **As long as individual countries’ certification agencies compete with each other for business, it is clearly desirable that the United Kingdom should have its own agency, but that competition should be fair and transparent. If, however, the VCA continues to operate at a deficit the questions over fair competition will become urgent, and work should begin to address them now.**

23. We requested an explanation of the increase in “Pay costs (administration)” in note 4 to the VCA’s accounts for 2002-03, showing growth from £403,000 in 2001-02 to £835,000 in 2002-03. We were told that the figure in the report “represents the residual of total pay costs ... after all direct pay costs have been allocated to the cost of sales. In a poor year (and/or when substantial investment in training takes place...) this figure could well be higher as fewer engineers are engaged directly in fee earning work, so, as their costs are not included within the cost of sales, this will increase administration pay costs.”²³ It is clear that staff with technical skills can be included in the “administration” heading; the only way to cut such administration costs would be to shed staff.

24. **We agree with the VCA that it is not desirable to lose engineering staff immediately when activity is expected to pick up. We support such action to retain the VCA’s skill base. It would, however, assist those reviewing the VCA’s accounts in future years if the note on the administration expenses set out in more detail the basis on which the figures were calculated and, in particular, the items included within “Pay costs (administration)” and if the foreword to the financial statements set out the reasons for any significant variations from the previous year.**

Performance Targets

25. The Secretary of State sets the VCA performance targets each year. While there are only six headline targets, one of those relates to performance against a “Quality and Service Matrix” which in 2002-03 measured a cumulative score against a weighted range of 15 quality and service indicators. The Agency failed to achieve three of the Secretary of State’s targets in 2002-3. We have already mentioned its failure to break even; it also failed to reach some of its targets against the quality and service matrix, and to ensure that the figure for debtor days was 60 or less.

26. The failure to keep debtor days below target was explained by the note to the figures in the Annual Report and Accounts for 2002-03 as being “due to a high level of invoicing in March 2003”. The note did not, however, explain why there was an increase in invoicing at the year end. No explanation was given of the failure to meet the Service and Quality

²¹ Q157

²² Q157

²³ Ev 36

targets in the Annual Report and Accounts for 2002-03, other than an explanation of the failure to meet with the DfT's Chief Mechanical Engineer.

27. When we pressed Mr Harvey about this failure he told us "I think we have achieved most of our external customer-facing targets" and that "with a lot of the others... we have also been changing the methodology and the reporting form over the years in order ourselves to get more out of what we are doing."²⁴ We pressed Mr Harvey particularly about changes to the quality and service indicators, which had been changed in 2001-02. Mr Harvey later explained the reasons for each failure against subtargets:

At least 98% of all invoices issued error free: this target was just missed (over 97% were error free) because of the repetition of the same mistake in a near identical batch of invoices.

Satisfactory appraisal by the DfT's Chief Engineer: impossible to schedule a meeting.

95% of new certificates within a set time scale: required action from VCA's customers, who might not sign certification contracts within the time limit.

95% of assessment reports to be error free on review: 92% achieved, (a figure comparable to previous year's result).²⁵

The most notable failures were in target 7, a bundle of measures for the efficiency of internal processes:

to audit all our type approval and MSC Certification procedures	75%; Not achieved
to find no business critical (category A) non-compliances	None found (achieved)
To have action plans for 95% of all other non-compliances agreed within 30 days	Not achieved
To have 95% of those plans completed within the specified time	Not achieved

We were told that these targets "involve the audit of internal processes. The targets as such were not changed during the year but the main reason for failure was recognition that the instructions and details of some processes had become unnecessarily complex, with the result that the less important aspects were not being followed - hence leading to recorded audit failures. Rather than persist with a process which was not yielding the necessary control or benefits it was decided by VCA that effort would instead be devoted to formally amending and rewriting those processes."²⁶

28. The Business Plan for 2003-04 revises the targets for quality and service, and has simplified the targets formerly set as target 7, to a target for internal quality as follows:

²⁴ Q162

²⁵ See Ev 37

²⁶ Ev 37

% of Management System Certification processes audited in year	100%
Business critical (category A) non-compliances found;	0%

Targets are a management tool, not an end in themselves, and where failure to reach a target indicates underlying problems with the process involved, it is extremely sensible to make changes. However, Agencies' Annual Reports and Accounts are the key way by which Parliament can monitor their performance; failure to meet targets and changes in targets must be fully explained in those reports.

29. We are amazed that the Department for Transport set a requirement for the Department's Chief Engineer to appraise the VCA, and yet that appraisal did not happen. Of all the targets set, it is the one over which the Department and the Agency have most control. Either such an appraisal was necessary, in which case it is unacceptable that it did not take place, or it was not, in which case it had no place as one of the Secretary of State's targets. Departments share responsibility with Agencies for target setting, and, in cases like this, for their delivery, and neither side should take them lightly.

30. Other explanations of failure to achieve targets eventually produced by the VCA appeared reasonable enough, although we note that the percentage of new certificates being issued within 20 days of the completion of assessments has been falling rapidly since 1999-2000, and that the targets for internal quality were expected to be reached in 2002-03. We also accept it is reasonable for VCA to wish to refine the targets and indicators to provide a clearer picture of its performance. We regret that the changes made in 2001-02 were unsatisfactory and have had to be revised. As a consequence of this instability, scrutiny of VCA's performance has been difficult. We are not able to form any conclusions on, for example, the striking deterioration in the overall quality and service score from 72.5% in 2001-02 to 55% (11 out of 20) in 2002-03. **We look to the Department for Transport to ensure that the Secretary of State's targets are robust and that the indicators which underpin them are fit for the purpose of providing a comprehensive picture of the VCA's performance. We expect the recent changes made to the targets and indicators to be stable. We will monitor the VCA's performance against its revised targets for this year, and years to come.**

Conclusions and recommendations

31. We found it useful to take evidence from both VOSA and VCA and we found that there were a number of issues upon which we should report. By its nature this report has highlighted areas where we have concerns but we are grateful to the agencies for the care with which they presented their evidence and followed up points in correspondence. We expect the Department for Transport, VOSA and VCA to address the points which we have highlighted. It is our intention to follow up these issues when a suitable opportunity arises.

Conclusions and recommendations

1. We support the approach taken by VOSA to protect the independence of the Traffic Commissioners, and urge the Agency to ensure that the Traffic Commissioners' independence and ability to function effectively are strengthened by the new arrangements, not diminished. (Paragraph 9)
2. In 2002-03 1468 drivers of foreign heavy vehicles were found to be breaking the drivers hours regulations alone. We strongly support a more effective means of dealing with such infringements, and urge the Department to introduce such a fixed penalty system as soon as possible. Any suggestion that this is impracticable should be backed up by a full explanation of the difficulties. (Paragraph 10)
3. Government and its agencies do not have an entirely unblemished track record in dealing with information technology projects: we will be keeping the implementation and effectiveness of VOSA's electronic service delivery under review. (Paragraph 11)
4. Although the liquidated damages payable to VOSA are capped at the relatively low sum of £585,000, if SBS fails to deliver the new system it risks losing a contract which could be worth £250 million over 10 years. We hope that this will be sufficient incentive to ensure the contract is now delivered on time, but VOSA's assertion that for delays beyond 120 days "VOSA can, and in the past has, claimed damages for additional losses suffered" does not give us great confidence. We note that even between Mr Jamieson's answer of 8th March and our enquiry in April the timescale for roll-out of the new system had slipped from "late 2004" to "May 2005". Any problems which arise must be promptly addressed and the public must not be expected to pay for further delays. It is unacceptable that there has been at least three years delay in implementation of the new system. This is precisely the kind of episode which puts "e-delivery" in doubt. (Paragraph 17)
5. As long as individual countries' certification agencies compete with each other for business, it is clearly desirable that the United Kingdom should have its own agency, but that competition should be fair and transparent. If, however, the VCA continues to operate at a deficit the questions over fair competition will become urgent, and work should begin to address them now. (Paragraph 22)
6. We agree with the VCA that it is not desirable to lose engineering staff immediately when activity is expected to pick up. We support such action to retain the VCA's skill

base. It would, however, assist those reviewing the VCA's accounts in future years if the note on the administration expenses set out in more detail the basis on which the figures were calculated and, in particular, the items included within "Pay costs (administration)" and if the foreword to the financial statements set out the reasons for any significant variations from the previous year. (Paragraph 24)

7. Targets are a management tool, not an end in themselves, and where failure to reach a target indicates underlying problems with the process involved, it is extremely sensible to make changes. However, Agencies' Annual Reports and Accounts are the key way by which Parliament can monitor their performance; failure to meet targets and changes in targets must be fully explained in those reports. (Paragraph 28)
8. We are amazed that the Department for Transport set a requirement for the Department's Chief Engineer to appraise the VCA, and yet that appraisal did not happen. Of all the targets set, it is the one over which the Department and the Agency have most control. Either such an appraisal was necessary, in which case it is unacceptable that it did not take place, or it was not, in which case it had no place as one of the Secretary of State's targets. Departments share responsibility with Agencies for target setting, and, in cases like this, for their delivery, and neither side should take them lightly. (Paragraph 29)
9. We look to the Department for Transport to ensure that the Secretary of State's targets are robust and that the indicators which underpin them are fit for the purpose of providing a comprehensive picture of the VCA's performance. We expect the recent changes made to the targets and indicators to be stable. We will monitor the VCA's performance against its revised targets for this year, and years to come. (Paragraph 30)

Formal minutes

The following Declarations of Interest were made:

Mrs Gwyneth Dunwoody; Member of the Associated Society of Locomotive Engineers and Fireman

Mr Brian H Donohoe, Clive Efford and Mrs Louise Ellman; Members of Transport and General Workers' Union

Mr Ian Lucas and Mr Graham Stringer, Members of MSF Amicus

Mrs Anne McIntosh; Member, RAC, Holder of shares in : First Group, Eurotunnel, BAA plc, BA and BAE SYSTEMS

Mr Graham Stringer, Director, Centre for Local Economic Strategies

Wednesday 5 May 2004

Members present:

Mrs Gwyneth Dunwoody, in the Chair

Mr Brian H Donohue
Clive Efford
Mr Ian Lucas
Mr John Randall

Mr Jeffrey M Donaldson
Mrs Louise Ellman
Miss Anne McIntosh
Mr Graham Stringer

The Committee deliberated.

Draft Report (*The Work of the Vehicle Operating Services Agency and the Vehicle Certification Agency*), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 31 read and agreed to.

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

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

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[Adjourned till Wednesday 12 May at 2.30pm.]

Witnesses

Wednesday 21st January 2004	Page
Mr Maurice Newey , Chief Executive, and Mr Jeff Belt , Finance and Processors Director, Vehicle & Operator Services Agency	Ev 1
Mr Derek Harvey , Chief Executive, Vehicle Certification Agency	Ev 13

List of Written evidence

VV 01 Memorandum by Department of Transport	Ev 25
VV 02 Supplementary note by Vehicle & Operator Services Agency	Ev 28
VV 02A Supplementary Memorandum by Vehicle & Operator Services Agency	Ev 32
VV 02B Supplementary memorandum by Vehicle & Operator Services Agency	Ev 38
VV 02C Supplementary note by Vehicle & Operator Services Agency	Ev 39
VV 03 Supplementary notes to questions by Vehicle Certification Agency	Ev 36

Reports from the Transport Committee since 2002

Session 2003–04

First Report	Traffic Management Bill	HC 144
Second Report	The Departmental Annual Report	HC 249
Third Report	The Regulation of Licensed Taxis and Private Hire Vehicle Services in the UK	HC 215-I
Fourth Report	Transport Committee Annual Report 2002-03	HC 317
Fifth Report	The Office of Fair Trading's Response to the Third Report of the Committee: The Regulation of Licensed Taxis and Private Hire Vehicle Services in the UK	HC 418
Sixth Report	Disabled People's Access to Transport	HC 439
Seventh Report	The Future of the Railway	HC 145-I
Eighth Report	School Transport	HC 318-I
Ninth Report	Navigational Hazards and the Energy Bill	HC 555
Tenth Report	The Work of the Vehicle Operating Services Agency and The Vehicle Certification Agency	HC 250
Eleventh Report	National Railway Enquiry Service	HC 580

Session 2002–03

First Report	Urban Charging Schemes	HC 390-I
Second Report	Transport Committee: Annual Report 2002	HC 410
Third Report	Jam Tomorrow?: The Multi Modal Study Investment Plans	HC 38-I
Fourth Report	Railways in the North of England	HC 782-I
Fifth Report	Local Roads and Pathways	HC 407-I
Sixth Report:	Aviation	HC 454-I
Seventh Report	Overcrowding on Public Transport	HC 201-I
Eighth Report	The Work of the Highways Agency	HC 453
Ninth Report	Ports	HC 783-I
First Special Report	Government and Office of Fair Trading Responses to the Seventeenth Report of the Transport, Local Government and the Regions Committee, The Bus Industry	HC 97
Second Special Report	Government Response to the Committee's Fourth Report, Railways in the North of England	HC 1212

Session 2001-02

First Special Report	The Attendance of a Minister from HM Treasury before the Transport, Local Government and the Regions Committee	HC 771
Second Special Report	Government Response to the to the Fifth Report of the Transport, Local Government and the Regions Committee, Session 2001-02, European Transport White Paper	HC 1285
Third Special Report	Government Response to the Eighteenth Report of the Transport, Local Government and the Regions Committee, Session 2001-02, National Air Traffic Services Finances	HC 1305

Oral evidence

Taken before the Transport Committee

on Wednesday 21 January 2004

Members present

Mrs Gwyneth Dunwoody, in the Chair

Mr Brian H Donohoe
Clive Efford
Mrs Louise Ellman
Ian Lucas

Miss Anne McIntosh
Mr John Randall
Mr George Stevenson
Mr Graham Stringer

Witnesses: **Mr Maurice Newey**, Chief Executive, and **Mr Jeff Belt**, Finance and Processes Director, examined.

Chairman: Good afternoon, gentlemen. I am delighted to see you here this afternoon. Before we begin, Members having an interest to declare. Mr Clive Efford?

Clive Efford: I am a member of the Transport and General Workers' Union.

Ian Lucas: I am a member of Amicus MSF.

Mr Stevenson: I am a member of the Transport and General Workers' Union.

Chairman: Associated Society of Locomotive Engineers and Firemen.

Mr Donohoe: I am a member of the Transport and General Workers' Union.

Mrs Ellman: I am a member of the Transport and General Workers' Union.

Mr Stringer: I am a member of MSF Amicus.

Q1 Chairman: Gentlemen, I am sure you know our ground rules. If you agree with one another, please do not repeat what your colleague has said. Otherwise, if you want to catch my eye, there is no difficulty usually. May I ask you firstly to identify yourselves for the record and then perhaps you can tell us whether you have any opening remarks you would like to make.

Mr Newey: Thank you. I am Maurice Newey, chief executive of VOSA.

Mr Belt: I am Jeffrey Belt, finance and process director of VOSA.

Q2 Chairman: The Vehicle and Operator Services Agency is part of the Driver, Vehicle and Operator group. What difference does this make?

Mr Newey: It has made a significant difference to my responsibilities in that I have taken on some DVO-wide roles. For example, we are trying to give better customer service, particularly in the area of commercial customers in my case, although we are also very interested as DVO in the motorist. I have assumed responsibility for developing a customer programme across the whole DVO group. A very large part of the commercial work is the HGV/PSV industry, so it is the natural place for it to sit.

Q3 Chairman: Are your targets and policies directly agreed with the Department?

Mr Newey: Yes, first of all through our advisory boards and then with the Department itself. We have an annual process of agreeing targets. Then they appear in our business plan and we are measured against them through the year.

Q4 Chairman: When in November 2002 the DVO executive board signed up to a strategic investment programme of 96 million, funded by the Treasury, to modernise services and deliver electronically enabled services, what difference did that make to the users?

Mr Newey: A lot of the money initially was to develop new, electronic infrastructure so that we could deliver better services thereafter. In the case of VOSA, about 11 million of that 96 million has been allocated to us in the winter supplementary. We are delivering a number of network improvements in VOSA so that we can give better customer services in the longer term. Some of these like the commercial customer portal are still to be developed.

Q5 Chairman: You have a timescale for us for that? Two years? Three years?

Mr Newey: We are investing the money already in the infrastructure. Some of the early parts of the commercial customer work, the new portal, will be delivered as early as this coming spring.

Q6 Chairman: Presumably you have done some test runs and are working out whether or not it is going to work?

Mr Newey: Yes. We are creating a new infrastructure to release these. Some of these products already exist. For example, we are going to give goods vehicle operators a self-service facility and that will be delivered through the new portal so that they will be able to change their licences or do financial transactions and pay bills directly on line without having to go through an office process.

Q7 Chairman: Some of this you already do so you are in a sense improving incrementally as well.

Mr Newey: Yes, but from the customer's point of view we hope it is going to be quite a sea change in that they will be able to deal remotely, by internet in

21 January 2004 Mr Maurice Newey and Mr Jeff Belt

some cases, rather than having to wait for a letter to be answered in a week or two. It can be done instantaneously.

Q8 Mr Stevenson: Could I direct you to your targets? In some cases you exceeded the targets by a substantial margin. I am thinking of tachograph checks and so on. In other areas there are concerns. Do you intend where you over achieve your targets, such as tachograph tests, to redirect resources to areas where more success is needed?

Mr Newey: That is an option but we have delivered quite well across the whole piece. In the particular case of tachographs, the targets are going to be increased quite substantially under European requirements so that is one particular area where it is a good thing if we already are ahead of the game because the amount of checks is going to increase significantly. As a general principle, I think you are right. We would want to look at whether we could redirect effort to other areas, particularly where we are under achieving.

Q9 Mr Stevenson: You have presented a reduction in failure rates in your report as a success: trailers, public service vehicles, fleets, MOTs, etc. Whilst it is true, according to the information we have, that on trailers, for example, there has been a decrease in the fail rate, when we compare that with what has happened since the beginning of the last decade, we see that the present situation is far worse than it was then. For example, the fail rate on trailers is now 28.5% but in 1995–96 it was 21%, not much of a success when you compare it with that figure.

Mr Newey: We are certainly not complacent and I agree that some of the figures are quite worrying. There are some mitigating factors. For example, the tests themselves have become more stringent. There are new items in the tests which did not apply before. For example, the tachograph and the speed limit are checked as part of the test and there is a significant failure rate among those items. That is a problem but there are several hundred items to be tested on a vehicle. I was seeing this morning from looking at our effectiveness report that most vehicles fail on only one item and in some cases that is a fairly minor item that can be put right at the test station and the vehicle can be passed after rectification. There are issues around comparisons between, say, ten years ago and now, but we certainly agree that we need to do all we can to improve the quality of vehicles presented and that is very much our objective.

