

PREM 19/2640

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VEHICLE EXCISE DUTY.

Economic
Policy

May 1979

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PREM 19/2640

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
GTT(79) 33	18/10/1979
C(79) 50	26/10/1979
C(79) 55	29/10/1979
CC(79) 19 th Meeting, item 7	01/11/1979
C(79) 52	29/10/1979

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed B. Walsh

Date 4/8/16

PREM Records Team



MINISTER
FOR ROADS AND TRAFFIC

~~1000~~
DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01 276 3000

My ref:

Your ref:

The Rt Hon Margaret Thatcher MP
House of Commons
LONDON
SW1A 0AA

MBM

RCG
1/5

2 MAY 1989

Dear Margaret

The Department, in conjunction with the Metropolitan and City of London Police Forces will be running an intensive campaign next month against vehicle excise duty evasion.

During the first fortnight of May the emphasis will be on publicising the campaign in order to encourage voluntary relicensing. From 15 May the police will be carrying out road checks with a view to catching motorists who have ignored the warnings.

These intensive campaigns form part of the Government's strategy for combatting VED evasion. During the past 8 years, 105 have been held in different parts of the country, producing very successful results. I am grateful to the Police in London for their co-operation.

I am sure that you will want to give the campaign your full support. Here is an advance copy of the press release.

I should be grateful if you would treat this information in confidence until the campaign is formally announced on Wednesday 3 May. A similar campaign is being launched on 4 May in Surrey and Sussex. Please do not hesitate to contact me should you require any further information.

Yours ever
Peter

PETER BOTTOMLEY

THE DEPARTMENT
OF TRANSPORT

PRESS NOTICE NO:

DATE:

202

3 May 1989

DRIVE AGAINST MOTOR TAX DODGERS IN LONDON

'YOU MIGHT FORGET YOUR TAX DISC, YOU WON'T FORGET THE FINE'. This is the clear message Peter Bottomley, Minister for Roads and Traffic gave to London motorists when he appeared today at a roadside check operated by Police and the Department's officials, to announce another major drive against motor tax dodgers in London.

A concentrated publicity campaign, starting today, will warn all motorists to check that their vehicles are correctly licensed. There will be large hoardings at roadside poster sites throughout London, bus shelter posters and messages on 'bus backs', as well as newspaper advertising - all carrying the message 'YOU MIGHT FORGET YOUR TAX DISC, YOU WON'T FORGET THE FINE'.

An intensive crackdown on untaxed vehicles will begin on Tuesday 16 May. The London Enforcement Office (LEO) assisted by the Metropolitan and City Police Forces will be carrying out roadside checks to ensure vehicles carry a current tax disc. Motorists who have failed to heed the warnings and are caught committing an offence will be prosecuted. The police will also be on the lookout for other road safety and motoring offences.

Commenting on the campaign, Mr Bottomley said:

"The Department is determined to continue to crackdown on those motorists who evade their dues. Law abiding motorists who pay their motor vehicle tax should not have to tolerate those who do not.

"Failure to have and display a tax disc is illegal and could prove to be expensive. Offenders will face a penalty of up to five times the annual rate of duty - for a private car, this could be as much as £500, and much higher for goods vehicles. In addition the courts will be asked to award payment of all the outstanding backduty.

"Over the years, the major benefits that campaigns bring have become increasingly widely recognised. In addition to the substantial revenue recovered, on relicensing, applicants must produce current insurance documents and where appropriate, a certificate of road worthiness (MOT). The checks contribute to make the roads in Great Britain safer.

"I would like to thank the Metropolitan and City Police Forces for joining us in this, our ninth campaign in London. I am sure that it will prove to be as successful as last year's when many evaders took heed of the publicity and taxed their vehicles.

"We are giving fair warning of the campaign. My message to motor tax dodgers in London is clear:

"YOU MIGHT FORGET YOUR TAX DISC, YOU WON'T FORGET THE FINE."

NOTES TO EDITORS

1. It is estimated that nationally the loss of revenue from evasion of vehicle excise duty is around 4% - £106m a year at current rates.
2. This is the ninth campaign to be held in conjunction with the Metropolitan and City Police Forces in the London area; campaigns have taken place annually since 1981. Since 1980 a total of 105 campaigns have been held in England, Scotland and Wales. A record programme of 23 is planned for 1989.
3. Following the last London campaign in May 1988, almost 2,000 motorists were successfully prosecuted for not having a current vehicle excise licence.
4. Campaigns are a valuable addition to the normal day-to-day enforcement action by the Police and the Department against motor tax dodgers. They have proved extremely effective in encouraging people to relicence their vehicles as well as catching the determined evaders who fail to heed the warnings. In addition they make a significant contribution to road safety as about a third of the reports arising from campaigns involve other offences, such as no MOT or insurance, worn tyres or other defects which are uncovered by the Police during the roadside checks.

Press Enquiries: 0792 782318 Public Enquiries: 0792 72134 Out of Hours: 01 276 5999



MINISTER
FOR ROADS AND TRAFFIC

R/S
DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Margaret Thatcher MP
House of Commons
London
SW1A 0AA

1 MAY 1987

Prime Minister²

Dear Margaret

You will be interested to know that with the assistance of the Department, the Metropolitan and City of London Police are running an intensive campaign next month against vehicle excise duty evaders.

During the first fortnight of May the emphasis will be on publicising the campaign. Then the police and Department of Transport officials will be carrying out extra road checks with a view to prosecuting motorists whose vehicles are found to be unlicensed.

The campaign is part of the Government's drive against VED evasion. During the past 6 years there have been 71 campaigns in different parts of the country, all successful. I am grateful to the police in London for mounting this one, which is the seventh in their area.

I am sure you will want to give the campaign your full support. An advance copy of the Press release is enclosed. I should be grateful if you would treat this information as confidential until the campaign is formally announced on 5 May.

Please do not hesitate to contact me should you require any further information.

We have also written to Sir

Yours ever
Peter

PETER BOTTOMLEY

Press Notice No: 260

5 May 1987

CRACKDOWN ON MOTOR TAX DODGERS IN LONDON

Peter Bottomley, Minister for Roads and Traffic today appeared at a roadside check manned by Police and the Department's Officials, to announce another major crackdown against motor tax dodgers in London.

Extensive publicity, starting today, will warn all motorists to check that their vehicles are correctly licensed. Later in the month the Department of Transport and the police in London will be stepping up their day-to-day action against tax dodgers. Motorists who have failed to heed the warnings and are caught committing an offence will be prosecuted.

Commenting on the campaign Mr Bottomley said:

"I am grateful to the police in London for once again joining the Department of Transport in this campaign which will be their seventh. I am sure that this will prove to be as effective as last year's when many evaders took heed of the publicity and taxed their vehicles.

"Failure to have and display a tax disc is illegal and could prove expensive. Offenders face a maximum penalty of five times the annual rate of duty; for a private car this could be as much as £500 plus the back-duty owed. In addition motor tax dodgers often have no insurance or MOT certificates or are committing other serious road safety offences. The police will take firm action against such offenders.

"The Department is determined to continue to crack-down hard on those motorists who evade paying their motor tax and my message to motor tax dodgers in London is clear.

"DON'T RISK IT - TAX IT!"

NOTES TO EDITORS

It is estimated that nationally the loss of revenue from evasion of VED is about four per cent (£100m at 1987 rates).

This is the seventh campaign to be held in the London area; campaigns have taken place annually since 1981. Nationally a total of 71 campaigns have been held in England and Wales since 1980 resulting in over 35,000 prosecutions.

During the last London campaign which took place in May 1986 over 7,000 vehicles were reported for not having motor tax.

Campaigns are a valuable addition to the normal day-to-day enforcement action by the police and the Department, and have proved very effective in encouraging evaders to voluntarily license their vehicles as well as catching the determined tax dodgers. In addition they make a significant contribution to road safety as nearly a third of the cases arising from campaigns involve other offences, such as no MOT, or insurance, bald tyres, defective steering etc, uncovered by the police during the roadside checks.

A similar campaign is being launched today in conjunction with the Lothian and Borders Police, the first to be held in Scotland.

Press Enquiries: 0792 782318 Public Enquiries: 0792 72134
Out of Hours: 01 212 7071



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EH
01-212 3434

My ref:

Your ref:

25 September 1985

[Handwritten signature]

The Rt Hon Margaret Thatcher MP
House of Commons
London
SW1A 0AA

Dear Mrs. Thatcher,

In the absence of Mr Spicer who is currently abroad on Departmental business, I am writing to let you know that next month the Department, in conjunction with the Metropolitan and City of London Police will be holding an intensive campaign against vehicle excise duty evasion. This is the latest in a series of such campaigns which are part of our increased enforcement effort, and the fifth in successive years in the London area. The Department is grateful to the police in London for their consistent support of the campaign programme.

At the beginning of October our efforts will be concentrated on publicising the campaign and during the second half of the month the police, with officers of the Department, will be carrying out roadside checks to identify motorists whose vehicles are unlicensed. Those found to be committing an offence will be prosecuted.

So far 46 campaigns have been held in different parts of the country. They have been highly successful not only in bringing to task evaders but in encouraging voluntary relicensing. The Department is confident that this latest campaign in London will be as successful as the four earlier ones and hopes that this will encourage those small number of police forces who have not yet participated in the Department's programme to do so.

Yours sincerely,

Susan J. Rooke
MRS SUSAN J ROOKE
Private Secretary to Michael Spicer MP

Press Notice No:

407

30 September 1985

CRACKDOWN ON MOTOR TAX DODGERS IN LONDON!

A further campaign against motor tax dodgers will take place in London during October. This is the fifth successive year that the Police Forces in London have joined with the Department of Transport in an intensive drive against evaders.

The Police and Officers of the Department will be stepping up the drive against evasion and setting up roadside checks throughout London. The Police will also be looking for vehicles with road safety defects. Motorists found to be breaking the law will be prosecuted.

Failure to have and display a tax disc is illegal and untaxed vehicles are often found to be uninsured or unroadworthy. The maximum penalty for using or keeping an untaxed vehicle on the road is five times the annual rate of duty payable; for a private car the fine could be £500 plus the backduty owed.

This is the fifth campaign to be held in conjunction with the Police Forces in London. Campaigns have been held annually since 1981. As a result of last year's campaign nearly 900 cases have been referred for prosecution.

NOTES TO EDITORS

A total of 46 campaigns have been held in England and Wales since they were introduced in 1980, resulting in a total of over 17,000 prosecutions.

Campaigns have also proved effective in encouraging people to voluntarily re-licence their vehicles and have made an enormous contribution to reducing VED evasion.

During October there will also be campaigns aimed at tax evaders in Greater Manchester, Cumbria and South Wales.

Press Enquiries: 01 212 0431

Public Enquiries: 01 212 3434
ask for Public Enquiry Unit.

ECON POL
VEHICLE EXCISE DUTY





JU350

Secretary of State for Trade and Industry

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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

MEM AT 19/10
cc: [unclear]
4

10 October 1984

SECRET

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
London SW1P 3AG

D. Nigel.

VEHICLE EXCISE DUTY

I should like to comment further on the exchanges on this subject since I wrote to you on 10 August, notably Nicholas Ridley's letter of 12 September and Leon Brittan's of 19 September.

2 The effect of the changeover from VED on the demand for diesel vehicles and on Austin Rover is very hard to assess accurately without consulting outside Government. I cannot agree with Nicholas that car buyers are unlikely to switch to diesel vehicles some time before the changeover comes into effect: there is nothing irrational in taking account of a large, announced forthcoming change in fuel costs in deciding on a purchase which will, in the normal course of events, be kept for at least one or two years. But on the evidence we have, I accept that the danger to Austin Rover of a sharp switch to diesel use would be much less in 1986 than in 1985.

3 The value of an accurate vehicle register to the police, as set out in Leon's letter of 19 September, is a formidable obstacle to abolishing the annual registration check and the tax disc. From my point of view the difficulties the loss of DVLC work would cause on the Counters side of the Post Office reinforce the need to analyse thoroughly, as officials are now doing, the pros and cons of going beyond VED abolition and dispensing with the annual check also.

4 Copies of this letter go to the Prime Minister, Willie Whitelaw, Nicholas Ridley, Peter Walker, Leon Brittan, Barney Heyhoe and Sir Robert Armstrong.

[Handwritten signature]
Norman

NORMAN TEBBIT

will request if required

Exam May 29

Vehicle Excise Duty



SECRET

Dtp Serial no: 1472
copy no - 7 of 17

NORM on DO
DT 2/7 3



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

12th September 1984

Dear Nigel

VEHICLE EXCISE DUTY

I have only recently received a copy of Norman Tebbit's letter of 10 August to you.

As you know, I take a rather more sanguine view than Norman about the possibility of abolishing VED. I recognise, however, that there would be difficulties, and Norman has quite reasonably drawn attention to two which affect his responsibilities. I should like to comment briefly on them.

As the report of the official group makes clear, all the options, in varying degrees, increase the incentive to use diesel vehicles. This is to be expected, since the price of fuel would rise, and diesel vehicles are more fuel efficient than petrol vehicles. The difficulty, as I understand it, is that Austin Rover will not, until late 1985, be in a position to compete effectively in this expanding market. But we are not envisaging a measure

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which would take full effect before mid-1986 at the earliest; and I am sceptical of the argument that people would anticipate the change by purchasing diesel vehicles early, since that would imply an irrational addition to their motoring costs (especially as the British motorist anyway seems much more reluctant to make this change than his continental counterpart). But even if there were a risk of anticipation of this kind, I do not think it would argue for more than deferment of the measure (as the report says) for 12 months.

On the second point, the report suggests that, providing the annual registration check were retained, the Post Office would lose only a small amount of business from the abolition of VED. However, the more radical idea of abandoning the annual registration check (at which, following your suggestion, our officials are now looking) might mean the Post Office ceasing annual checking altogether, and this would represent a significant loss of business. I suggest that, while officials are looking at the implications for the accuracy of the vehicle record and the means of checking MCT and insurance requirements, the possible effects on the Post Office might usefully be taken on board.

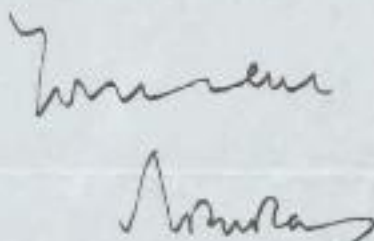
I do not think that we need to consider further papers from Departments. The official group's report is an exhaustive study and, when combined with the further work being done on the register, provides an ample basis for a decision. I have already recorded my agreement with your view that this is a decision which would most suitably be announced - if it went that way - in the Budget. I know

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that as you weigh the balance of advantage over the next few weeks, you will be considering very carefully how best, and at what stages, to consult colleagues further; but I do not myself believe that a meeting just now would take us further forward.

I am sending copies of this letter, as previously, to Norman Tebbit, Peter Walker, Leon Brittan, Barney Hayhoe and Sir Robert Armstrong, and also to the Prime Minister and the Lord President.

A handwritten signature in dark ink, appearing to read 'Nicholas Ridley', written in a cursive style.

NICHOLAS RIDLEY

SECRET

ECON POL - V.E.D.

May 79.



10 DOWNING STREET

Note for the file

Judith Simpson (HMCI)
telephoned about Mr Tebbit's
letter of 10 August below.

The Chancellor may like
to raise this at his
bilateral on 13 Sep - they
will let us know.

Sub
16/8



020
TOTAL COPIES 22
COPY No. 21

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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
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JF7163
Secretary of State for Trade and Industry

PCNO

10 August 1984

SECRET

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

NB
fr
vps

Dear Chancellor,

VEHICLE EXCISE DUTY

will request if required

I have seen Nicholas Ridley's letter of 25 July and your reply of 3 August.

2 The report by the official group, in which my officials also participated, is a helpful first stage in identifying and measuring the effects and implications of abolishing a vehicle excise duty. It highlights the fact that this is a most complex and intractable problem, without easy solutions.

3 From my own Departmental point of view, VED abolition - at least in the foreseeable future - seems to have important disadvantages, particularly in that it could distort the market by moving the balance of advantage in favour of diesel cars. I am also concerned about the implications for Post Office counter work of the most radical options before us. However, from a less narrow viewpoint, I can well understand why Nicholas Ridley favours abolition, and proposes that this should be done on the lines of option (c). I have no doubt that the issues are so important as to require collective consideration, which I - unlike you - would hope would result in a decision to go out to public consultation on this issue. Rather than rehearsing the many arguments now in a letter, I would suggest that we



SECRET

should meet early in the Autumn to decide how to take matters forward, and that Departments like mine with an interest in this issue should submit papers sometime early next month.

4 I cannot agree with the implication in your letter that this matter should be treated as part of the normal Budget considerations: I think the political implications extend much more broadly than that.

5 I am therefore sending copies of this letter to Nicholas Ridley, Leon Brittan, Peter Walker, Barney Heyhoe and Sir Robert Armstrong, and also to the Prime Minister and the Lord President.

Yours sincerely,

Norman Tebbit

NT NORMAN TEBBIT

(Approved by the Secretary of State and signed in his absence)

Leon Pot 5779VED

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10 DOWNING STREET

From the Private Secretary

10 June 1981

The Prime Minister was grateful for your Secretary of State's minute of 2 June on the outcome of the scrutiny of Vehicle Excise Duty enforcement. She has also seen the Chancellor's minute to her of 5 June. While she feels that Sir Derek Rayner makes a persuasive case for the abolition of VED, she agrees with the judgement of your Secretary of State and of the Chancellor that to replace it by increases in petrol taxation would be politically unacceptable. She therefore agrees that the right course is to press ahead with the measures described in Mr. Fowler's minute to combat evasion and increase public awareness of the enforcement of VED.

I am copying this to John Halliday (Home Office), John Wiggins (HM Treasury), David Wright (Cabinet Office) and to Clive Priestley.

W. F. S. RICKETT

Mrs. Alice Baker,
Department of Transport.

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PRIME MINISTER

The Scrutiny Programme: VED Enforcement

In his minute at A, Norman Fowler reports on the scrutiny of the Vehicle Excise Duty enforcement. At paragraph 11, he proposes a number of administrative measures to improve the enforcement of VED which he estimates will secure £5.3 million of extra revenue.

At paragraphs 16-18, he reports Sir Derek Rayner's view, which is that VED is an inefficient tax; that it should be abolished; and that it should be replaced by increased fuel taxation.

The Chancellor has commented in his minute at B. He points out that VED raises £1300 million of revenue a year. To replace this would require an additional 28.5p of tax on a gallon of petrol. He considers that this would be politically unacceptable, and that abolition of VED would therefore lead to a reduction in ^{petrol} ~~petrol~~ revenue. He supports Norman Fowler's conclusion that we should press ahead with the administrative improvements suggested by the scrutiny.

I think you will wish to comment that, although Sir Derek Rayner makes a persuasive case for the abolition of VED, you agree with the Chancellor's and Mr. Fowler's judgement that the political difficulties are overriding. *Content?*

*Yes
MS 1*

CAS

8 June 1981



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

THE SCRUTINY PROGRAMME: VED ENFORCEMENT

I have seen a copy of Norman Fowler's minute to you of 2 June concerning the scrutiny of VED enforcement. I note that Sir Derek Rayner considers that the study supports the view that VED should be abolished.

2. My own view remains firmly that we were right to decide in 1979 not to pursue the previous Government's proposal to abolish VED on petrol vehicles and replace it by an increase in petrol taxation. The plain fact is, even after allowing for evasion, VED on petrol vehicles is expected to bring in £1300m of revenue in 1981/82. To recoup this revenue, if the tax were abolished, would require an additional increase in the tax burden on petrol of 28.5p a gallon. I simply do not believe that would be tolerable in political terms, bearing in mind the difficulty we had in sustaining the 20p a gallon increase I proposed in this year's Budget.

3. In short, abolition of VED would in my view be bound in practice to reduce the sum of revenue that we are able to raise from motoring taxes, with the result that an even greater burden would fall on other taxes.

4. For this reason I entirely support Norman Fowler's conclusion that the right course is to press ahead with measures to combat evasion and increase public awareness of enforcement.

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5. I am copying this minute to Willie Whitelaw, Norman Fowler, Sir Derek Rayner and Sir Robert Armstrong.

[G.H.]

5th June 1981

conqueror

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PRIME MINISTER

THE SCRUTINEER PROGRAMME: VED ENFORCEMENT

1. The purpose of this minute is to advise you of the outcome of the scrutiny of Vehicle Excise Duty (VED) enforcement which, with your agreement, I commissioned last year. You will recall that you asked Sir Derek Rayner to take a personal interest in the study, and his comments are set out below. I enclose a copy of the Scrutineer's Report.

2. The subject needed special attention. There was, and continues to be, considerable public concern about evasion of VED. In reaching our decision to retain VED we were conscious that we would need to find ways of combating the evader more effectively, and I wanted to ensure that the resources we put into our enforcement effort were used effectively and efficiently.

3. First, I have begun to implement the changes we agreed to improve the administration of VED. Introducing a six monthly licence, transferring most relicensing work to more post offices and closing 28 of my local offices is enabling me to provide a more convenient service for the public and to save over 1,000 civil service posts. Second, we have concluded that we cannot go ahead with the proposal to change the basis of VED from tax on use to tax on possession, which I had seen as a possible means of simplifying enforcement.

4. The Scrutineer's report is a valuable and comprehensive review of the subject. It reinforces my feeling that some of our administrative arrangements were very unsatisfactory, especially in London, and my belief that a great deal more can be done to make enforcement more effective.

5. It is clear from the report that we cannot expect to eliminate VED evasion completely. By definition we do not know exactly how much evasion there is. With a re-organised and enhanced enforcement effort we can reduce some of the obvious weaknesses in our present arrangements but there is a limit to the resources which can be devoted to tracking down evaders. The initiatives we are taking should have a significant deterrent effect, though again it is difficult to measure this. But the report makes the point that without enforcement, evasion would be likely to increase dramatically; I believe that the risk of detection and penalty must play

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a part in maintaining payment by most taxpayers.

6. Against that background the report proposes that our objectives should be:

(a) to ensure that the enforcement effort pays for itself in terms of sums recovered from evaders;

(b) to bring as many offence reports as possible to a successful conclusion;

(c) to maintain public awareness of enforcement.

7. I propose to adopt these objectives. They are, in fact, in line with action I have already been taking. So, too, are the very helpful detailed recommendations for operational improvements: some are already being implemented; the others will be pursued urgently.

8. The first objective is already being met outside London. In 1979 my enforcement effort cost £4.7m and recovered £5.5m. The balance of advantage has been improved in 1980. But in London the absurd situation exists where costs have up to now considerably exceeded the amount recovered. The Department is urgently reorganising its London administration on the lines suggested in the report. This year it will more than cover its costs. The Department is also adopting other recommendations for improvement outside London. Overall it is confidently expected that the reorganised enforcement effort will bring in revenue greatly in excess of Departmental costs (the aim will be 2:1). I shall, however, keep this under close review, since I am concerned to ensure that the manpower allocated to enforcement is fully justified.

9. The second objective requires, as the report suggests, a selective approach. If we fail to follow up reports of offences, as we have failed in London in the past, the evader will believe he can get away with it. But we must ensure that resources are not wasted by devoting them to cases where the chances of success are small. These arise mainly where the vehicle register is not up to date, and the

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report contains useful recommendations for improvements which I shall be pursuing.

10. The third objective is important as a means of maximising the deterrent effect of enforcement. Following up more offence reports will help; so, too, would higher penalties - the average fine imposed by magistrates is currently £21, against a maximum of £300 for cars and much more for heavy goods vehicles. But we also need more dramatic action. That is why I have begun a series of special enforcement campaigns in co-operation with local police forces. Four already completed have produced encouraging results, not only in increased relicensing, and in deterring and catching VED evaders, but also in detecting other offences and in attracting extensive publicity. Another is just being completed and two more start next month. Further campaigns in other areas are being planned. I am glad to note the report's endorsement of this initiative, which I would like to take much further.

11. In brief, I propose:

- (a) to reorganise the Department's own enforcement effort on the lines recommended to meet the objectives proposed;
- (b) to take steps to improve our registration system;
- (c) to continue with the special local enforcement campaigns in co-operation with the police, and to pursue with the Home Secretary and the Secretary of State for Scotland how we might encourage more police forces to co-operate similarly;
- (d) to discuss with them how we might encourage magistrates to take licensing offences more seriously;
- (e) to consider the feasibility of making the licence disc more conspicuous as an aid to detection.

12. The report suggests that these changes will secure extra revenue or saving by:

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	£m
- improved efficiency in London	3.0
- extra enforcement effort	1.1
- possible transfer of work from DVLC to LVIOs (rough estimate)	0.6
- rolling programme of enforcement campaigns (rough estimate)	0.6
	<hr/>
	£5.3m
	<hr/>

These figures do not reflect police and court costs which we are unable to assess. They exclude the extra revenue which is expected to arise as my attack on evasion discourages people from trying to evade and encourages voluntary relicensing. I propose to measure more accurately the effectiveness of each change before I make it, and to ensure that each is fully justified.

13. I have appointed a single manager to push through the changes I propose and to be responsible for monitoring their effectiveness.

14. I will be referring to these various measures to combat evasion from time to time as appropriate opportunities arise. I do not, however, propose to publish the scrutiny report: I believe it would be unwise to reveal how to evade successfully, and I believe that the details of the number of reports which in the past have not been pursued might discourage the police, on whom we rely heavily.

15. Sir Derek Rayner considers that the study supports the view that VED should be abolished and the revenue raised by increasing fuel taxation. He has commented as follows.

Sir Derek Rayner's views

16. Sir Derek Rayner is conscious that he has the privilege of being an adviser; that he does not carry the burden of political responsibility; and that his views, as an adviser on efficiency and waste, must be set alongside others in coming to a decision.

17. However, he believes that - on efficiency grounds - VED enforcement is not justifiable and that the most efficient and effective way of raising revenue would be to abandon tax on use and instead tax

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the things which everyone who wants to drive his vehicle must have to make it usable, notably fuel and lubricants. His reasons are these:

(a) The current tax on use is inefficient to the extent of some 10%. (VED brings in about £1400m p.a.; the estimated level of evasion is £110m p.a.);

(b) VED is very difficult to enforce so long as it remains a tax on use. The Government's proposals for a tax on possession have won no favour, however. So we are left with a chronically inefficient tax instrument.

(c) The current enforcement effort involves not only some 700 of the Department's staff but also the police and the courts. It is at present profitable considering the Department's costs alone (para 8 above). It is unprofitable if police and court costs - unquantified by the report - are taken into account.

(d) The proposals in para 11 above are welcome as improvements to the existing arrangements but - considering the scale of evasion - are little more than palliatives. If they are wholly successful they will recover some £11.7m of lost revenue but will leave some £100m outstanding. The cost of recovery to the Department will be £5.6m, while the cost to the police and courts is unknown.

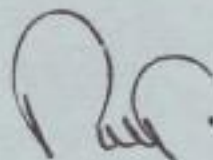
18. Sir Derek Rayner therefore believes that - considering the issue from the efficiency standpoint only - the correct course would be to set a date for the abolition of VED.

19. However, given our decision in November 1979 not to abolish VED, I do not believe that at this stage we can set a date for abolition, particularly given the views of our supporters on the last 20p increase in the tax on petrol. We must press on with doing all we can to make enforcement of the existing tax more effective. None of the changes I am putting into effect will, of course, prejudice our position should we decide at some future date that we should turn again to the question of the future of VED.

CONFIDENTIAL

CONFIDENTIAL

20. I am copying this minute to Willie Whitelaw, Geoffrey Howe, Sir Derek Rayner and Sir Robert Armstrong.



NORMAN FOWLER

21 June 1981

CONFIDENTIAL

MANAGEMENT IN CONFIDENCE

SCRUTINY OF VEHICLE EXCISE DUTY ENFORCEMENT CARRIED OUT IN CONSULTATION WITH
SIR DEREK RAYNER

FINAL DRAFT REPORT

1: INTRODUCTION

Background

1.1 In November 1979, the Minister of Transport ended several years of uncertainty about the future of vehicle excise duty (VED) and hence about the value of enforcement by announcing that the Government intended to retain the tax and to step up enforcement. The Department of Transport (DTp) took advantage of the opportunity offered by the Scrutiny Programme to initiate the present study.

Terms of reference

1.2 These were:

"To consider a. whether the resources currently devoted to enforcement are used as effectively as possible, and b. what would be the best way of utilising any additional enforcement resources".

Approach

1.3 The study was carried out by a Principal in DTp, with the part-time assistance of an Executive Officer in Enforcement (Vehicles) Branch of the Driver and Vehicle Licensing Directorate (DVLD) at Swansea. The study began on 14 January 1980. The study officer relied heavily on discussions in the field, supplemented by extensive written material. He interviewed staff at all levels within DVLD; at HQ in London, at DVLC Swansea, at the London Enforcement Office (LEO), and at 4 of the 51 Local Vehicle Licensing Offices (LVLO) engaged in enforcement. He observed the clerical enforcement staff at work, accompanied an Inquiry Officer (IO) on visits in London, and attended Magistrates' Courts in Dunstable and London.

1.4 The study concentrated on DTp, but also took account of the role of the Police and Magistrates. The study officer maintained regular contact with the Home Office; attended a meeting of the Association of Chief Police Officers' Traffic Committee; and visited Nottinghamshire County Constabulary to discuss the intensive enforcement campaign which they helped DTp to mount in February.

1.5 DTp shares problems of enforcement with other public authorities. The study officer therefore visited the National TV Licensing Record Office at Bristol and discussed common problems with the Inland Revenue and Customs and Excise, and with the Electricity Council.

1.6 VED evasion also concerns the honest taxpayer. The study officer therefore met representatives of motorists' organisations, the motor trade and road hauliers at DTP's Vehicle Licensing Liaison Group. A full list of participants in discussions is at Annex A.

1.7 The study began with fact-finding interviews, followed by an interim report summarising these findings and discussing possible proposals. This report was used as a basis for cross-checking interviews before drawing up the present report.

Consultation with Ministers, the Permanent Secretary and Sir Derek Rayner

1.8 The Minister of Transport asked the Parliamentary Secretary, Mr Kenneth Clarke, to supervise this study; and the Prime Minister asked Sir Derek Rayner, the Government's adviser on efficiency and waste in central government, to take a particular interest. The study plan at Annex B was drawn up in consultation with senior officials, and agreed by the Minister and Parliamentary Secretary, by the Permanent Secretary and by Sir Derek Rayner. The Minister and Parliamentary Secretary requested that the study should take account of the implications for enforcement of changing VED to a tax on possession rather than use of a vehicle. The Parliamentary Secretary and the Permanent Secretary commented on the interim report, and Sir Derek Rayner discussed this report during a visit to LEO Offences Section at Sidcup in April.

Consultation with Staff Side

1.9 The study officer met DTP Staff Side and Staff Side at DVLC Swansea during the initial fact-finding period, and before the final report was written. LEO Staff Side were consulted at the first stage but declined an offer of a second meeting. Central and local Staff Sides would favour any increase in enforcement, but they could not commit themselves on procedural and organisational change in advance of consultation with Official Side about the final report. They were anxious to be consulted during the preparation of the action document.

Costs

1.10 The study cost £10,415, broken down as follows:

Study Officer	salary plus overheads for 90 days	£ 8,736
	travel and subsistence	517
		<hr/>
		9,253
Executive Officer	salary plus overheads for 28 days	1,069
	travel and subsistence	93
		<hr/>
		1,162

It is not possible to estimate the cost of the time of officials who were interviewed during this study.

Acknowledgements

1.11 The study officer wishes to record his thanks for the part-time assistance of the Executive Officer, Mr Simon Warren, in arranging meetings and collecting background material, and for the unstinting cooperation which he received from DTp staff engaged in enforcement, other officials in DTp and other Government Departments, and members of non-Government bodies.

2: SUMMARY: CONCLUSIONS AND RECOMMENDATIONS: TIMETABLE FOR IMPLEMENTATION

The problem of VED evasion

2.1 VED evasion cannot be measured precisely, but estimates suggest that about £110m could be lost in 1980/81. The main purpose of enforcement is to encourage voluntary payment by the deterrent example of the detection and punishment of evaders. However, in the absence of any means of measuring the deterrent effect of enforcement, the operational objectives should be to ensure that the enforcement effort pays for itself in terms of sums recovered from evaders, to bring as many offence reports as possible to a successful conclusion, and to maintain public awareness of enforcement. (Section 3)

Making payment easier

2.2 The forthcoming increase in the minimum licensing period from 4 to 6 months will reduce opportunities for evasion; the introduction of £5 stamps will enable motorists to spread the cost of a licence; and the transfer of most renewals work to post offices will make it easier to pay VED in person. These measures should reduce marginal evasion to some extent, but they will not impede the determined evader. (Paragraphs 4.2 - 4.3)

Existing enforcement arrangements

2.3 Action against a possible evader can be contemplated only on the basis of a report of unlicensed use of a vehicle. In 1979, DTp received over 900,000 reports, mainly from the Police (including Traffic Wardens). About $\frac{1}{3}$ of these reports name the offender, and are relatively easy to conclude successfully; the remainder provide only the registration mark of the unlicensed vehicle and the date of the offence, and it is often difficult to trace the keeper. The pursuit of an alleged evader involves checking the record to ascertain whether an actionable offence has been committed; offering a mitigated penalty where less than 6 months back duty was owed at the time of the offence; tracing the keeper of vehicles cited in unnamed reports, and obtaining payment of a mitigated penalty or a statement for use in legal proceedings; laying information against an offender and delivering a summons; and prosecution. (Paragraphs 5.1 - 5.3)

2.4 Operational responsibility for enforcement is divided between Swansea and specialist staff in 51 out of 76 Local Vehicle Licensing Offices (LVLO) outside London; within London, enforcement is the responsibility of the London Enforcement Office (LEO). Offenders are prosecuted in Magistrates' Courts (Sheriffs' Courts in Scotland); the maximum penalty is £50 or 5 times the duty chargeable, but fines vary considerably. The Police also offer invaluable assistance in tracing and prosecuting offenders in many areas (except London). (Paragraphs 5.4 - 5.17)

Strengthening enforcement

A more selective approach to unnamed reports

2.5 Offence reports arising outside London go to Swansea to check the record and assemble case papers for the LVLOs to pursue offenders. Swansea have already acquired 25 additional staff, giving them the capacity to process all offence reports. A further 125 staff are planned for the LVLOs in order to enable each office to deal with the majority of actionable reports arising within its area. The additional staff will cost about £900,000 a year. They should be able to recover at least £2m from evaders. Most of the additional work will involve unnamed reports. In order to ensure that the additional staff pay for themselves in terms of sums recovered from evaders, both Swansea and the LVLOs should develop ways of sifting unnamed reports so that the most straightforward and productive receive priority. (Paragraphs 7.1 - 7.4)

Reorganising enforcement

- A more unified approach

2.6 The division of responsibility for enforcement between Swansea and the LVLOs, and within LEO between 2 offices, risks duplication of work and misallocation of resources. Ideally, there should be a single manager responsible for enforcement throughout the country, and enforcement within a particular area should be carried out from one office. In the meantime, existing duplication could be reduced by limiting Swansea's checks on returned cases. (Paragraphs 7.5 - 7.6)

- Swansea and the LVLOs

2.7 Outside London, the second objective could be realised only by decentralising all enforcement work to the LVLOs, by running down enforcement staff at Swansea and augmenting staff locally. It would be wrong to disturb existing arrangements unless decentralisation offered a clear prospect of substantially improved performance. DTp should therefore select 2 or 3 LVLOs to participate in a pilot scheme to run long enough to establish clearly whether this "localist" approach should be extended. (Paragraphs 7.8 - 7.11)

- LEO

2.8 LEO comprises about 140 clerical staff in Offences Section at Sidcup who check the record and assemble case papers as at Swansea, and carry out mitigated penalty work as in the LVLOs; 75 Inquiry Offices (IO) working from home and responsible for tracing unnamed offenders; and 13 Authorised Officers (responsible for prosecuting offenders) and about 30 supporting clerical staff in Prosecutions Section at Hanover Street in the West End. There seems to be no prospect of housing Offences and Prosecutions Section together. (Paragraphs 5.11, 7.12)

2.9 Offences Section are unable to cope with the volume of work while the IOs and the clerical staff in Prosecutions Section are underemployed. The present IO complement should be reduced to around 40, saving around £300,000 a year; and the clerical staff at Hanover Street should be reduced by about 10, saving about £100,000 a year. Staff at Sidcup should be increased by similar amounts. (Paragraphs 7.13)

2.10 Offences Section should be reorganised. At present, a small Coordinating Group check the record and pass cases to the remainder of the staff organised in Offences Groups. The Coordinating Group should be enlarged to assume additional responsibility for dealing with nominal offenders by warning letter, and for obtaining microfilm copies of necessary documents before passing cases to the Offences Groups. They should give absolute priority to cases involving named reports, and should develop ways of identifying unnamed reports worthy of pursuit. (Paragraph 7.14)

2.11 At present, each Offences Group consists of 5 or 6 COs, each assisted by a CA. Each group of COs should in future require only 1 or 2 CAs. The superfluous CAs should be transferred to the enlarged Coordinating Group. (Paragraph 7.15)

2.12 In future initial inquiries about unnamed offenders should be carried out by correspondence rather than by IOs. (Paragraph 7.16)

2.13 These changes will cost nothing, but they should enable LEO to recover an extra £3m a year from evaders. (Paragraph 7.17)

Increasing mitigated penalty payments

2.14 It is cheaper to conclude a case with payment of a mitigated penalty than to prosecute an offender. DTP should consider the possibility of a pilot scheme involving discounts for prompt payment, and should warn offenders that refusal to pay a mitigated penalty will be drawn to Magistrates' attention, in the event of conviction, before sentencing. (Paragraph 7.18 - 7.19)

Intensive enforcement campaigns

2.15 DTP should give wide publicity to the success of the recent campaign in Nottinghamshire and of any subsequent campaigns in order to obtain the cooperation of other Forces. They should be prepared to offer every assistance to the Police in these campaigns. They should also emphasise the demonstrable link between VED evasion and other offences, and should encourage the Home Office to do likewise, in order to sustain and extend Police cooperation in routine enforcement. (Paragraphs 7.24 - 7.26)

Improving the vehicle record

2.16 DTP should consider dual notification and dealer cards as means of improving the accuracy of the vehicle record and hence making it easier to trace the keepers of vehicles cited in unnamed reports. (Section 8)

Changing vehicle licensing and registration arrangements

2.17 Changing VED from a tax on use to a tax on possession of a vehicle offers the best prospect of reducing evasion substantially, but the full benefits could not be realised without changes in vehicle registration arrangements aimed at improving the accuracy of the record. (Section 9)

Timetable for implementation

2.18 The recommended changes in enforcement organisation and procedures, including the pilot scheme for a fully localised approach to enforcement, should be implemented as soon as possible. The pilot scheme should be carefully monitored, and a decision to decentralise enforcement should be made only if the results confirm the prospect of substantial improvements in performance.

2.19 The recommended changes in registration arrangements will need further consideration and will involve consultation with the motor trade, but they should be implemented before the freeze on procedural changes at the end of 1982.

Action

2.20 The foregoing paragraphs have been so drafted as to provide a basis for an action document. A single manager should if possible be responsible for implementing agreed changes.

3: THE PROBLEM OF VED EVASION

Measuring evasion

3.1 There is no precise figure for VED evasion. It cannot be measured simply by counting unlicensed vehicles from the records, because it is not an offence to have an unlicensed vehicle: only to use or keep it on the road. It cannot be measured by counting the number of reports of apparently unlicensed vehicles, because the proportion of evasion which remains undetected is unknown. Looking at vehicles on the street is of limited value, partly because licences are often simply not displayed (though this is an offence in itself), but more importantly because unlicensed vehicles are probably less likely to be parked on the road than licensed ones. Studying the vehicle record and making allowances for legitimately unlicensed vehicles has the difficulty that these allowances are not easy to establish. The results of any survey are, therefore, subject to a wide range of error.

3.2 In 1978 DTp carried out a detailed study of evasion. This involved an on-street survey of some 150,000 parked cars in a range of areas throughout Great Britain, and a desk study designed to establish the proportion of cars which were legitimately unlicensed, because they were either in dealers' hands, exported, or scrapped. The parked car survey showed that at least 2½% of cars were being used without a licence. The desk study suggested that this figure could be as high as 7-9%. Since the revenue from VED on cars is expected to be £900m in 1980/81, some £60-80m may be lost through evasion.

3.3 The level of evasion appears to be higher in Scotland and Wales than in England, and higher in the north west than elsewhere in England; but about a quarter of unlicensed cars are in the south east, including London. There are no details of the age and socio-economic background of evaders. The impression of those engaged in enforcement is that evaders are of all ages and from all walks of life. The main cause of evasion is the straight-forward desire to reduce the cost of motoring by dishonest means.

3.4 The street survey excluded goods vehicles and motorcycles, and the proportions of these vehicles that are legitimately unlicensed are unlikely to be the same as the proportion of legitimately unlicensed cars. However, rough estimates suggest that levels of evasion for goods vehicles and motorcycles are 10-13% and 10-12% respectively. In the case of motorcycles the sum likely to be lost through evasion will be a relatively trivial £1-2m; but about £350m will be raised through VED on goods vehicles in 1980/81, which means that a further £35-45m could be lost, bringing the total loss through VED evasion to around £110m.

Reducing evasion: structure of the report

3.5 Ideally, VED should be so designed as to minimise the scope for evasion and the need for elaborate counter-measures. But this would require major changes. The present study had to begin with the tax as it is now, although it concludes with a consideration of alternatives.

3.6 VED relies initially on voluntary payment. Evasion therefore might be reduced simply by making payment easier. Section 3 considers existing arrangements and planned changes.

3.7 Enforcement depends on reports of sightings of unlicensed vehicles and is intended to encourage voluntary payment through the deterrent example of the detection and punishment of evaders. Because evasion itself cannot be measured, it is not possible to measure the deterrent effect. However, common sense suggests that without enforcement, the long term loss of revenue would be close to 100%; and that there will be an inverse relationship between evasion and public perception of the chance of punishment. In the absence of any more precise means of balancing costs against reductions in evasion, the objectives of enforcement should be to pay for itself in terms of sums recovered from evaders, to ensure that as many actionable reports as possible are brought to a successful conclusion, and to keep enforcement before the public eye. Section 4 describes existing enforcement arrangements; Section 5 provides a critical analysis; and Section 6 makes proposals for strengthening these arrangements.

3.8 Vehicle licensing is linked with registration, and the effectiveness of any system of enforcement depends on the accuracy of the record of vehicles and their keepers. Section 6 therefore considers ways in which enforcement could be made easier by improving vehicle registration arrangements.

3.9 The present study has been unable to discover any panacea for evasion within the present vehicle licensing and registration system. Section 7 considers whether radical changes in vehicle licensing and registration might offer such a panacea.

4: MAKING PAYMENT EASIER

Existing payment arrangements

4.1 At present, licences may be bought for 4 or 12 months. A new vehicle will be licensed by the dealer at the same time as he registers it. The purchaser of a used vehicle can obtain a licence by completing an application form and taking or sending this form to an LVLO with the duty payable, the registration document, a valid certificate of insurance and an MOT test certificate if necessary. About 2 weeks before a licence expires, DVLC send a combined reminder/renewal application form to the registered keeper's address. The keeper may use this form to renew his licence within 14 days on either side of the expiry of the previous licence by taking it with the duty payable, a valid certificate of insurance and an MOT test certificate if necessary to an LVLO or Post Office, or by posting it with these enclosures to an LVLO. Outside that period, a licence may be renewed only at an LVLO. Keepers renewing their licences after a gap or who do not receive the reminder form must apply to an LVLO with an alternative, more complicated application form.

Six-monthly licences and savings stamps

4.2 Some evaders claim that they simply forgot to buy a licence: others claim that they could not afford the lump sum payment at the time that their previous licences expired. On Budget Day, the Minister announced changes in VED which would reduce the opportunities to "forget" to pay the tax, and would enable motorists to spread the burden of payment. From 1 October, the minimum licencing period will be extended from 4 to 6 months; and from 11 August, motorists will be able to buy 15 savings stamps for VED at Post Offices.

Transfer of licensing transactions work to the Post Office

4.3 Most motorists prefer to renew their licences in person rather than by post, and find it more convenient to pay at one of the 2,000 Post Offices handling renewals rather than at one of only 81 LVLOs: in 1979, there were 16.5m renewals at Post Offices compared to 5.5m at LVLOs (over the counter and by post). DTp plans to transfer virtually all relicensing work to the Post Office over the next 2 years and to close about 30 LVLOs. However, the immediate increase in the number of Post Offices handling renewals by a further 1,000 to 3,000 will make it easier to pay VED over the counter.

Second reminders

4.4 NTVLRO and the public utilities find it worthwhile to send second reminders, and in 1978, DTp carried out a limited experiment with second reminders, asking keepers either to renew their licence or to state why they had ceased to use the vehicle. However, unlike NTVLRO or the public utilities, DTp could not threaten

further action if no reply was forthcoming simply because it is not an offence to fail to buy a new licence. The terms of the reminder were mild, and the response rate was insufficient to justify the cost of the exercise. However, it might be worth considering the issue of second reminders in a selected area in advance of intensive enforcement campaigns, where it would be possible to threaten follow-up action against evaders.

Conclusion

4.5 There is no way of knowing how many motorists evade VED simply because of forgetfulness, temporary financial difficulties or reluctance to use the post - probably only a minority of those who make these excuses when they are reported. Nor is there any way of determining the effect of changes in payment arrangements, but they will certainly not stop the determined evader.

5: EXISTING ENFORCEMENT ARRANGEMENTS

Enforcement action

5.1 Action against a VED evader can be contemplated only on the basis of a report of apparent unlicensed use. DTp received just over 900,000 reports in 1979; 90% from the Police (including Traffic Wardens), the remainder from local authority consumer protection departments, DTp traffic area offices and members of the public.

Offence reports

5.2 These fall into 2 main categories:

- a. named reports, where the driver of the vehicle at the time of the alleged offence is identified by name, may have made a statement under caution, and is aware that the matter has been reported. This category includes "conjoint" reports, where the apparent excise offence is detected along with other offences over which the Police intend to take legal proceedings;
- b. unnamed reports, where the vehicle was unattended or not stopped when the alleged offence was detected and no details of the driver are given.

Named reports account for about 40% of the total outside London; about 25% of the total within London.

Procedure

5.3 The pursuit of an alleged VED evader involves:

- a. checking the vehicle record to ascertain whether an actionable offence has been committed;
- b. offering a mitigated penalty;
- c. making inquiries to establish responsibility for an offence and obtain a statement (unnamed reports);
- d. laying information and delivery of a summons;
- e. prosecution.