Q10 Mr Stevenson: Does the increase in the number of HGVs and buses failing tests show that more vehicles are not roadworthy?

Mr Newey: Yes. The other measure we use is to do random surveys at the roadside throughout the year. The prohibition rate there remains fairly constant at around 12 or 13% which again is not a matter for complacency, but it does put it into perspective.

Q11 Mr Stevenson: The initial test failure on heavy goods vehicles, for example, in 1999–2000 was 36.6%. Last year it was 42.5%, a considerable

increase in failure. Perhaps even more concerning is that the final test percentage failure has gone up from 24.7% to nearly 30%. What is your reaction to those figures?

Mr Newey: My reaction is that we need to do a lot more to get the industry compliant. We have a strategy that we are developing to target those operators who are consistently performing badly at test. With the help of information technology, we are now able to build up a picture of each operator to see who the high risk operators are. The objective is to come down much heavier on the bad operators on their record and to leave the good ones alone. As part of this strategy, even with the bad operators, we are trying to adopt a process of education and advice because we are looking for permanent compliance rather than simply hitting people with a stick every year.

Q12 Mr Stevenson: When is that likely to happen?

Mr Newey: It is happening now. It is already in process. We have a targeting strategy which is getting more sophisticated. We are building up a better and better picture of each operator's profile and which operator presents the highest risk.

Q13 Mr Stevenson: That being the case, we can expect to see a reduction in these figures, can we, in your next report?

Mr Newey: I certainly hope that we shall move in that direction. In the end, it is down to operators to take heed. In the end as well, we have to consider what sanctions to apply and of course traffic commissioners take annual test results very seriously when they look at operators' licences. If an operator wants to extend his licence to more vehicles and yet he has a bad record, the traffic commissioner will take a very dim view of that. There are sanctions that can be applied in addition to prohibitions and fines that we might instigate.

Q14 Mr Stringer: The definition you use after your test is "unroadworthy". How worried should the public be about these vehicles not being safe? It is one thing for a tachograph to work but how many of those vehicles are unsafe and how much should the public be worried?

Mr Newey: It is obviously a matter that does concern people. Most vehicles fail on one or perhaps two items. The biggest single item of failure is headlamp aim. If you get down to the really serious issues like brakes and steering, the problems are in much lower percentages, but they are clearly areas that we need to put extra effort into, to make sure that road safety critical items are being dealt with and that we are acting against operators who do not present vehicles in good condition.

Q15 Mr Stringer: That is what the public would be interested in. Can you give us a ball park figure for brakes being inadequate in these vehicles?

Mr Newey: There is a distinction between the main braking system and ancillary back-up systems but I think it is around 10% of vehicles that have some sort of fault in that territory.

21 January 2004 Mr Maurice Newey and Mr Jeff Belt

Q16 Mr Stringer: Heavy goods vehicles?

Mr Newey: Yes.

Q17 Mr Stringer: What about buses?

Mr Newey: It is 4% for buses.

Q18 Mr Stringer: Do you not find that very worrying? Do you have a strategy for dealing with the issues of safety as opposed to just making sure that a vehicle passes all the tests? Do you target that?

Mr Newey: Yes. We carry out operator visits and we do spot checks at their premises, to see what the vehicles are like in service. We run courses through our training services in aspects of vehicle maintenance and we come down heavily on those who are found to be wanting.

Q19 Mr Stringer: That is 1 in 12 buses that are running around with defective brakes. Is that what you are telling us?

Mr Newey: Some of the faults may be relatively minor. I mentioned we do spot checks at the roadside and the overall fault rate there is around 11 or 12%. The brake test is a much more exacting test at the annual test and it is looking for the vehicle to be in very good condition but, yes, it is a matter of concern.

Q20 Mr Stringer: Do you have targets for reducing the figures particularly for safety?

Mr Newey: Our whole ethos and approach is to educate and advise operators how to improve their performance, so yes, but we do not have a specific target to reduce brake faults.

Q21 Mr Stringer: Do you not think you should disaggregate it and have a separate target as that is more likely to be dangerous to the public?

Mr Newey: We can have targets but it is down to the operators to deliver vehicles in good condition. In the end, the sanction is that the traffic commissioners will reduce their licence or take it away if they believe they pose a threat to road safety. We certainly could have a target if that was thought to be an effective thing to do but the pressure is on operators all the time. They know that we will act if we find them deficient.

Q22 Clive Efford: When we have had evidence from the police about enforcing traffic law, one of the things they have pointed out to us is that finding vehicles without insurance or a road traffic licence has assisted in detecting other crime. The reason I raise this is that I have a constituency that is absolutely chock full of fly tipped rubble. Do you exchange information with other enforcement agencies, because it would seem that somebody who is breaking one set of rules may be breaking another.

Mr Newey: Yes, we do and increasingly so. Led by VOSA, we have formed networks of intelligence people at regional level, from various agencies who have an interest in transport and transport related things and indeed the police. We do exchange information and intelligence to try and overcome the sorts of things that you are talking about.

Q23 Clive Efford: If, for instance, someone were caught fly tipping, that information would be passed to you and you may use that to follow up and investigate that vehicle further?

Mr Newey: Yes. One thing we have introduced is a whistle blowers' hot line where people can ring up our national blowers number and deal with a professional person who will take down the details in the form of useful intelligence and pass that to those who need to know, including our own examiners in appropriate cases so that we can take action against them. Of course the other thing we have done very recently with the sort of people you are talking about is to introduce impounding where operators are operating without an 'O' licence. We have successfully impounded a significant number of vehicles. That does seem to have had a deterrent effect.

Q24 Clive Efford: The memorandum on the estimates indicates that police resources for stopping vehicles have been on the decline for some time. Has that affected enforcement?

Mr Newey: There was a very big risk that it would. Our response to that was to acquire for ourselves powers to stop in England and Wales—in other words, to take over the police role in bringing in lorries and buses at the roadside so that we can continue to carry out effective checks. This was something we did very reluctantly, but in the light of police priorities and the fact that they have not been able to support us to the same extent that they traditionally did we have taken on that role. We have had a successful pilot in six constabulary areas and we are proposing to role out powers to stop across VOSA so that we can maintain our effectiveness in examining vehicles.

Q25 Clive Efford: You are saying without taking those extra powers there would be a reduction in enforcement on the roadside?

Mr Newey: Yes.

Q26 Clive Efford: Can you explain the relationship between the extra resources and your new powers and the extra resources for HGV and stopping vehicles on the roadside? I think you have an extra 1.7 million?

Mr Newey: We have been given an extra 1.5 million for three years by a sub-group of the Road Haulage Forum to do extra enforcement at the roadside. That involved recruiting some 40 additional vehicle and traffic examiners. The emphasis was on traffic work because increasingly we are realising that serious accidents are often caused by driver behaviour rather than vehicle condition. We have put relative emphasis on trying to improve driver behaviour, checking tachographs, checking speed limiters of vehicles on the road. That is where most of the additional money has gone. We have also bought new equipment, mobile roller brake testers, for example, so that we can test the brakes of a vehicle in a layby on a road, rather than waiting for it to go into a test station for its annual test where you only have a one hit chance.

21 January 2004 Mr Maurice Newey and Mr Jeff Belt

Q27 Clive Efford: How would you assess the enforcement in the future in comparison to what we have seen in the past?

Mr Newey: I think we are getting more sophisticated in the sense that we have better information about operators. We can target the ones with a bad record, the people whose brakes fail at annual test, for example. We are building up a profile. The bonus for the good operators is that they will receive less attention from us but we expect—and it is already happening—with targeted checks to get higher rates of prohibition on the bad operators, leaving many more alone.

Q28 Clive Efford: You expect the police enforcement activities to reduce still further in the future?

Mr Newey: The police traditionally have taken the major responsibility for cars and light goods vehicles and we have taken the responsibility for buses and lorries. I cannot speak for the police resourcing on their side of the house, but we have been making sure that we can cover in enforcement terms the gap that has been left by the police having to withdraw. We are still working very closely with the police. For example, in accident investigations, we have professionalised our accident investigation teams. They are better equipped now with proper investigative equipment. They are better trained and we are doing that role increasingly with and for the police. We hope the overall effect is that there will be at least as good an enforcement regime.

Q29 Chairman: What is the legal situation? Does it require a change for you to take over that responsibility?

Mr Newey: It did require a change in the Police Reform Act last year which enabled chief constables to empower specific people—I believe it actually mentioned VOSA by name—to take on Powers to Stop. It is not something that can be done lightly. It does require particular conditions. For example, our people are only taking on these powers to stop responsibilities after being trained by the North Wales Police and going through a rigorous process. There is the whole question of properly marked vehicles and uniforms, so that people are properly recognised and it is a properly accredited scheme.

Q30 Clive Efford: There has been concern in the past about impersonation and being able to stop vehicles. Is there a criterion set down for you to follow for people to set up a roadside operation?

Mr Newey: Yes. We have to use particular sites that are recognised as being acceptable and safe. That may involve the police agreeing that it is a suitable site. There are particular rules and protocols for stopping vehicles and we are being very careful to follow to the letter the police instructions on that. Our vehicles nationally all look the same. They all have the same Battenberg markings on the side. They are not like police vehicles. We are not allowed to use a blue light, but our staff carrying out these functions will all be dressed in the same uniform. They will adopt the same procedures. We have also gone to a lot of trouble to make sure the industries

know about our new role so that they are not taken unawares. We have a quarterly newspaper which has given a lot of publicity to this. Our experience up to now from drivers is that they are not surprised. They seem to know that it is VOSA and they know why we are doing it. They know it is a function that was formerly done by the police.

Q31 Clive Efford: You mentioned powers of impounding and stopping vehicles as being very useful, helpful tools for you. Are there any other loopholes that you feel need to be filled that would increase your powers and your effectiveness?

Mr Newey: One area is that our ability to take sanctions against foreign vehicles is not as strong as it is against UK domestic vehicles at the moment. We are looking at how that can be improved. We are exchanging a lot of information on vehicles that are spotted with defects and handing it to the licensing authorities of the countries of origin. The Department is also examining possibilities of a system of fixed penalties and deposits so that, if a foreign vehicle is stopped and an offence has been committed, a fine would be due. They might be required to pay a deposit there and then as UK vehicles do when they are in France. That is not a new policy yet but it is something that the Department has asked us to look at as a possibility.

Q32 Clive Efford: How serious is the problem of single vehicle approval evasions?

Mr Newey: I do not think there is a lot of problem with evasions. There is a requirement for any vehicle that is imported and does not have an EU type approval to go through a single vehicle approval test to show that it has equivalent standards for brakes and lights and so on as an EU approved vehicle. I am not aware of any major evasion there, no more than any other vehicles might be illegal. To get licensed in the first place, if they are imported, they need to go through this process to demonstrate their fitness to be on the road.

Q33 Mrs Ellman: You can act as lead DVO agency in the joint delivery of cross-agency compliance and enforcement. What does that mean? Can you give us any examples?

Mr Newey: That was a role that I did hold at the time we set our targets for the year. That role has changed. It has changed slightly since then in that the cross-agency compliance function has transferred to the centre of DVO under a senior civil servant who is looking at it now. I have taken on other roles that are cross-DVO and I mentioned earlier the requirement to set up a commercial customer programme to try and deliver a joined up service across all DVO services to commercial customers. It is a policy change that has taken place in DVO over the last few months.

Q34 Mrs Ellman: Do you have enough powers to carry out the role?

Mr Newey: My commercial role? Yes. In it I am supported by a director within VOSA. He in turn is supported by a number of people in the Department

21 January 2004 Mr Maurice Newey and Mr Jeff Belt

on both the technical side and so on. We are also using our information technology contractor to help us develop a commercial customer approach, so yes, there is good support all round.

Q35 Mrs Ellman: Why are you involved in alleged illegal driving instruction? Why is that not left to the Driving Standards Agency?

Mr Newey: It is historic but it is mainly because we happen to have enforcement staff located all around the country at the locations where this function would be required, and people with the relevant warrants. It is just an efficiency thing. The DSA could do it if they chose to set up people with that power, but it is one that we have conveniently been able to undertake for them on a call-up basis.

Q36 Mrs Ellman: You think that works well?

Mr Newey: It works perfectly well to my knowledge. I have not had a lot of experience of it but I do not believe the DSA would rely on us to do it if we were failing in that role.

Q37 Mrs Ellman: Why was the traffic area network merged with the vehicle inspectorate?

Mr Newey: We had a lot of commonality of interest. For example, our objectives in road safety and environmental protection and so on were really one and the same. Our customers were the same people in the heavy goods vehicle and bus industries. We saw an opportunity for much greater joined up service to customers, greater efficiency in processes, among other things. The traffic area network had been part of the Department of Transport headquarters and had always been looking to move to something like agency status but was not really large enough on its own to set up as a separate agency. The obvious thing seemed to be to join with a sister group who were in the same business. That is working out quite well.

Q38 Mrs Ellman: Is the merger complete now?

Mr Newey: Not wholly, no. We always went at a very measured pace. On day one we set up a new trading fund so we had the financial, business requirements in place. We have also merged the corporate functions, the finance, the IT, the estates and human resource groups. The trickier area is on the operational staff on the ground. We have had a review recently and we now are going to pilot some changes which will bring together staff and resources more effectively at the local level.

Q39 Mrs Ellman: The traffic area network has a list of projects it plans to carry out. Have any of those been deferred or are they going ahead?

Mr Newey: All the projects are going ahead. The merger per se is not requiring any of them to be changed. There has been a delay on some of them, which is largely due to technical reasons, to do with the capacity of the ICT infrastructure. It needed to be upgraded before some of the things could be introduced but they are all going ahead.

Q40 Mrs Ellman: Can you tell us which projects have been deferred?

Mr Newey: The really important one that has had to be deferred a little while is something called operator self-service. That is where operators can change their licences remotely without going through a paper process. We are waiting for the network to be upgraded. That is now going to be fully available from the spring. We have had it in soft launch, pilot form for a few months, so 14% of operator transactions are being done in that way, but what we really want to do is make it available on a very wide basis and that will happen in the spring when the network has been upgraded. That is the main effect of the delay.

Q41 Mrs Ellman: What about the position of the traffic commissioners? Have any queries been raised about their independence or whether there are conflicts of interest?

Mr Newey: That was one of the issues that was very much to the fore in looking at the merger. Indeed, the VOSA framework document specifically requires me to do all that I can to ensure the continued independence of the traffic commissioners. No major problems have been raised. I work very closely with the senior traffic commissioner and his colleagues and they have not raised any issues with me recently, though in the early days they raised some points. The main point is to protect the independence of the traffic commissioners. First of all, they are not part of VOSA; they are independent tribunals in their own right. Secondly, the staff that support them in their judicial functions are kept in a separate cadre of staff. They are still within a division called the TAN division. They have a dedicated staff who work to them in that role. The other thing we are now trying to do to increase the independence of traffic commissioners is to make sure all the staff that do investigations which the traffic commissioner might be looking at at a public inquiry are at one remove from the traffic commissioner so that there is clear blue water between the people doing the investigations and making the case and the traffic commissioner examining the case. It is a symptom of human rights legislation and it is considered to be an important change. We are looking at that too so we have a three pronged approach to trying to protect traffic commissioners.

Q42 Mrs Ellman: Are you confident that that separation is strong enough?

Mr Newey: Yes, I think I am. We were told by one or two transport interests that there would be a problem and that we would be challenged. We have had no challenges. I talk on at least a monthly basis to the senior traffic commissioner and I recently attended the Traffic Commissioners' annual conference. No points were raised on this so I think people are recognising it. I should also say that transport interests like the Freight Transport Association gave us their full support in the proposals and said they thought it was a good thing for efficiency and good conduct of business.

21 January 2004 Mr Maurice Newey and Mr Jeff Belt

Q43 Mrs Ellman: What were the areas of potential problems identified?

Mr Newey: The main one would have been whether the traffic commissioner would have been seen to be independent if the staff supporting him were part of the same organisation that also was involved in prosecutions. In separating the staff and giving the traffic commissioners a dedicated staff to deal with the judicial functions, we believe we have kept clear blue water between these roles. We are carefully allocating responsibilities to avoid that happening. An independent review that we had carried out at the time of the merger recommended that we went down this route and suggested that if we followed the line of the report it would strengthen the traffic commissioners' independence because it could have been considered to be under threat in some ways under the old TAN arrangements before the merger, as they had staff who were gathering evidence, making cases and putting them forward within their own organisation for the traffic commissioner to decide. That might have looked like too close a relationship. The moves we are taking within the merged organisation should overcome that problem.

Q44 Ian Lucas: You mentioned earlier that your organisation had recruited an additional 40 vehicle inspectors to deal with the shortfall as a result of the police moving out of the inspection area. What sort of background do those individuals have? What training do they have?

Mr Newey: I think I may have slightly misled you if I said that. The people who are dealing with the work taking over from the police are VOSA staff, mainly vehicle examiners or other staff, who are exercising the power to stop. The 40 additional traffic and vehicle examiners I mentioned earlier were really just to carry out other enforcement roles, not the power to stop role, which is still being introduced.

Q45 Ian Lucas: 40 people were transferred from within VOSA to do these additional duties that the police had previously been doing and were replaced by other people?

Mr Newey: No. It did not really work like that. The people who are doing the powers to stop are still VOSA mainstream employees and they are still vehicle examiners or whatever their grade is. Most of them are not vehicle examiners. Most of them are admin staff, as I recall. They are performing that role in addition to other duties. That is separate from the vehicle and traffic examiners who were taken on to increase the amount of roadside enforcement. We are actually doing more enforcement. It is not like for like replacement.

Q46 Ian Lucas: On the issue of investigation of accidents that take place, can you clarify exactly where the police's role ends and where VOSA's begins? What is the role of road traffic investigators? Are they within VOSA or are they within the police?

Mr Newey: They are in both. It is very much at the discretion of individual constabularies whether they do it themselves or whether they use VOSA. We have

now trained a professional cadre of people with the right equipment and knowledge to help the Police carry out accident investigations. I am talking here about serious HGV/PSV accidents rather than car accidents.

Q47 Ian Lucas: That distinction is important. It would only be for HGV/PSV?

Mr Newey: Normally, yes. If we were asked, we would look at something else.

Q48 Ian Lucas: Does that happen?

Mr Newey: I think it has happened on a very small number of occasions but broadly speaking our people are really experts in lorry and bus technology and they have a particular expertise that the police would call on for that. Since we have professionalised, the police have been increasing their use of our engineers, partly because I guess their own resources have been under stress.