Every case may not involve all these stages: some end with payment of a mitigated penalty; others go straight to inquiries or prosecution. The maximum penalty for evasion is £50 or 5 times the duty chargeable. DTp may deal with an offender either by prosecution or by offering a mitigated penalty. Mitigated penalties

are determined according to a sliding scale of £10 plus 1½ times back duty. Prosecutions take place in Magistrates' Courts (Sheriffs' Courts in Scotland). Fines vary considerably; the average in 1979 was £21.

Organisation

5.4 DTP is responsible for enforcing payment of VED. In London, operational responsibility lies with LEO; in the rest of Great Britain it is divided between a specialist enforcement branch at Swansea and enforcement staff in 51 out of 76 LVLOs; and in Northern Ireland, it is carried out by the Department of the Environment (NI) on an agency basis.

Staff

5.5 The 1979/80 staff complement was just under 700, at a cost (salary/wage, plus accommodation and common services) of £4.74m, broken down as follows:

Table 1

	Complement	Costs (£000s)
Swansea	143	798
LVLOs	268	1,780
	<hr/>	<hr/>
Swansea/LVLOs	411	2,578
LEO	275	2,161
	<hr/>	<hr/>
TOTAL	686	4,739

84% of these staff were in clerical grades; the remainder in executive grades.

Swansea and the LVLOs

5.6 Offence reports from outside London go to the specialist enforcement branch at DVLC Swansea. They check the record, and where an offence has been committed pass the report plus a printout of the licensing and keeper history of the vehicle and microfilm copies of relevant documents to the LVLO within whose area the offence was committed. A marker is placed on the computer record to ensure that the enforcement staff are informed of any subsequent transactions (eg a further offence report, relicensing or a change of vehicle keeper).

5.7 At present, the LVLOs' main responsibility is the issue of licenses: only 51 out of 76 non-London LVLOs carry out enforcement work, and the staff engaged in enforcement comprise a small minority - usually about 20% of the total. All LVLOs engaged in enforcement are responsible for offering mitigated penalties and for making initial inquiries by correspondence. Beyond that point, the role of the enforcement staff depends on whether the Police are prepared to help in making inquiry visits and prosecuting offenders.

5.8 Named offenders owing less than 6 months back duty at the time of the offence will be offered an opportunity to pay a mitigated penalty in lieu of legal proceedings. If no payment is forthcoming, then the papers will either be passed to the Police to prosecute; or the offender will be prosecuted by an LVLO Authorised Officer (an EO "authorised" to prosecute on behalf of the Minister). (In Scotland, prosecutions are carried by Procurators Fiscal). Where more than 6 months back duty is owed legal proceedings will be taken at once.

5.9 In the case of an unnamed report, the mitigated penalty letter will be sent to the registered keeper with a letter requiring him to confirm that he was responsible for the vehicle at the time of the offence or to supply details of the user of the vehicle at that time. If this correspondence elicits no response, then the case will be passed either to the Police or to an LVLO Inquiry Officer to trace the offender and secure payment of the mitigated penalty or an admission of responsibility for the excise offence. The case then goes forward to prosecution if necessary. Where over 6 months duty is owed, then inquiries begin at once.

5.10 After payment of a mitigated penalty, or legal proceedings, the papers are returned to Swansea to check and close the case, to record the outcome and to remove the offence marker.

LEO

5.11 LEO comprises:

- a. Offences Section, 140 clerical staff based at Sidcup and responsible for checking the record, assembling case papers and offering mitigated penalties;
- b. Inquiries Section, 75 IOs based formally at LEO HQ at Hanover Street in the West End, but in practice working from home;
- c. Prosecutions Section, 13 AOs with clerical support at Hanover Street.

5.12 Offence reports go to Sidcup. A small Coordinating Group sends the reports to the computer centre at Swansea to check whether an offence has been committed and place a marker on the record. Printouts and the returned offence reports are passed by this group to the clerical teams in the Offences Groups which comprise the remainder of Offences Section and are responsible for all stages in the subsequent pursuit of an offender, apart from inquiries and prosecution.

5.13 If a named offender refuses a mitigated penalty offer, the case papers will be passed to Hanover Street for prosecution. If an unnamed offender refuses

this offer, the case will first be passed to an IO to obtain payment of the mitigated/ or a statement for use in prosecution. Other cases are referred immediately for inquiries or prosecution. Sidcup is responsible for closing cases and removing markers.

The role of the Police

5.14 DTp relies on the co-operation of the Police in enforcing VED. The Police provide the majority of offence reports, and in many parts of England and Wales (excluding London) and throughout Scotland they assist in tracing and prosecuting offenders. This voluntary assistance is invaluable: without it DTp's task would be immeasurably harder.

5.15 However, the relationship between DTp and the Police is not one-sided. Many criminal offences involve vehicles, and the Police rely on the accuracy of the vehicle record for tracing keepers: action against evaders helps to maintain this accuracy. Although evasion is a tax offence like any other form of evasion, and hence perhaps not strictly within the Police purview, it is frequently associated with traffic offences which are a Police responsibility, and where they already assist DTp.

5.16 In general, the Police recognise that their role in enforcing VED cannot be divorced from their responsibility for enforcing traffic law, nor from their wider responsibility for maintaining law and order. Each Chief Constable is responsible for deploying Police resources in the light of local priorities, and the degree of emphasis given to the detection and pursuit of VED evaders varies from Force to Force.

6: EXISTING ENFORCEMENT ARRANGEMENTS: CRITIQUE

History

6.1 The 1970s were difficult years for enforcement. Before DVLC Swansea was set up in the early 1970s, vehicle licensing and registration were the responsibility of 183 local tax offices (LTOs) run by local authorities on an agency basis. Vehicles were registered by LTOs, and licences issued and renewed by LTOs and post offices. The keeper and licensing history of every vehicle was recorded on manual files in registration mark order, each file held by the LTO serving the area where the current keeper lived. Reports of unlicensed use of a vehicle were sent in the first place to the LTO responsible for registering the vehicle and subsequently, if necessary, to the LTO holding the file on that vehicle. It was frequently difficult to match an offence report with the appropriate file.

6.2 Since October 1974, a record of all new vehicles has been held on computer at Swansea. Between April 1975 and November 1977 virtually all of the records held by the LTOs were transferred to Swansea in stages according to the letter suffix of registration mark. Prior to this transfer DTp assumed direct responsibility for the LTOs, and during the transfer responsibility for vehicle registration and licensing was divided between the LTOs, using manual files, and DVLC and LVLOs, using the computer record. Responsibility for enforcement was divided similarly: offence reports concerning vehicles registered centrally went to Swansea to prepare case papers for despatch to LVLOs; reports concerning vehicles registered locally went to LTOs. LTO staff were given an opportunity to transfer to LVLOs as this transfer proceeded, and in March 1978 the last LTO closed. During this protracted transitional period, enforcement staff in the LVLOs faced the problems of adjusting to a centralised, computerised system in place of the familiar manual system, at a time when the value of their work seemed increasingly doubtful as a result of uncertainty about the future of VED. Despite DTp's continuing concern about evasion, there was little incentive either to devote increased resources to enforcement or to overhaul arrangements which had been inherited from the LTOs. The prospect of abolishing VED and raising the necessary revenue by increasing the tax on petrol offered a simple solution to the problem of enforcement.

Performance

6.3 Performance during the 1970s reflected these problems. The figures speak for themselves:

Table II

	Offence reports		Prosecutions		(000s) Mitigated penalties	
	LTOs	DTp	LTOs	DTp	LTOs	DTp
1971	u/a		151		96	
1972	1046		160		116	
1973	1053		156		122	
1974	945		163		124	
1975	1058		156		159	
1976	879	218	163	2	116	10
	(1097)		(165)		(126)	
1977	432	648	104	22	48	35
	(1080)		(126)		(83)	
1978		824	8	91	1	57
			(99)		(58)	
1979		917		100		69

There are no analogous figures for staff in the LTOs, but there were considerably more staff engaged in enforcement in the early 1970s than at the end of the decade.

6.4 The following table provides a detailed summary of performance in 1979:

Table III

	Swansea/LVLOs	LEO	(000s) Total
Offence reports	606	311	917
No offence committed	99	15	114
No record of vehicle	12	17	29
Not pursued	150 (approx)	140 (approx)	290 (approx)
Referred for action	211	141	352
Mitigated penalty paid	60	9	69
Successful prosecution	84	16	100

The following points should be borne in mind in considering these figures:

- a. most of the reports which disclose no offence can be accounted for by the copies of fixed penalty tickets issued by Traffic Wardens for non-display of a valid tax disc. The issue of tickets for this offence varies from area to area: none are issued in the metropolitan police district, hence the relatively low number of reports received by LEO which reveal no offence;
- b. about one-third of the reports arising outside London which were not pursued involved nominal offenders who renewed their licences after being reported, without any gap in duty. Another third revealed offences but were not passed on to the LVLOs because of their lack of resources. A further third were destroyed without being processed. A similar breakdown for LEO is not available;

c. cases referred for action to the LVLOs exclude those involving nominal offences and contain microfilm copies of relevant documents. Cases referred for action within LEO include nominal offenders, and microfilm copies must be requested by the Offences Groups;

d. the same vehicle is frequently the subject of several offence reports and each sighting involves a separate offence. These multiple reports are usually handled as a single case, with an offender incurring a single penalty in respect of several reports. In order to balance "input" of reports with "output" of successfully completed cases, it is necessary to count a prosecution involving, say, 3 reports as 3 prosecutions, as Swansea do but LEO do not. In future, LEO should follow Swansea's practice.

6.5 In 1979, DTp enforcement staff broadly paid for themselves in terms of sums recovered in mitigated penalties, back duty, fines and costs:

Table IV

	Sums recovered	Staff costs
Swansea/LVLOs	4,356	2,578
LEO	<u>1,197</u>	<u>2,161</u>
TOTAL	5,553	4,739

(£000s)

These figures do not include the costs involved in the assistance which the LVLOs receive from the police in tracing and prosecuting offenders. It could be misleading to try to estimate those costs since a substantial proportion of excise offences are detected in the course of other police work and in conjunction with other offences. It is not possible to provide an estimate of costs to the Magistrates' Courts: prosecutions for VED evasion account for about 3% of the total, and any reduction would do no more than reduce the existing delays in legal proceedings. Nor is it possible to estimate the revenue benefits from evaders who relicense once they have been caught, whether or not they have been prosecuted.

Constraints on performance: LVLOs

6.6 Outside London, the main constraint on performance lies in the LVLOs. Barely 2/3 of the offence reports which are processed by Swansea can be despatched to the LVLOs. The table at Annex C shows that the capacity of individual LVLOs, and their success in pursuing offenders, varies considerably. The summary of this table at Annex D shows that the degree of Police assistance in tracing and prosecuting offenders is the main influence on these variations in performance (see also Paragraphs 5.14 to 5.16).

Other factors also affect performance. Some LVLOs, eg in the North East and South West, are more generously staffed for enforcement than others. Others benefited from the transfer of experienced LTO staff. LVLOs in areas with relatively high unemployment find it easier to recruit and retain permanent staff: others have to rely on a succession of casual staff and are unable to build up a stable workforce. The enforcement staff are a minority in each LVLO and rarely number more than 10: much therefore depends on the quality of individual staff and management interest.

6.7 Swansea has attempted to come to terms with individual LVLOs' lack of capacity by:

a. sending a warning letter to nominal offenders (where less than 3 months back duty was owed at the time of the offence, but a new licence has been purchased, backdated to the beginning of the month following the expiry of the previous licence). This is a relatively recent innovation: previously no action was taken on these cases.

b. setting priorities between cases based on the ease with which cases can be successfully concluded. Conjoint cases involving other offences come first because the Police will usually be prepared to prosecute the excise offence with the other offences so long as their deadline (usually 8 weeks) can be met. All conjoint cases are despatched to the LVLOs to pass on to the Police with authority to prosecute. (Where the Police deadline is missed these cases must be prosecuted separately, either by the Police themselves or by the LVLO). Other named cases come second, because the offender is aware that he has been reported and because there is no need to trace the offender. Unnamed reports come last, because the offender is unaware that he has been reported, and because tracing the keeper of the vehicle cited in the report imposes most difficulties with least chance of success;

c. establishing a system of adjustable monthly quotas for individual LVLOs which reflect these priorities. LVLOs are expected to deal with all conjoint cases, and each has separate quotas for named and unnamed cases. These quotas are fixed after visits to LVLOs and discussions with staff, and may be adjusted in line with subsequent performance.

6.8 Swansea have the capacity to check the record on all named reports, and the majority are referred to the LVLOs. At present, they check only a minority

of unnamed reports, and the rest are discarded. There is no consistent effort to ensure that the minority of unnamed reports that are sent to the LVLOs are the easiest to pursue or the most worthwhile in terms of potentially recoverable back duty. However, Swansea's approach has led to an improvement in performance in 1979 over 1978 which has continued in the first quarter of 1980. About 70% of cases despatched to the LVLOs are concluded successfully. No figures are available, but it is likely that the majority of these cases involve named reports, and consequently that the majority of actionable named reports arising outside London are brought to a successful conclusion. It is also likely that the majority of unsuccessful cases involve unnamed reports.

LEO

6.9 By contrast, LEO's performance declined during 1979. DTp inherited a separate enforcement office from the GLC. Until March 1978, LEO pursued offenders on the basis of manual files inherited from the GLC, or case papers provided by Swansea. Two years ago, Offences Section assumed responsibility for checking the record and obtaining microfilm copies of relevant documents, without any increase in staff and without sufficient training to familiarise the existing staff with their new responsibilities. During most of the intervening period, half of Offences Section was housed in 2 offices at Woolwich, joining the remainder at Sidcup only in March 1980. Division between 3 offices created management problems; and uncertainty about the timing of the move to Sidcup made it difficult to recruit and retain staff at Woolwich - turnover for the whole of Offences Section in 1979 was over 40%. In addition, Sidcup faces problems common to many local offices: a sense of isolation; a lack of local control over recruitment and promotion; and difficulty in attracting competent junior managers.

6.10 Performance has also been inhibited by working procedures which take no advantage of aptitude and experience among staff. The Offences Groups work in CO/CA pairs; each pair is responsible for processing all offence reports involving vehicles whose registration marks lie within a particular numerical band. There is little difference between the abilities of the average CO and the average CA, but at Sidcup their respective tasks are rigidly demarcated: the COs decide what action needs to be taken on a case, and pass papers to the CAs to carry out this action. By contrast, similar work in the LVLOs is carried out by usually 4 or 5 COs supported by a single CA. At Sidcup, each pair is expected to deal with the same number of cases, and the EOs in charge of the Offences Groups (each comprising 5 or 6 CO/CA pairs) operate mainly as checkers rather than as managers concerned to improve performance.

6.11 It is difficult to compare the performance of the Offence Groups at Sidcup with the clerical staff doing similar work in the LVLOs. However, a comparison between Sidcup and the 11 LVLOs which receive no Police assistance shows that in 1979 there were about 230 successful cases for each member of the Offences Groups compared to about 700 successful cases for each of the clerical staff in the LVLOs. Swansea's responsibility for dealing with nominal offenders and for providing microfilm copies of relevant documents is surely not sufficient to explain this variation, especially when LEO has the "advantage" of more IOs than the LVLOs.

6.12 Sidcup's problems are exacerbated by the imbalance in staffing levels between themselves, and the IOs and the clerical staff at Hanover Street. There are 73 IOs in London compared to 44 in the rest of Britain. While Sidcup have to overlook more productive named reports in order to supply them with unnamed cases, the IOs' present average case load is a quarter of their capacity. They are making initial inquiries which elsewhere are made by letter, and are regularly making perhaps as many as a dozen visits in pursuit of an offender compared to the recommended 2 or 3 outside London. At a time when LEO are unable to successfully conclude more than a fraction of the cases which they receive from the Police, the ^{IOs} have begun to generate their own cases by reporting unlicensed vehicles, checking the record and tracing offenders. Nevertheless, it is doubtful whether they succeed in tracing more than 20-30% of offenders. Prosecutions Section is staffed to deal with at least 50,000 cases a year, compared to the 22,000 cases which they handled in 1979. This decline has had little effect on the time spent in court by the AOs, but it has considerably reduced the demands on their clerical support staff. Moreover, the present division of LEO, with each section under separate management and housed separately, makes it difficult to perceive bottlenecks and to shift staff or adjust procedures accordingly.

6.13 Despite these problems, there are grounds for optimism. Performance in the first quarter of 1980 shows a considerable improvement over 1979. Management are aware of these problems and keen to make changes: during the present study, they have raised the threshold on mitigated penalties from 3 to 6 months in order to increase the number of cases completed in this less costly way. Concentration at Sidcup offers an opportunity to build a more stable work force. The small Training and Planning Group is completing an office instruction manual and is attempting to devise improved working arrangements.

7: STRENGTHENING ENFORCEMENT ARRANGEMENTS

A A selective approach to unnamed reports

Planned staff increases

7.1 DTp plan to increase enforcement staff outside London by 150 (mainly in clerical grades) over the next year at an annual cost of around £900,000 (1979 figures). 125 will go to the LVLO and 25 to Swansea (most of whom are already in post). Swansea is now able to check the record on all offence reports, and to deal with nominal offenders (those who relitigate immediately after being reported and pay full back duty) by warning letter. The distribution of the remaining 125 staff is still being considered, but the aim is to enable each LVLO to deal with all worthwhile actionable reports arising within its area.

Revenue

7.2 The additional staff should enable Swansea to increase by 50% the number of cases referred for action to the LVLOs. If the LVLOs manage to maintain their present success rate, they should be able to recover an extra £2m a year from evaders - more than sufficient to cover direct staff costs, leaving aside any increased deterrent effect.

A more selective approach

7.3 At present most of the cases dealt with by the LVLOs involve relatively easy named reports, and these should continue to receive priority. The bulk of the increase in cases will involve the more difficult and time-consuming unnamed reports. In order to make sure that the additional staff are able to pay for themselves, both Swansea and the LVLOs will have to develop a more selective approach to unnamed reports.

7.4 Swansea must make sure that they send to the LVLOs only those reports which should be relatively straightforward (eg where the report cites a vehicle which has changed hands recently and the new keeper has notified acquisition), where some effort might be worthwhile (eg where the report cites a heavy goods vehicle liable for a high rate of duty and owing substantial arrears), or which may involve a hardened evader (where there have been several previous reports). The LVLOs will also need to adopt a more selective approach to unnamed reports, taking into account the chances of detecting the keeper of the vehicle cited in the report and the amount of effort that could be justified in pursuing an offender. Some cases may involve so little back duty that it will not be worthwhile sending out an IO after a mitigated penalty has been refused. Other cases might involve such substantial sums that it might be worth making more than the usual number of inquiry visits. Each LVLO should be encouraged to develop a selective approach to the pursuit of unnamed offenders, and Swansea must be prepared to accept variations between LVLOs.

B Reorganisation

Existing arrangements

7.5 Enforcement could also be strengthened by organisational change where there is a clear prospect of increasing the number of cases which are brought to a successful conclusion and hence the sums recovered from evaders. The rationale for the present division of responsibility between Swansea and the LVLOs lies in the presence of the vehicle record at Swansea, and the need for locally-based IOs and AOs in order to cut down travelling times and to build up familiarity with an area and acquaintance with local Police and Magistrates. Broadly speaking, Swansea is responsible for the preparation of case papers, and the LVLOs are responsible for the pursuit of offenders. By contrast, LEO combines both functions, although the pursuit of offenders is divided between 3 sections between which there is little contact. Management responsibility is similarly divided: there are separate managers for the enforcement staff at Swansea and for LEO (within which each Section is managed separately); and the LVLO Office and area managers are responsible for the remaining enforcement staff. There should if possible be a single manager responsible for enforcement throughout Great Britain, and there should be a more integrated management approach to enforcement at all levels.

Duplication

7.6 Dividing responsibility for successive stages in a continuous process between 2 or more offices risks duplication of work and misallocation of resources. At Swansea, the staff preparing case papers must assess whether an offence has been committed, and in checking returned cases must consider whether the correct action has been taken. They maintain a file on each case, despatch reminders to the LVLOs, and record the outcome of cases. In their turn, the LVLO staff must consider each offence and assess appropriate action, and maintain their own records. Although part of the recent improvement in the LVLOs' performance may be attributable to Swansea's reminders, an effective filing system within these offices could serve the same purpose. Within LEO, cases are checked by the managers of the Offences Group at Sidcup, and again by the AOs at Hanover Street; but there is little communication about the criteria used in carrying out these checks. Outside London, many LVLOs are unable to cope with as many reports as Swansea is capable of processing; and within LEO, the clerical staff at Sidcup are overworked while the IOs and Prosecutions are working well below capacity. The objective of reorganisation must therefore be wherever possible to bring together under one roof and under one manager all staff engaged in enforcement in a particular area.

Centralising enforcement

7.7 The study considered the possibility of centralising clerical enforcement work at Swansea, leaving a local presence only where the Police were not prepared to assist in tracing and prosecuting offenders, but rejected it in the light of the objective set out in paragraph 7.6. Implementation of this "centralist" option would extend throughout the country the present division between different stages in the pursuit of an offender which has damaged LEO's performance. Continuation of the present division between Swansea's responsibility for preparing case papers and the LVLOs' responsibility for pursuing an offender would be more sensible than further centralisation. The present degree of duplication could be reduced by reducing the present 1 in 4 check on returned cases, and by confining this check to a proportion of cases where the LVLOs have been unable to trace the offender.

Localising enforcement

7.8 Outside London, it would be possible to combine all stages in the processing of cases under one roof only by transferring to the LVLOs the preparation of case papers now carried out by Swansea. Under this "localist" option, offence reports would go direct to LVLOs, who would check the central record to ascertain whether an offence had been committed; place an excise offence marker on the record to ensure that they were informed of any further offence reports or other transactions concerning that vehicle; carry out all subsequent proceedings; and finally enter the outcome on the record and remove the offence marker. These arrangements would be compatible with the present computer: the replacement computer due to come into operation in the mid-1980s could allow provision for terminals in the LVLOs, and continuing decline in the relative price of computer equipment could justify this direct link. Swansea's current responsibility for preparing case papers, for progress-chasing and for checking completed cases enables them to ensure that the LVLOs' adopt a reasonably consistent approach to enforcement: complete decentralisation would require DTP to accept greater variations in approach - and in standards of enforcement. The consequent rundown of enforcement at Swansea could be accommodated by normal staff wastage; many of the additional staff needed in the LVLOs could be recruited from experienced transactions staff who would otherwise be lost as part of the transfer of work to the Post Office.

A pilot scheme

7.9 Existing enforcement arrangements outside London have been built up over several years, and Swansea has been largely responsible for recent improvements in performance. It would be wrong to disturb the present balance of responsibility

without first testing whether decentralisation would increase the proportion of cases which are brought to a successful conclusion for each member of staff engaged in enforcement. DTP should therefore select 2 or 3 LVLOs to participate in a pilot scheme, to establish whether full decentralisation would be worthwhile.