Q49 Ian Lucas: Is there a potential conflict of interest in cases where individual examiners look at heavy goods vehicles that are defective which have previously been examined by the same organisation?

Mr Newey: I do not think so. They are professionally trained to report on what they see. If the vehicle had been into one of our test stations and had been failed, it would have to be put right before it could have a test certificate. If it was on the road without a test certificate because it had failed and had not been corrected, obviously then it would be their duty to report it, but I do not see any of this.

Q50 Ian Lucas: Would there be a potential difficulty if, for example, a certificate was issued one week before an accident by the Department and it transpired that a week later one of your examiners found it was unfit?

Mr Newey: Obviously if there was some major problem and the vehicle had only done a few miles since the test and it had been passed, that would be an issue.

Q51 Ian Lucas: There would be a potential conflict of interest?

Mr Newey: I do not think it would be a serious conflict of interest for the reason I gave, that there are different groups of people.

Q52 Ian Lucas: It could be the same person, could it?

Mr Newey: No, it could not. We have a testing organisation and an enforcement organisation and they would come from different sides of the business. It would certainly be well beyond their professional responsibility to—

Q53 Ian Lucas: Would it be better to have a completely separate road accident investigation branch, perhaps made up of police individuals to deal with cars, and VOSA people to deal with heavy goods vehicles?

Mr Newey: It is a possibility but, on the other hand, it is not the sole job for the people that do our accident investigations. They are mainstream

21 January 2004 Mr Maurice Newey and Mr Jeff Belt

vehicle examiners in the rest of their work and they pick up a lot of knowledge about vehicles. They get a lot of experience. It works both ways. Yes, you could say that a really expert team, a sort of flying squad that went around the country, could be helpful. The advantage of our arrangement means that we have local people to attend a local accident. We have them in our 23 area enforcement offices, where we can send someone out at the drop of a hat to investigate; whereas I suspect a more centralised arrangement might be less efficient.

Q54 Ian Lucas: Can you give me any broad indication of the proportion of serious road traffic accidents that are caused by defects to, say, heavy goods vehicles?

Mr Newey: I do not claim that this is absolute but it is said from statistics that on major accidents the major factor in over 90% of them is driver behaviour rather than vehicle condition. Of course, driver behaviour links with whether the tachograph is functioning properly, whether the speed limit is switched on or not. There is a cross-over between driver issues and vehicle issues which blurs the edges. That is the evidence at the moment. Vehicle condition can often be a contributory factor. If the driver is falling asleep, wakes up and his brakes are not working as well as they should, clearly it is a combination of things.

Q55 Chairman: Were you consulted about the Traffic Management Bill?

Mr Newey: I do not recall so.

Q56 Chairman: You have been outlining to us the way in which you are increasingly taking over the responsibilities of the police in terms of enforcement. The Traffic Management Bill is bringing in a number of powers which will create an entirely new group of people capable of enforcing laws on motorways and elsewhere. Why were you not consulted, because presumably HGVs and LGVs are involved in accidents.

Mr Newey: Yes. Formal consultation is one thing but we certainly work very closely with the Highways Agency and are already, as part of their new traffic management functions, thinking of working with them on how we can help them.

Q57 Chairman: What are they asking you? Are they asking you whether you could transfer a specific, new unit which does nothing but accident investigation? Are they asking you what effect it has in taking over more and more police enforcement? What questions are they asking you?

Mr Newey: The main issues that we are talking to the Highways Agency about are helping them with traffic accidents, about how we might work cooperatively in sharing and using cameras and weigh-in motion equipment on motorways and other roads to detect people who serially offend and risk causing accidents on the network.

Q58 Chairman: Are your officers trained in giving evidence in a court situation?

Mr Newey: Yes.

Q59 Chairman: They do that how often?

Mr Newey: They give evidence very frequently at traffic commissioners' public inquiries.

Q60 Chairman: With respect, traffic commissioners' inquiries are rather more limited and in a slightly different atmosphere from giving evidence on what could be a major traffic accident in a court.

Mr Newey: The role of our traffic investigators is to look at the vehicle condition and to provide a report to the police on what they find. It is not to attribute causes to accidents. It is a secondary role. We could be called to give evidence in court about what we found, but it is not our primary responsibility to determine causes of accidents.

Q61 Ian Lucas: Is it not the case that if a road traffic investigation officer gives evidence in a crown court in a causing death by dangerous driving case his evidence is very often part of the decision?

Mr Newey: I am not quite sure how that relates to the role of VOSA vis a vis the role of the police. We provide reports to the police and they take decisions on how they are going to act.

Q62 Ian Lucas: It would be the responsibility of the road traffic investigation officer to give evidence about the condition of a particular vehicle. That is right, is it not?

Mr Newey: He might. The more normal thing I believe is that they produce a written report which is used by the police.

Q63 Ian Lucas: If a defendant contested that written report, it would be necessary for the road traffic investigation officer to attend court.

Mr Newey: That is possible.

Q64 Ian Lucas: That is essential if the evidence is going to be used.

Mr Newey: Yes. We have an expert witness role. The police determine the course of the prosecution.

Q65 Ian Lucas: Yes, but the expert witness's job is to indicate, for example, whether a particular vehicle is defective. That is correct, is it not?

Mr Newey: Yes.

Q66 Ian Lucas: Whether a vehicle is defective or not can often be the salient point in a case where, for example, a defendant indicates the reason why an accident occurred was that it was a defective vehicle.

Mr Newey: Yes.

Q67 Ian Lucas: That person is part of the case. That is right, is it not?

Mr Newey: Yes. The expert witness evidence is vital.

Q68 Ian Lucas: It is extremely important that that individual should be very experienced in giving evidence in a criminal court.

Mr Newey: Yes. Our people have training in giving evidence in court.

21 January 2004 Mr Maurice Newey and Mr Jeff Belt

Q69 Ian Lucas: Have they given evidence in cases such as the one I have described?

Mr Newey: I cannot confirm that there is anything as acute as the one you describe.

Q70 Chairman: Did you discuss with the Home Office the implications of you doing more and more enforcement and leaving it less and less to the police?

Mr Newey: I do not think we are fundamentally changing our role in relation to—

Q71 Chairman: I am not saying that you are creating a new set of circumstances. The points that Mr Lucas has made are very relevant and it is very clear that you are doing more and more of the work normally done by the police. Have you discussed either with your ministers or with the Home Office in lieu of your ministers what will happen if this trend continues and you find yourself performing almost entirely the work of enforcement in relation to accidents? Are you simply accepting that this trend will continue, the police will do less and you will do more?

Mr Newey: No. It is a role that we have always undertaken.

Q72 Chairman: But in nothing like the numbers of cases that you are doing now.

Mr Newey: The numbers are still relatively modest but I agree there is a point there. The role is one we have always performed. We are not taking on a new role. It is a matter of degree and volume rather than the role itself.

Q73 Chairman: That might be the case until there is some very large, public discussion on the matter. Would not one of the first questions be why have you accepted this role and what were your discussions with both the police service but particularly with the Home Office about the exercise of the powers and the implications for your officers?

Mr Newey: The discussions with the police are very close indeed and the police have to be satisfied in each case. It is done on a constabulary by constabulary basis.

Q74 Chairman: That almost automatically implies the difference between one constabulary and another.

Mr Newey: I think it also implies that the police have to assure themselves that they are dealing with professionals who can do a very thorough, important job.

Q75 Chairman: You were telling us the reason that the police were not undertaking enforcement was that they were no longer able to do so because of their resources, not because they were fully satisfied that the people doing it were just as efficient as they were.

Mr Newey: I think that is true with the powers to stop but I certainly do not think it is true with the accident investigations. I am quite clear that they would only turn to VOSA's teams if they had total confidence in our ability to act in the role I have

described. That is, to see what they find at an accident and write a report on what they observed in terms of the mechanics of the vehicle. Our people are likely to be at least if not more experienced than the police in that role.

Q76 Chairman: I ask you again what you were asked before: would you therefore support the creation of an independent accident investigation unit?

Mr Newey: I do not have an immediate view on that. I think it is something that might be considered but for the reasons I gave there are efficiency factors and pros and cons which I referred to in my earlier remarks.

Q77 Mr Stevenson: Could I turn to the environment? How does VOSA measure whether there is an improvement in environmental standards?

Mr Newey: In one of our primary roles, emission testing, there has been a very marked improvement in emissions results. This is partially because of the introduction of modern technology engines and catalysers on cars. For example, the prohibition rate now and the fail rates on heavy goods vehicles at annual test or at roadside checks are very small indeed, in the single percentages, 1 or 2%, something like that, and the same with buses. That is a relative success story in that we do not find many smoking or polluting vehicles amongst the HGV and PSV fleets now. I think there is a similar reduction on the car MOT side where emissions are getting better year by year.

Q78 Mr Stevenson: In your annual report and accounts and effectiveness report in terms of emissions, which you say are a success story, it appears that neither document reports on or assesses whether improvements have been made in emissions. What you are saying to us now, it appears, both those documents make no reference to all.

Mr Newey: The documents make reference to the vehicles that fail emission tests at annual test and they also say something about the experience of vehicles being tested at roadside inspections. I do not have it in front of me. I can certainly provide you with that information.

Q79 Mr Stevenson: That would be useful. How does your agency work with other agencies such as the Vehicle Certification Agency and the Environment Agency to improve environmental standards?

Mr Newey: We have a fairly close relationship with the Vehicle Certification Agency, though we have very distinct roles. The Vehicle Certification Agency provides all the standards and statistics about emissions acceptable on particular vehicles and that obviously features in annual testing. More widely on environmental issues, we do not have major links with the Environment Agency but we have strong environment strategies and action within VOSA. For example, we are careful to check up that when operators are setting up sites they do it in places that are not going to cause damage or harm to the environment.

21 January 2004 Mr Maurice Newey and Mr Jeff Belt

Q80 Mr Stevenson: Would your agency be providing a more detailed breakdown in future effectiveness reports etc. on progress or otherwise that has been made in terms of environmental standards?

Mr Newey: Yes. We can certainly provide more if you could suggest some areas that you think we should be attending to.

Chairman: If you want work, Mr Newey, this Committee will give you an entire programme.

Q81 Mr Stringer: Can you explain your policies and what sanctions you have for foreign HGVs using British roads?

Mr Newey: Yes. We carry out checks on foreign vehicles proportionate to their numbers.

Q82 Mr Stringer: Can you tell us what percentage of foreign vehicles are using British roads?

Mr Newey: All I can say is that around 10% of the vehicles we check are foreign. In 2002–03 we examined around 11,000 foreign lorries. We checked drivers' hours and tachograph compliance arrangements. Our general experience with foreign vehicles is that they are in better mechanical condition than UK based vehicles and that may not be surprising given that they are on international journeys where it is imperative that they reach their destination. On drivers' hours, tachograph offences and the like, they are considerably less good. It is a mixture. In terms of sanctions, we can issue both immediate and delayed prohibitions for offences like drivers' hours offences. I mentioned earlier that perhaps the gap in the armoury is that if a sanction is taken, a fine is imposed and an operator goes back to the parent base, that fine may not get paid. I mentioned that the Department had asked us to look at whether we could help to prepare an option for fixed penalties that could be taken at the roadside as happens in France and some other continental countries; or a deposit scheme where, if action was going to go to a court, a deposit was taken against the decision of the court being that the offence had been committed, to put the UK on a par with some of our European neighbours where it is fairly common practice.

Q83 Mr Stringer: Do you expect to get that power?

Mr Newey: I am not responsible for policy on that. We are simply offering some options to the Department.

Q84 Mr Stringer: Have you had any response from the Department?

Mr Newey: Simply that they are looking at it. The Home Office are also involved in this and there are arrangements under which I understand the option is being looked at. We have certainly produced some outline ideas as to how this might be done.

Q85 Chairman: The Home Office talk to you about some things but not others.

Mr Newey: We talk to the Home Office on a wide range of things including that, but perhaps not the one you mentioned earlier.

Chairman: Not about taking over enforcement powers but about applying fines. It is always interesting to have an idea of the priorities of the Home Office.

Q86 Mr Stringer: Averages can conceal a great deal. You explained that on average foreign vehicles are in better shape than British ones. Are there any particular countries that this does not apply to? Are there any offending countries that are sending unroadworthy vehicles over to this country?

Mr Newey: I cannot give you a breakdown by nation of origin.

Q87 Mr Stringer: Could you send it to us in writing?

Mr Newey: I will send whatever information can be produced, yes.

Mr Stringer: Do you have any feeling that some countries are worse than others, even if you do not have the exact, statistical breakdown? Is there a particularly villainous country?

Q88 Chairman: How many times has Mr Wili Betz featured in your list? How many lorries do you get from particular countries?

Mr Newey: I suppose the further east you go the more risk there is that vehicles may appear in less good condition.

Chairman: You know or you suppose?

Q89 Mr Stevenson: That is extremely important. We ought to be asking your agency to identify the countries of origin. In May next year, we shall have ten new members of the European Union, many of them from former eastern European countries, which is the area that you are most concerned about. Are you not therefore giving some thought as to how you should refine your procedures in the way that has been suggested in the light of that extension to the European Union?

Mr Newey: We are certainly looking to do all that we can to ensure that foreign vehicles are in roadworthy condition.

Q90 Mr Stevenson: I do not deny that. I am trying to elicit an answer from you about what your attitude is, what preparations you are making for ten new entrant countries, most from eastern Europe, in May this year.

Mr Newey: Perhaps I can mention some specifics. One of the things we have done is to undertake twinning projects with Hungary and Poland where our people, including professional engineers, have been out to advise those countries about systems for roadworthiness and testing, so that they can get their act together and set up proper systems. We have had people working out in, for example, Budapest for the last two years. We are also very influential in EU groups that are looking at enforcement. I believe VOSA officials take the lead on some of the European groups that are looking at effective enforcement regimes, both for the existing EU countries and for the aspirant joiners. We are very

21 January 2004 Mr Maurice Newey and Mr Jeff Belt

much aware of the issues and are actively seeking to get good systems in place to ensure that road safety is not damaged.

Q91 Mr Stevenson: Would it be too cynical of me to interpret what you say as, "Tell them what we expect and leave them to get on with it"?

Mr Newey: The fact that we have got alongside two nations to help them is evidence that we are not just telling them and leaving them. We are telling them and training them. We have large scale training programmes.

Q92 Chairman: In the last two years, you have seen an immediate change in the numbers of vehicles coming from both those countries?

Mr Newey: I cannot quote chapter and verse on that and we do not keep statistics in that format, I am afraid.

Q93 Chairman: Would you like to give us a simple breakdown of nationality covering the last five years, so that we can see what happened before you started training them and then what happened after you started training them, and we will see whether that gives us a clear indication of how effective this process has been. I am coming back to Mr Stringer now. Really, I think what we would like from you is to hear a clear indication of what you are doing, what you intend to do, what your agency intends to do. By all means, sit on as many European committees as you like, but what are you going to do about these lorries on our roads?

Mr Newey: We shall continue to follow the policies of the Department, which are to examine proportionate numbers of foreign vehicles to UK vehicles.

Q94 Chairman: Mr Newey, we would not really expect you not to follow the proposals or policies of the Department. To put it mildly, that is advantageous to your career. Have you a very clear idea of what would be the difference in May and how much extra you would have to do?

Mr Newey: I have already described that we have a differential targeting policy whereby operators who pose a greater threat to road safety, by evidence of their vehicles' condition as met at roadside checks, can expect to have a disproportionately large amount of attention from VOSA people. The checks will target those ones and if foreign operators in particular fall into that category, then they will be in the targeting group, as are any other operators.

Q95 Mr Stringer: You mentioned that it is possible for foreign operators to avoid fines. Can you quantify the level of fines that are avoided by foreign operators?

Mr Newey: If one took typical court fines for offences in the UK that are imposed by UK courts, in all cases they seem relatively low in relation to the offences committed. For example, if you think that a tyre for an HGV vehicle costs £200, yet an operator might be fined £60 for driving with a bald tyre, that looks like a bit of a soft option. We would like to see

more strict and higher court fines imposed. Of course, that is not our decision, but we have repeatedly drawn attention to the point.

Q96 Mr Stringer: I think that is a very good point, Mr Newey, but it is not quite answering the question I asked, which is: how much money do foreign operators owe to British courts or yourselves in fines?

Mr Newey: I am afraid I cannot give you that information but I will let you have any information that I can get that is relevant.

Q97 Mr Stringer: Can you give us a rough estimate because I am having difficulty getting facts and figures and countries? You have been unable to tell us which of the countries are the worst offenders and exact figures on the number of vehicles. Can you tell us roughly what percentage of fines, not the cash figure but the number of fines, are not paid? What is that? Is this a problem?

Mr Newey: It is not a problem. I simply do not have the information to give you today.

Q98 Mr Stringer: Should this Committee be concerned that foreign drivers, foreign HGV operators, are not paying fines? Is it 90% or is it 10%?

Mr Newey: I am afraid that I just do not know the answer to that.

Q99 Mr Stringer: Is there any evidence that British hauliers are flagging out because there is less enforcement of foreign operators?

Mr Newey: There is the same amount of enforcement checks of foreign operators. Of course we do have the power of immediate prohibition so that if a foreign operator is exceeding his driver's hours, we can take him off the road for 24 hours, whatever his load happens to be. That is the offence that he has committed. Some of the offences that might be the subject of fixed penalties are ones that are perhaps not in quite such a serious category.

Q100 Mr Stringer: I understand that. Can I ask the question again? We do not know what percentage of people are avoiding fines, whether it is a big problem or a small problem, but what might be a related issue, because some of the enforcement does entail follow-up if the fines are not paid, is whether there is any evidence of flagging out by British groups to avoid paying fines.

Mr Newey: I am not aware of that.

Q101 Mr Stringer: You mentioned previously European co-operation. What are the benefits of membership of the European enforcers' group and your own trade group?

Mr Newey: I think those relate to influencing new systems and changes, being able to influence and trying to get British systems of enforcement adopted. We have a much better system of enforcement in the UK than often is found in Europe. In many countries there are no engineering checks on vehicles at the roadside. That is something that I think, through British influence, the European

21 January 2004 Mr Maurice Newey and Mr Jeff Belt

Union is likely to be introducing; indeed, I believe there are proposals afoot for that. I think that Britain has been able to play a very influential role in that. On the Euro Control Route, one of the benefits is the exchange of information about operators. We get information about British operators that are found wanting when they are checked in European countries, and we send equivalent information in the other direction. The better the intelligence picture we pick about what operators are doing on overseas journeys, the better our strategy can be for dealing with them.

Q102 Mr Stringer: On average you have said that foreign vehicles are likely to comply with the standards that you set more than British vehicles because they are on longer journeys. You also said that the offences you find are likely to be driver-related, going over their hours. Does that mean, in your estimate, on average that foreign vehicles are more dangerous because you said earlier that 90% of accidents are driver-related and not vehicle-related?
Mr Newey: That could be one conclusion, yes.

Q103 Mr Stringer: I am asking if it could be the case. I am asking if it is a correct conclusion to draw.

Mr Newey: I do not have accident rates for foreign vehicle to show that that is the case, but I agree with your logic in suggesting that it could be. Part of the traffic offences that are picked up are for overloading; that is the other point, that foreign vehicles are much more likely to be overloaded than UK-based vehicles.

Q104 Mrs Ellman: You have a system of performance gain points to measure your achievements. Is there any independent assessment of that mechanism?

Mr Newey: Yes. The results that we produce annually are audited by the National Audit Office.

Q105 Mrs Ellman: Have they accepted what you have done?

Mr Newey: Yes, they have. We have a longstanding system of efficiency measures. This is a relatively new measure. Throughout our history since we became a trading fund, these types of figures have been reviewed and assessed as part of the annual accounts exercise, and checked by the NAO.

Q106 Mrs Ellman: Are there any instances where you have switched your resources because you have achieved targets or over-achieved them?

Mr Newey: Yes, we have. The whole point with performance gain is that you want to incentivise staff to do the things that are most beneficial in road safety terms and that is why we allocate points for different types of work. For example, we would give the highest number of points for the impounding of a completely illegal vehicle, whereas we might only give one-tenth of that number of points for a minor offence. That is the way the system works. The system incentivises local managers to do the things which are most beneficial for road safety according to their local conditions. If in the north-west, for

example, vehicle condition was a major issue, the area manager could put relatively more resources into that.

Q107 Mrs Ellman: Has it actually happened that changes have been made?

Mr Newey: Yes, it has.

Q108 Mrs Ellman: How do you interpret the increase in failure rates? There are some areas where failures on testing have gone up. Does that mean that standards are worse or that the testing is more severe?

Mr Newey: In some cases the test has become more rigorous in the sense that an HGV test has several hundred items in it and in recent years, as I think I mentioned earlier, we have added one or two new items to the test. In that sense, the test has become more stringent. That is one factor. For example, we can say that tachograph checks and speed limiter checks do contribute to the failure rate. That is one of the reasons that the failure rate has gone up.

Q109 Mrs Ellman: There seems to be a problem with light goods vehicles.

Mr Newey: Yes. The evidence for annual tests and from road-side spot checks is that those vehicles are more likely to be non-compliant, both in terms of vehicle condition and traffic offences, particularly things like overloading. Light goods vehicles go right up to 3.5 tonnes, which is quite a significantly sized vehicle, and therefore it is an issue of concern that compliance is lower in that area than for other vehicles, including being a lot worse than the condition of HGVs and buses.

Q110 Mrs Ellman: What are you doing to address that?

Mr Newey: Light good vehicle enforcement is largely and traditionally a matter for the police, but in recent years we have taken on a slightly bigger role. We have done surveys to find out what the underlying condition of the light goods vehicle fleet is, and that is where the figures that we are quoting have come from. I guess the point we are now at is: what are we now going to do about that and whether that should continue to be a police responsibility, which is where it falls at the moment, or whether there is any bigger VOSA role. I certainly have no resources or instructions to be able to take on a bigger role at the moment.

Q111 Mrs Ellman: Is this something you are discussing with the police?

Mr Newey: It is something we are discussing with the Department and tangentially with the police.

Q112 Chairman: Can I ask you a bit about costs before we have to adjourn temporarily, because in fact in your winter supplementary estimate you received £3 million extra for various enforcement pressures. Is there any reason why you could not have foreseen that expenditure?

Mr Newey: You are asking why we could not cover the light goods vehicles?

21 January 2004 Mr Maurice Newey and Mr Jeff Belt

Q113 Chairman: Why did you not understand that you needed that amount of money? Why did you need a supplementary estimate?

Mr Newey: The supplementary estimate covers work that the Road Haulage Forum had asked us to undertake two years ago, and they actually give us money, or we were given money, for three years.

Q114 Chairman: Who gave you the money?

Mr Newey: The Department gave us the money but it came from something called the Road Haulage Forum Fund, as I think it is called. There was an amount of money of £100 million which was ring-fenced; it was supposed to be for commercial vehicle activities and some of it came our way. We were given, £6 million in total, to cover three years.

Q115 Chairman: Are you going to get all your IT in place this year? What about the Siemens contract? Is the new MOT testing service going to be in place during 2004?

Mr Newey: We are hoping that it will be rolled out during 2004, but our view is that it is more likely to be towards the end of the year because the development of software and the testing of software had taken longer than we would have expected.

Q116 Chairman: Who takes the risk for that? Who bears the cost of that—Siemens or you?

Mr Newey: Most of the cost is borne by Siemens; they do not get paid a penny in transaction charges until the system is up and working.

Q117 Chairman: You are getting a loan of £10 million to replace aging testing equipment. Could you not have done that out of your normal income?

Mr Newey: We would like to have done that. Until recently, our funding arrangements did not allow us to build up reserves of more than £5 million. The normal means by which trading funds carry out this sort of thing is through loans and that is the route that we have had to go down.

Q118 Chairman: The sums we are talking about are really very considerable. We were talking about enforcement: £1.7 million for employing and equipping officials to stop vehicles, £200,000 for graduated fixed penalty, £400,000 for crash investigation and £2 million. These are quite large sums, are they not, compared with the additional HGV enforcement examples? You really can demonstrate, can you, the relationship between your extra £1.7 million for the extra powers and the level of enforcement that we can expect in future?

Mr Newey: This is to replace the police resource that has disappeared, but we believe, and the early signs show, that doing the stopping ourselves will give us some options for efficiency. For best targeting we shall be controlling the whole process by which vehicles are looked at, whatever time of day or night, so we will be able to do it to our own programme. I think that will be advantageous and I think it will pay for itself.

Q119 Chairman: If the money is not going to continue to come from the Road Haulage Forum, where will it come from?

Mr Newey: In the end, there is only one place it can come from and that is from fees on operators, and the “O” licence fee is the obvious source because, as a trading fund, nearly all of our income comes from either test fees or from the “O” licence fee.

Q120 Chairman: You are not this year going to get another sum from this Road Haulage Forum?

Mr Newey: I think that is strictly a three-year deal, but it is a question for the Department whether they would want us to pursue a fee increase or would wish to give us support.

Q121 Chairman: How many people call your hotlines?

Mr Newey: For the whistle-blowers’ hot line last year the figure was about 1700.

Q122 Chairman: That was for the full year?

Mr Newey: Yes. It is a relatively new thing. We are giving it publicity as thoroughly as we can.

Q123 Chairman: Where do you advertise it?

Mr Newey: It goes in our various publications, our news releases, and it will also be in our quarterly newspaper, as I mentioned earlier.

Q124 Chairman: You have explained a bit about your claimant fund but you are obviously using the strategy of above-inflation fee increases, are you not?

Mr Newey: Yes, that is partly because, even if we are given, as we have been, a £10 million loan, we are going to have to start paying it back straightaway. If more resources are going into the estate or into equipment, then we have to have a strategy for paying it back.

Q125 Chairman: That sounds perfectly logical until you realise from your annual report that you are making a return on investment of 8% rather than 6% set as a target. Does that mean you set your figures higher than you needed to do?

Mr Newey: I do not think so. I do not know whether Jeff Belt could comment on that point.

Mr Belt: In relative terms, 2% above 6% seems quite a lot.

Q126 Chairman: Yes, I think 8% does seem a lot.

Mr Belt: In monetary terms, it is equal to about £800,000. When you consider that our turnover is nearer £100 million, frankly, I do not think that is excessive. We have beaten the target. Although percentage-wise it seems quite high, in monetary terms it is not a huge amount of money.

Q127 Chairman: Why do you need that degree of increase? It is not because you are not very good at the job, is it? You are not inefficient?

Mr Belt: It is not that we needed that degree of increase but when we put our business plans together and we assessed all our costs and the revenue we

21 January 2004 Mr Maurice Newey and Mr Jeff Belt

need to raise to cover the costs to repay loans and earn a return on capital, we arrived at a fee. As I say, it was more than we really needed but in absolute terms I do not think it was really that exceptional.

Q128 Chairman: Finally, you have increased your staff by 165, which is 8%. How many of those were administrators and how many of them work on prevention?

Mr Newey: A good many of them are professional project people who are helping to deliver the change in the business, that is all the money that we have talked about that is being spent on new IT and so on, to give us better information and targeting systems.

Some of those staff are transient in that we need them while projects are being delivered but they will not be needed in the longer term because that is the nature of their work.

Q129 Chairman: Could you give me a breakdown of how many are transient and how many are professional IT and various other things?

Mr Newey: Yes.

Chairman: You have been very helpful. You may receive some written questions from the Committee.

The Committee suspended from 4.03 pm to 4.19 pm for a division in the House.

Witness: Mr Derek Harvey, Chief Executive, Vehicle Certification Agency, examined.

Q130 Chairman: Mr Harvey, we are very grateful to you for coming this afternoon. Did you want to say something to us before we start?

Mr Harvey: I have no particular statement, thank you, Madam Chairman. I hope I have provided all the documents that the Committee requested.

Q131 Chairman: That is very helpful. Why do we need, in the United Kingdom, a vehicle certification agency, which offers services abroad?

Mr Harvey: We need a vehicle certification agency in order to support our own industry, the automotive industry, and these days it is very difficult to distinguish what is abroad and what is at home amongst the automotive industry. Many of the activities that we undertake overseas are really in support of companies that are either based here or have some outlet or manufacturing plant here.

Q132 Chairman: It seems that you are applying management system certification services to international standards, ISO 9000 and ISO 14,000; is that right?

Mr Harvey: That is right.

Q133 Chairman: You do say in your annual report that one of the real tests for us is our ability to compete. Are you competing successfully?

Mr Harvey: We think so, generally speaking, over the years; we did not have a good year financially last year, but I think otherwise we are competing successfully. We are running a series of customer surveys and most of our customers support us very strongly in those.

Q134 Chairman: Did you get more or less work?

Mr Harvey: We actually got more work but we did not get enough work to cover our costs last year completely.

Q135 Chairman: The work is going up, even if you are doing it free, gratis and out of the kindness of your hearts?

Mr Harvey: We try not to do it free, gratis and out of the kindness of our hearts; we try to balance the books every year, but within any given financial year

it is not always possible to do that. Over the years that we have been in existence, we have had a financial retained surplus and we hope to be back into the black this year.

Q136 Chairman: Did you do an estimate of how much it costs you to provide the service compared with what you get back?

Mr Harvey: Yes, of course.

Q137 Chairman: We have some figures which are quite interesting from your business plan. Would you say that you would assume that they are going to begin to go your way this year?

Mr Harvey: We think they will go our way this year. Of course, that is very dependent upon our customers. They may or may not come to us for a given piece of work or their work programmes might slip. In fact, that is what happened last year and it was the major cause of our problem, simply that they did not come to us in time. The implication from that is that it slips into this year, which is good news for this year but bad news for last year.

Q138 Chairman: Either a vehicle does meet the safety standard or it does not?

Mr Harvey: Yes, but that would mean that they have not launched that vehicle or they have not gained that ISO 9000 certification in that particular time.

Q139 Chairman: Why should it be a matter of competition that you get vehicles certificated?

Mr Harvey: That is because there is one of us, or something like us, in each of the Member States of the European Union. The certificates that we issue are then recognised by all the rest of the Member States without any other technical investigation or any other technical testing, and so a manufacturer can shop around and come to us or the French or the German equivalents.

Q140 Chairman: Do you have a table which shows you which of the EU states has, dare we say, inferior testing processes?

21 January 2004 Mr Derek Harvey

Mr Harvey: We do not have that information at all. It is not really possible to get that information because in theory all of the standards are European, they are all alike, and a vehicle only gets a certificate when it passes. What we are trying to do is to raise the profile of the whole of this area by tabling a code of practice that we hope to promulgate with Member States and with all the other authorities to be more open about what we are doing.

Q141 Clive Efford: You said you provide a practical contribution to the achievement of reducing deaths, injuries and damaging environmental effects arising from transport. How do you do this?

Mr Harvey: Setting the standards is one thing and governments deciding that this is the standard they want vehicles to meet. What we do is practically try to help to ensure that they really do meet that standard. Bear in mind that with most of these standards you cannot see whether a vehicle meets that by looking at it or testing it downstream, as VOSA does. These are complex standards and they are inherent in the construction and design of the vehicle. We try, as it were, to ensure that vehicles have a good start when they come on to the roads and meet emissions, braking and crash-worthiness standards. We try to ensure that in practice.

Q142 Clive Efford: You say that the pressure is continuing on competitors to cut corners in the way in which standards are applied. What form is that pressure taking and what are the effects of it?

Mr Harvey: It is very difficult to quantify this, as I said before to the Chairman. A lot of it is hearsay from manufacturers because we have manufacturers dealing with us and with others, but typical forms would be not choosing to supervise as many vehicle tests to supervise. We make our judgments on how many vehicles we are going to see based on engineering judgments. It is not possible to see every type of every vehicle. In working with a manufacturer, you try to work out which is the worst case vehicle for a particular test, say on the roads, the vehicle least likely to pass the test for the whole range, and maybe test that. There will probably be several of those within a given type. For instance, if Fords launch a Mondeo, there will not be one worst case vehicle; there will be several worst case vehicles or combinations of them, because there are just so many different varieties of them. They may take, we think, slightly shorter cuts and maybe they are not seeing so many vehicles. No matter how well the standards are written, there is always room for interpretation in those standards as technology moves on. Maybe they will take a more lenient view of this than we would perhaps have taken.

Q143 Clive Efford: In your view, is it a question of lower standards elsewhere or us trying to gold-plate standards?

Mr Harvey: I do not think we are gold-plating them in any way. We are very much an engineering-based organisation and so a lot of the judgments are based on the technology, engineering and the logic through that. Another element of what we are doing is trying

to establish a uniform approach across Europe so that all things are the same. As I said, there is always room for interpretation. It is always possible to make some interpretation of the way a directive is written that is slightly easier for the manufacturer.

Q144 Chairman: Which way is the pressure going? If you are saying that perhaps European competitors do not test all the different models in the way that you would, is that pressure for you to reduce the amount of tests that you would carry out or lower standards, or vice versa: are you encouraging them to carry out more?

Mr Harvey: We are encouraging them to carry them out.

Q145 Clive Efford: You are doing that with some success?

Mr Harvey: Yes, with some success, and there is pressure on us all because we are competing and we are all trying to cover our costs. This is true if you have an international standard, not just in the vehicle industry but in many other product-related industries. There is an international standard; there are third party bodies trying to verify that, which are therefore in competition with bodies in other countries or in the same country. There is always that pressure, and so we need to work quite hard to maintain those standards. What we try to do in that is put in this code of practice in Europe, which is over and above the directives and ECE regulations. We are aiming, first, to set up rapid means of interpretation, so that there is no excuse if the manufacturer asks you a new question not to expose that to the full range of type approval authorities. We are trying to encourage regular meetings of type approval authorities. We shall be hosting one in the United Kingdom in early February. We are trying to establish a secure website where all of the test reports and the decision trees that lead to how many vehicles are tested are published but privately for the type approval authority there. We hope that that encouragement of transparency, without disclosing technical and commercial information and sensitive information, will help maintain all of those standards.

Q146 Clive Efford: You say that you are competitive but what are the consequences if you are not competitive? How does this competition manifest itself?

Mr Harvey: Then we will not break even in the given year, and I am sure, if we continue to be like that, the Department would ask other questions about why we were subsidising this activity, why we did not simply let the Germans or French do it all. If that were to happen, there would be other consequences for UK plc. There would not be a type approval authority for this expertise and this ability to support the UK manufacturers, and there would not be this practical back-up, if you like, to our policy negotiations in Brussels and Geneva.

21 January 2004 Mr Derek Harvey

Q147 Clive Efford: Are there vehicles on British roads that have been tested by other agencies that are not up to British standards?

Mr Harvey: Before they come on to the roads, they have all met all of the European standards.

Q148 Clive Efford: Would you have certificated them?

Mr Harvey: We would not necessarily have certificated them. They would have been certificated by our competitors in the rest of Europe.

Q149 Clive Efford: Should there be one European-wide authority for certification?

Mr Harvey: This has been discussed a number of times. Obviously that would eliminate some element of this competition. It would also introduce an element of bureaucracy into this, I think, and of course the motor industry has a very competitive element. The thing that would still mitigate against the success of that raising of standards is that gradually we are playing in a wider club. A host of these standards are EU standards, but the technical fountain for them is actually ECE within Geneva. It is the policy of the UK and many other countries to try to make that more of the focus of these standards and more countries can join that club now. Japan, Australia, China and Korea are all interested. They will all participate in that. The next logical step is a kind of world certification body. Maybe that is a good thing again, but it is a jolly long way off.

Q150 Chairman: What is the benefit to UK manufacturers of a UK certification?

Mr Harvey: It is that they do not have to do any more technical testing in all of the other Member States or any of the other signatories that sign up to the Geneva-based standards.

Q151 Chairman: Geneva is the wider one that takes in the countries where they would hope to sell outside the Community?

Mr Harvey: Yes. Any member of the United Nations can become a signatory to that series of standards. Some do not because they do not like the standards; maybe their technology, their motor park is not up to this standard. Some do not, like the United States, because they have a whole different legislative infrastructure in the States, but they still participate in the actual technical detail of that even though they do not participate in this.

Q152 Chairman: That is called ECE?

Mr Harvey: That is ECE.

Q153 Ian Lucas: One of the things that we hear from manufacturers, who obviously are dealing increasingly in the globalised market at the present time, is that they want standardised conditions and standards right across the globe. You have indicated that there is a completely separate system in place in the United States. Is there any prospect of that changing to the extent of the United States being more integrated into the ECE?

Mr Harvey: There is a great deal of progress on that in terms of agreeing the standards and the ECE agreements have moved on over the years to permit a global standard being drawn together, including the United States and Canada and other countries, and Japan, as I say, has joined this agreement in full. That is on the horizon and it is moving forward, and so we already have a harmonised standard for braking, lighting installation and various things like that. Sometimes the United States has not adopted the technical standards, which is the most important thing for manufacturers so that they can design to that standard; the United States does not necessarily want to adopt the same legislative progress for recognising those standards. Their whole philosophy and legislative background is of a self-certification regime with government following up very much afterwards with the testing of vehicles, and of course they are a very litigious society if things go wrong.