7.10 This pilot scheme should involve at least 2 LVLOs, one with Police assistance and one without. Both LVLOs should already be operating efficiently and staff levels should be sufficient for them to take over from Swansea the initial processing of offence reports arising within their area. Estimates provided by LVLO Area Managers suggest the average LVLO would require only 1 or 2 additional clerical staff in order to take on this work. The professional computer staff at Swansea have drawn up an outline system which shows that it would be possible to run a pilot scheme in 2 LVLOs without significant programming changes, and at a cost of £10,000. The need to monitor the performance of the LVLOs would impose further costs, but probably not in excess of £5,000. In 1979, the average sum recovered from an evader was £34: if the LVLOs were able to successfully conclude 4-500 more cases in a year than they might otherwise have done, the scheme would pay for itself and demonstrate that it might be worth extending the scheme throughout the country. It should also be designed to establish whether there could be net staff savings as a result of decentralisation.

7.11 Senior management at London and Swansea have expressed sympathy towards such a pilot scheme. The computer specialists have confirmed that it would be practicable, and there should be no difficulty in finding LVLOs willing to participate. The scheme should be set up as soon as possible, and should run for sufficient time to allow a thorough evaluation of the results; a decision on whether to extend these arrangements to the rest of the country should be made at soon as these results become evident. If DTP decide to go ahead, the build-up of enforcement in the LVLOs should coincide with the rundown of transactions staff as a result of the transfer of renewals to the Post Office.

LEO

7.12 There is no easy solution for LEO's fundamental problem: the division between Sidcup and Hanover Street. There is no room for Offences Section at Hanover Street, or for Prosecutions Section at Sidcup. Nor is there any realistic prospect of finding accommodation in central London for both Sections. Even after the transfer of renewals work to the Post Office, there would be no room for LEO staff in the 5 London LVLOs. These constraints appear to rule out the possibility of combining all LEO staff in a single office, under unified management.

7.13 LEO suffers from a major imbalance of resources: there are too many IOs and too many clerical staff at Hanover Street; and too few clerical staff at Sidcup. The present IO complement should be reduced to around 40 - saving around £300,000 a year. This reduction could be achieved by freezing recruitment (although turnover among IOs is low), early retirement (many IOs are close to retirement age) and transfer to Sidcup. At present each AO at Hanover Street is supported by 2 clerical staff: these staff should be pooled with a view to reducing their number by around 10 - saving about £100,000 a year. These two reductions in complement should be used to increase staff at Sidcup.

7.14 Working arrangements at Sidcup should be changed. The responsibilities of the present small co-ordinating unit should be enlarged to include those tasks now carried out by Swansea for the LVLOs, ie, disposing of nominal offences with a warning letter and obtaining microfilm copies of relevant documents, as well as checking the record. They should give named reports absolute priority and should adopt a selective approach to unnamed reports. They should also develop some means of regulating the flow of work to the Offences Groups in order to take advantage of variations in aptitude and experience. As a corollary, the responsibilities of the Offences Groups would be limited to pursuing offenders through correspondence, before passing on cases for inquiries or prosecution.

7.15 These changes would mean that each CO in the Offences Groups would no longer need the assistance of a CA. Two present pairing arrangements should go - in future, each team of 5 or 6 COs should find that 1 or 2 CAs offer adequate support. The remaining CAs could be transferred to the enlarged Co-ordinating Group where they would work under the supervision of a smaller number of COs. The proposed reduction in the number of IOs, and clerical staff at Hanover Street, would allow an increase in the number of CO posts in the Offences Groups.

7.16 LEO has diverged from standard LVLO procedures as a result of the present imbalance of resources. It is more efficient to attempt to conclude a case by payment of a mitigated penalty rather than by prosecution, and to make initial inquiries about an unnamed offender by correspondence rather than by IO visit. Until the last few weeks, LEO offered mitigated penalties only where less than 3 months back duty was owed at the time of the offence, rather than the usual 6 months; and the IOs make initial inquiries about unnamed offenders. In future, initial inquiries should be made by correspondence, and only if this fails to elicit a response should a case be passed to an IO.

7.17 These organisational and procedural changes will cost nothing but they should improve performance considerably. In 1979, LEO completed 112 cases successfully for each member of staff compared to 431 successful cases for each official in the LVLOs which receive no Police help (including an apportionment of staff at Swansea equivalent to the proportion of cases passed to these LVLOs). If the recommended changes enable LEO to reach average performance in many LVLOs, then they should raise an extra £3m a year from evaders in London - to say nothing of the deterrent effect.

C Increasing mitigated penalty payments

Discounts for prompt payment

7.18 Mitigated penalties are intended to save DTP and the Police the effort of preparing case papers and attending court, and to reduce the demands on court time. However, in 1979, only 42% of mitigated penalty offers were accepted. An increase in this proportion would increase revenue and reduce costs. Fixed penalties for minor traffic offences have the same rationale as mitigated penalties for VED offences; and discounts for prompt payment have been canvassed as a means of encouraging payment. The legislation would permit discounts for mitigated penalties, and DTP should consider the possibility of a pilot scheme to establish whether discounts would encourage more payments.

Informing the Courts of refusal to pay

7.19 Some offenders may refuse an offer of a mitigated penalty because they think that the Magistrates will impose a smaller fine if the case comes before Court. However, it is likely that few Magistrates would knowingly impose a penalty lower than a mitigated penalty which had already been refused. Similarly, an offender would be more likely to pay a mitigated penalty if he knew that refusal would be drawn to the Magistrates' attention as a matter of course if he was convicted of an offence. There appears to be no legal obstacle to this procedure. The letter offering an offender a mitigated penalty in lieu of prosecution should state that in the event of conviction a refusal will be drawn to the attention of the Magistrates before sentencing.

D Intensive enforcement campaigns

Nottinghamshire

7.20 The deterrent effect of routine enforcement is limited by the lack of publicity given to the detection and punishment of evaders. Intensive enforcement campaigns are intended to achieve maximum public impact at minimum cost. The first campaign was mounted by DTP in February with the assistance of Nottinghamshire Police. The campaign was preceded and accompanied by extensive local publicity in order to encourage evaders to relincede voluntarily. During the last half of February, the Police carried out roadside checks with the aim of obtaining

named reports. These reports were passed to a special unit at Swansea to check the record and prepare case papers for prosecution where an excise offence had been committed. No mitigated penalties were offered in order to avoid complicating the campaign, and because the advance publicity was considered to be ample warning. The Police are due to begin prosecutions in June.

7.21 The campaign has been a success for DTp. The main objective was to encourage voluntary relicensing: the figures show that about 1500 renewals after a gap in licencing in Nottinghamshire in February 1980 may be attributable to the campaign. Most of these renewals involved private motorists owing 1 or 2 months back duty. The likely revenue gain is therefore around £10,000. However, this estimate ignores voluntary relicensing at other LVLOs and in later months as a result of the publicity surrounding the campaign and the eventual prosecutions: it also ignores the number of motorists who merely relicensed earlier than they otherwise might have done.

7.22 Enforcement should generate sufficient revenue in fines and back duty to cover costs. The Nottinghamshire campaign cost DTp about £8,000. It produced over 700 offence reports; about 500 involved actionable excise offences. In 1978, the latest year for which figures are available, the average fine for VED evasion in Nottinghamshire was £16.50 (1978 prices): the average fine for evaders detected in the recent campaign is unlikely to be less than £20 (and could be more because of the special circumstances), producing a possible £8,000; a further £4,000 may be recovered in back duty, bringing the total to £12,000, well above DTp's costs.

7.23 The campaign was also a success for the Police in terms of their objectives, clearly demonstrating the link between evasion and other offences. During the campaign, Nottinghamshire Police detected over 1,000 offences such as driving without insurance or an MOT test certificate, using an unroadworthy vehicle with bald tyres or defective brakes, and even displaying stolen tax discs. The motoring public appeared to welcome the campaign and not a single complaint was made.

Future campaigns

7.24 There is clearly scope for more of these campaigns. DTp should make every effort to obtain the co-operation of other forces by giving wide publicity to the results of the Nottinghamshire campaign and subsequent action. Warwickshire Police are currently helping DTp to mount a similar campaign. Forces which are unable to help in mounting a full campaign may be prepared to help in more limited efforts along the lines of the roadside check mounted by LEO in January in co-operation with the Metropolitan Police on a major trunk road on the outskirts of London. This produced about 100 named reports within 3 hours.

7.25 DTp must rely on the Police to mount roadside checks, but they must be prepared to offer every assistance to the Police, including the provision of IOs to help at roadside checks and in making inquiries; the prompt processing of offence reports and preparation of case papers for prosecution; and the provision of AOs to carry out prosecutions where the Police do not already carry out this work. The Nottinghamshire campaign was supported from Swansea by allocating staff to this work on a part-time basis over 2 months, but future campaigns may also need to draw on support from LVLOs. It is doubtful whether a specialist central unit, containing AOs and IOs, would be viable unless there was a continuing programme of 10-12 campaigns a year.

7.26 Intensive enforcement campaigns should be part of a continuing surveillance: an evader should not be allowed to think he will be immune from detection if he is not picked up during a campaign. Since the campaign Nottinghamshire Police have carried out a series of roadside checks, without advance warning, which generated about 150 named reports. The full impact of campaigns will only be achieved if it is possible to sustain a rolling programme across the whole country, and to make them a permanent element in enforcement. It is impossible to assess the impact on evasion, but it is hard to believe that the deterrent effect would not be considerable. In the meantime, DTp should emphasise the link between VED evasion and other offences, and should encourage the Home Office to do likewise, in order to maintain and if possible extend Police help in enforcement.

IMPROVING THE RECORD

Putting a name to an unnamed case

8.1 The planned increase in enforcement staff will enable DTp to process a higher proportion of unnamed reports, and Part A of the previous Section suggests a more selective approach to the pursuit of unnamed offenders. However, an improvement in the accuracy of the vehicle record offers the best way of making it easier to put a name to an unnamed case.

Existing registration arrangements

8.2 Ideally, it should be possible to obtain the name and address of the keeper of a vehicle cited in an unnamed report simply by checking the record, and then to visit the keeper in order to obtain payment of a mitigated penalty or a statement for use in prosecution. All vehicles carry a registration mark; and the salient particulars of every vehicle, including keeper and licensing history, are recorded in registration mark order at Swansea. Registration marks are allocated to new vehicles, and a dealer will usually register a new vehicle at the same time as he applies for a licence on the keeper's behalf. The law provides that a keeper should inform DVLC if he sells, scraps or exports the vehicle or if any of the registration details, such as his name and address, changes. He is not obliged to inform DVLC if he decides not to relicence because he is not proposing to use the vehicle.

Transfers of vehicle

8.3 There should be little difficulty in establishing responsibility for an offence while a vehicle is in the hands of the first keeper, provided the original registration has been carried out correctly by the dealer and there have not been frequent and unnotified changes of address. Problems begin when the first keeper sells the vehicle, either privately or to a dealer. When a vehicle changes hands, the first keeper is required to send the bottom half of the registration document to Swansea with the name and address of the new keeper. The change of keeper will be recorded, but a new name and address will not be listed until the new keeper sends the top half of the document to Swansea. This disposal notification is microfilmed, but there can be no guarantee that the name and address is correct until the new keeper applies for a registration document. If the new keeper complies with the requirement to notify acquisition, then no problems arise. However, if he does not, and the vehicle is the subject of an unnamed offence report, then the only reliable name on record will be that of the first keeper. Unless he is willing and able to give accurate details of the new keeper, it will be difficult to trace the offender. This difficulty is compounded if the new keeper fails to meet this obligation to notify Swansea of acquisition, and delays applying for a new registration document until he is about to sell the vehicle.

Dealers

8.4 Alternatively, a keeper may sell to a dealer, perhaps without notifying Swansea of disposal. Dealers are not required to notify acquisition and of course a particular vehicle may pass through the hands of many dealers before being sold for private use. It is then up to the new keeper to notify acquisition. If he does not, and the vehicle is the subject of an actionable offence report, then once again the only reliable name on the computer will be that of the latest registered keeper. The only way in which the new keeper could be traced would be by making inquiries with the previous keeper and along the chain of dealers. It is easy to imagine how time-consuming and frustrating these efforts could be; how unlikely to result in the discovery of the offender and an admission of responsibility; and how costly this would be in relation to the eventual fine paid and back duty recovered, and in terms of foregone opportunities.

Improving registration arrangements

8.5 These problems could be avoided if the register was an entirely reliable record of keepership and if the name of an offender could be discovered simply by checking the record. The quality of the record depends on public co-operation in notifying disposal and acquisition of a vehicle. DTp can only influence the public through the design of registration arrangements. At present, there is a requirement to notify both disposal and acquisition of a vehicle, and a maximum penalty of £50 for non-compliance. However, a penalty may be imposed only when the offence is committed in conjunction with some other more serious offence. The provision, therefore, has little effect on keepers' willingness to notify acquisition.

Dual notification

8.6 A straightforward way of improving the record might be to replace the present system of separate notification of disposal and acquisition with a single document to be signed by both parties to a transaction. The original keeper of a vehicle would be responsible for obtaining the signature of the new keeper and for sending the registration document to Swansea; the new registration document would be sent to the new keeper. This proposal has been advanced in the context of proposals for a tax on possession, but it is worthy of consideration within the present system. Secondary legislation would be needed.

Dealer cards

8.7 However, dual notification would not solve the problem of tracing a vehicle through the dealer chain. Until 1976, dealers were required to inform Swansea of disposal and acquisition of a vehicle like other keepers. These arrangements were abandoned because of difficulty in handling the volume of notifications (about 50% of transactions involve dealers), and because the order of receipt of notifications

did not necessarily correspond with the order of transactions. From the point of view of enforcement there is no need to record every keeper while a vehicle is in the dealer chain, as it is not liable to VED during that period. All that is needed is some arrangement for notifying Swansea when the vehicle is sold for private use. A possible solution which would minimise paper transactions for dealers and for Swansea would be a document on which each dealer was required to record his name and address and the dates of acquisition and disposal of a vehicle, but which was sent to Swansea only after the vehicle was sold for private use. In order to provide some incentive for dealers to treat the card seriously, there would need to be a requirement for the new keeper to despatch the dealer card to Swansea before he could obtain a valid registration document. Dealers might be induced to treat dealer cards seriously if they expected the purchasers of the vehicle to insist on receiving these cards with the vehicle.

Conclusion

8.8 There is no reliable estimate of the accuracy of the vehicle record, and it is not possible to measure the improvements that might accrue from dual notification and dealer cards. Nor has it been possible to develop these proposals further within the confines of this study. However, DTp should give further consideration to dual notification and dealer cards as means of improving the accuracy of the record and hence easing the task of enforcement.

Introduction

9.1 While VED remains a tax on the use of a vehicle and there is no way of detecting evasion except by observing unlicensed vehicles on the road, a panacea for evasion is unlikely to be found. The present study has been unable to offer more than a package of improvements which should cost little or nothing, should increase the sums recovered from evaders, and could encourage more voluntary licensing. This final section considers briefly the scope for reducing evasion more dramatically by changing the vehicle licensing and registration system.

Continuous liability

9.2 The present tax assumes that an unlicensed vehicle is not being used unless an offence report provides evidence to the contrary. An alternative approach might be to assume that an unlicensed vehicle was being used and hence ought to be licensed unless the keeper declared otherwise. This approach would amount to a system of continuous liability with provision for gaps in licensing as provided for in dormant provisions of the Vehicles (Excise) Act 1971. Enforcement would continue to be based on sightings of unlicensed vehicles, and any reductions in evasion would arise simply as a result of the psychological advantage in obliging evaders to declare that they do not intend to use the vehicles rather than allowing them simply to avoid paying the tax. It would be difficult to justify the extra staff needed to handle an increased volume of transactions simply in order to obtain this psychological advantage.

Tax on possession

9.3 A more radical solution would involve changing VED to a tax on possession. DTP is currently considering the implications of this proposal. The concept of a tax on possession is that VED should be payable on all vehicles from first registration until export or scrap. In its pure form, there would be no provision for gaps in liability, and the owner of an unlicensed vehicle would be liable to incur a penalty. A major benefit from this change would be to bring VED closer to the ideal of a self-enforcing tax. The buyers of a used vehicle would wish to avoid liability for back duty, and potential sellers would have an incentive to make sure that their vehicles remained licensed. This change would also make it possible to initiate enforcement from the record provided the accuracy of the record could be improved. Otherwise, it would still be necessary to rely exclusively on reports of unlicensed vehicles, and the familiar difficulty of putting a name to an unnamed offence report would continue.

Personal registration marks

9.4 Another possibility might be to link vehicle licensing with a system of personal number plates, along lines which apply in parts of the USA. Under such a system each keeper would have a personal registration mark which he would retain when he changed vehicles. The obvious advantage of this system lies in the ease with which it would be possible to identify the keeper of an unlicensed vehicle. However, there would be other disadvantages, apart from the cost and upheaval of changing the present system of vehicle registration marks. The value of the present system to both DTp and the Police lies in the capacity it offers to trace the history of a vehicle. A system of personal number plates would require a supplementary vehicle record for this purpose based for example on chassis numbers. But of course chassis number cannot be identified with anything like the same ease as vehicle registration marks, and the risk of error is greater because of the larger number of digits. It has not been possible to consider this proposal in detail within the confines of this study, but fuller consideration by DTp may indicate that changes in vehicle registration arrangements offer a simpler and less costly method of easing the task of tracing unnamed offenders.

Conclusion

9.5 In so far as there is any panacea for VED evasion, it lies in changing to a tax on possession. However, the full advantages of this change could only be realised by a substantial improvement in the accuracy of the vehicle record.

MICHAEL J WILLIAMS

Department of Transport

22 May 1980

PARTICIPANTS IN DISCUSSIONS

DEPARTMENT OF TRANSPORT

Headquarters

Driver and Vehicle Licensing Directorate
Vehicle Licensing and Taxation Division
Driver and Driver Licensing Division

Freight and Transport Industries Pay Directorate
Road Freight Division (Branch RF2)

Transport Organisation Unit

Driver and Vehicle Licensing Centre (DVLC), Swansea

Finance and General Division
Policy Vehicles branch

Local Operations and Enquiries Sub-division
Enforcement Vehicles branch
Local Offices branch
Organisation and Methods branch

Operations Division
Computer Operations Sub-division
ADP Vehicles branch

Computer Planning and Support Sub-division
ADP Replacement Systems branch

Local Vehicle Licensing Offices

Birmingham
Guildford
Luton
Norwich

London Enforcement Office (LEO)

DEPARTMENTS OF ENVIRONMENT AND TRANSPORT COMMON SERVICES

Legal Division (B)
Manpower Division

STAFF SIDES

Central DTp/DOE
DVLC
LEO

HOME OFFICE

Broadcasting Department (T2 Division)

Criminal Justice Department (C2 Division)

Police Department (F5 Division)

CIVIL SERVICE DEPARTMENT

Functions and Programmes (FPI Division)

Manpower Group (M2 Division)

H M TREASURY

Fiscal Policy Group

Indirect Tax Division

H M CUSTOMS AND EXCISE

Internal Taxation Group

Revenue Duties Directorate (Division D)

H M INLAND REVENUE

Technical Division 1

OTHER BODIES

Association of Chief Police Officers (Traffic Committee)

Nottinghamshire County Constabulary

Warwickshire County Constabulary

Electricity Council

National TV Licensing Records Office

Vehicle Licensing Liaison Group (representatives of motorists' organisations,
the motor trade and road hauliers)

RAYNER II PROJECT: DTp SCRUTINY I
DTp ENFORCEMENT OF VEHICLE EXCISE DUTY
STUDY PLAN AND WORK PROGRAMME

INTRODUCTION

1. The administrative cost of DTp Driver and Vehicle Licensing Directorate's enforcement effort in 1979/80 is about £5m (basic staff costs, accommodation, travel and subsistence and an element for other expenses and common services). 700 staff are employed, at the Driver and Vehicle Licensing Centre (DVLC) Swansea, the London Enforcement Office (LEO) 52 out of 81 Local Vehicle Licensing Offices (LVLOs).
2. DTp estimate that evasion of VED on cars could be as high as 7-9% which represents an estimated £50-60m a year lost revenue. Additional revenue is lost from evasion on other vehicles such as goods vehicles and motorcycles. DTp receive about 600,000 actionable reports of VED evasion a year but are able to follow up only 300,000 cases. DTp rely on the Police and Traffic Wardens for the majority of offence reports. In England and Wales, the Police often undertake prosecutions on behalf of the Department, which are pursued through the Magistrate's Courts, (different arrangements apply in Scotland). In 1979/80, income from both DVLD and Police enforcement is expected to total £5-6m - including fines, penalties, costs and back duty collected as a result of prosecutions. (This figure does not include income from late licensing voluntarily paid in advance of enforcement action).
3. The Government recently reviewed VED and decided to retain the tax and to step up enforcement effort. DTp has just started an intensive enforcement campaign in co-operation with Nottinghamshire Police. They are also considering an increase in enforcement staff, and, for the longer term, the possibility of making VED a tax on possession rather than use of a vehicle.

TERMS OF REFERENCE

4. The terms of reference of the scrutiny will be:

"To consider (a) whether the resources currently devoted to enforcement are used as effectively as possible, and (b) what would be the best way of utilising any additional enforcement resources".

The terms of reference will be interpreted to exclude VED on heavy goods vehicles, where the basis of the tax is likely to change in ways which will affect enforcement. The scrutiny will also exclude Northern Ireland, where enforcement is the responsibility of the Department of the Environment (Northern Ireland); and will consider Scotland only, where conclusions about enforcement in England and Wales also apply north of the border.

SCOPE OF SCRUTINY

5. In interpreting the terms of reference, the following main questions will be asked:

- how can motorists evade VED within the present vehicle licensing and registration system?
- could the system be changed to make evasion more difficult and enforcement easier, and in what ways and what cost?
- how does the present enforcement effort work and how could procedures be streamlined?
- why is it possible to follow up only 50% of actionable offences?
- what criteria are used in deciding which offences to follow up?
- would it be possible to increase the proportion of offences which are followed up by redeploying existing resources, and in what ways?

- would it be possible to use resources more efficiently by adopting a more selective approach following up only a minority of offences, and what would happen to evasion?
- how successful was the Nottinghamshire campaign in terms of income from voluntary relicensing and prosecutions? What Lessons does it teach?
- should additional staff be used to increase the proportion of processed offences, or in support of intensive enforcement campaigns? where should they be based? and at what point does it cease to be cost-effective to devote additional staff to enforcement?
- do the enforcement activities of Inland Revenue, Customs and Excise and the Home Office offer any useful lessons?

6. The scrutiny will review and question all aspects of DTp's existing enforcement effort; for example, how would the Department organise this activity if they were starting from scratch? It will seek to identify ways of resolving difficulties rather than allow past conventions to impose restraints on thinking. It will be looking for the most cost effective way in which existing resources, and proposed additions might be deployed. The main focus of the study will be on DVLD, but it will be necessary to take account of the role of the Police and Magistrates in view of the resources engaged in VED enforcement.

7. Views on the questions posed in paragraph 5 will be sought from DTp staff and their representatives and from individuals and organisations representative of the other interests involved, with regard to the wider interest of the community at large. The Departmental Staff Side will be kept in touch with the review and asked for their views and ideas. Treasury, CSD and the Home Office will be consulted as necessary.