Q154 Ian Lucas: Does that cause a problem for British manufacturers?

Mr Harvey: If the standards are different, they will have to redesign their vehicles to meet those standards. Then they will have to carry out testing themselves—and sometimes we help them with this to provide an independent element in the report—and devise their own reports, which they will then lodge as self-certification for selling vehicles in the States.

Q155 Clive Efford: Has being part of the Driver and Vehicle Operator Group made any difference to your operations?

Mr Harvey: We are not an integral part of that. We are in structural terms but in the things that we do we are not so deeply embedded as are our colleagues who have been on previously. Our customers are primarily the motor vehicle industry, whereas the customers for the other agencies are primarily either individuals as vehicle owners and drivers or they operate as a company. So we are not so integral, but we have gained something from it in terms of closer learning from our big brothers, if you like. They have in some cases in-house techniques, skills and resources of which we can take advantage. We can take advantage of benefits of scale, such as various training courses, not our specialist technical and engineering courses but some of our project management and IT type things.

Q156 Clive Efford: May I go back to this marketplace that you operated in and competition? Other members may have grasped this quicker than me but I will pursue it anyway. Vehicles can drive on our roads if they have been certificated by another agency?

Mr Harvey: Yes. If I may just qualify that, at the moment there is a European Whole Vehicle Scheme for Cars, and so cars can be certified completely in another Member State and then move directly to registration in this country with no other technical examination of them. It is not quite there for trucks, lorries or trailers.

21 January 2004 Mr Derek Harvey

Q157 Clive Efford: You said in your evidence to us that you are concerned about the standards and the rigour of the tests in other countries. If I were a vehicle manufacturer, why would I come to you? Why would I not circumvent you? Presumably I could cut costs.

Mr Harvey: You could probably cut costs because we are a full cost recovery agency and we are bearing all of our full costs. Not all of the other countries are doing that and obviously some will have lower costs, even if they are charging full costs. We have a very good reputation, and so, although these certificates are supposedly accepted throughout the world in a lot of other countries, we think that ours are more likely to be accepted without any hindrance because of our reputation. Some manufacturers are very interested in that. Our part of the process is right at the end of a vehicle development process. Everything that has gone wrong up to that point in the vehicle development process has done so—that is the way life is—but they do not want to change dates at the end. We aim to deliver, although it is technically robust, a very administratively swift service, an added-value service, and also we are providing a lot of information about the standards to manufacturers. We are treating them as customers in that sense. They come to us because of the reputation, the service we are delivering and because of this other back-up.

Q158 Clive Efford: I may be being very green but I have to pursue this. Your certification is accepted by whom? Who would differentiate between whether a vehicle is certificated here or somewhere else?

Mr Harvey: It is accepted by all of the other Member States of the EU if it is an EU certificate and by all of the other countries if it is an individual certificate, say for braking or emissions, because there is not a whole vehicle arrangement in the Geneva set of standards. It would be accepted by all of the other countries that are signatories to that standard, and so maybe Israel or Japan or Australia.

Q159 Clive Efford: I may be misunderstanding something. I asked you earlier on about cars being certificated in other countries that were being driven over here that were not up to the standard that you would certificate.

Mr Harvey: Cars cannot come into the UK unless they have an EU approval certificate. That must have been issued either by ourselves or by one of the other EU Member States.

Q160 Clive Efford: Can I just go back to your association, VCA? How do you view your responsibilities related to VOSA?

Mr Harvey: We are approving vehicles before they get on to the roads and we are approving types of vehicles and, broadly speaking, those are mass-produced vehicles.

Q161 Clive Efford: What sort of information are you providing for your partners?

Mr Harvey: We provide to VOSA details for heavy goods vehicles; we provide details of the waste system that those vehicles are designed to and the waste system that they can run to in the UK. We shall do the same later on for buses. There is a European whole vehicle scheme for buses. That is most of the information that we supply to VOSA on a regular basis. We have exchanges with VOSA on an *ad hoc* basis about any re-calls that they might have. They might tell us information about the type approvals and so on. We support DVLA because the basis of the graduated VD scheme is CO₂ emissions for new vehicles. We are, if you like, the custodians of the data that underpins that scheme. Each individual transaction for each individual value of CO₂ and for each individual car comes via the manufacturer because there are two million new vehicles coming on to the road each year. We are involved in an audit process on that data against the database that we hold and construct. That is pretty well in tactical terms the data exchanges.

Q162 Mrs Ellman: You do not seem to have done very well in meeting targets, either targets set by the Secretary of State or your internal targets. With some of the figures we have here, the figures are actually going down. The use of certificates issued within 20 days has gone down from 90% since 2000–01 to 43%. Why are targets not being met and why is the situation getting worse?

Mr Harvey: Although some of these targets impinge on the Secretary of State's targets, most of them are more internal than external. I think we have achieved most of our external customer-facing targets, the ones that are of interest to either the vehicle industry in getting our certificates or to the Secretary of State and the public in terms of the quality of that certificate and the quality of our assessments. We have achieved most of those. With a lot of the others, for instance the one you have talked about, we have also been changing the methodology and the reporting form over the years in order ourselves to get more out of what we are doing. We have been looking actually for more objective certificates and more objective reports out of that, which goes back more to the root cause of why there is a problem. There is a moving target of improvement of our own processes. In a sense, they are not very good targets for this outward kind of display.

Q163 Mrs Ellman: Is this really improvement or is this you redefining what the targets are to meet?

Mr Harvey: I think it is an improvement and I think our customers would all think it is improvement because they are all seeing more value out of the certificates and assessments they are getting. That is borne out by the customer survey results, which have continually gone up and the results say "good" on this.

Q164 Mrs Ellman: Has there been any independent assessment?

21 January 2004 Mr Derek Harvey

Mr Harvey: The results are verified, either by the National Audit Office or the Department's internal auditors. The assessment processes that we are doing are all target-related. Most of them are verified by the United Kingdom Accreditation Service, which is a body outside VCA, and that looks at the whole of these processes and ensures that the processes are meeting the requirements that they lay down.

Q165 Mrs Ellman: But there are instances where the information you have given in the annual report is different from the information that is given in the business plan. Why would that be?

Mr Harvey: I am not aware of those differences unless we have corrected them at a later stage.

Q166 Mrs Ellman: One example, and the one that I used before, is the issuing of new certificates within 20 days. The figures given in the two reports are significantly different. I do not know why that should be.

Mr Harvey: That was presumably for a past year, say 2002–03; we may have made an estimate when we issued the business plan. The figures would have been constructed, say, in February, ready to issue for the new year when we did not have the final outturn picture. So there could be a difference between—

Q167 Mrs Ellman: It is rather confusing, is it not, from the outside?

Mr Harvey: It is.

Q168 Mrs Ellman: Is that something you will be addressing in future?

Mr Harvey: We are still trying to refine these targets. I think these targets are quite difficult to define and to define the best target that is useful to show outside. I accept completely that it is fine for me in a small organisation to say that we are improving these targets, but I do accept that these are very confusing to anyone outside. It is something we have tried to do, and will continue to try to do, to improve the clarity of what we are aiming for in these targets.

Q169 Mrs Ellman: Your audit accounts show that you had a deficit in the year 2002–03. Why did that happen and what are you going to do about that?

Mr Harvey: I touched on this a little earlier. The biggest part of the reason was the work load that we thought was going to come in this year actually slipped. A lot of the manufacturers' programmes have slipped into this year. That is entirely their doing, their choice. There is nothing we can do about that. We lose some income. It is not possible to cut back all of the costs instantly in the year to match that sort of change of business. Clearly, if business dropped altogether, we would have to cut back resources in some way or other. That was the major contributory factor to that, but we did have some one-off costs in the year; we had a revaluation, for instance, of our premises at Nuneaton which cost us some money. The rate at which customers are paying our invoices slipped badly, and so payment rates reduced, which cost us more interest on working capital. We had one or two write-offs of bad debts,

which came at the end of the year, of companies and other things that we did not predict earlier in the year and which we would not actually expect to have again this year. We also had some losses incurred from overseas operations on the exchange rate losses, which could go either way; they could be better or worse from one year to the other. We do not include those in our targets because of that but they obviously do impact on whether or not we make a profit or a loss.

Q170 Mrs Ellman: What is going to happen at the end of this financial year?

Mr Harvey: I think we will achieve our target at the end of this financial year.

Q171 Mrs Ellman: Are you confident of that?

Mr Harvey: Things can change right up to the end but all the signs at this moment are that we will achieve these targets. Manufacturers could stop work tomorrow and every bit of income and every bit of planning between now and the end of the year for a big customer might not materialise. We would find it very difficult to dismiss staff instantly. It is not possible to predict, even at this late stage in the financial year, but all the signs are very good.

Q172 Mrs Ellman: Your administration expenses increased by one-third from 2001–02 to the following year. Why was that?

Mr Harvey: What are defined in here as our administration expenses is perhaps not the best definition. This is not administration of the work we do. It includes a lot of publication costs and some of the things that we publish are programme expenditures but they are not always classed as programme expenditure. For instance, the fuel consumption data that we talked about earlier comes in fuel consumption booklets, which we publish. That is a big publishing cost and that has increased from one year to the other because that is what the Department wanted us to do.

Q173 Mrs Ellman: Are you saying that you were asked to produce more work or that the cost of producing the anticipated work went up? Which is it?

Mr Harvey: We were asked to produce more work and that work was classified into administration costs.

Q174 Mrs Ellman: Why did your pay costs double last year?

Mr Harvey: I do not think our pay costs doubled last year. I have not got the figures absolutely at hand.

Chairman: If I can help, there is a pay cost for 2001–02 for £403,000, and then it is £835,000. That is plus 107% in one year, which is noticeable, considering that comes under administration expenses. The pay costs went from £403,000 to £835,000.

Q175 Ian Lucas: The number of staff also declined in the same period.

21 January 2004 Mr Derek Harvey

Mr Harvey: Our salaries and superannuation were just over £3 million in 2001–02 and £3,300,000 in 2002–03. That reflects a small increase in staff and a pay settlement.

Q176 Chairman: These figures were taken from your audited accounts.

Mr Harvey: In section 5 of the 2002–03 accounts we show staff costs, including social security pension costs, as £3,195,000 for 2001–02 and in 2002–03 as £3,537,000.

Q177 Chairman: Then what is the figure here, the £403,000 and the £835,000? That is from note 4 on page 12 of the VCA's annual report and accounts for 2002–03. The figures that you quoted presumably form part of this £403,000 and £835,000 but it still does not account for the difference. Do you want to go away and think about that?

Mr Harvey: Yes. I will look at that

Chairman: I will give you the note so that you know which bit to look at. It is note 4, page 12 of your annual report and account.

Q178 Mrs Ellman: What are you doing to get your bills paid quicker?

Mr Harvey: First of all, it is quite a complicated process to get to the point of sending the invoices out. We are doing all we can to speed up our own internal control of that. We have just instituted more rigorous chase-ups with companies. We have 30-day terms for most of our bills. We have a chase-up after 30 days and after 60 days and the move to solicitors' letters and legal action if necessary.

Q179 Mrs Ellman: Is this having an effect?

Mr Harvey: It has had a good effect, yes. The other thing that has had a good effect is the training of staff and having staff in those positions who are good at this, who are skilled at extracting this money.

Q180 Mrs Ellman: What risks would you say the VCA faces at the moment?

Mr Harvey: Most of our risks are connected with the business. Our customers could change; they could leave us, they could go away, they could themselves fail or be merged and the work switched to somewhere else. That is one of our risks. Our biggest kind of risk is customer risk. The other risk is linked, as we have said earlier, to customers who could begin to be more interested in shortcutting, cheapness and all the rest of that, and so we would lose work in that sort of way. One of the things we want to do this coming year, in a whole range of jobs all of different complexity, is to look more closely at those to see which are the most cost-beneficial to us. That involves us in getting new data from a new time and management system that we are rolling out. We are anticipating some efficiency gains from all of that this year. Obviously, if we do not roll that out and then make good analysis of it, that will be a fair risk to us.

Q181 Mr Stevenson: Just going back a bit to your targets, Mr Harvey, would you confirm that the Secretary of State laid down six areas of targets for you?

Mr Harvey: Yes.

Q182 Mr Stevenson: Would you also confirm that in 2001–02 one of those targets, target number 3, quality and service, was changed in 2001–02?

Mr Harvey: Yes.

Q183 Mr Stevenson: Did you, as an agency, change that or would it be part of a changing target?

Mr Harvey: We suggested the target change through our Advisory Board and then Ministers agreed to that.

Q184 Mr Stevenson: Why did you single out that one target?

Mr Harvey: That one target is a combination of many things. We introduced that target that particular year, 2001–02, to give a kind of a single measure of a whole range of quality and service issues.

Q185 Mr Stevenson: Could I start with 2, "To have at least 98% of approvals issued error free". I think I could construct a very strong argument that that too embraces a wide range of issues.

Mr Harvey: It does. We have that target separated out in that fashion because we, and I think our customers, think it is a very important target.

Q186 Mr Stevenson: I accept that and I will come to that. I am still intrigued as to why you made representations to the Secretary of State to have this one target pretty fundamentally changed. Why did you do that and why not for others that you missed?

Mr Harvey: We introduced that target—

Q187 Mr Stevenson: The Secretary of State introduced that target. That is one of the targets laid down by the Secretary of State. You have confirmed that.

Mr Harvey: Yes.

Q188 Mr Stevenson: I am intrigued as to whether it was your agency that changed that target but not others and made representations to the Secretary of State that were subsequently accepted?

Mr Harvey: Because the target, we thought, was more representative of what we were doing and what was more sensible.

Q189 Mr Stevenson: The amended target?

Mr Harvey: Yes.

Q190 Mr Stevenson: That was what you were doing and what was more sensible?

Mr Harvey: The targets were more relevant to what we were doing, more representative of the work we were trying to do and the benefit we were trying to add.

21 January 2004 Mr Derek Harvey

Q191 Mr Stevenson: I see. We could have an interesting discussion on that but nevertheless you have responded to my question.

Mr Harvey: They were not changed in order to make it easier for us to achieve these targets. They were changed to try to capture more usefully what we were trying to achieve.

Q192 Mr Stevenson: Can I then question you a little further because, according to the figures we have got, and I hope these figures at least are something you can concur with, in 2002 you managed 72% of the quality and service target, according to our information. In 2003, after the system was changed, you managed 11 out of 20 in the revised system. I am glad somebody else is doing the maths for me and I do not have to do it, but that seems to be a slip from 72% under the old system to 55% in the new system. How does that reflect what you are doing in your enhanced efficiency and so on? Shall I go to another question?

Mr Harvey: No. Having changed the targets at the start of the year, we continued to change some of the underlying report that underpinned those targets.

Q193 Mr Stevenson: Mr Harvey, that sounds like a bit of VCA gobbledegook to me. The fact of the matter is that you made representations to the Secretary of State on this one target and when the Secretary of State accepted your arguments and changed the target from a percentage one to a score of at least 15 out of 20, a more mechanical and perhaps simpler assessment, you got worse by a factor of 20%?

Mr Harvey: We did get worse. Obviously, we did not think that we would get worse. When we set our target, we were aiming to improve.

Q194 Mr Stevenson: I am not suggesting for one minute you sat down, Mr Harvey, and said, "How can my efficiency get worse?" The fact of the matter remains that you got worse by one-third or 30%?

Mr Harvey: We did.

Q195 Mr Stevenson: Why was that?

Mr Harvey: It was because we changed some of the things that affect that target. We think we changed them for the better and delivered, but nevertheless it still meant that we did not do these things—

Q196 Mr Stevenson: You changed the target but your performance got worse. Is that fair?

Mr Harvey: Our performance against the target got worse, there is no denying that.

Q197 Mr Stevenson: That is what targets are for.

Mr Harvey: I understand what you are saying.

Q198 Mr Stevenson: The targets are there for you to seek to achieve those targets. You put an argument forward to the Secretary of State, no doubt which was a cogent one. The Secretary of State accepted it and then, bingo, you went down at a rate of knots. I am going to ask you a fourth time: why?

Mr Harvey: We just did not achieve the targets. I think there were very good reasons which were to do with the change in the processes that we have in-house that were making the end results better, the end results being the quality of the assessment that we are delivering to outside customers, but that meant that we were, for instance, not as quick in delivering some of these certificates, and we therefore went down on the targets.

Q199 Mr Stevenson: You are getting better at delivering services to customers if your distance from target goes down. That is the logical of what you are saying.

Mr Harvey: There was a judgment made in the year as to whether the improvements we were making were more important than achieving this element of the targets. The judgment was made, my judgment, that those things were more important. Of course, we still aimed to hit the target, even with these changes. We just were not able to make that.

Q200 Mr Stevenson: If you make many more improvements like the ones that led to your targets getting worse, you will finish up even further from the targets. That is the logic of what you are saying. I will move on. Give examples of some improvements. That will be an interesting question.

Mr Harvey: In these particular targets, to dwell on them a little bit, what we are looking for, and some of these are connected with clearances of things that we found wrong during the assessments, from the customers is that they have gone back to the root cause of why those things have been found wrong during the assessment, not that they have just put them right. Our reporting system is designed to do that.

Q201 Mr Stevenson: Forgive me, and this is my last comment on this particular line of questioning and then I will move on to another: you are saying it is your new targets that you argued for, your agency argued for, and presumably you were part that—

Mr Harvey: Of course.

Q202 Mr Stevenson:—that has led to a significant deterioration in this critical target of quality and service. Do you accept that?

Mr Harvey: I accept that.

Q203 Mr Stevenson: Surely to goodness you are not seeking to blame your customer for that?

Mr Harvey: Not at all, no; all I am saying is that I have made changes through the process in the year which I think improved the process and improved what we delivered to customers.

Q204 Chairman: You did not foresee that?

Mr Harvey: We did not foresee that those changes would impact in this sort of fashion and it meant that we missed this target.

21 January 2004 Mr Derek Harvey

Q205 Mr Stevenson: You missed it?

Mr Harvey: We failed this target. We got worse.

Q206 Mr Stevenson: If ever I am put in front of a firing squad, Mr Harvey, I hope you are holding the gun with the live bullets in it because I will have a 45% chance of getting off.

Mr Harvey: This is the sort of target that deals with cleaning the gun, not with shooting it!

Q207 Mr Stevenson: That is an interesting thing. Let us move on to one other area and that is the question my colleague was asking about the European Union. I think I wrote down what you said correctly. I may have paraphrased it slightly. I think you said that no car from the European Union can enter the UK unless it has the relevant European Union certificate.