FORMAT OF THE REPORT

8. The outcome of the study should be a report covering the following main areas:

Description

- VED within the present vehicle licensing and registration system;
- existing enforcement arrangements; the role of DVLC, LEO and LVLOs, administrative arrangements, costs and revenues;
- the role of the Police and Magistrates, costs;

Comment

- critique of existing vehicle licensing and registration system - ways in which legal and administrative procedures may facilitate evasion;
- identification and consideration of possible alternative arrangements which would make evasion more difficult;
- critique of existing VED enforcement arrangements;
- identification of ways in which existing resources might be deployed more efficiently and ways in which proposed additional resources might be used;
- consideration of the value of intensive enforcement campaigns;
- effect of proposals for change: cost/benefit, staff interests, Police and Magistrates, motorists;
- implementing changes: possible difficulties, timescale, transitional arrangements.

STUDY TEAM

9. The study will be carried out by a Principal (Mr Michael Williams). Mr Williams will be assisted by an Executive Officer in DVLC Enforcement (Vehicles) Branch, Swansea. He will report to Mr Kenneth Clarke (Parliamentary Secretary for Transport) and will work in consultation with Sir Derek Rayner.

WORK PROGRAMME

10. The study will be completed in 90 working days from 14 January 1980. Mr Williams will look at whatever written material is available but will rely heavily on discussions in the field in reaching conclusions and making recommendations for action. He will visit DVLC, LEO and selected LVLOs to obtain an understanding of VED and enforcement arrangements; and will discuss the questions listed in paragraph 5 with DVLD staff of all levels. He will also discuss these questions with the Home Office and will visit individual Police forces and Magistrates Courts; and with other Departments with tax enforcement and licensing responsibilities (Inland Revenue and Customs and Excise, Home Office). A brief summary of the main items in the proposed work programme is at Appendix I.

11. The Prime Minister has expressed a particular interest in the VED enforcement scrutiny and has asked Sir Derek Rayner to interest himself in the study on her behalf. The working principle is that the team should be free to ask whatever questions it likes and will be encouraged in this by the Department and Sir Derek Rayner. The formal position is that the scrutiny is being carried out in consultation with Sir Derek Rayner, which means that he has an interest in the terms of reference; the study plan; the methods to be adopted; conduct of the scrutiny on the ground; presentation of the analysis and conclusions. He will also be interested in consistency between Departments; and will be keeping in touch with the Parliamentary Secretary, the review team and the Permanent Secretary during the scrutiny. The draft report will be submitted to Sir Derek at the same time as it goes to the Parliamentary Secretary.

Department of Transport

RAYNER II DTp PROJECT: STUDY I - DTp ENFORCEMENT OF VEHICLE EXCISE DUTY

SUMMARY WORK PROGRAMME

- 1A Study Plan and Summary Work Programme
Cleared with the Parliamentary
Secretary and Sir Derek Rayner - Mid January
- 1B Familiarisation with VED, within overall
vehicle licensing and registration system
2. Investigation of VED enforcement
arrangements - identification of
possible weaknesses and remedies, and
consideration of use of additional resources.
Visits to DVLC, IEO and selected LVLCs. - Late January -
Mid February
3. Stock-taking - Late February
4. Study of Nottinghamshire intensive
enforcement campaign; consideration of
role of Police and Magistrates. - Early March
5. Preliminary Report drafting; submission to
the Parliamentary Secretary and
Sir Derek Rayner; discussion of findings. - Mid-Late March
6. Further discussions within DVLD, with
Home Office, Inland Revenue and
Customs and Excise. - Early-Mid April
7. Final draft report - preparation and
submission. - Late April-
Mid May

PERFORMANCE OF LVLOS ENGAGED IN ENFORCEMENT 1979

LVLO	Complement						Enquiries	Prosecutions	Offence Reports			Cases conducted				Successful cases per man per year	
	AO	EO	IO	CO	CA	Total			(1) Arising within LVLO area	(2) Dispatched to LVLO	(2) as a percentage of (1)	(3) Mitigated penalty paid	(4) Prosecution	(5) Total successful cases	(6) No further steps		Ratio of (5) : (6)
<u>South East</u>																	
Canterbury		1		3		4	Police	Police	5387	4366	81	1575	1117	2692	1448	65 : 35	673
Maidstone		1	1	3		5	LVLO/Police	Police	8765	5356	61	1409	1556	2965	941	76 : 24	593
<u>Southern</u>																	
Bournemouth		1	1	3	1	6	LVLO	Police	5569	6246	94	1909	1099	3008	1928	61 : 39	601
Brighton			1	5	2	9	LVLO/Police	Police	18376	9767	53	2908	3006	5914	3430	63 : 37	657
Grinstead	2		2	5	1	10	LVLO	LVLO	6461	4486	69	1405	461	1866	3166	37 : 63	187
Oxford				2		2	Police	Police	3609	2165	60	363	1167	1530	544	74 : 26	765
Bournemouth	2		1	3	1	7	LVLO/Police	LVLO/Police	6042	5072	84	1505	2148	3653	482	88 : 12	522
Reading		1	1	4	1	7	LVLO/Police	Police	12040	5360	44	1079	3438	4517	1335	77 : 23	645
Salisbury				2		2	Police	Police	1245	1245	100	471	651	1122	118	91 : 9	561
<u>South West</u>																	
Bristol	2		2	3	1	8	LVLO	LVLO	13623	5584	41	1490	1068	2558	2507	51 : 49	320
Exeter			1	2		4	LVLO/Police	Police	6517	3071	47	1064	1148	2212	1100	67 : 33	553
Gloucester	1			2	1	4	Police	LVLO	5085	2882	57	1258	620	1878	1108	63 : 37	470
Plymouth	1		1	1		3	LVLO	LVLO/Police	2742	2208	80	1038	597	1635	888	65 : 35	545
Swindon				2	1	3	Police	Police	3844	3334	87	922	1162	2084	694	75 : 25	695
Taunton	1		1	2		4	Police	LVLO	2728	2364	87	838	906	1744	1113	60 : 40	436
Truro	2			2		4	LVLO	LVLO	2576	2596	100	896	830	1726	842	67 : 33	431
<u>Eastern</u>																	
Cambridge	1		1	4		6	LVLO/Police	LVLO	4345	3492	80	1112	757	1869	1492	56 : 44	311
Chelmsford	3	1	2	5	1	12	LVLO	LVLO	11415	7205	63	2492	2018	4510	3014	60 : 40	376
Ipswich	1		1	3		5	LVLO	LVLO	3996	3242	81	1218	1143	2361	528	86 : 14	472
Leam	3	1	3	6	2	15	LVLO	LVLO	20102	10543	52	4356	3257	7613	3403	69 : 31	508
Northampton	1		1	2		4	LVLO	LVLO	6102	2430	40	857	912	1769	638	74 : 26	442
Norwich		1	1	2		4	LVLO	Police	3113	3113	100	1128	1559	2687	675	80 : 20	672
<u>Midlands</u>																	
Birmingham	3		3	5	1	12	LVLO	LVLO	13439	7072	53	1536	1243	2779	2868	49 : 51	232
Coventry		1	2	2		5	LVLO	Police	4213	3642	86	1347	1032	2379	1050	69 : 31	476
Dunstable	1		1	2		4	LVLO	LVLO	5819	2559	44	565	1277	1842	772	70 : 30	460
Leicester		1	1	2		4	LVLO	Police	5484	3484	100	520	2054	2574	732	78 : 22	643
Lincoln		1	1	2		4	LVLO	Police	3106	3106	100	479	1550	2029	786	72 : 28	507
Nottingham		1	1	3	1	6	LVLO	Police	5568	5262	94	752	2612	3364	1187	74 : 26	561
Stoke	1			2		3	Police	LVLO/Police	2535	2418	95	578	1323	1901	447	81 : 19	634

PERFORMANCE OF LVLOS ENGAGED IN ENFORCEMENT 1979 (CONT.)

LVLO	Complaint						Supplies	Prosecutions	Office Reports			Cases concluded				Successful cases per month per year	
	AO	GO	IO	CO	CA	Total			(1) Arising within LVLO areas	(2) Dispatched to LVLO	(3) as a percentage of (1)	(4) Mitigated penalty paid	(5) Prosecuted	(6) Total successful cases	(7) No further steps		Ratio of (5) to (6)
<u>Wales/Borders</u>																	
Bangor				2		2	Police	Police	1023	1023	100	280	707	987	125	89:11	493
Candiff		1	1	3	1	6	LVLO/Police	Police	11072	6978	63	1489	3586	5075	1688	75:25	846
Cleeth		1	1	1	1	4	LVLO/Police	Police	4107	3851	94	830	1900	2730	788	79:21	682
Haverford				1		1	Police	Police	392	392	100	61	300	361	120	75:25	361
Shrewsbury				1		1	Police	Police	1289	1289	100	337	989	1326	403	77:23	1326
Sussex		1		3		4	Police	Police	3730	3730	100	605	2519	3124	220	73:27	781
Worcester	1		1	2		4	LVLO	LVLO	2496	2381	95	687	931	1618	750	68:32	404
<u>North East</u>																	
Durham		1	1	1		3	LVLO	Police	1703	1698	99	109	1244	1353	183	88:12	451
Huddersfield	1		1	2		4	LVLO	LVLO/Police	2546	2546	100	899	896	1795	1057	63:37	449
Hull		1	1	2		4	LVLO	Police	1580	1525	99	288	1210	1498	171	90:10	374
Leeds	2		2	4	1	9	LVLO	LVLO/Police	6580	6580	100	2182	1421	3603	2221	61:39	400
Manchester	1		1	2		4	LVLO	LVLO	1963	1963	100	503	1260	1763	236	88:12	441
Newcastle		1	1	2	1	5	LVLO	Police	6575	4336	66	973	2176	3149	975	76:24	630
Sheffield	2		1	3	1	7	LVLO	LVLO/Police	5826	5826	100	1770	1868	3838	1764	69:31	548
York			1	1		2	LVLO	LVLO/Police	1253	1253	100	152	608	760	235	80:20	480
<u>North West</u>																	
Bolton				2	1	3	Police	Police	1967	1967	100	403	1501	1904	833	70:30	615
Carlisle				1		1	Police	Police	1025	1025	100	148	725	874	100	90:10	874
Liverpool	1	1	1	5	1	9	LVLO	LVLO/Police	12489	7357	59	1592	2814	4406	903	83:17	490
Manchester	1		1	6	1	9	LVLO/Police	LVLO/Police	9847	9830	88	1553	4156	5709	1723	77:23	634
Preston		1		2	1	4	Police	Police	4196	4016	96	746	2339	3485	614	85:15	871
<u>Scotland</u>																	
Edinburgh		1		5	1	7	Police	Police	7005	7005	100	1916	3967	5883	729	90:10	840
Glasgow		1		6	2	9	Police	Police	13443	13443	100	5003	4804	9807	3612	73:27	1090
All LVLOS	34	23	44	141	26	268	-	-	293923	211484	72	59796	84232	144028	58766	71:29	537

Note: The figures for offences arising within LVLO areas refer only to reports which are used to close the computer record; the remainder are destroyed.

EFFECT OF POLICE ASSISTANCE ON LVLO PERFORMANCE

Class	Enquiries	Prosecutions	LVLOs	Enforcement Staff	Offence Reports			Cases concluded					Successful cases per man per year
					(1) Arising within LVLO areas	(2) Reported to LVLOs	(3) as a percentage of (1)	(3) Mitigated penalty paid	(4) Prosecuted	(5) Total successful cases	(6) No further steps	Ratio of (5) : (6)	
A	LVLO	LVLO	11	82	88012	50061	57	16005	14400	30405	18724	62:38	371
B	LVLO	LVLO/Police	6	34	31436	25770	82	7833	8404	16237	7148	69:31	478
C	LVLO	Police	9	41	34861	31412	90	7505	14636	22041	7697	74:26	537
D	LVLO/Police	LVLO	1	6	4345	3492	80	1112	757	1869	1492	56:44	211
E	LVLO/Police	LVLO/Police	2	16	15889	13702	86	3068	6204	9262	2205	81:19	585
F	LVLO/Police	Police	6	35	60877	34393	56	8779	14634	23413	9292	72:28	619
G	Police	LVLO/Police	1	3	2535	2418	95	578	1323	1901	447	81:19	634
H	Police	LVLO	2	8	7815	5246	67	2076	1526	3622	2221	62:38	453
I	Police	Police	13	43	48155	45000	93	12830	22398	3878	9560	79:21	918
All	-	-	51	268	293923	211484	72	57776	84232	144028	58766	71:29	537

LVLOs	A	B	C	D	E	F	G	H	I
	Birmingham Bristol Chesham Dudley Guildford Ipswich Luton Middlesbrough Northampton Toro Worcester	Huddersfield Leeds Liverpool Plymouth Sheffield York	Bournemouth Coventry Durham Hull Leicester Lincoln Newcastle Norwich Nottingham	Cambridge	Manchester Preston	Brighton Cardiff Chertsey Exeter Maidstone Reading	Stoke	Gloucester Taunton	Bangor Bolton Canterbury Carlisle Edinburgh Glasgow Haverhill Oxford Preston Salisbury Stroud Swansea Swindon

Green Pd



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON S.W.1

From the Minister

mgm

19 December 1980

PRIME MINISTER

M
..
19/12

I notice Norman Fowler's note to you on
Vehicle Excise Duty: A Tax on Possession.

I am sure that politically he is absolutely
right and it would be a terrible mistake to
stir up this particular hornets' nest.

Kate Timmins

PP.

PETER WALKER
Dictated by the Minister
and signed in his
absence

CONFIDENTIAL

Mr PATTISON

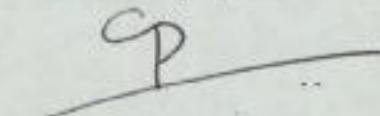
VEHICLE EXCISE DUTY: TAX ON POSSESSION

1 The Minister of Transport's undated minute to the Prime Minister suggests dropping the idea of a tax on vehicle possession (to replace a tax on use) and concentrating on enforcement to reduce evasion. He mentions the Rayner scrutiny of enforcement, in which the Prime Minister asked Sir Derek Rayner to take a particular interest on her behalf, on which he will be writing to the Prime Minister separately. 12/12

2 We are at present in disagreement with the Department of Transport on the main lessons to be drawn out of the scrutiny. I attach a draft minute to the Prime Minister which we sent to the Department last month and on which we await their comments.

3 Paragraphs 5 and 6 explain the deficient productivity of enforcement. Taking police and court costs into account, enforcement plainly does not pay its way. It is of very doubtful effect as a deterrent to evasion. Paragraph 10 sets out Sir Derek Rayner's substantial reservations about VED, which is inefficient to the extent of 10% (or about £110m in lost revenue) and about enforcement. He thinks that taxing the things which make vehicles usable is a more equitable and effective form of excise, since it could not be evaded by those who wished to drive their vehicle in addition to having it.

4 May I advise therefore that the Prime Minister's reply to the Minister of Transport should avoid giving the impression that retaining the tax on use and increasing enforcement is the only possible course?


C Priestley
16 December 1980

ENC: Draft minute to the Prime Minister on the scrutiny of VED enforcement

Mr Pattison
I have written up the point -
in my reply (tho' Rayner doesn't
see much but in context
at the time of writing VED
15 months ago).

Accon Pol.

PRIME MINISTER

THE SCRUTINY PROGRAMME: VEHICLE EXCISE DUTY ENFORCEMENT
(Department of Transport)

1. You asked me to take a particular interest on your behalf in this scrutiny. The terms of this minute have been agreed with the Minister of Transport.

BACKGROUND

2. Your Administration decided last year to keep Vehicle Excise Duty (VED), one of the main reasons for this being that the Chancellor of the Exchequer should not be deprived of a tax instrument.

3. Ministers decided at the same time to step up enforcement, the main purpose of which is to encourage voluntary payment by the deterrent example of the detection and punishment of offenders. 685 of the Department's staff are committed to this, at a cost of £A.74m pa.

4. The scrutiny considered whether the resources currently devoted to enforcement are used as effectively as possible and what would be the best way of using any extra resources. During its course, the Department allotted 150 extra staff to the work (£0.9m), 25 to the Driver and Vehicle Licensing Centre (DVLC) at Swansea and 125 to the Local Vehicle Licensing Offices (LVLOs).

The latter deal with all but London, which is served by the London Enforcement Office whose Offences Section I visited in April with the examining officer, Mr M J Williams.

FINDINGS

5. The main points are these:
 - a. VED is a tax on use of a vehicle. It should bring in about £1,250m pa (cars, goods vehicles and motorcycles).
 - b. VED is easily evaded. The number of evaders is hard to calculate but appears to be between 1.5 and 2.0 million. The level of evasion forecast for this year will lose the Exchequer some £110m upwards, about 10%.
 - c. Enforcement depends on reports of sightings of unlicensed vehicles. This depends on the co-operation of the police, which is both voluntary in its character and variable in its incidence. (I have heard privately that much depends on the willingness of the individual constable to do the paper work involved.)
 - d. The number of reported prima facie offences in 1979 was 803,000. Of these about one-fifth (169,000) resulted in the payment

of either a mitigated penalty or in a successful prosecution.

e. The average fine was £21. The average sum recovered from the evader was £34.

f. One reason for the comparatively small number of offences carried through to a successful outcome was the imbalance between the large capacity of DVLC Swansea and that of the LVLOs to process offence reports.

g. The net recovery in 1979 - after allowing for the cost of enforcement by the Department but not for the cost of work by the police and the courts - was £0.8m.

RECOMMENDATIONS

6. The report's main recommendations are, in brief:

a. The enforcement effort should pay for itself through funds recovered from evaders; as many offence reports as possible should be brought to a successful conclusion; and the public should be kept aware of enforcement.

b. Extra revenue or savings should be secured thus:

	<u>£m</u>
- Through the extra staff at DVLC Swansea and LVLOs	2.0
- Building up enforcement work in LVLOs	0.6 (rough estimate)
- Reducing London Enforcement Office (LEO) staffing	0.4
- Bringing LEO up to LVLO average success rate	3.0
- Rolling enforcement campaign (if the police authorities co-operate)	0.6 (rough estimate)
<u>Total</u>	<u>6.6</u>

COMMENTARY

7. In sending me the report the Parliamentary Secretary, Mr Kenneth Clarke, MP, aptly described it as "a value and comprehensive review of a very difficult problem where our present arrangements are awful". If I may say so, it is must^{be} to the Minister's credit that he commissioned this exercise.

8. Since it began, there has been two relevant developments. First, the Department introduced on 1 October the facility to renew one's vehicle licence at the Post Office (6-monthly, rather than 4-monthly). The latter change enabled the Minister

to save staff at DVLC Swansea and staff by
closing down LVLOs.

9. Secondly, the scrutiny report reinforced the Minister's belief that the eventual answer must be to replace the tax on use by some form of tax on possession. He has issued a consultative paper setting out proposals, which have already met with some hostility.

10. My position is this. First, I am conscious that I have the privilege of being an adviser; I do not carry the burden of political responsibility; and my views, as an adviser on waste and efficiency, must be set alongside others in coming to a decision. Secondly however I think that, on efficiency grounds, VED enforcement does not appear justifiable and that the most efficient and effective way of raising revenue is to abandon tax on use and instead to tax the things which make vehicles usable, namely fuel and lubricants. My reasons are these:

a. The current tax on use is inefficient to the extent of some 10%.

b. The current enforcement effort - involving some 800 of the Department's staff in addition to the police and courts - is barely profitable considering the Department's costs alone (para. 5g above) and almost certainly

unprofitable if police and courts costs (unquantified by the report) are taken into account.

c. The proposals summarised in para. 6 above are palliatives. Even if they are wholly successful, the Department will recover only some £12m worth of lost revenue - leaving some £98m outstanding - at a cost to itself (police and courts not included) of £6m.

d. I do not think that enforcement is a deterrent to evasion.

CONCLUSION

11. I am doubtful about the merits of a tax on possession, compared with the tax on use. By contrast, tax on the things that any user must have to make his vehicle usable appears both efficient and equitable.

12. Your Administration is considering the feasibility of a tax on possession. If the result is promising and offers a substantial reduction in the level of lost revenue, it might be worth trying, but I would hope that even so the door was not closed on a tax on fuel, lubricants etc.

13. I am copying this to the Chancellor of the Exchequer and the Minister of Transport.

Derek Rayner



Even Pd JS

10 DOWNING STREET

From the Private Secretary

16 December 1980

VEHICLE EXCISE DUTY: TAX ON POSSESSION

The Prime Minister has considered your Minister's minute of last night, and agrees that he should announce before the Recess that the basis of Vehicle Excise Duty will not be changed to a tax on the possession of a vehicle.

The Prime Minister looks forward to receiving the follow-up report on the Rayner study of VED enforcement.

In view of the substantial problems of enforcement which the study has brought out, Mr. Fowler will no doubt avoid giving the impression in his statement that VED will necessarily continue in its present or any form indefinitely.

I am sending copies of this letter to the Private Secretaries to members of E Committee, the Home Secretary, the Secretaries of State for Scotland and Wales, the Chancellor of the Duchy of Lancaster, and to Sir Derek Rayner and Sir Robert Armstrong.

J. P. LANKESTER

Anthony Mayer, Esq.,
Department of Transport.

JS

CONFIDENTIAL

PRIME MINISTER

VEHICLE EXCISE DUTY: TAX ON POSSESSION

I wrote to colleagues on 15 May seeking agreement to going out to public consultation on the possibility of changing the basis of vehicle excise duty to a tax on the possession of a vehicle. A copy of my letter is attached for ease of reference.

The consultation document went out in July inviting comments by mid-September. We have had some 10,000 letters and I am in fact still receiving a steady stream of representations. Almost everyone welcomes this Government's determination to tackle VED evasion but equally clearly there is very strong opposition to the proposal to change the basis of the tax. The motoring organisations, bodies such as the CBI and the Motor Agents Association and individuals have been overwhelmingly against either the principle of the change or certain aspects of it. Over 70 of our own supporters in the House have expressed either grave doubts about tax on possession as such, or have asked for concessions to meet particular problems. In a number of cases they have left me in no doubt that they will not support the principle of such a change.

Although we could attempt to meet some of the criticisms by various concessions, these would drastically reduce the benefits we hoped to achieve in terms of receipts and staff savings, and add to pressure for yet further concessions in Parliament. All in all, I do not think we could get adequate support in the House for the system in any worthwhile form.

CONFIDENTIAL

Prime Minister ⁽¹⁾

Content?

Yes - in full agreement with decision -
15/14/80
Duty Clerk

CONFIDENTIAL

I have consulted Geoffrey Howe who agrees that in view of the response to the Consultative Paper we should not attempt to include the necessary legislative provisions in next year's Finance Bill, as we had intended. We should however concentrate on reducing evasion by following through the efforts we are making with special enforcement campaigns in co-operation with the police and through generally tightening up our own enforcement arrangements. I also now have the benefit of the "Rayner study" of enforcement, on which I will be writing separately to you.

I would like to announce this decision before the Recess to clarify the position for the House and the public, and for the Select Committee on Transport, which I understand is considering including tax on possession in its future programme. Perhaps I could assume that unless I hear from you by close of play on Tuesday 16 December you have no objections?

I am sending copies of this minute to members of E Committee, Willie Whitelaw, George Younger, Nicholas Edwards, Norman St John Stevas, Sir Derek Rayner and Sir Robert Armstrong.



NORMAN FOWLER

CONFIDENTIAL



Miss Pratt

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

15 May 1980

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
11 Downing Street
LONDON
SW1

copy PS/Mr Clarke
PS/Perm Sec
Mr Rosenfeld
Mr Fowles
Miss McConnell
Mrs Phillips

Yes *Yes Ray*

VEHICLE EXCISE DUTY: TAX ON POSSESSION

When Cabinet decided on 1 November last year that Vehicle Excise Duty (VED) should be retained, I was asked to achieve all possible staff savings on the lines suggested in my memorandum (C(79)52). In paragraph 5 of the memorandum I pointed to the need to tackle evasion and the attraction in the longer term of the idea of a tax on possession on which further study was in hand. I now seek colleagues' agreement to going out to public consultation on the possibility of adopting tax on possession, and a draft consultation paper is attached.

The paper links the change primarily to the need to reduce evasion. But there is the added, and in present circumstances particularly important, advantage that there will be further staff savings. The change would produce an initial saving of about 100 posts and we should be able to save 100 to 200 more later on. All these savings would be at Swansea and could be achieved by natural wastage. From my point of view I believe that this opportunity must be taken to enable me to make further contributions to reducing the size of the civil service beyond the savings I have already mentioned in my Department.

2/5/80

C

In any event the case for the change is strong on grounds of improving enforcement. Estimates suggest that we might currently be losing about £100 million a year through evasion. Evasion is strongly resented by the honest motorist who believes he is subsidising the tax dodger. Indeed those who felt we should have abolished VED point to the elimination of evasion as one of the main benefits which such a decision would have brought.

I have taken a number of measures against evaders. With the help of the Nottinghamshire police my Department mounted a successful campaign in Nottinghamshire in February. I am planning another in Warwickshire in May and I hope to secure the co-operation of other police forces for similar attacks on evasion elsewhere. I have also set in train, in consultation with Derek Rayner, a special study of enforcement from which I hope we shall find other ways of improving our enforcement effort.

But whilst more can be done to reduce evasion under our present system, my studies indicate clearly that our efforts would be more effective if we changed the basis of taxation to provide that tax is paid for having a car, rather than, as at present, using it.

Under the present system, a vehicle has to be seen, apparently unlicensed, on the road before evasion is proved. Many vehicles which are so spotted turn out to be licensed but not displaying their disc so time is wasted in checking. We cannot use the computer record of non tax payment for enforcement because a vehicle keeper can simply say that he was not using the vehicle.

A tax on possession would be payable continuously from first registration and it would not be possible for evaders to claim non use. Moreover, since there would be a liability for duty on the current keeper, buyers of cars would have a strong incentive to ensure that tax had been paid up to date; thus the public would, in effect, be enforcing for us.

The change would not be popular with all vehicle owners. Since breaks in licensing would not be relevant, we would no longer be providing refunds of tax when a vehicle is laid up for more than a month. I would propose, however, to make special provisions for vintage and veteran cars which are seldom, if ever, used and for longer term laying up. I would also make no change in the present use basis for heavy levies where the rates of tax are high and where vehicles are often laid up for a time for maintenance. These should remove much of the more justified opposition, though I would still expect criticism from the motoring organisations and dealers that we were taking away some existing rights. But most people these days license their cars continuously anyway and would accept the change as the best method of reducing evasion.

There would be other benefits. There would be additional revenue and an improved vehicle register at Swansea which would help the police.

Legislation would be needed and could be ready for introduction in the next session.

I should be grateful for your agreement and that of other colleagues to the issues of the attached paper. I am sending copies of this letter and enclosure to the Prime Minister, Willie Whitelaw, Keith Joseph, Christopher Soames, George Younger, Nicholas Edwards, Norman St John Stevas and David Howell and to Sir Robert Armstrong.



NORMAN FOWLER

10

Tom AD.



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon William Whitelaw MP
Home Secretary
Home Office
Queen Anne's Gate
LONDON
SW1

✓
MS

2nd JUL 1980

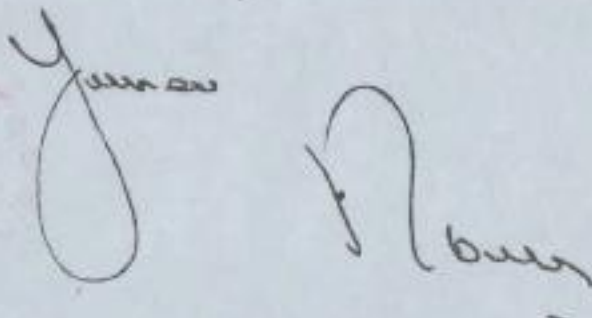
Dear Willie.

Thank you for your letter of 8 June about changing the basis of vehicle excise duty to a tax on possession.

You had one reservation on the question of offences and I am afraid the draft consultation paper was not very clear on this point. If we were to place sole responsibility for continuous licensing on the registered keeper, there would be enforcement difficulties where inaccurate or deliberately misleading information had been notified to DVLC. This is why we feel we need to retain our present powers to prosecute anyone who uses or keeps an unlicensed vehicle. Normally of course this would be the registered keeper but we must also be able to follow up the motorist stopped while using an unlicensed vehicle, regardless of the name recorded at DVLC. Once enforcement from the computer begins, in the second implementation stage, this provision would mainly be a fall back to deal with determined evaders.

I have amended the consultation paper to make this more clear and asked my officials to discuss with yours whether separate offences would be necessary to achieve our aims.

I am copying this letter to the recipients of yours.

A handwritten signature in dark ink, appearing to read 'Norman Fowler'. The signature is written in a cursive style with a large initial 'N' and a long horizontal stroke extending to the right.

NORMAN FOWLER



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

18 June 1980

The Rt Hon Norman St John-Stevas MP
Chancellor of the Duchy of Lancaster

Dear Norman

VEHICLE EXCISE DUTY: TAX ON POSSESSION

Thank you for your letter of 27 May in which you asked whether it would be possible to include in next year's Finance Bill the necessary provisions to change the basis of VED to a tax on possession.

These are very early days to judge what the demands will be on space in next year's Finance Bill and I am reluctant to enter into so early a commitment. Nevertheless, I recognise the difficulty of finding space elsewhere for these provisions. I am aware, too, of the desirability of implementing the change as soon as possible so that we can tackle evasion more effectively while achieving further staff savings.

I am accordingly prepared to accept in principle that space should be found in the 1981 Finance Bill for these provisions.

I am copying this letter to the recipients of yours.

GEOFFREY HOWE

A handwritten signature in dark ink, appearing to read 'Geoffrey Howe', with a horizontal line underneath.

Elon PD



QUEEN ANNE'S GATE
LONDON SW1H 9AT

8 June 1980

Dear Norman

R

9/6

VEHICLE EXCISE DUTY: TAX ON POSSESSION

Thank you for sending me a copy of your letter of 15th May to the Chancellor of the Exchequer.

I am content with the broad outline of the draft consultation paper, and I know that the police too agree with the proposals because tax evasion would be reduced and the vehicle owner record at Swansea would be improved. I have only one small reservation. If we intend to place the responsibility for continuous licensing on the registered keeper, the failure to pay duty is his alone. In these circumstances there does not seem to be justification for retaining (as is proposed) a separate offence of using or keeping an unlicensed vehicle on a public road.

I am sending copies of this letter to the Prime Minister and the other recipients of yours.

The Rt. Hon. Norman Fowler, Esq., M.P.

Evan P.D.



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Norman Fowler MP
Minister of Transport
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

6 June 1980

✓
ms
t/b

VEHICLE EXCISE DUTY: TAX ON POSSESSION

Thank you for sending me a copy of your letter of 15 May to Geoffrey Howe.

I would agree that there are considerable advantages in the change you propose both in staff savings at Swansea and in reducing evasion with consequent financial savings. But I agree that there is need for public consultation and I am content with the draft circulated with your letter.

I am copying this letter to the recipients of yours.

GEORGE YOUNGER

Even Post
PM



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 7691
SWITCHBOARD 01-212 7676

From the
Minister of State
Lord Trenchard

The Rt Hon Norman Fowler MP
Minister of Transport
2 Marsham Street
London SW1P 3EB

3 June 1980

Dear Norman

R 116

VEHICLE EXCISE DUTY: TAX ON POSSESSION

In Keith Joseph's absence abroad, I am writing to confirm that I have no objection to your issuing the consultation document attached to your letter of 15 May to Geoffrey Howe.

Copies go to the recipients of your letter.

yours sincerely
Lord Trenchard

LORD TRENCHARD

2 pp's Econ PA.

SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

Oddi wrth Ysgyfennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

2 June 1980

Den Nana

R215

VEHICLE EXCISE DUTY: TAX ON POSSESSION

Thank you for copying to me your letter of 15 May about the issue of a consultation paper.

I have no comment on the text of the paper. As Geoffrey Howe says it raises a number of difficult issues and no doubt there will be a variety of not always sympathetic responses.

Certainly there will be worries in the Swansea area about the implications for employment at the Vehicle Licensing Centre. You refer to that in your letter. My concern would be not at the prospect of staffing economies, if these formed part of a more acceptable rationalisation of VED, but at the prospect of additional redundancies in the Swansea area which is already particularly hard hit. Indeed I will be arguing for a reassessment of its assisted area status in the context of other possible changes of status in South Wales.

I am sending copies of this letter to the Prime Minister, Chancellor of the Exchequer, Home Secretary, Lord President, Chancellor of the Duchy of Lancaster, Secretary of State for Industry, Scotland, Energy and Sir Robert Armstrong.

J am
Nca

The Rt Hon Norman Fowler MP
Minister of Transport
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB



SECRETARY OF STATE FOR ENERGY
 THAMES HOUSE SOUTH
 MILLBANK LONDON SW1P 4QJ
 01 211 6402

Rt Hon Norman Fowler MP
 Minister of Transport
 2 Marsham Street
 LONDON SW1

31 May 1980

Dee Nunn

*R
 M*

VEHICLE EXCISE DUTY: TAX ON POSSESSION

Thank you for sending me a copy of your letter of 15 May to Geoffrey Howe enclosing a draft consultative paper on making VED a tax on the possession of a vehicle.

I agree with the proposals and have no comments on the draft paper. As I said in my letter of 15 February to Geoffrey Howe, now that we have decided to retain VED it would I think be useful if officials examined whether a satisfactory basis for a graduated scale of tax can be established with a view to adoption in due course. I do not want to press this in the present context, since I know there are problems about using cubic capacity and more work will be needed before a scheme based on results of fuel consumption testing could be introduced. But you may well find that the issue is raised in consultation and I would hope we can say we are studying it.

I am copying this letter to the recipients of yours.

D A R Howell

Yours

David



Minister of State

The Rt Hon Norman Fowler MP
Minister of Transport
Department of Transport
2 Marsham Street
LONDON SW1P 3EB

Eon Bl

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

29 May 1980

Dear Norman,

VEHICLE EXCISE DUTY: TAX ON POSSESSION

I have seen a copy of your letter of 15 May to Geoffrey Howe about Vehicle Excise Duty. *R 24/5*

I firmly support your proposal to circulate the consultation paper on the possibility of adopting tax on possession.

The savings of 200 to 300 staff which would flow from the proposal are important, particularly in view of Cabinet's decision on 1 May to make further reductions in the Civil Service by 1984.

I am copying this to the recipients of your letter.

PAUL CHANNON

Y
Paul



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AJ

Chancellor of the Duchy of Lancaster

27 May 1980

Vys

De Geon PdA

VEHICLE EXCISE DUTY: TAX ON POSSESSION

Norman Fowler sent me a copy of his letter to you of 15 May proposing the publication of a consultative document about amending the basis of the Vehicle Excise Duty to tax on possession.

I recognise the advantages of this proposal, in terms both of securing staff savings and of reducing evasion. I was, however, rather surprised to see that Norman was thinking of introducing legislation on the subject next session. The possibility of such legislation was not drawn to the attention of QL, and no provision has been made for legislation to implement proposals on these lines either in a separate Bill for next session or in the proposed Transport Bill.

It may be that you have it in mind to include the necessary provisions in next year's Finance Act; if so, well and good. If not, however, there could be no question of a separate Bill next session. Moreover, I should myself be reluctant to consider adding the provisions to the Transport Bill. The Bill already has a tight timetable, with a good deal of work yet to be done over the next few months if it is to be ready for introduction, as promised, in November. You will recall the comments that were made at last week's Cabinet meeting about the undesirable consequences of seeking to add further proposals to an existing Bill, and it seems to me that the timetable would be very likely to slip and the Bill to be longer than the 80 clauses at present stipulated for it if new provisions were now to be contemplated.

Perhaps you could let us know about the changes of including these provisions, if agreed, in the Finance Bill. Subject to that, while I would, of course, have no objection to the publication of a consultative paper, I hope its text would make clear that the timing of any necessary legislation had yet to be determined.

I am copying this letter to the Prime Minister and other recipients of Norman Fowler's letter, and, of course, to Norman himself.

James H. K.

The Rt Hon Sir Geoffrey Howe, QC, MP
Chancellor of the Exchequer



~~2/1/80~~
Kwan P.A.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

. 22 May, 1980

The Rt. Hon. Norman Fowler, MP.,
Minister of Transport

R

Mr Norman

VEHICLE EXCISE DUTY: TAX ON POSSESSION

Thank you for your letter of 15th May ^{basically} inviting agreement to the issue of a consultative paper on the possibility of making VED a tax on possession.

I agree that this is a very desirable change both because it would enable us to tackle evasion much more effectively and because it would make possible further staff savings. I can quite see, however, that there are a number of difficult issues on which it would be as well to consult with the interested bodies before we reach final decisions.

I am content with the draft consultative paper.

I am copying this letter to the recipients of yours.

2 -
John
-

GEOFFREY HOWE



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

15 May 1980

2
Economist
PRIME MINISTER

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
11 Downing Street
LONDON
SW1

You asked this morning about the Vehicle Excise Duty consultation paper, to be published on Wednesday this week.

ms

Yes *Yes Sir*

Here it is. All colleagues are happy. *MS*
14/7

VEHICLE EXCISE DUTY: TAX ON POSSESSION

CC(79) 19 Conts Min 7.

When Cabinet decided on 1 November last year that Vehicle Excise Duty (VED) should be retained, I was asked to achieve all possible staff savings on the lines suggested in my memorandum (C(79)52). In paragraph 5 of the memorandum I pointed to the need to tackle evasion and the attraction in the longer term of the idea of a tax on possession on which further study was in hand. I now seek colleagues' agreement to going out to public consultation on the possibility of adopting tax on possession, and a draft consultation paper is attached.

The paper links the change primarily to the need to reduce evasion. But there is the added, and in present circumstances particularly important, advantage that there will be further staff savings. The change would produce an initial saving of about 100 posts and we should be able to save 100 to 200 more later on. All these savings would be at Swansea and could be achieved by natural wastage. From my point of view I believe that this opportunity must be taken to enable me to make further contributions to reducing the size of the civil service beyond the savings I have already promised in my Department.

In any event the case for the change is strong on grounds of improving enforcement. Estimates suggest that we might currently be losing about £100 million a year through evasion. Evasion is strongly resented by the honest motorist who believes he is subsidising the tax dodger. Indeed those who felt we should have abolished VED point to the elimination of evasion as one of the main benefits which such a decision would have brought.

I have taken a number of measures against evaders. With the help of the Nottinghamshire police my Department mounted a successful campaign in Nottinghamshire in February. I am planning another in Warwickshire in May and I hope to secure the co-operation of other police forces for similar attacks on evasion elsewhere. I have also set in train, in consultation with Derek Rayner, a special study of enforcement from which I hope we shall find other ways of improving our enforcement effort.

But whilst more can be done to reduce evasion under our present system, my studies indicate clearly that our efforts would be more effective if we changed the basis of taxation to provide that tax is paid for having a car, rather than, as at present, using it.

Under the present system, a vehicle has to be seen, apparently unlicensed, on the road before evasion is proved. Many vehicles which are so spotted turn out to be licensed but not displaying their disc so time is wasted in checking. We cannot use the computer record of non tax payment for enforcement because a vehicle keeper can simply say that he was not using the vehicle.

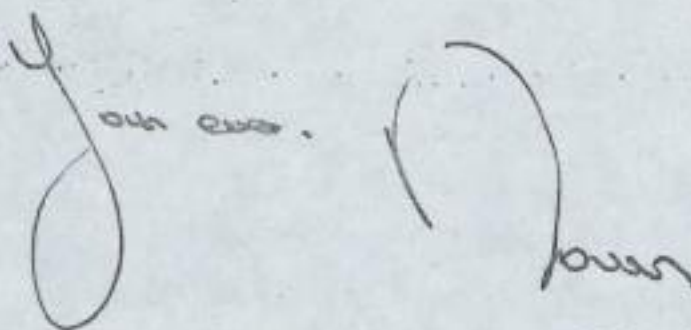
A tax on possession would be payable continuously from first registration and it would not be possible for evaders to claim non use. Moreover, since there would be a liability for duty on the current keeper, buyers of cars would have a strong incentive to ensure that tax had been paid up to date; thus the public would, in effect, be enforcing for us.

The change would not be popular with all vehicle owners. Since breaks in licensing would not be relevant, we would no longer be providing refunds of tax when a vehicle is laid up for more than a month. I would propose, however, to make special provisions for vintage and veteran cars which are seldom, if ever, used and for longer term laying up. I would also make no change in the present use basis for heavy lorries, where the rates of tax are high and where vehicles are often laid up for a time for maintenance. These should remove much of the more justified opposition, though I would still expect criticism from the motoring organisations and dealers that we were taking away some existing rights. But most people these days license their cars continuously anyway and would accept the change as the best method of reducing evasion.

There would be other benefits. There would be additional revenue and an improved vehicle register at Swansea which would help the police.

Legislation would be needed and could be ready for introduction in the next session.

I should be grateful for your agreement and that of other colleagues to the issue of the attached paper. I am sending copies of this letter and enclosure to the Prime Minister, Willie Whitelaw, Keith Joseph, Christopher Soames, George Younger, Nicholas Edwards, Norman St John Stevas and David Howell and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Norman Fowler', with a large, stylized initial 'N'.

NORMAN FOWLER

TAX ON POSSESSION

INTRODUCTION

1. The purpose of this consultation paper is to seek views on the possibility of making Vehicle Excise Duty (VED) a tax on the possession of a vehicle, rather than on the use of a vehicle as at present.
2. There is considerable resentment among the majority of motorists who pay their taxes that others evade their obligations. The Minister of Transport has announced his intention of seeking ways of tackling the problem more effectively. The enforcement effort is being increased and studies are being undertaken of ways in which present enforcement arrangements might be improved. A change to a tax on possession could offer the opportunity for a considerable reduction in the amount of evasion by making detection easier and by simplifying enforcement.
3. Accordingly this paper outlines the present VED system, the enforcement problems which arise under it, and examines the implications of moving to a tax on possession.

THE PRESENT SYSTEM IN ~~THE~~ UK

4. Motorists and other vehicle operators are liable to pay VED on mechanically propelled vehicles used or kept on the public road. Gaps are permitted between the expiry of a licence and taking out a new one, provided the vehicle is not used during this period. Refunds can be claimed on the unexpired portion of a licence if, for example, the owner sells the vehicle, or decides to lay it up.
5. Shortly before a vehicle licence is due to expire the Driver and Vehicle Licensing Centre (DVLC) sends the registered keeper a reminder which serves as a renewal application form. The law provides that a keeper should inform DVLC if he sells, scraps or exports the vehicle or if any of the registration

details, such as the keeper's name and address, changes. He is not obliged to inform DVLC if he decides not to relicense because he is not proposing to use the vehicle.

6. At any one time the DVLC records show that about 20% of all vehicles are unlicensed. About half of these may be legitimately unlicensed because they are in dealers' stocks, are laid up for repairs, etc or have been scrapped or exported but not notified as such to the licensing authority. But it has been estimated that 7-9% of car owners are evading the duty: some for a month or two, but others for longer periods. The loss of duty from cars alone could be as high as £75 million a year and perhaps another £35 million from other vehicles.

MEASURES AGAINST EVASION

7. Because VED is a tax on use, action against possible evaders can only be contemplated if an unlicensed vehicle is sighted on the public road. Reports come mainly from the police and traffic wardens on the basis of observations made by them in the course of their general duties. Almost 1 million reports of apparent unlicensed use are received each year. This falls well short of the number of vehicles estimated to be evading at any one time. About $\frac{1}{3}$ either turn out not to be actionable because the vehicle was in fact licensed at the time and the owner had simply failed to display the licence disc (though that in itself is an offence) or relate to a vehicle which has been quickly relicensed and the arrears of duty paid voluntarily before enforcement action is taken.

8. Against that background the Department is considering, in consultation with the Home Office and the Police, what steps might be taken to make enforcement more effective. In addition to stepping up the normal enforcement effort, the Department hope to mount a series of special campaigns, supported by the police, in selected areas. The first of these was carried out in February in Nottinghamshire with most encouraging results. Advance publicity led to an increase in licensing and, in roadside checks, over 700 motorists were detected without current licence discs. A second campaign will be

conducted in Warwickshire shortly. It is hoped that these campaigns will generally discourage the evader.

TAX ON POSSESSION

9. As indicated above, the present basis of taxation means that evasion can be proved only if a vehicle can be shown to have been both unlicensed and in use. The concept of tax on possession is that VED should be payable on every mechanically propelled vehicle from the time it is first registered until it is exported or scrapped. There would be no provision for refunds, except perhaps for scrapped and exported vehicles, nor, in general, relief from duty for laid-up vehicles. Special arrangements might be needed so that owners of stolen cars were not expected to renew the licences for them if they were not recovered.

10. It would be an integral part of the system that licences would be transferred with vehicles on sale, and similarly liability for any outstanding duty would pass with the vehicle to a new keeper. A motorist renewing a licence after a lapse would be required to pay the back duty on renewal, and possibly a penalty surcharge. It would follow therefore that buyers would wish to see a current licence disc displayed to confirm the licensing position at the time of purchase.

11. To obtain the full advantages of administrative simplicity and reduced opportunity for evasion achievable under this system, no gaps in licensing would be allowed. Dealers would therefore be required to renew any licences which expired on vehicles in their possession. They would then no doubt adjust the price of the car on sale (and on purchase) to reflect the value of any tax paid. The Government recognise that this would be a significant change in practice for dealers, although in many cases it would mean less paperwork for them since at present they often apply for a refund on the unexpired portion of a licence and then buy a new one when they have a buyer for the vehicle. Special arrangements might be necessary to allow

dealers to buy licences without becoming the registered keeper of the vehicle and thus adding to the recorded number of previous owners. An added administrative advantage of all vehicles held by dealers being licensed would be the reduced need for trade plates to be issued.

ENFORCEMENT AND PENALTIES

12. Under the current system, attempts to follow up vehicles whose licences had lapsed without apparent reason would be wasteful in cost and effort since many would turn out to be off the road at the time and therefore legitimately unlicensed. With tax on possession it would not be necessary to prove that a vehicle had been used on the public road. Moreover because back duty would be payable by the current keeper, it would not be necessary to show when he had acquired the vehicle. This liability to back duty would also encourage those buying a car to insist that it is currently licensed, so a vehicle for which duty had been evaded would become more difficult to sell. Reports of apparently unlicensed vehicles sighted on the road (or elsewhere) would still need to be followed up as at present, partly to detect and deter motorists who fail to keep the record up to date with changes of address or keeper. With an obligation to license vehicles continuously, the computer record could be used to identify unlicensed vehicles and thus to initiate enforcement action.

13. Full and effective use of the computer record to pursue evaders depends upon its being accurate and up to date. The present procedures do not necessarily ensure a prompt and correct notification of acquisition by a new keeper. A new system would probably be required whereby seller and buyer jointly sign a notification of transfer. The seller would of course be anxious to ensure quick notification so that his tax liability was discharged. Since the record is used for a number of road safety and law enforcement purposes, other benefits will flow from any measures taken to keep it more up to date.