Mr Harvey: I think that is what I did say, and it is not absolutely correct. In general terms, cars will do that. All mainstream cars, volume-produced cars, will have a European Union certificate, but there is another avenue for personal imports and kit cars made in the UK or in the European Union to come through the VOSA single vehicle route.

Q208 Mr Stevenson: That is quite important.

Mr Harvey: It is.

Q209 Mr Stevenson: There is a whole market area, not a generic area, that you have got no control over. People could be running meccano sets, for all you know, on the roads?

Mr Harvey: For all I know, but my colleagues in VOSA are there to make sure—

Q210 Mr Stevenson: Are they? We will consider their evidence on that. That is not the purpose of my question, which is that in general terms if a European Union manufactured car needs a European Union relevant certificate before coming into the UK, what are you doing to ensure that that system is as effective as it should be in the UK interests, of course, when the ten new Member States join in May of this year?

Mr Harvey: First of all, we have suggested this system, particularly to Brussels but also to Geneva, of openness where all the type approvals and the reports will be lodged so that all other Member States can see the fine detail of that. That will include the records of which vehicles have been chosen to be tested and the test results of the vehicles. That transparency will be there. Secondly, we are inviting all of the new Member States, as we have over the last couple of years, to attend the regular meetings of approval authorities where we discuss the processes and all these kinds of interpretations.

Q211 Mr Stevenson: The two areas you have been acting in are transparency and openness and what is expected of the new Member States?

Mr Harvey: Yes.

Q212 Mr Stevenson: Do you intend, as an agency, to follow that up? What measures would you consider taking to follow that up and to monitor that to ensure it actually happens?

Mr Harvey: When we have this circulation of documents, the lodging of these documents, we shall carry out an audit of those documents to see what we find from those.

Q213 Mr Stevenson: You will not, either as an agency or through the European Commission, actually be visiting any of the ten new Member States to see on the ground what their regimes are as distinct from what appears to be—and I do not wish to decry it at all—at the moment a paper exercise?

Mr Harvey: I understand your point and it is a paper exercise.

Q214 Mr Stevenson: What are you doing in practical terms?

Mr Harvey: What we are suggesting, and we will not have funding for this out of the fees that we are charging manufacturers at the present time, is that there should be an element of round-robin testing, witnessing and on-site looking at what people are doing.

Q215 Mr Stevenson: To whom have you suggested that?

Mr Harvey: We have suggested that to the Department officials.

Q216 Mr Stevenson: What has been their reaction?

Mr Harvey: They are still thinking about that.

Q217 Mr Stringer: We are now at the end of January; we have four months to go before the ten new Member States are part of the system. You have made an important suggestion and you must have thought about it before you made it or you would not have made your proposal, and the Department of Transport is “still thinking”?

Mr Harvey: We have a small budget for this at the moment. One of the discussions about the budget for next year on this and other work that we do for the Department is whether more of that should be switched into these kinds of things.

Q218 Mr Stevenson: The Department is thinking about it?

Mr Harvey: As yet, we have not resolved that.

Q219 Mr Stevenson: When did you put forward this suggestion?

Mr Harvey: That was late last year, I suppose, formally.

Q220 Mr Stevenson: Have you made any assessment of how many vehicles will be imported from the ten new Member States into the UK and therefore will need this certification?

21 January 2004 Mr Derek Harvey

Mr Harvey: We do not think it will be very many vehicles at all coming from the new Member States that will be certified by the authorities of the new Member States.

Q221 Mr Stevenson: Who will then certify them?

Mr Harvey: One of the existing approval authorities, possibly ourselves, will do that.

Q222 Mr Stevenson: I am making cars in Lithuania; I can send them to Italy or Greece and get them certified there and you will accept that?

Mr Harvey: Yes.

Q223 Chairman: How many people do you have in the office in Nagoya and how many in Detroit?

Mr Harvey: We have ten in Detroit and five in Nagoya.

Q224 Chairman: How much business did they generate in the last year?

Mr Harvey: In the States, it is about £1.8 million and in Nagoya it is about £200,000.

Q225 Chairman: How does that compare with their costs?

Mr Harvey: The office in the States more than covers its costs, and has done since the inception of that office. The Japan office does not quite cover its costs, but it works in a slightly different fashion in that a lot of the customers that it is dealing with are the same people that have been dealt with by our UK office, which is primarily the UK plants: Toyota, Nissan and Honda. It is a support to the activity that we are undertaking for these companies.

Q226 Chairman: It is information-gathering?

Mr Harvey: No, testing and everything else; the big programmes will be undertaken using engineers based in the UK but there will be tail ends to the programme which will be dealt with by the Japan office. That ensures that whole programmes are dealt with by VCA.

Q227 Chairman: If I were a Minister responsible for your agency and I called you in and said, "You are not doing terribly well at the moment, frankly, and we are not at all clear that you are going to do better next year", what would you say to me?

Mr Harvey: I would explain in financial terms the unfortunate things that happened to coincide and go in the wrong direction last year when those could have gone in the right direction, and explain what we have done to capture new business this year, which we think is on the upturn.

Q228 Chairman: You do think that is on the upturn?

Mr Harvey: As I explained before, that is never guaranteed. We have more work in hand but it is not guaranteed until it comes.

Q229 Chairman: What are you doing to capture new business?

Mr Harvey: We are actively talking to existing manufacturers for the existing type approval schemes and for the MSC schemes. We are talking to other customers, like the National Health Service and the Ministry of Defence which wish to have additional confirmations in particular technical areas on vehicles, to see whether we can help them with that sort of scheme. In fact, we are doing that for ambulances.

Q230 Chairman: That is on the assumption that you are talking about imported vehicles as opposed to British vehicles?

Mr Harvey: These are largely British-built vehicles, British-bodied vehicles, for the ambulance services. They have particular extra requirements for the construction of the ambulance, its crash-worthiness in terms of the occupants of the ambulance and complex tests which we are in a position to be able to verify for the NHS. We have a number of other new business streams that potentially supplement what we do using the same sort of skills and the same sort of knowledge, and that will give us additional protection against losses of business through vehicle manufacturers leaving.

Q231 Chairman: It seems that you have thought once or twice about slippage. What you are talking about, in effect, is a manufacturer taking longer to make a particular product and who brings it to you later than you had envisaged in your year. That is what you really mean by slippage.

Mr Harvey: Yes.

Q232 Chairman: It is not your slippage; it is actually somebody, having said they were going to do something, not bringing it forward?

Mr Harvey: Yes.

Q233 Chairman: How do you normally estimate how much work you are going to get through if increasingly you are only dealing with a limited number of manufacturers and a lot of the manufacturing processes, although they would be superficially different, will actually be fundamentally the same platforms as all the other vehicles that you deal with anyway? How do you estimate how much business you are going to get?

Mr Harvey: We do so with great difficulty. It is very difficult to estimate this business. The only way we succeed in doing it is by talking to our customers and saying to them, "What is the future programme coming up? What do you estimate is going to be there?" This may be, of course, something that is looking two years ahead, and they will have that sort of picture in their minds for two years ahead, and then us making some estimate of what work that is.

Q234 Chairman: Mr Harvey, what is to stop me, if I am producing a European vehicle which is perhaps not quite to the same standards as a British vehicle, going to some other certification authority elsewhere in the Community and asking them to look at my vehicle and let it on to the British roads? There is nothing that you can do about that, is there?

21 January 2004 Mr Derek Harvey

Mr Harvey: There is nothing that we can do about that unless we find out in some way or other, either through hearsay or through a series of enforcement tests and purchasing some of these vehicles in the marketplace. Given that we found something specifically wrong with the vehicle, we can institute a stop on it.

Q235 Chairman: How often have you done that sort of spot marketing, if I can call it that?

Mr Harvey: We have a small programme on products through the year and, because of the cost of doing this, it is more limited to individual products sold in the after-market, if you like: seatbelts and child restraints. It is a year or two, and I cannot remember the exact date now, since we took cars in the market.

Q236 Mr Stevenson: But you do not check on a random basis cars that are imported into this country from European Union countries?

Mr Harvey: No.

Q237 Chairman: Do you have a structured policy, assuming that there are new car seatbelts being supplied from outside the United Kingdom but being put into UK vehicles, or do you have any way of being able to check on the efficiency or safety of those extra accessories?

Mr Harvey: If they are accessories being sold in the marketplace, we do not have a structured approach to that, no. We have a budget so that each year we can select some of those, and those are selected on a host of factors that might come in to us. It might be some suspicions of trading standards officers; it might be whistle-blowing from other manufacturers; it might be just that we see that this is from a completely new approval authority.

Q238 Chairman: The only difficulty about that is that by the time trading standards officers know that there is a defective seatbelt operating in a vehicle, the local A&E department has encountered various motorists who have considerably damaged their skulls.

Mr Harvey: That is a possibility.

Q239 Chairman: What has your agency done to think about that? Where are there gaps in the provision? What are you doing about it? What are you saying to Ministers in the Department of Transport about the need to address problems of the sort we are talking about?

Mr Harvey: Of course, we have to be a little bit proportionate about this. There is not a great deal of evidence that all of these components are going wrong. The evidence would only come up after the horse has bolted.

Q240 Chairman: Or after the neck is broken?

Mr Harvey: Yes.

Q241 Mr Stevenson: Do you not think, Mr Harvey, and we all know about European Union rules and free movement of goods and all the rest of it, that if,

for example, your department were to ask for resources to institute random checks on vehicles imported into the UK from other European Union countries two things might happen: one, public confidence in our system would be increased; and two, those certification bodies in other EU countries would make damn sure that they were doing their job correctly or they would stand a better chance of doing that? Would you accept that scenario?

Mr Harvey: I think I would accept that scenario, and that is why we have a programme of some random testing. It is just that the resource for that programme is fairly small.

Q242 Mr Stevenson: But you do not do it on imported vehicles?

Mr Harvey: It is, generally speaking, on imported vehicles, yes, but it is very small.

Q243 Chairman: Could you write a note that tells me how often you have done this, what the size of your resources is, where the gap is and how you think you could improve your testing safety levels so that at least we can be sure that, when all these new countries are admitted, we are maintaining the standards of safety on our roads?

Mr Harvey: Yes.

Q244 Clive Efford: In addition to that, does not the deficit for this year, 2003–04, or the year that has just gone, indicate that your business is seriously on the downward slope and would that not suggest that business is going elsewhere because they are finding that they can circumvent your standards?

Mr Harvey: I do not think it suggests we are seriously on the downward slope. There were a number of things last year that happened that we would not expect to happen in other years. There are slippages in the programme that we expect to come back this year.

Q245 Chairman: It would not happen in another year because if you have three years with those sorts of figures, you would be out of business?

Mr Harvey: That is true. I agree that if it carries on with that sort of deficit, there would have to be some radical change.

Q246 Clive Efford: You said to us, in answer to questions from several members, that your standards are higher than elsewhere, that it is not necessarily the case that all vehicles have to meet those standards before they get on to British roads, and that manufacturers can save costs by going elsewhere to be certificated.

Q247 Mr Harvey: It is a gamble for manufacturers to do that. It is a risk that they take, of course.

Q248 Mr Stevenson: Is that not a huge incentive for them to go elsewhere and not come to you? Does that not seem to be going on?

21 January 2004 Mr Derek Harvey

Mr Harvey: That is one year. We have done reasonably well over the other years. Nevertheless, it is a risk for manufacturers if they take those shortcuts.

Q249 Clive Efford: On your turnover, I would not say that you have done very well in previous years. You had a small surplus.

Mr Harvey: We are aiming for a small surplus or to break even. You do not aim to make profits every year.

Chairman: Mr Harvey, go away and think about what you could do that would safeguard the people in the United Kingdom against being provided with inadequate vehicles on our roads. Thank you for being tolerant and helpful.

Written evidence

Memorandum by the Department for Transport (VV 01)

WINTER SUPPLEMENTARY ESTIMATES 2003–04: VEHICLE AND OPERATOR SERVICE AGENCY (VOSA)

Details of the items for which resources were sought in the Winter Supplementary Estimates 2003–04 for the Vehicle and Operator Service Agency are set out below. For each item, answers are given in the order set out in the Clerk of the Committee's letter of 17 December 2003 ie

- (a) the agency's projects and expenditure which will be supported;
- (b) the extent of the department's support for the proposed budget for each item;
- (c) the reasons for the department's support;
- (d) an indication of which items are supported with subsidy and which with loans;
- (e) the terms of the loans; and
- (f) an indication whether the department expects to provide further support next year.

1. (a) VOSA POWERS TO STOP (RESOURCE)

(b) £1,746,826

(c) Police support to stop vehicles for inspection at the roadside has been in decline for a number of years. The Police Reform Act 2002 is being applied to accredit VOSA officials to enable them to exercise their own powers to stop vehicles.

(d) The department is paying the Agency to employ, train and equip officials to do this. This is a payment for an enforcement service rendered for the public good.

It could only be regarded as a subsidy had it been generally accepted that these costs, previously carried by the police, should be recouped from vehicle operators. The same point applies to many of the entries that follow.

(e) Not applicable.

(f) Yes. If roadside enforcement continues at broadly the same level as now about £1,600,000.

2. (a) VOSA DIGITAL TACHOGRAPHS AND TACHOGRAPH CALIBRATION (RESOURCE)

(b) £2,391,118.

(c) EU requirement to introduce digital tachographs in 2004.

(d) See point 1 above. To train and equip VOSA examiners to enable them to check drivers' hours records from digital tachograph equipment and cards.

(e) Not applicable.

(f) Yes. Ongoing operating costs of approximately £300,000 a year.

3. (a) VOSA ACCESS TO POLICE NATIONAL COMPUTER (PNC)/SCRO (RESOURCE)

(b) £150,000.

(c) Legal obligation to include convictions initiated by VOSA on the PNC/SNC.

(d) See point 1 above. To establish a link between VOSA's data warehouse and PNC/SCRO to facilitate single data entry.

(e) Not applicable.

(f) Yes. Operating costs of approximately £10,000 a year.

4. (a) VOSA FLEET COMPLIANCE CHECKS (RESOURCE)

(b) £88,000.

(c) Operational Research Unit analysis of findings from random checks on Heavy Goods Vehicles, Public Service Vehicles and Light Goods Vehicles.

(d) See point 1 above. To benchmark the state of the national fleets in any given year and to detect trends in offending against historical data. Also verifies the effectiveness of VOSA's targeting regime.

(e) Not applicable.

(f) Yes. £88,000 a year.

5. (a) VOSA PRINTING AND DISTRIBUTION (RESOURCE)

(b) £164,000.

(c) Guides to regulations on traffic and roadworthiness regulations and the introduction of “Moving On” a twice-yearly education publication.

(d) See point 1 above. Guides previously charged for but now posted on VOSA’s web-site. The department pays for printing and distribution to vehicle operators who lack ready access to the Internet.

(e) Not applicable.

(f) Yes. £164,000 a year.

6. (a) HEAVY GOODS VEHICLE IMPOUNDING SCHEME (RESOURCE)

(b) £150,000

(c) Regulations introduced in January 2002 enabling the impounding of illegally operated lorries.

(d) Subsidy covers the difference between the cost of seizing, storage and disposal of the vehicles and revenue gained from their sale.

(e) Not applicable.

(f) Yes. £150,000 a year.

7. (a) SOLICITORS COSTS (RESOURCE)

(b) £60,000.

(c) To present complex cases at Public Inquiries and Driver Conduct Hearings where applicants are similarly represented.

(d) See point 1 above. Covers the cost of such legal services.

(e) Not applicable.

(f) Yes. Approximately £60,000 a year.

8. (a) VOSA GRADUATED FIXED PENALTY/DEPOSIT SCHEME (RESOURCE)

(b) £200,000.

(c) The Department is working with the Home Office and the Association of Chief Police Officers to develop a fixed penalty scheme for traffic and roadworthiness offences to improve deterrence and deal with foreign offenders.

(d) See point 1 above. Initial expenditure to include the scheme within existing systems development project to allow the issuing of fines.

(e) Not applicable.

(f) Yes. £2,540,000 in 2004–05 followed by £300,000 a year operating costs.

9. (a) AN ADDITIONAL HGV ENFORCEMENT PACKAGE BY VOSA (RESOURCE)

(b) £1,500,000.

(c) A package of measures including additional examiners and equipment, Automatic Number Plate Readers, mobile weighpads and roller brake testers to increase the scope and mobility of roadside enforcement activities.

(d) See point 1 above. Package developed through the Road Haulage Forum, originally funded by the Road Haulage Modernisation Fund and seen to deliver road safety benefits.

(e) Not applicable.

(f) Yes. £1,500,000 a year.

10. (a) VOSA VEHICLE IDENTITY CHECK (RESOURCE)

(b) £2,500,000.

(c) The VIC Scheme was introduced on 7 April 2003 with resources to deliver an expected 180,000 checks annually at 54 full and part-time sites around the country. The VIC Scheme is required to deter ringing crime where the identity of a stolen vehicle is changed to that of one written off by an insurance company. Actual

volumes in 2003–04 are only expected to reach 30,000, due in part to the success of the Check in deterring ringed crime (the number of vehicles stolen since the Check was introduced has fallen by almost 9% compared to the same period the previous year).

(d) The £2.5 million is a subsidy to the Trading Fund to cover the difference between revenue from Checks (estimated at 40,000 in 2004–05) and proposed expenditure, less a proposed increase of £5 in the fee for a Check.

(e) Not applicable.

(f) Further support is likely to be required next year until examiner and other resources have been redirected to match the level of demand.

11. (a) VOSA CRASH INVESTIGATION AT SCENE (RESOURCE)

(b) £400,000.

(c) Police forces are increasingly reliant on VOSA staff to investigate accidents involving heavy commercial vehicles and provide them and the Courts with authoritative reports. Effective investigation of accidents of vehicles many of which are equipped with sophisticated electronic control systems and the provision of high quality reports has generated the need to equip and train examiners with multi-role vehicles and a full set of vehicle-specific tools and diagnostic equipment.

(d) Grant. A loan would be inappropriate. Funds for accident investigation work are provided by DfT.

(e) Not applicable.

(f) £420,000 in 2004–05 rising to a maximum of £700,000 by 2008–09.

12. (a) VOSA BUS & COACH APPROVAL (RESOURCE)

(b) £100,000.

(c) EC Whole Vehicle Type Approval is likely to be introduced in 2008 for new vehicle types. For medium and large passenger vehicles approved as public service vehicles, the type approval regime will replace the present system of examinations of individual vehicles to the Certificate of Initial Fitness and other Regulations. The current IT support arrangements for buses and coaches cannot be extended to accommodate additional information about vehicles that have been type approved. The funds are required to investigate alternative arrangements that allow input of data from different sources without adding to the burden of vehicle manufacturers and importers.