14. Failure to license a vehicle in one's possession would be an offence subject to a fine, probably ~~as now~~ related to the amount of duty owed. There would also be an obligation to pay back duty for the unlicensed period, perhaps backed up by a power to impound a vehicle in lieu of payment. It would seem to be necessary to retain as a separate offence using or keeping an unlicensed vehicle on the public road, so as to allow prosecution of a person borrowing or using an unlicensed vehicle of which he is not the registered keeper. The offence of failure to display a current licence might be widened to require display of the last licence issued, whether current or not. This would both assist in the detection of unlicensed vehicles and help any prospective purchaser to establish any outstanding liability for duty. These measures would greatly reduce the chance of a motorist succeeding in evading VED, and combined with stiffer penalties would reduce the incentive to evade and hence the level of evasion.

OTHER IMPLICATIONS

Longer Term Laying Up

15. Duty would continue to be payable even while a vehicle was under repair, although those not capable of repair could be notified as scrapped and liability to duty would cease. Clearly some motoring enthusiasts who dismantle and reconstruct vehicles over a period of years would be disadvantaged if they had to pay vehicle excise duty. It might therefore be possible to allow exemption on advance notification for prolonged periods of laying up, with a minimum of say one year. If a vehicle returned to the road within the year, duty for the whole period would be payable.

Vintage and Veteran Cars

16. Special provisions could also be made for limited categories of vehicles such as vintage and veteran cars which are either not used at all or only occasionally on the public road; exemption or a concessionary rate for all vehicles over say 40 years old might be the simplest solution.

Heavy Goods Vehicles

17. Heavy goods vehicles present special problems. VED is at much higher rates and where such vehicles are laid up, even for a short time, the amount of a refund can be substantial. The Government is conscious that the industry places special importance on the refund facility and indeed has made strong representations for more flexible arrangements, including the possible introduction of date-to-date licensing. The inclusion of all vehicles in a new system of tax on possession would have clear advantages in terms of administration, including in particular enforcement. At the same time the Government recognise that the ending of the refund arrangements would be likely to be viewed with particular concern by heavy goods vehicle operators.

They do not therefore propose to change the present use basis of taxation for these vehicles.

Insurance and Test Certificates

18. At present insurance and roadworthiness test certificates are checked before a vehicle licence is issued. There would be difficulties about these checks with a tax on possession since insurance and roadworthiness requirements arise only when a vehicle is to be used. Such checks are important from a road safety point of view and it will be necessary to consider how the difficulties might best be overcome. Possibilities include the introduction of separate insurance and test discs or perhaps some special form of declaration, but there may well be other options.

CONCLUSION

19. The Government are determined to reduce evasion of VED. Whilst more can no doubt be achieved to that end under the present system of taxation, it seems clear that a change to tax on possession would be likely to prove much more effective, whilst at the same time enabling administration to be simplified.

20. The Government recognise that there could be special problems so far as some users and traders in vehicles are concerned. They believe, however, that such a change would be welcomed by the vast majority of users who already keep their cars permanently licensed and who will support measures designed to eliminate the opportunities which some seek to exploit to avoid paying their dues.

21. Before reaching conclusions, however, the Government wish to be fully aware of the views of interested bodies on the possible changes set out in this paper, so that these may be taken into account. The Government will also be studying systems of licensing and registration in other countries and will take into account the findings of the study of enforcement being undertaken by the Department in consultation with Sir Derek Rayner, the Prime Minister's special adviser on efficiency and waste in Government, as well as the results of the special campaigns in Nottinghamshire and Warwickshire.

22. Interested organisations are asked to send their comments to
by



Econ
Psl

10 DOWNING STREET

PRIME MINISTER

Mr. Fowler's statement had to be brought forward to the previous Friday in view of indications that it was leaking.

MA

arb

10 December 1979



10 DOWNING STREET

PRIME MINISTER

You queried the reference to a tax on vehicle possession, which was included in Mr. Fowler's statement on VED.

In the event, the statement had already been made when you saw it, as you had little chance to work on your boxes last week.

I attach a note explaining the issue, on which Mr. Fowler proposes to issue a consultative paper.

MAP

7 December 1979

*(I thought the
written
answer was for
last Monday?)*

mt.



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

CONFIDENTIAL

Mike Pattison Esq
Private Secretary to the
Prime Minister
10 Downing Street

6 December 1979

Dear Mike

Vehicle Excise Duty

I promised to write to you answering the Prime Minister's query about the reference to tax on possession in the Vehicle Excise Duty statement.

At the moment motorists are not liable to pay VED unless they use their vehicles on the public road. Many motorists allow their licences to lapse, some legitimately because the vehicle is off the road but others are simply evading the duty. Tax on possession could take various forms but essentially motorists would be liable to VED on any vehicle in their possession. It would be for consideration whether there could be breaks in licensing or refunds in particular circumstances. Tax on possession would facilitate enforcement because it is easier to prove ownership of the vehicle than use. And, because all (or most) registered owners would be liable to VED, we would be able to use the computer record to identify and follow up evaders.

The Minister has made it clear that no conclusions have been reached on whether there should be a tax on possession or on the form it might take. But it is one possible way of simplifying the tax and cutting down evasion and therefore achieving economies in its operation. The Minister therefore thinks it right to consider the idea as a possibility for the longer term. With this in view he would propose to issue a consultation paper sometime in the New Year.

I am copying this letter to Martin Hall and Martin Vile.

*Yours
Gina*

MRS E C FLANAGAN
Private Secretary

CONFIDENTIAL



Econ
Pstian

10 DOWNING STREET

From the Private Secretary

OF 7. 12. 79

3 December, 1979.

Not sent.

Further advice commissioned
by phone - coming by the
week end. MA 3/12

Thank you for your letter of 29 November to Nick Sanders, about your Minister's announcement on Vehicle Excise Duty.

The Prime Minister did not have a chance to look at this until the weekend. She was concerned at the reference to a tax on possession. She would have preferred there to be no mention of something whose meaning was not clear and which, she felt, would give rise to great apprehension and misinterpretation. The Prime Minister has asked how Departments are to find out about possession.

Although the statement has now been made, it would be helpful if you could let me have a note on what Mr. Fowler has in mind in respect of a possible tax on possession.

M. A. PATTISON

Mrs. E.C. Flanagan,
Department of Transport.

an £9, (j) over £9 but less (k) over £10:

Will update table 12.3 in the Benefits Commission 1976:

Such the Supplementary Commission has paid out to (a) extra weekly payments sum payments for each year and if these data could be added to (i) the number of paid in each category and the payment to each group.

er: I shall let the hon. a reply as soon as possible.

Heating Addition

asked the Secretary of State services, of the estimated numbers who were found by the survey in the winter of 1975-76 getting a heating addition for their eligible, how many were below 75 years of age.

er: I shall let the hon. a reply as soon as possible.

Abortions

asked the Secretary of State for Social Services how many abortions carried out in each year of the production of the Abortion Act.

a: The total numbers of abortions performed in England and the years 1968 to 1978 were

...	23,641
...	54,819
...	86,565
...	126,777
...	159,884
...	167,149
...	162,940
...	139,702
...	129,673
...	133,004
...	141,558

are for only eight months to 31 December 1968).

Hospital Closures

asked the Secretary of State for Social Services whether he has now written a letter to the chairman of the West Thames regional health authority of 28 August, as proposed by the Minister of Health.

Health, and whether he will now confirm that the letter should only apply to the most temporary closures of small units and sub-units.

Dr. Vaughan: I refer the right hon. Member to my reply to the hon. Member for Wood Green (Mr. Race) of 26 November. As regards closure procedures, the letter he refers to does no more than restate existing requirements set out in regulations and Departmental guidance—[Vol. 974, c. 466].

Pharmacists

Mr. Moyle asked the Secretary of State for Social Services whether the consideration of the notional salary for pharmacists will proceed despite the consideration being given by him to the Franks committee report.

Dr. Vaughan: Yes.

Earnings-related Supplement

Dr. McDonald asked the Secretary of State for Social Services what was the average payment of earnings-related supplement paid with (a) unemployment benefit, (b) sickness benefit, (c) widows' allowance and (d) maternity allowance at the latest date for which the information is available.

Mr. Prentice: The information requested as at the latest dates for which figures are available is as follows:

- (a) £8.62 a week—at 9 November 1978.
- (b) £9.56 a week—at 3 June 1978.
- (c) £10.68 a week—in respect of awards of earnings-related addition in the six months ending 31 December 1978.
- (d) £7.03 a week—at 31 March 1978.

European Community

Mr. Leighton asked the Secretary of State for Social Services how many of his officials were sent to Brussels in 1978 to discuss EEC matters; what was the total man-days involved; and what was the cost to public funds of travel and subsistence, including sums reimbursed by the Commission.

Dr. Vaughan: I understand that in the calendar year 1978 officials of this Department made 262 journeys abroad to attend meetings of EEC bodies, involving 662 man-days. The approximate cost was

£44,000, of which approximately £37,000 was reimbursed by the Commission.

Investigations

Mr. Meacher asked the Secretary of State for Social Services how many cases of alleged legal and financial irregularities have been investigated by his supplementary benefits staff in each of the past five years; and with what results.

Mr. Patrick Jenkin: I shall let the hon. Member have a reply as soon as possible.

TRANSPORT

Vehicle Excise Duty

Mr. Marland asked the Minister of Transport whether he will make a statement on his review of vehicle excise duty.

Mr. Fowler: The Government's review of the operation of vehicle excise duty which I announced on 25 May has now been completed.

We have carefully considered the arguments for and against abolishing excise duty on petrol-driven vehicles and replacing it by increased petrol taxation. But we have concluded that the case is not sufficiently strong to justify this major change. We were particularly concerned that abolition would place too big a share of the burden of motoring taxation on high mileage rural motorists and essential business users. Over £100 million a year could have been added to business costs.

The review has however shown that the administration of the duty can be improved. It has already been possible, over the past 12 months, to save 400 staff and we have now identified further savings of over 1,000 staff. These will involve post offices handling more licensing work than they do at present. Details are being negotiated with the Post Office and will be announced in due course. I am about to start discussions with the staff side on this.

I am also investigating changing the minimum licensing period from four to six months and introducing a stamp savings scheme. I shall be consulting interested organisations about this immediately.

I am determined that evasion should be tackled more effectively. I propose to increase the enforcement effort and I am considering new methods, including intensive enforcement campaigns in selected areas. For the longer term we are also studying the possibility of a tax on possession.

Overall, these changes will lead to a reduction in administrative costs and staff. They will also give motorists generally a more convenient service than they now have.

Trunk Roads (Greater London)

Mr. Lamborn asked the Minister of Transport if he is satisfied that the dockland southern relief road fits into the strategy outlined in the Greater London development plan for trunk road schemes.

Mr. Kenneth Clarke: The docklands southern relief road would not be a trunk road. It would fall within the definition of secondary roads in the Greater London development plan and would fit into the road strategy outlined in that plan.

A13

Mr. Lamborn asked the Minister of Transport if the realignment of the A13 in the London boroughs of Barking and Havering will be affected by the cuts in the road investment programme.

Mr. Kenneth Clarke: We are reviewing the timing of schemes in the trunk road programme as part of our commitment to contain public expenditure. Until this review is completed I am unable to say what effect it will have on the A13 improvement between Dovers Corner to the GLC boundary.

We have no proposal in our programme to realign the A13 in the London borough of Barking. We shall be publishing our revised proposals in a White Paper in the New Year.

Transportation Studies

Mr. Stephen Ross asked the Minister of Transport if he will take steps to ensure that all transportation studies on which road planning is based are published.

Mr. Fowler: For trunk roads, my aim is to make available as much relevant information as possible, subject always to the need to avoid causing unnecessary blight or breaching the confidence of

others. While, for that reason, it may not be possible to publish certain studies, relevant information will be provided in connection with trunk road schemes on the basis set out in paragraph 31 of the report on the review of highway inquiry procedures—Cmnd. 7133.

Publication of studies commissioned by local authorities is a matter for them.

Mr. Stephen Ross asked the Minister of Transport whether he will ensure that, in any future publicly funded transportation studies, unfair comparisons are not made by using a public transport option which leaves out buses and trains in favour of unproven technology, and comparing it with traditional methods of road transport.

Mr. Fowler: I shall seek to ensure that, in so far as I am responsible for such studies, they make fair comparisons between all the available options including, where appropriate, improvements to conventional public transport services.

Industrial Routes (South Woodford)

Mr. Lamborn asked the Minister of Transport if the two new docklands road links, between South Woodford and Barking, and South Woodford and Hackney Wick, will still be given priority as industrial routes, despite the cuts in the road investment programme.

Mr. Kenneth Clarke: We are reviewing the timing of schemes in the trunk road programme as part of our commitment to contain public expenditure. Until this review is completed I am unable to say what effect it will have on the South Woodford to Barking relief road and the Hackney to South Woodford link. We shall be publishing our revised proposals in a White Paper in the New Year.

North Circular Road

Mr. Lamborn asked the Minister of Transport if the programme for bringing the North Circular Road up to a consistent standard throughout will be affected by the cuts in the road investment programme.

Mr. Kenneth Clarke: We are reviewing the timing of schemes in the trunk road programme as part of our commitment to contain public expenditure. Until

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Mr. Leig
Transport
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The review of the operation of Vehicle Excise Duty which I announced on 25 May has now been completed.

We have carefully considered the arguments for and against abolishing Excise duty on petrol-driven vehicles and replacing it by increased petrol taxation. But we have concluded that the case is not sufficiently strong to justify this major change. We were particularly concerned that abolition would place too big a share of the burden of motoring taxation on high mileage motorists, including some rural motorists and essential business users.

The review has however shown that the administration of the duty can be improved. It has already been possible, over the last 12 months, to save 400 staff engaged in its administration. We have now identified further savings of over 1,000 staff. These will involve post offices handling more licensing work than they do at present. Details are being negotiated with the Post Office and will be announced in due course. I am also investigating whether there is scope for changing the arrangements for the minimum licensing period - currently four months - and for introducing new arrangements payment by stamps.

We shall also be putting more effort into tackling evasion. I propose to increase the enforcement effort and I am considering new methods, including intensive enforcement campaigns in selected areas. We are also studying the implications of a tax on possession and if it looks feasible we shall consult the interested organisations about the possibility.

What
is this?

Delete -
It is
unclear and
dramatic.

These changes will lead to a reduction in administrative costs and staff. They will also give motorists generally a more convenient service than they now have.

I am about to start discussions with the staff side about the implementation of these changes.



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

2

PRIME MINISTER

N J Sanders Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

To see: this was
brought forward because
it had leaked.

*It is an excellent statement
with one reservation
What is the
position?
Please do not mention
anything which means
is not clear, which
will give rise to
great speculation
and confusion
with the
Department
find out about
collection
of the
stamp
etc.*

29 November 1979

MS
30/XI

Dear Nick

We spoke earlier this afternoon about my Minister's decision to make a statement on Vehicle Excise Duty tomorrow. I explained the background then.

I now attach a copy of the written answer my Minister proposes to give.

I am copying this letter to Private Secretaries to members of the Cabinet and to Sir Robert Armstrong.

Yours

Gene

MRS E C FLANAGAN
Private Secretary



Exec P. 01
MS
1. Mr. Spence
2. P.A.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

R

MJH

19th November 1979

Mr. Gennie,

VEHICLE EXCISE DUTY

I must apologise for not recording earlier the conclusions of the meeting between the Chancellor of the Exchequer, your Minister and Mr. Channon, Minister of State at the CSD, which took place at No.11, Downing Street on 13th November. Messrs. Griffiths, Rosenfeld and Williams, from the Treasury, Department of Transport, and the CSD respectively were also present.

On the assumption that Mr. Channon would be obliged to make a statement on the Lord President's exercise, it was agreed that it would be impossible not to make some announcement of the Government's decision not to abolish VED. Mr. Channon said he was aiming to get a paper to Cabinet this week, with a view to an oral statement on 27th November. It was agreed, subject only to a final decision when the precise shape of the statement became clear, that your Minister would announce the decision in a Written Answer to co-incide with Mr. Channon's statement.

A number of points were made in discussion:-

- (i) All agreed that the decision would ideally be announced in the context of a Budget; but that an announcement could not be delayed long enough for this to be possible.
- (ii) Your Minister, although accepting the decision reached, felt that Conservative backbench opposition to non-abolition was considerable, and that announcement by the Chancellor was more likely to neutralise criticism from this quarter.

/(iii)

Mrs. E.C. Flanagan,



- (iii) It was agreed that the Written Answer should be couched as much as possible in economic rather than motoring/transport terms; and that as much capital as possible should be made out of the manpower savings which would be made despite the decision not to abolish VED.

I am copying this letter to the Private Secretary to Mr. Channon, and to Tim Lankester, Bill Burroughs and Martin Vile for information.

Yrs ever,

MA

(M.A. HALL)

CONFIDENTIAL

PRIME MINISTER

Abolition of Vehicle Excise Duty
(C(79) 50, 52, 53, 55 and
Sir Kenneth Berrill's minute of 29th October)

BACKGROUND

The previous Government announced last year its firm decision to phase out Vehicle Excise Duty no later than 1983. It then published a consultation document (copy attached) about the procedure. Consultation was nearly complete at the time of the Election. The Minister of Transport, without consulting all his colleagues, then announced on 25th May that the decision would be reviewed. Since then, an official working group under Treasury chairmanship has prepared a report. This is circulated with the Chancellor's paper (C(79) 50). In his covering paper, the Chancellor recommends the retention of VED. This has attracted three sets of counter proposals: from the Lord President (C(79) 55); the Secretary of State for Energy (C(79) 53) and the Minister of Transport (C(79) 52) all arguing the case for abolition.

2. The timing of this discussion is governed by the Civil Service staff numbers exercise. Abolition of VED, as the Lord President points out, would make a very big contribution: a net 1,450 staff at £8 million a year, compared with the alternative proposals put forward by Mr. Fowler (which depend on putting a good deal of the work on to the Post Office). You therefore agreed that it will be sensible to take VED at this particular Cabinet meeting.

3. Although the issues described in the various papers are complex, the central argument is fairly straightforward: fiscal flexibility versus administrative economy. I expect the discussion will focus on these.

HANDLING

4. You should begin by inviting the Chancellor of the Exchequer to introduce his paper, followed by the authors of the other three papers: the Lord President, the Secretary of State for Energy and the Minister of Transport. Other Ministers with a direct Departmental interest who may wish to speak

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include the Secretary of State for Industry (effects on the motor industry especially by British Leyland); the Home Secretary (enforcement); the Secretary of State for Social Services (effect on disabled drivers who are at present exempt); Minister of Agriculture (farm vehicles, similarly exempt); Secretary of State for Trade (civil aviation, and especially private aviation); and the Secretaries of State for Scotland and for Wales (particular problems of rural areas). Sir Kenneth Berrill will not, of course, be present at Cabinet, but you may wish to indicate the terms of the advice you have had from him (his minute of 29th October).

5. The main points which seem likely to arise are these:-

- in this folder
TL
- (a) Fiscal flexibility. The Chancellor rests his case on this. He is reluctant to give up any fiscal instrument, particularly at the present stage. His argument is (paragraph 7 of his covering paper) that the compensating increases in petrol duty would have to be unacceptably high, in order both to compensate for abolition of VED and provide for revalorisation in future years. He would prefer to keep any margin he has in hand on petrol tax to finance further reductions in income tax. Sir Kenneth Berrill points out (paragraph 5 of his minute) that there is not much to choose in terms of public acceptability between raising petrol duty and raising VED.
- (b) Staff Savings. There are two separate lots of staff savings. The first group, of about 1,450 staff, comes from simplification of the present system and should be attainable whatever the decision on VED. However, they depend on abolition of the four-month licence, and on a substantial transfer of local licencing work to the Post Office (i. e. they save Civil Service jobs but not cash). The second group comes only if VED is abolished. The weight to give to this argument will depend on what you want to do about the manpower exercise. (See separate brief). If you want, at all costs, to press ahead with the 10 per cent savings, it is absolutely essential to get the VED decision. (There is little or no prospect of making good the loss). But, given all the

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difficulties inherent in the 10 per cent decision, you may decide to settle on something less. In that case, the VED decision is genuinely open. The manpower arguments are no longer overriding.

- (c) Energy Conservation. The Secretary of State for Energy's paper (C(79) 53) is directed to the energy aspects. You will find the argument on energy conservation set out in paragraph 9 of the main report: the saving to be expected is something between 3 and 3½ per cent of total petrol consumption in the short term (a balance of payments effect of about £100 million) with the prospect of more in the longer term, and of side effects in improving the refinery balance in the United Kingdom. The international political arguments for being seen to take firm measures to reduce petrol consumption are, of course, quite strong.
- (d) Evasion. VED is an unpopular and easily evaded tax (the main paper suggests the cost of evasion as being about 7 - 9 per cent or some £70 million to £80 million a year), and involves problems of enforcement. By contrast, petrol duty (collected from the oil companies) is much harder to beat. There would be some, perhaps unquantifiable, savings of police and court time from abolition, in addition to the Civil Service staff savings.
- (e) Motor Industry. In earlier discussions, the abolition of VED has been argued to hurt British Leyland, who had not got a suitable small model to take advantage of the new impetus this would give to low-consumption cars. With the Metro now planned for 1982, this argument is substantially weaker.
- (f) Rural areas. It has been argued in the past that abolition would particularly hurt rural areas. In fact there is little evidence that car owners in rural areas drive further (for work or for pleasure), or use more petrol than those in urban areas or would be unduly penalised by the switch. But you will hear complaints on this score from the 'territorial' Ministers - the Secretary of State for Wales has already registered the point.

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CONCLUSIONS

6. I think the argument could go either way: the two possible conclusions therefore seem to be:-

- (i) to agree that the Government should now announce the abolition of Vehicle Excise Duty from 1982, inviting the Chancellor of the Exchequer to circulate proposals for the timing and content of such an announcement; or
- (ii) agree to retain the VED, and agree with the Chancellor's proposal that an announcement on these lines should be made in the next Budget statement.

If the decision is (ii) above, you should also add -

- (iii) to agree that every effort should be made to simplify the administration and save staff.

Robt.
PR

(Robert Armstrong)

31st October 1979

DEPARTMENT OF TRANSPORT

THE FUTURE OF VEHICLE EXCISE DUTY

November 1978

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INTRODUCTION

1. Vehicle Excise Duty (VED) with its predecessor the Road Fund Licence has existed for almost as long as the motor car itself. For most cars it amounts at present to £50 a year. On other vehicles it varies according to the nature and size of the vehicle.
2. The place of VED in our tax system has from time to time been seriously questioned both in Parliament and by many motorists. Public concern often focuses on the apparently large and complex administrative machinery needed to collect it. But it has been criticised also for its unfairness. It entails a large lump sum payment which is burdensome for the weekly wage earner, especially the least well off, and which has to be paid however little a car is used.
3. Between 7% and 9% of car owners evade the duty and that adds to the unfairness for the majority who do pay. This is not a situation which the Government can continue to tolerate. In recent years a further argument has been added in favour of abolishing VED. Unlike the taxes which motorists pay on their petrol, VED does little if anything to help energy conservation. Why not, the question has been asked, simplify the tax system and at the same time encourage fuel economy by switching from VED to higher petrol taxation? A change of that kind, by relating taxation more closely to the use of cars would also be fairer to all concerned.
4. The Government considered abolition of VED together with a compensating increase in petrol taxation three years ago but, as the Chancellor announced in his April 1976 Budget, they concluded that the disturbance caused for the British car industry through encouraging a switch to smaller more fuel-efficient models would not then have been justified. However, for a number of reasons the Government have concluded that the time is now right to settle the long term future of Vehicle Excise Duty.