(d) Grant. This work is being undertaken to support a DfT policy initiative to prepare the UK bus and coach manufacturing industry for the introduction of the Whole Vehicle Type Approval regime at the end of the decade and to ensure effective compliance of vehicles in service with the Approval requirements.

(e) Not applicable.

(f) Yes. It has been estimated that implementation of a type approval regime for buses and coaches in 2005–06 will require expenditure in the order of £1,000,000.

13. (a) TRANSFER OF INTERNATIONAL ROAD FREIGHT WORK (RESOURCE)

(b) £50,000.

(c) The International Road Freight Office (IRFO), which is part of DfT issues permits and authorisations to UK hauliers and coach operators undertaking journeys in mainland Europe. From 1 April 2004, VOSA will assume responsibility for this work. Information from the IRFO database will need to be transferred to the Traffic Area Network (TAN) equivalent. The TAN 21 IT system will need to be amended/upgraded to accommodate the current IRFO activities.

(d) Grant.

(e) Not applicable.

(f) Not required.

14. (a) VOSA ADDITIONAL ENFORCEMENT FUNDING (RESOURCE)

(b) £500,000.

(c) Additional roadside enforcement delivered by VOSA, in agreement with the Department, over and above that incorporated in Memorandum of Agreement with the Department.

(d) The department is paying the Agency for delivering this additional work. This is a payment for an enforcement service rendered for the public good.

(e) Not applicable.

(f) Not required.

15. (a) VOSA REFURBISHMENT OF GOODS VEHICLE TESTING STATIONS (CAPITAL)

(b) £10,000,000.

(c) To up-grade testing estate visited by customers and to meet latest health & safety requirements.

(d) This is a repayable loan.

(e) The interest rate will be set at the National Loan Fund rate on the day the money is released to the Agency. The loan will be repaid over 15 years.

(f) In future years VOSA will need to continue to up-grade their estate. Whether the department will make a contribution through a further loan, has not yet been settled.

In addition the Winter Supplementary Estimates made £11,699,000 available to VOSA from a ring-fenced investment fund to improve electronic service delivery to customers.

Department for Transport

January 2004

Supplementary note by the Vehicle and Operator Services Agency (VV 02)

**DEPARTMENT FOR TRANSPORT'S EXECUTIVE AGENCIES AND
NON-DEPARTMENTAL BODIES**

INTRODUCTION

1. Evidence submitted in January 2003 covered material in respect of the Vehicle Inspectorate Agency (VI)—Annex 1 paragraphs A4.1 to A4.7 and Annex D refer. Since that time VI and the Traffic Area Network (TAN) have merged to form a new Agency: the Vehicle and Operator Services Agency (VOSA). This supplementary evidence provides detail on the new Agency.

2. Bringing together the work of these two organisations was sensible because both operated in similar business environments with shared customers, aims and objectives in relation to the safety and regulation of commercial vehicles. Merger enables joined-up delivery of service for operators; increased effectiveness with harmonised procedures and better data sharing; improved efficiency under one management board; and, greater flexibility within the wider Trading Fund (VI was previously an established and successful Trading Fund, TAN was a Division within the main body of the Department).

3. Both organisations were part of the Driver and Vehicle Operator Group (DVO), which now consists of four Agencies: VOSA, the Driver and Vehicle Licensing Agency (DVLA), the Driving Standards Agency (DSA) and the Vehicle Certification Agency (VCA).

4. Establishment of the new Agency does not affect the essential independence of the Traffic Commissioners. The Chief Executive and his staff work closely with the Senior and other Traffic Commissioners to ensure that everyone is able to carry out their responsibilities in the management of VOSA and the administration of the operator licensing system.

VEHICLE AND OPERATOR SERVICES AGENCY (VOSA)

(The following evidence reflects the order of previously submitted material in respect of VI—Annex 1 paragraphs A4.1–A4.7 refer)

5. VOSA's purpose is to directly support drivers, vehicle owners, operators and the providers of the MOT testing scheme by helping them to comply with vehicle safety, environmental standards and operator licensing regulations. It does this through supporting Traffic Commissioners in their operator licensing function; providing administrative support to the Traffic Commissioners in the registration of bus services; annual vehicle testing; supervision of the MOT testing scheme; roadside and fleet vehicle inspections; related enforcement and educational and advisory activities; and the provision of training services.

6. VOSA was established as a Trading Fund on 1 April 2003. It has a turnover of approximately £135 million and employs around 2,750 staff, some 2,100 (76%) of which are front-line staff based at locations nationwide. The Agency's estate covers six Traffic Area Offices, 91 Goods Vehicle Tests station (GVTS) sites, 23 Enforcement area offices (most co-located with GVTSs) and a headquarters in Bristol with offices in Swansea, Cambridge, Edinburgh and London. Details of the full range of activities carried out by the Agency are set out on pages 5 and 6 of the VOSA framework document (published August 2003).

VOSA's contribution to departmental objectives and policy

7. The Agency's work helps to deliver four elements of the Department's aim:

- reducing casualties—by ensuring that drivers, vehicles and operators comply with licensing regulations, roadworthiness standards and traffic legislation.
- respecting the environment—by carrying out emissions testing on a variety of vehicle classes, weighing vehicles to check if they are overloaded and controlling the use of haulage operating centres at environmentally unsuitable or sensitive sites.
- improving accessibility—by registering bus services and monitoring the compliance of bus operators with their registered timetables.
- supporting the economy—by promoting fair competition between operators by actively dealing with non-compliance.

In particular we contribute to three of the Department's "Delivering better transport" objectives:

- improving safety across all transport modes;
- reducing the impact of transport on the environment; and
- enforcement of appropriate security and compliance regimes.

8. Our work as a member of the DVO group continues to be a major driving force behind our strategy. This emerging strategy, combining existing VI and TAN work, is fully aligned with that of the DVO group whose goal, working with others, is to deliver safe and secure drivers and vehicles. This goal is supported by three objectives:

- To deliver better services to customers;
- To improve compliance and vehicle-related crime; and
- To demonstrate efficiency and effectiveness in all we do.

9. VOSA's four specific business objectives for 2003–04 are shown below (specific activities introduced since 2000 to implement policy in line with each objective are bullet pointed beneath each objective).

"To work with our stakeholders, including the Traffic Commissioners, to ensure fair competition and raise the compliance of the road haulage and passenger transport industries with licensing, roadworthiness, road traffic and environmental standards."

- Road Haulage Forum (page 11 of the VI Annual Report and Accounts 2001–02).
- "Moving On" newsletter (page 8 of VI Annual Report and Accounts 2001–02).
- Impounding (page 12 of VI Annual Report and Accounts 2001–02).
- Powers to Stop (page 18 of VOSA Business Plan 2003–04).
- Automatic Number Plate Recognition (page 15 of VI Annual Report and Accounts 2002–03).
- EC Directive on Bus and Coach Type Approval (page 16 of VOSA Business Plan 2003–04).
- Digital Tachograph (page 18 of VOSA Business Plan 2003–04).
- Post Collision Inspections (page 19 of VOSA Business Plan 2003–04).

"To improve the roadworthiness and environmental standards of private motor vehicles, and to contribute to the reduction of vehicle-related crime."

- Single Vehicle Approval (page 14 of the VI Annual Report and Accounts 2001–02).
- Motorcycle Single Vehicle Approval (page 23 of VOSA Business Plan 2003–04).
- Vehicle Identity Check (page 23 of VOSA Business Plan 2003–04).

"To work with DVO Group members and other partners to provide customers with a choice of modern, accessible and user-friendly services."

- MOT Computerisation (page 17 of the VI Annual Report and Accounts 2002–03).
- Chadderton Goods Vehicle Test Station and Training Centre (page 22 of the VI Annual Report 2000–01).
- TAN 21 (page 16 of the TAN Business Plan 2002–03).
- Bus Users' Complaints Tribunal (page 27 of the VOSA Business Plan 2003–04).

“To run an efficient, effective, continually developing and valued business, equipping our staff to make the best use of available technology, skills and knowledge.”

- Performance Gain (page 9 of the VI Annual Report and Accounts 2001–02).
- Business Solutions Programme (page 28 of the VI Annual Report and Accounts 2002–03).
- The complete refurbishment of our Kidderminster GVTs (page 28 of the VI Annual Report and Accounts 2002–03).

Performance and accountability

10. VOSA is set challenging targets by the Secretary of State and the VOSA Advisory Board (VOSAAB) and performance is monitored regularly by VOSAAB. VOSA is required to report on its performance against targets in its Annual Report and to VOSAAB. The first VOSA Annual Report and Accounts will be published in summer 2004 to cover the period 2003–04. The Agency’s performance is also open to the scrutiny of the Office of Government Commerce, the National Audit Office and the Parliamentary Commissioner for Administration. The Chief Executive’s role and responsibility and accountability to Government is set out in the VOSA Framework Document 2003 (sections 3 and 4 refer). Tables showing performance against Key Targets for 2000–01, 2001–02 are shown at Annex D of the Evidence to the Transport Committee, January 2003. A table showing performance against Key Targets for 2002–03 is shown at Annex A of this document.

11. Further detailed information on the effectiveness of the Vehicle Inspectorate and the Traffic Area Network before the merger can be found in the VI Effectiveness Reports (Effectiveness Reports 2000–01, 2001–02 and 2002–03 refer) and the Traffic Commissioners’ Annual Reports (Annual Reports 2000–01 and 2001–02 refer).

January 2004

Annex A

SUMMARY OF VEHICLE INSPECTORATE KEY TARGETS 2002–03

<i>Key Target 1: Effectiveness</i>	<i>2002–03</i>	<i>2001–02</i>
To deliver against an effectiveness and quality improvement programme	Achieved 4 of 4 key measures	Achieved 4 of 4 key measures

Key measures:

- To ensure that all Designated Premises (DPs) meet the new conditions of appointment by March 2004 and that all existing DPs are visited within 6 months following the introduction of the new conditions in 2002.
- To demonstrate effective delivery of a programme of Road Haulage Forum funded enforcement activity through the publication of quarterly reports to the Department.
- To bring about an improvement in the number of Testing Stations able to provide a test with 18 days.
- To meet project milestones with our partners in DfT and DVO to introduce the Vehicle Identity Check by April 2003.

<i>Key Target 2: Throughput</i>	<i>2002–03</i>	<i>2001–02</i>
To deliver effective road safety and environmental standards activity as agreed with DfT	Achieved 3 of 3 key measures	Achieved 4 of 4 key measures

Key measures:

- To achieve at least 7.3 million outcome points.
- To continue to maintain the balance of our work by retaining the 2001-02 target for educational and advisory work ensuring the generation of a minimum of 13% of Performance Gain values from these activities.
- To carry out 82,230 emissions checks and an agreed amount of quality assurance (for DfT) on local authority emissions checks.

<i>Key Target 3: Customer Focus</i>	<i>2002–03</i>	<i>2001–02</i>
To deliver initiatives across VI and DVO to provide a seamless service to customers	Achieved 4 of 4 key measures	Achieved 4 of 4 key measures

Key measures:

- To appoint VIs Users Panel and use this, working with TAN and other DVO agencies, to measure customer satisfaction, identifying a baseline by 31 March 2003.
- To deliver against agreed milestones in the internal electronic services programme, in order to achieve the PSA target of 100% electronic service capability by 2005.
- To manage a programme of projects involving DVO Agencies, DVTA and the Police to ensure that the UK is ready for the introduction of digital tachographs according to European legislative timescales.
- To be fully compliant with the new Scottish Criminal Justice Information Systems by 1 January.

<i>Key Target 4: Financial (ROC)</i>	<i>2002–03</i>	<i>2001–02</i>
To break-even year on year and achieve a 6% real rate of return on capital, over the period 1 April 1998–31 March 2003	Achieved (actual figure: +8%*)	8.3%*

*Cumulative average since 1 April 1998

Key measure:

- Achieve an in-year indicative measure of +6%.

<i>Key Target 5: Efficiency</i>	<i>2002–03</i>	<i>2001–02</i>
To increase value for money	Achieved 2 of 3 key measures	Outturn + 2%

Key measures:

- Deliver + 2% Performance Gain in Enforcement.
- Deliver + 2% Aggregated Cost Efficiency (ACE) in Vehicle Testing [*not achieved—actual figure + 1.6%*].
- To work with departmental customers to develop a long-term financial strategy for VI.

<i>Key Target 6: Internal Management</i>	<i>2002–03</i>	<i>2001–02</i>
To improve performance management across the business	Achieved 2 of 3 key measures	Achieved 3 of 4 key measures

Key measures:

- To continue with the second and third stages of the ongoing Investors in People assessment process and achieving re-accreditation by January 2003.
- To contribute to Civil Service wide targets to increase the number of applications from ethnic minorities and the number of women and ethnic minorities appointed on promotion to Band 3 (Level 4) or above by establishing baseline data and setting an annual improvement target by December 2003.
- To achieve an improvement in sick absence of 1.9 days, on average per employee, compared to 2001–02, through better management of sick absence [*not achieved—actual figure: 1.5 days improvement*].

<i>Key Target 7: Investment</i>	<i>2002–03</i>	<i>2001–02</i>
To secure the long-term development of the organisation	Achieved 2 of 2 key measures	Achieved 1 of 3—with significant progress in 2 of 3

Key measures:

- To transfer from current contracted IS services to new contract arrangements in a planned and controlled manner without disruption to testing and enforcement activities by January 2003.
- To act as lead DVO agency in the joint delivery of improved cross agency compliance and enforcement.

Supplementary memorandum by VOSA (VV 02A)

THE WORK OF THE VEHICLE AND OPERATOR SERVICES AGENCY

Thank you for the letter of 12 February requesting further information, following my hearing on 21 January.

1. ENFORCEMENT EXPENDITURE

The enforcement pressures were to cover extra work that the Department wished VOSA to undertake. The work was foreseen but was not included by the Department in the main estimates as we believe there were other more pressing needs. However, in reviewing its in-year expenditures and end-year flexibility, the Department was able to allocate the additional funds to VOSA. Some of these pressures will not be recurring; those that are will be bid for in the normal Spending Review for consideration at the main estimates.

2. ADDITIONAL FUNDING

The £1.7 million for VOSA Powers to Stop was to enable us to train and equip our staff to stop vehicles at the roadside for enforcement inspections. The £1.5 million additional HGV enforcement package and £0.5 million for additional roadside enforcement were given to increase our enforcement activities over and above that in our original agreement with the Department. As I explained to the Committee, this was a package developed through the Road Haulage Forum and was originally funded by the Road Haulage Modernisation Fund. We have bid to the Department for funds to continue with this increased level of enforcement and await the outcome of the SR2004 consolidated DfT submission.

3. DVO INVESTMENT PROGRAMME

The £11.7 million of the Driver, Vehicle and Operator's £96 million investment programme was the final tranche of a total allocation of £13.9 million. This was allocated as funding for investment in new IT infrastructure and is not a loan.

4. MOT COMPUTERISATION RISK

Much of the risk of designing and implementing the new MOT system will be carried by Siemens Business Services (SBS). Although VOSA has rights to review and approve various key SBS plans and design documents, the onus is still on SBS to meet VOSA's stated business requirements throughout the agreement.

If VOSA were to correctly terminate the contract as a result of SBS breaches, they would not have to make any compensation payment to SBS, but would instead be able to sue SBS for VOSA's losses, subject to a cap which varies depending on the stage of the project. VOSA would only have to compensate SBS on termination if VOSA exercised its right to terminate the contract without cause or SBS justifiably terminated the contract for VOSA breaches. In this case, VOSA would have to compensate SBS for some directly incurred losses and for an element of lost profit. Other than the lost profit element, the sum would be calculated by reference to actual loss incurred which SBS cannot mitigate, and as such it is not possible to give any definite answer on this figure; it would, however, potentially be a sum in the order of tens of millions of pounds.

5. END-YEAR FLEXIBILITY

The end-year flexibility of £4.6 million came from the Department for Transport's EYF. That money will be used to help finance the total package of additional work as identified in the note to the Transport Committee. VOSA does not expect to repay this to the Department.

6. CRASH INVESTIGATION COSTS

The Department has funded VOSA for its costs in crash investigations. The cost of any police work will be borne by them.

7. EFFICIENCY AND FEE INCREASES

One of the Agency's targets as printed in the Business Plan and reported in the Annual Report is our performance against our efficiency target. This is audited. There is clear transparency between our achievement on the efficiency side and our request for fee increases. We publish our achievement against efficiency target and also consult widely with the trade on why we need to increase fees above inflation.

8. CROSS-SUBSIDISATION

It is not VOSA's policy to use surplus on the MOT scheme to subsidise deficits on other VOSA activities. It is not our policy to have cross-subsidy, and our intention is to balance each scheme year on year.

9. STAFF COSTS

VOSA staff costs have increased by 12% as a result of increased staff numbers to undertake the additional work now being done by VOSA and to cover the annual pay increment.

10. STAFF NUMBERS

The increase of 165 in staff is detailed in note 5b of the Annual Report and Accounts—these are 51 administrative staff and 114 technical = 165 total. Nearly all the technical staff were recruited to carry out front-line testing and enforcement operations, including the new Vehicle Identity Check. The administrative staff were recruited largely to support front-line and project activities.

11. STAFF RECRUITMENT

VOSA finds it especially difficult to recruit lower grade technical staff in South East England. Such staff require specific engineering qualifications and more than 6—9 months' training. It is therefore difficult to use temporary agency staff to cover these roles. To manage recruitment problems, VOSA has developed an Apprenticeship scheme, adopted flexible starting salaries for technical posts, piloted a scheme to recruit German nationals, and used different media for advertisements. Agency staff have been used to cover short-term specialist roles, such as project managers, accountants and IT—usually on one-off projects—where recruiting a temporary member of staff has not been possible.

12. DEBT RECOVERY

VOSA has not lost control of its debt recovery. The increase was due to monies owed by the Department to VOSA for work undertaken. This was invoiced in March and the majority paid early in the new financial year.

13. BRAKE DEFECTS

See attached Annex A.

14. FAILURE RATE FOR VEHICLE EMISSIONS

See attached Annex B. It might be worth noting that the vast majority of vehicles now fall into the Petrol Emission CAT where the compliance levels are very good, with only a 2.5% failure rate.

15. FOREIGN VEHICLES—ENFORCEMENT ACTION

Data on prohibitions issued to foreign HGVs is available for the last four years only. This is attached at Annex C.

The point about fines is that VOSA has difficulties in initiating Court action/pursuing non-UK nationals through the Courts in the first place, given the temporary status of these foreigners in the UK and the sheer logistics of attempting to manage a Court appearance within that time. A system of fixed penalties and on-the-spot graduated deposits would enable VOSA to pursue successfully a much larger number of offenders than is currently possible.

Please let me know if you require anything further.

Maurice Newey
Chief Executive

3 March 2004

Annex A

QUESTION 13

For the Financial Year 2002–03:

Total number of HGV Motor Vehicles tested	465,920
Total number of HGV Trailers tested	242,035
Total number of PSVs tested	79,973

<i>HGV Motor Vehicles</i>	<i>The percentage of vehicles failing for at least this test item</i>	<i>Number of vehicles that failed to meet test standard</i>
Service brake performance	10.634	49,564
Secondary brake performance	6.635	30,914
Parking brake performance	4.126	19,224
Brake system components	6.725	31,333
<i>Trailers</i>	<i>The percentage of vehicles failing for at least this test item</i>	<i>Number of vehicles that failed to meet test standard</i>
Service brake performance	14.708	35,599
Secondary brake performance	N/A	N/A
Parking brake performance	11.513	27,866
Brake system components	7.055	17,076
<i>PSVs</i>	<i>The percentage of vehicles failing for at least this test item</i>	<i>Number of vehicles that failed to meet test standard</i>
Service brake performance	4.11	3,287
	2.061	1,648
	1.702	1,361
	4.455	3,563

EMISSIONS AT ANNUAL TEST

<i>HGV</i>	<i>The percentage of vehicles failing for at least this test item</i>	<i>Number of vehicles that failed to meet test standard</i>
	1.814	8,452
<i>PSV</i>	<i>The percentage of vehicles failing for at least this test item</i>	<i>Number of vehicles that failed to meet test standard</i>
	1.307	1,045

NOTE: Some vehicles may have failed for service, secondary and park brake defects, so the percentages cannot simply be added together. However, they do show a definitive number of failures to meet the test standard in 2002–03 for each of the brake items in turn.

Annex B

QUESTION 14

Based on a 2% sample of returns from MOT Garages, the MOT Test has seen a steady reduction in the number of vehicles being failed for exhaust emissions over the last three years. The significant decrease has been in diesel emissions year on year.

There are approximately 23,500,000 test passes each year of which 22,800,000 fall into Class 4 (Private, Light Goods). So the majority of vehicles that are tested have seen a decrease in the emission outputs over the past three years

The following table is extracted from the 2002–03 Effectiveness Report:

	2000–01	2001–02	2002–03
<i>Class 4 (Private, Light Goods)</i>			
Petrol Emissions Pre CAT	4.3%	3.1%	6.7%
Petrol Emissions CAT	2.6%	2.6%	2.5%
Diesel Emissions	6.1%	5.5%	5.0%
<i>Class 5 (Small minibuses 13–16 passenger seats)</i>			
Petrol Emissions	2.6%	1.4%	1.7%

	2000-01	2001-02	2002-03
Diesel Emissions Class 7 (Goods Vehicles 3,000-3,500 kg)	3.2%	3.4%	3.0%
Petrol Emissions	5.0%	4.4%	4.8%
Diesel Emissions	4.6%	4.0%	4.3%

PROHIBITIONS ISSUED AT SPOT CHECKS PRIMARILY FOR EMISSIONS IN FINANCIAL YEAR 2002-03

The figures below are for the last full year for which data is available. The prohibition rate for light vehicles has not changed significantly in recent years. The most significant improvement has been seen for HGVs and PSVs where the percentage of vehicles being issued with prohibitions has halved over the last five years. The improvements seen in heavy vehicles stems primarily from a higher proportion of latest technology diesel engines in the national fleet which are able to burn fuel much more cleanly than previous generations and exceed the legal requirements by a much greater margin than older vehicles.

Vehicle Type	Number Checked	Percentage
HGV	7,748	0.8%
PSV	5,447	0.5%
Light Vehicles	70,507	5.4%

Included in the light vehicle category are taxis (2,374), light goods vehicles (10,089) and cars (58,044). The emissions inspections on cars are routinely extended to cover tyres and lights that will raise the prohibition rate significantly. The 5.4% figure is therefore not an accurate picture of the number of prohibitions issued for emissions alone.

Annex C

FOREIGN VEHICLE PROHIBITIONS 1999-2003

	1999-2000				2000-01				2001-02				2002-03			
	HGV		Trailer		HGV		Trailer		HGV		Trailer		HGV		Trailer	
	OL	DH	RW	RW	OL	DH	RW	RW	OL	DH	RW	RW	OL	DH	RW	RW
Austria	7	30	3	4	8	31	5	4	12	50	2	4	11	46	4	0
Andorra	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Azerbaijan	0	0	0	0	0	0	0	0	0	5	3	0	0	0	0	2
Belgium	42	83	8	12	32	46	8	21	56	83	16	13	52	93	22	32
Bulgaria	0	2	0	0	3	22	0	0	4	13	1	0	5	14	0	0
Switzerland	0	1	0	0	2	2	1	0	1	3	0	0	3	5	0	1
Czech Republic	0	3	0	0	0	4	0	1	2	64	1	1	3	48	5	2
Cyprus	0	0	0	0	0	1	0	0	0	2	0	0	0	0	0	0
Germany	35	83	7	8	49	79	8	9	50	168	7	4	53	198	23	11
Denmark	6	7	1	2	14	15	0	2	7	11	1	5	2	12	2	1
Spain	42	45	12	10	45	49	2	4	89	87	6	7	68	61	4	8
Estonia	0	0	0	0	0	0	0	0	1	5	0	1	3	5	1	0
France	61	77	22	23	73	50	14	30	66	57	9	13	59	39	13	18
Liechtenstein	0	0	0	0	0	0	0	0	1	2	0	0	0	1	1	1
Guernsey	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0
Jersey	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Isle of Man	0	0	0	0	0	0	0	0	0	0	0	2	0	1	0	0
Gibraltar	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0
Greece	0	4	0	1	0	7	1	3	0	3	0	0	2	6	2	2
Hungary	0	1	0	1	5	10	4	5	31	2	0	2	27	1	0	0
Croatia	0	0	0	0	0	0	0	0	0	0	3	13	0	5	0	0
Italy	14	39	3	10	14	55	4	8	20	68	0	0	11	75	14	12
Eire	127	289	68	92	126	294	108	96	134	568	121	123	182	354	107	153
Luxembourg	2	3	1	1	0	4	1	1	4	6	3	2	3	6	3	1
Lithuania	0	0	0	0	1	2	1	0	0	6	0	0	2	8	0	2
Latvia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Malta	0	0	0	0	0	1	0	1	0	2	0	0	0	0	0	0
Morocco	0	0	0	0	0	0	0	0	0	0	0	0	1	2	0	1
Norway	1	0	0	0	0	0	0	0	1	1	0	0	0	0	1	1
Netherlands	142	126	27	20	130	124	38	50	207	224	40	53	203	261	41	63
Portugal	6	23	5	6	7	12	1	7	8	23	4	1	8	21	5	5
Poland	0	0	1	0	1	15	5	2	8	29	2	5	14	48	5	9
Romania	2	0	1	1	1	8	1	1	2	62	1	0	4	61	4	2
Russia	0	0	0	0	0	0	0	0	0	1	0	0	4	1	0	0
Sweden	2	2	1	0	0	3	0	0	0	3	1	0	0	2	1	2
Finland	1	0	0	0	0	0	0	0	1	0	0	0	1	1	0	0

	1999–2000				2000–01				2001–02				2002–03			
	HGV OL	HGV DH	HGV RW	Trailer RW	HGV OL	HGV DH	HGV RW	Trailer RW	HGV OL	HGV DH	HGV RW	Trailer RW	HGV OL	HGV DH	HGV RW	Trailer RW
Slovakia	0	0	0	0	0	0	0	0	0	3	1	1	0	4	2	1
Slovenia	0	0	0	0	2	3	2	1	0	12	1	1	3	12	0	1
Turkey	0	2	0	0	0	12	1	5	0	14	2	4	0	27	2	3
Ukraine	0	0	0	0	0	0	0	0	0	1	0	0	0	2	0	0
Yugoslavia	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0
X*	14	49	14	11	2	21	6	5	9	19	5	1	1	17	6	4
TOTAL	504	869	174	202	515	870	207	255	693	1624	230	254	700	1,468	271	338

*X = Countries not currently on the VOSA picklist for retrieving this information.

KEY

OL = Operator Licence (No Community Authorisation)

DH = Drivers Hours

RW = Roadworthiness

The countries with the greatest number of prohibitions are not necessarily the least compliant.

A high number of prohibitions can simply be a reflection of the relatively high number of vehicles that visit Great Britain and are therefore more frequently encountered by VOSA Examiners.

Supplementary notes to Questions by the VCA (VV 03)

THE WORK OF THE VEHICLE CERTIFICATION AGENCY

Please find attached the VCA responses to the questions raised by the Select Committee. I hope you will also accept my apologies for this being just past your deadline.

Q177—CLARIFICATION OF VCA'S STAFF COSTS IN THE 2002–03 ANNUAL REPORT AND ACCOUNTS

VCA 2002–03 ANNUAL REPORT—NOTE 4 ADMINISTRATION EXPENSES

Pay Costs (Administration) (page xii) of the Annual Report and Accounts

£835K 2002–03, £403K 2001–02

This figure in the Report represents the residual of total pay costs £3,537K in 2002–03 (£3,195K 2001–03) after all direct pay costs have been allocated to the cost of sales. In a poor year (and/or when substantial investment in training takes place as in 2002–03) this figure could well be higher as fewer engineers are engaged directly in fee earning work, so, as their costs are not included within the cost of sales, this will increase administration pay costs.

Furthermore, the administration pay cost in 2001–02 represented the lowest figure recorded (VCA's first published accounts was for 1994–95), even after allowing for inflation. In the period (from 1994–95) up to and including 2000–01 the average figure was £712K (which when adjusted for inflation is the equivalent of £750K in 2002–03 prices).

In any one poor year it is not desirable to lose engineering staff immediately when activity was expected to pick up again in the subsequent year.

Q181–Q201—VCA'S PERFORMANCE AGAINST TARGET

Since 2001–02 VCA has had a Key Target consisting of a cumulative score against a weighted range of 15 quality and service indicators. The objective of this all-in-one target was to provide an overall picture of VCA's quality and service performance which recognised that some of the target elements within were more critical than others (and thus were weighted more heavily) but also that some targets were affected not only by VCA's own efforts but also by actions of customers and partners and so might be missed through actions that were outside of VCA's control.

In 2001–02 the target was set as a percentage (90%) of the set of sub-targets to be achieved. At the end of that first year it was judged by VCA management that the display as a percentage was an unnecessary additional complication in getting across to VCA staff the picture of how VCA was doing through the year.

For this reason in 2002–03 the measure was changed to be expressed in numeric terms but with the same targets (albeit with no 1(c) tightened) and overall target value, that is 18 out of 20.

(In 2001–02 the achievements was 72.5% (14.1 out of 20).)

Target 5(a), which concerns the issue of certificates after assessment work has been completed, is one of the processes which involves action from VCA's customers, in that before the issue of a new certificate customers need to agree and sign certification contracts. It has become increasingly difficult to finalise this (in some ways peripheral) part of this process, mainly due to separate compliance procedures or lack of full understanding within customer organisations. This was particularly so for VCA's increasing number of overseas customers.

Hence during the year VCA realised not only that we would fail the target by a greater margin than the previous year but also that the target was no longer an effective measure for ascertaining the delay arising from VCA's processes. Recognising that we would miss the target we nevertheless changed our processes in readiness for the following year's amended target. (It should be noted that the detailed auditable definitions of these targets are not fully spelt out with Business Plans or Report and Accounts).

The other areas in which our performance was significantly poorer in 2002–03 were in targets 7a, c and d. These all involve the audit of internal processes. The targets as such were not changed during the year but the main reason for failure was recognition that the instructions and details of some processes had become unnecessarily complex, with the result that the less important aspects were not being followed—hence leading to recorded audit failures. Rather than persist with a process which was not yielding the necessary control or benefits it was decided by VCA that effort would instead be devoted to formally amending and rewriting those processes. The most important aspects of the processes were confined by spot checks on the Report indicated.

As in the previous year target 6, a satisfactory audit from the Department's Chief Engineer, was not achieved due to it being impossible to programme those audits into both VCA's and the CE's busy diary. (It should be noted that VCA's testing programme is subject to continuous amendment due to change in manufacturers' own development and test programmes.) Alternative arrangements have been instituted for the current year.

The drop in performance in 2002–03 against the overall target was further exacerbated by just missing target number 3 (on accuracy of invoices—97.5% against a target of 98.00%) which was caused by VCA making the same type of error repeated on a near-identical batch of invoices. A straightforward failure to do everything right.

Q242–Q243 SPOT CHECKS ON IMPORTED VEHICLES

VCA's budget for spot checking imported vehicles and components is quite small at about £30,000 per annum.

The policy for and funding of this programme is the responsibility of DfT rather than VCA. The fees which are received by VCA from its Type approval testing programme do not contribute to the programme. Only one whole vehicle has been checked in recent years (in 2000–01) and in order not to exceed the budget work on that was limited to dimensional checks. No failings were found in that instance. Most of the other tests have involved tyres, seat belts or headlamp bulbs (no failures), headlamps and child restraints. The one failure on a headlamp is still under investigation with the foreign approval laboratory. The four failures over recent years of various types of child restraint have resulted in voluntary remedial action by manufacturers and, in one case, a change of test procedure and stiffer conformity testing by a foreign test house.

On behalf of DfT, VCA has over the past two years run a separately funded programme covering the durability of vehicles emission systems. This tested 227 vehicles, certified from across Europe (and including some manufactured outside Europe) against the type approval in-use emission requirements at between 15,000km and 80,000km. This was partly an enforcement programme and partly a programme to determine future approval and durability methods and values. Only one model has suffered what appears to be a significant failure and this is still under investigation, though much has been learnt from the programme for potential amendments to the standard.

In 2001 the European Commission concluded that there were 4,039 European Whole Vehicle Approvals for car in operation. Some 1,000 are added each year—though of course older ones may no longer be used. Each one these approvals would themselves consist of some 46 system and component approvals (eg. braking systems, lighting components). Most Whole Vehicles approvals have several versions and variants, each consisting of the 46 systems and components. The corresponding 2001 figures for versions and variants were 33,663 and 146,424 respectively. There is no UK or Europe-wide record for the number of similar approvals for trucks, motorcycles, buses or aftermarket components. The UK issues about 21% of these European WV certificates for cars. There are no figures to indicate what proportion of Whole Vehicle approvals for motorcycles are issued by the UK but it would be a reasonable assumption that the percentage would be in the same order. Additionally VCA issues approvals for passenger cars under the "Low Volume Scheme" and for Goods Vehicles under our own National Regulations and other Member States will also have their own arrangements to a greater or lesser extent.

A statistically valid test programme which gave confidence that standards were applied consistently throughout the EU would thus be a huge and expensive undertaking.

In addition to the testing element of vehicle type approval there is also a need for the Authority that issues the certificate to confirm before issues, (and to maintain surveillance), that the vehicle or component manufacturer has quality assurance systems in place to ensure their products continue to comply with the approved specification.

The most feasible approach to ensuring the appropriate and even application of standards seems to be one that builds on a systems approach and encourages openness and peer-evaluation amongst Approval Authorities. The UK DfT, aided by VCA and in conjunction with France has recently gained approval for such an approach to be operated in both the Brussels (EU) and Geneva (ECE) inter-governmental forms where vehicle standards are agreed. This "Code of Practice" encourages sharing and exchange of interpretations of standards, regular meetings of all Authorities (VCA has recently hosted one such including most of the new EU members and Turkey) and is seeking to establish a web-vault where authorities will deposit their approvals and supporting data for all their peers to view.

Derek Harvey
Chief Executive

10 March 2004

Supplementary memorandum by VOSA (VV 02B)

TIMETABLE FOR IMPLEMENTING MOT COMPUTERISATION

VOSA is currently finalising negotiations with SBS (Siemens Business Services) on change to the contract with SBS to extend the delivery timetable. This will allow for the additional SBS main system testing (MST) recommended by an independent review commissioned jointly by SBS and VOSA. The extra MST will help ensure that the computerised service is as reliable and effective as possible when exposed to trial sites and when rolled out for live use.

The new timetable will see the start of full roll out of the computerised service to approximately 19,000 MOT stations from 29 November 2004. Completion of roll-out to all sites is currently expected end May 2005.

The contract will include amended strengthened milestones leading up to roll-out. See table below.

<i>Milestone event</i>	<i>Due date</i>	<i>In case of SBS slippage</i>
Start of Trial Stage 1 (VOSA's User Acceptance trials)	25 June 2004	Contractual date, no termination rights per se
Completion of SBS' extended Development Stage (including satisfactory completion of Trial Stage 1 as well as additional Main System Testing)	30 July 2004	Key Implementation Milestone (Liquidated damages payable for any SBS delay and VOSA can give 30 days notice to resolve the delay, failing which a termination right arises)
Successful completion of trials at 45 pilot MOT stations	27 August 2004 (subject to detailed further planning)	Extension of trial stage, if still unsuccessful VOSA has automatic termination right
Successful completion of trials at 950 pilot MOT stations	26 November 2004	Extension of trial stage, if still unsuccessful VOSA has automatic termination right
Start of full roll-out to all 19,000 stations and computerised MOT service commencement	29 November 2004	Key Implementation Milestone (Liquidated damages payable for any SBS delay and VOSA can give 30 days notice to resolve the delay, failing which a termination right arises)
Completion of roll-out	27 May 2005 (subject to detailed further planning)	Key Implementation Milestone (Liquidated damages payable for any SBS delay and VOSA can give 60 days notice to resolve the delay, failing which a termination right arises)

VOSA

16 April 2005

Supplementary note by VOSA (VV 02C)

FURTHER INFORMATION REQUESTED ON THE MOT COMPUTERISATION PROJECT

The contract value depends in part on the total number of MOT tests to be conducted over the coming 10 years or so. The transaction charge payable to Siemens Business Services for the computerised MOT service varies over the period of the contract and according to the number of tests predicted in any one year. A rule of thumb estimate is that the contract is worth £250 m over 10 years.

Liquidated damages become payable if SBS delays achieving various significant dates in the contract delivery plan. Overall they are capped at £568,000 covering VOSA staff and project costs up to 120 days of delay. For delays beyond this, VOSA can, and in the past has, claimed damages for additional losses suffered.

The above response has been agreed and approved by Maurice Newey.

27 April 2004