5. The Government need to plan the future role of the Driver and Vehicle Licensing Centre at Swansea (DVLC). The main computers there will require replacement within a few years and, to avoid waste, it is necessary to know well in advance what tasks their successors will need to perform. It is also important in the context of industrial strategy that the car industry should both know now what action the Government propose and should have adequate opportunity to contribute to its planning. Moreover, the public are entitled to know what the Government have in mind and what the effects upon them are likely to be.

THE OBJECTIVE

6. The Government's objective is to simplify taxation on motorists by abolishing Vehicle Excise Duty on petrol driven vehicles throughout the UK and replacing the lost revenue by a compensating increase in petrol taxation. The change will be phased: VED will be progressively reduced and petrol taxation progressively increased over a period. The Government aim to complete the change no later than 1983 when the present computers at Swansea will reach the end of their useful life. This paper sets out the Government's broad intentions, explains the likely effects on various interests, and identifies various matters on which consultation will be necessary before detailed plans can be drawn up.

7. The majority of motorists will be better off or will find little or no change in their motoring costs. Those who do less than average mileage or use economical cars will tend to gain from abolition of VED. Motorists who do more than average mileage or use less economical cars will tend to lose. Other things being equal, those who drive on uncluttered inter-urban roads will tend to do better than those who drive a great deal in congested cities. And everyone who at present pays VED will gain at the expense of those who at present evade it. These effects are explained more fully later in the paper.

THE REVENUE ASPECT

8. It is estimated that VED on petrol driven vehicles will yield £840 million revenue in 1978/79. The excise duty on petrol will bring in about £1650 million and VAT on petrol about a further £300 million. The Government are committed to a policy of limiting the size of the public sector deficit. This means not only limiting the growth of public expenditure but also maintaining a proper flow of revenue from taxation. Within these constraints it has been Government policy to give priority to reducing the burden of income tax. Against this background, it is not possible to contemplate abolishing VED without recouping the loss of revenue from other taxes. In the Government's view it is right that the revenue loss should be made good by increases in the taxes borne by motorists rather than the taxpayer at large.

9. The loss of the revenue from VED on petrol driven vehicles would require an addition to petrol taxation (duty and VAT) of about 19 pence a gallon at present prices¹. The switch from VED to petrol taxation will be broadly neutral in its effects on the retail price index as well as on the revenue. Quite apart from the switch from VED some increases in petrol taxation will be necessary from time to time to take account of the general increases in prices or, possibly, to raise additional revenue for reasons of economic management.

¹ It is not possible at this stage to give a precise figure for the increase in petrol taxation necessary to offset the loss of revenue from VED. The central estimate is 19 pence, but for ease of illustration the examples quoted in this paper to show the effect of abolition have been calculated on the basis of an increase of 20 pence a gallon in petrol prices.

THE CAR INDUSTRY

10. In the past the British car industry has on balance taken the view that a sudden and significant increase in the price of petrol might encourage trading down to smaller cars and smaller engine variants of model ranges. These are inherently less profitable for our manufacturers and competition from imports is at its highest in small and medium sized cars. The Government have considered very carefully the implications for the industry of abolishing VED and they take the view that the industry is now better placed to deal with the change particularly as it is to be phased. The Government will be having full consultations with the industry over the arrangements for phasing in the change.

THE MAIN BENEFITS OF ABOLITION

Evasion

11. A recent study indicated that between 7% and 9% of car owners evade payment of VED. At present tax rates, this evasion represents a cost of between £50 and £63 million annually in lost revenue from private cars alone. It means that the honest motorist is paying about £4 of his VED, which is equivalent to about 1½ pence per gallon of his petrol taxation, to subsidise those who evade payment. If VED was not abolished the Government would have felt it necessary to step up enforcement action. This would have meant adopting methods which the honest motorist would probably regard as intrusive. More enforcement staff would have to be employed and there would be a further burden on the overloaded courts. The resulting net gain could well be small. Evasion of petrol duty, on the other hand, is minimal and abolition will, therefore, effectively remove this major problem. At the same time it will relieve the courts of most of the evasion cases, which numbered 165,000 in 1977. Until VED is finally phased out, enforcement will continue to be necessary.

Fairer Basis

12. Abolition will put the taxes on motoring onto a fairer basis, not only because it will effectively end evasion but because it will benefit low income households who tend to do lower mileages than households with higher incomes or business motorists. Households of retired people will also benefit from the change as will households with children since they too do less motoring than the average. In addition, the budgets of low income households will be particularly helped by the 'pay-as-you-go' feature of fuel tax and by not having to pay tax in a lump sum either annually or 4-monthly. And those households who generally tax at 4-monthly intervals to spread the burden would no longer have the disadvantage of having to pay at an effective annual rate of £55. Finally, the reduction in the cost of getting a car on the road will help to increase the chances of car ownership for low income households.

Administrative Savings

13. The abolition of VED will end many of the present complications of licensing; there will be no need for 4-monthly licences, for refunds of duty, for enforcement work on the detection of evasion, for the collection of back duty and penalties or for the prosecution of offenders. This will all save paper work. It will still be necessary to identify the ownership of vehicles involved in accidents, in road traffic offences or in crime, so there will need to be a record of vehicles and their current owners. Vehicles will therefore still need to be registered when they are first brought onto the road and the record will have to be kept up to date to take account of changes of ownership and address. There will be a small fee to cover administrative expenses. Some check will also be needed on insurance and vehicle testing. The process will however be simpler than licensing.

14. Because the new system will be simpler, abolition of VED on petrol driven vehicles will lead to considerable administrative savings. These savings will benefit the tax payer by about £20 million annually; in part from a reduction in general

administrative costs and in part from the saving of more than 2000 posts. Of these about 800 are expected to be at DVLC in Swansea, the remainder will be scattered widely over the Department's local licensing offices throughout the country. As the employer of those staff affected by the abolition of VED, the Government have particular responsibilities and obligations. The reduction in staff levels at Swansea will be met by natural wastage (currently running at 800 a year) and some recruitment is in fact likely to continue during the run down period. There will also be implications for the staff of local licensing offices. The Government will consult fully and immediately with the unions involved on the timing and implications of the decision so as to ensure that the run down of jobs takes place smoothly and with full regard to staff interests.

Energy Conservation

15. Recovering lost VED revenue through petrol taxation will support the Government's energy conservation policies. Because VED is a fixed cost paid annually as one lump sum (or in three smaller amounts if the licence is renewed every 4 months), it provides no incentive for the motorist to limit his mileage or journeys. The more the vehicle is used, the better, apparently, is his value for money from VED. In contrast, taxation on petrol is a tax on use. The amount paid varies in direct proportion to the mileage covered and the fuel consumption of the car. The price of petrol, of which taxation is a large part, is a recurrent reminder of what individual journeys really cost.

16. The duty on petrol is currently 30 pence per gallon and VAT is about 8 pence per gallon. The rise in petrol taxation due to abolition of VED is likely to reduce the demand for petrol, in the short term, compared with what it would otherwise be, by up to 5%. That will save up to £75 million on the nation's fuel bill at 1978/79 prices. In the longer term this measure will strengthen the incentives for manufacturers to produce engines of greater efficiency and for motorists to choose more economical cars, which offer the prospect of further reductions in fuel consumption.

Transport Policy

17. The considerations which are likely to lead to fuel savings are also relevant to the Government's transport policy objectives. A fixed charge like VED does not reflect the real costs of individual journeys. The decision to use a car for a particular journey is determined in part by the marginal costs, of which petrol is a very large component. A substantial increase in petrol taxation will discourage journeys at the margin and encourage more economical driving. The motorist will be more aware of the real cost of using his car for a journey because the amount he pays in taxes will be more directly related to the public and social costs (for example, costs of traffic congestion) which motoring imposes on the community. In this way the change should lead some motorists to use public transport for journeys where they would otherwise have used their cars.

THE EFFECTS OF ABOLITION ON MOTORING COSTS

Cars

18. It is in the nature of a change such as this that the present relative tax positions of the 14 million cars on the roads will not be preserved exactly. The main factors determining whether a motorist will pay more or less as a result of the change are annual mileage and rate of fuel consumption. Other factors which will also affect the issue are whether or not the motorist currently pays his VED in instalments and whether or not he does business motoring. Over a third of motorists pay VED in three instalments at an annual amount of £55 and they will gain more, relatively, from the change than those motorists who make a single £50 payment. Many business motorists can offset the VAT element in petrol costs. Because of this the increase for petrol used on business travel will effectively be about two pence per gallon less than the increase for petrol used on private travel. A further factor affecting the outcome for some motorists will be the amount of business travel done in their own car or the amount of private travel done in a company car and the arrangements made between employer and employee for meeting the costs of this travel. About 10% of the mileage done by privately owned cars is for business purposes.

19. Annex I sets out the changes in motoring costs if abolition results in a 20 pence a gallon increase in petrol prices. If a private motorist buys less than 250 gallons of petrol a year and currently bears the cost of his own VED, he will gain from the change. Put another way, he can travel 7,500 miles a year at 30mpg before his motoring costs are increased. As Annex I shows, about 7 out of the 14 million motorists (including those who do business motoring) do less than 7,500 miles a year. But 8 out of 14 million motorists do less mileage than this on private motoring - pleasure and shopping trips, travel to work etc. If they pay their own VED (as most will), they will gain from abolition. For example, the motorist doing 6,000 miles private motoring a year will be about £10 a year or 20 pence a week better off.

20. About 5 million motorists do between 7,500 and 15,000 miles (private and business) a year and about the same number do a similar mileage on private motoring alone. Their motoring costs will generally increase as a result of abolition. For example, the motorist who does 10,000 miles of private motoring at an average 30mpg and pays his own VED will find his costs increased by about £17 a year or 32 pence a week. Less than 2 million motorists do over 15,000 miles a year and half of these use their cars partly or wholly for business purposes. The extra cost on a car covering 15,000 miles a year business motoring (about the average for company cars) at 30mpg will be about £40 a year or 80 pence a week. To set these figures in sharper focus Annex II shows the relative gains and losses for certain types of car.

Rural Travel

21. While living in the country has many advantages, most journeys are longer than in towns and a higher proportion of households rely on their car for transport. It follows that rural motorists travel further on average each year than urban motorists. The evidence is that they generally get more miles to the gallon because congestion is less. The net effect is that the average rural motorist could be a few pence worse off each week if he continues to do the same mileage as at present after VED is abolished.

22. But the circumstances of individual rural motorists vary considerably. Of particular concern are those whose work obliges them to live in the country, and who are not well paid. Last year's Transport Policy White Paper provided a further £15 million a year by the end of the decade to support rural bus services in England and Wales. In Scotland, the Government make provision to cover local authorities' anticipated expenditure on the support of bus services including those in rural areas. The Transport Act 1978 will help too; this provides an improved framework for planning and financing services, for community minibuses and for social car schemes. Nevertheless, it must be accepted that many of these people will continue to have no real choice but to run a car in order to get about. The Government have therefore considered the position carefully.

23. Rural motorists average a round trip to work of about 16 miles and will need at least one main shopping journey a week of, say, the same distance. Most probably get 30mpg or better from their car. On this basis, they could travel up to 3,000 miles a year on top of their essential work and shopping journeys and still show a saving from the abolition of VED. And it may be possible to share petrol costs, especially now the new Transport Act makes that easier. Most low paid rural motorists in fact have a shorter than average journey to work, of about 12 miles, so very few of them should be worse off as a result of abolition. Moreover, the reduced cost of getting a car on the road will help those rural households which are present on the brink of car ownership or which find it necessary to keep a second car for occasional use.

Disabled Motorists

24. From December 1978 some 100,000 disabled people who receive mobility allowance will be entitled to claim exemption from VED to help them with motoring costs (a concession which already exists for some 32,000 vehicle users principally under the war pensioners vehicle scheme and the former NHS vehicle scheme). It is too early at this stage to say whether or not it will be appropriate to make some specific adjustments to these benefits to take account of the loss of VED exemption. This depends very much on what happens by way of overall changes in benefit provision during the period leading up to 1983, but the Government will certainly give the matter careful consideration at the relevant time.

Motorcycles

25. There are about 1.2 million motorcycles and the average motorcyclist travels about 3000 miles a year and pays between £5 and £20 for his VED. Most machines are of less than 250cc engine size and consequently enjoy substantial fuel economy. Although the saving from VED will not, in all cases, wholly offset the increased fuel duty, the high economy of most motorcycles will mean that costs are little affected. For example, the owner of a 250cc machine travelling 3000 miles annually with a fuel consumption of 65mpg will find that his annual costs will be reduced by about £1.

Taxis and Private Hire Cars

26. There are about 34,000 taxis and some 55,000 private hire cars. Of these, about 36,000 pay VED at a special rate of £25; over three-quarters of those paying the special rate are diesel driven. Diesel driven taxis will be unaffected by the increase in petrol prices but the future of VED on such taxis will be examined in the light of the outcome of the discussions on the relationship of petrol and diesel road fuel prices referred to in paragraph 31 below. The practical consequences of abolition for proprietors of petrol driven taxis and hire cars will depend on their annual mileage. Most of them pay VED at the £50 rate, and since they do a high annual mileage, they can expect to find their operating costs increased. For example, the proprietor who pays £50 VED and whose vehicle travels, say, 20,000 miles annually with an average fuel consumption of 22mpg will find his motoring costs increased by about £130 a year (or £115 if he can reclaim VAT on his petrol). This increase in costs will be a factor to be taken into account in setting fare tariffs for taxis and charges for private hire cars.

Petrol Driven Goods Vehicles

27. The Government's decision on abolition will also affect petrol driven goods vehicles. As the following table shows, most of these are at the lighter end of the goods vehicle range.

Goods vehicles licensed as at 30 June 1978

(thousands - GB)

	<u>Petrol</u>	<u>Diesel</u>
Light goods vehicles:		
up to 1½ tons unladen weight	1,013	73
Heavy goods vehicles:		
1½-3 tons unladen weight	41	127
3-5 tons unladen weight	2.7	132
over 5 tons unladen weight	0.7	223

Source: DTP Vehicle Licence Records

28. The table at Annex III illustrates tax costs for different sizes of petrol engined goods vehicles. The general effect of abolition on operators of goods vehicles of less than 5 tons will be small, and there are only about 700 petrol driven goods vehicles above this weight. VED on goods vehicles over 16 cwt is charged on a scale which increases with unladen weight. Thus, although goods vehicle operators typically do a higher average mileage than owners of private cars and will pay correspondingly more in increased fuel taxation, they will be offsetting this against a much higher rate of VED. For example, an operator of a 3 ton vehicle who does 11,500 miles a year at 15 miles per gallon will find his tax costs reduced by about 8%. The operator of a 5 ton vehicle doing 17,000 miles a year at 11 miles per gallon will just about breakeven.

Other Petrol Driven Vehicles

29. There are some categories of petrol driven vehicles which are currently exempt from VED, for example, ambulances, fire engines, and some other local authority vehicles. Abolition will affect the operators of such vehicles adversely since they will have no VED saving to offset against their increased fuel costs. Almost all of these vehicles are operated by the public sector. The Government will be discussing the effects of the change with the interests concerned.

30. There are some categories of petrol driven vehicles which currently receive concessionary rates of VED, notably farmers' and showmen's vehicles. Abolition of VED will be worth less for such vehicles than for others. Whether they benefit from the change or lose by it will depend on their annual petrol consumption.

Diesel Driven Vehicles

31. Abolition of VED on petrol driven vehicles will not directly affect the 1.2 million diesel driven vehicles. But it does raise questions about the appropriate relationship of petrol and diesel road fuel (DERV) prices and about the future of VED on the relatively few diesel cars and on diesel goods and other vehicles. The Government will be discussing these questions with the principal interests concerned.

32. The Government policy on taxation of goods vehicles was set out in the Transport Policy White Paper (Cmd 6836). It is that all categories of goods vehicles should pay their share of the public costs of roads through fuel taxation and VED. The vast majority of goods vehicles over 1½ tons unladen weight are diesel driven. Most of them pay their full road costs, but because of the structure of VED - which is based on unladen weight - a large number of the heaviest and most damaging vehicles do not. To abolish VED on all diesel driven goods vehicles and raise the revenue by extra duty on DERV would not solve this problem. Relating taxation solely to fuel consumption would penalise the vehicles with the highest fuel consumption and these are not necessarily the most damaging vehicles. Thus in order to ensure that all classes of heavy goods vehicles at least meet their road costs it will almost certainly be necessary to retain both the duty on DERV and VED, and to change the basis of the VED system so as to enable the total tax paid to be related directly to the road track costs of the vehicles. A consultation document setting out the Government's separate proposals for diesel goods vehicles will be issued in due course.

Other Effects of Abolition

33. There are a number of other types of vehicle subject to VED which are powered by fuels other than petrol or diesel. Electric powered vehicles will not be subject to any increase in fuel costs but there is a case for ending VED on these vehicles on energy policy and environmental grounds. It is the Government's intention that the abolition of VED will extend to vehicles powered by liquified petroleum gas (LPG) and petrol substitutes, with consequential increases in the taxation of these fuels. The Government will be consulting the interests concerned on the effect of these particular proposed changes.

34. There will also be wider implications of an increase in petrol taxation. One complication is that petrol is not distinguished from other light hydrocarbon oils currently liable at 30 pence a gallon. Moreover, petrol has uses other than as a road fuel. It follows, therefore, that the increased duty burden will go wider than the motorist. On the other hand, a number of uses of light hydrocarbon oil are at present relieved from duty. These reliefs will be maintained.

CONCLUSION

35. The Government have decided that the traditional twofold taxation of motoring - through Vehicle Excise Duty and through fuel taxation - is unnecessarily complicated and costly. It will not be possible to abolish VED immediately; it will have to be progressively reduced over a period. The speed with which VED is abolished and petrol taxation increased will be finally decided after consultations with the car industry, the representatives of the staff involved and with other interests. But in any event the process will be completed by 1983 when the life of the existing computers at the Driver and Vehicle Licensing Centre will be coming to an end.

36. Apart from simplifying the tax system, abolition will have other important advantages. By concentrating taxation onto fuel it will help energy conservation and it will bring out more clearly for motorists the actual costs of the journeys they make. Most important perhaps it will make for a fairer taxation system. Evasion will be virtually eliminated to the benefit of those who have honestly paid their taxes. Transport will be made cheaper for the large number of car owners who travel low mileages or for other reasons use less petrol than the average, and many of these people are pensioners or others on lower incomes.

37. The opportunity to abolish a major tax seldom comes. The Government believe that when those concerned have studied the information set out in this paper the great majority will agree that the reform now proposed is both timely and sensible.

ANNEX I

DISTRIBUTION OF ANNUAL MOTOR CAR MILEAGE AND NET CHANGES IN ANNUAL COSTS TO MOTORISTS
RESULTING FROM ABOLITION OF VED AND AN INCREASE IN PETROL PRICE OF 20 PENCE PER GALLON
(less 12.5% VAT for business motoring)

Annual Mileage per Vehicle: miles	Up to		5,000 to		7,500 to		9,000 to		15,000		21,000 to		35,000 miles	
	4,999	7,499	7,499	8,999	8,999	14,999	14,999	34,999	34,999	to 20,999	34,999	34,999	and over	and over
	miles	miles	miles	miles	miles	miles	miles	miles	miles	miles	miles	miles	miles	miles
Number of vehicles in each category of annual mileage (thousands)	3,900	3,100	1,400	3,900	1,100	450	150							
Minimum and maximum change in costs per annum following petrol price increase	Private Motoring:	Decrease between £50 and £15	£15 decrease to nil	Nil to increase of £10	Increase between £10 and £50	Increase between £50 and £90	Increase between £90 and £185	Increase between £185 and £185	Increase between £185 and £185	Increase between £185 and £185	Increase between £185 and £185	Increase between £185 and £185	Increase between £185 and £185	Increase between £185 and £185
	Business Motoring:	Decrease between £50 and £20	Decrease between £20 and £5	£5 decrease to £5 increase	Increase between £5 and £40	Increase between £40 and £75	Increase between £75 and £160	Increase between £160 and £160	Increase between £160 and £160	Increase between £160 and £160	Increase between £160 and £160	Increase between £160 and £160	Increase between £160 and £160	Increase between £160 and £160

(of which only
30 do this mileage
in private motoring)

- NB (1) Total motor car population = 14 million
 (2) Assumed miles per gallon = 30
 (3) Costs are net of £50 VED
 (4) The distribution of annual mileages is based upon
 National Travel Survey 1975/6 data

ANNEX II

NET CHANGES IN ANNUAL COSTS TO MOTORISTS RESULTING FROM ABOLITION OF VED AND
AN INCREASE IN PETROL PRICE OF 20 PENCE PER GALLON
(less 12.5% VAT for business motoring)

	MILES PER GALLON		NET CHANGE PRIVATE MOTORING				NET CHANGE BUSINESS MOTORING				BREAKEVEN MILEAGE FOR PRIVATE MOTORING	
	Inter-urban	Town	AVERAGE ANNUAL MILEAGE				AVERAGE ANNUAL MILEAGE				Inter-urban	Town
			5,000		8,000		15,000		30,000			
			Inter-urban	Town	Inter-urban	Town	Inter-urban	Town	Inter-urban	Town		
Leyland Mini 850	49	39	-£30	-£24	-£17	-£9					12,250	9,750
Ford Fiesta 950	50	36	-£30	-£22	-£18	-£6	+£3	+£24	+£57	+£98	12,500	9,000
Ford Cortina 1.3	40	27	-£25	-£13	-£10	+£9	+£17	+£49	+£84	+£148	10,000	6,750
Chrysler Avenger 1.6	41	28	-£26	-£14	-£11	+£7	+£15	+£45	+£80	+£141	10,250	7,000
Leyland Princess 2200	34	22	-£21	-£5	-£3	+£23	+£29	+£71	+£107	+£193	8,500	5,500
Rover 3500	36	16	-£22	+£12	-£6	+£50	+£24	+£117	+£98	+£284	9,000	4,000

MPG source - Official list of results of fuel consumption tests on passenger cars, October 1978.

Minus (-) represents a decrease in costs.

Goods VehiclesTax Costs of Petrol Goods Vehicles

<u>Unladen Weight</u>	<u>Assumed Annual Mileage¹</u>	<u>Assumed Fuel Consumption² (MPG)</u>	<u>VED³ (£pa)</u>	<u>Total Tax Costs⁴ (£pa)</u>	
				<u>Present</u>	<u>Post Abolition</u>
16cwt	7,200	28	50	127	123
1½ tons	7,300	24	84	175	146
2 tons	8,000	20	112	232	192
3 tons	11,500	15	168	398	368
4 tons	15,000	11	224	633	654
5 tons	17,000	9½	324	861	859

Notes

1. Mileage figures thought to be typical for vehicles of these weights, based on DTP surveys
2. MPG based on various sources, including technical press
3. VED calculated on the basis of GB rates
4. Petrol duty is calculated net of VAT:-
 - present: petrol duty at 30 pence per gallon
 - post abolition: petrol duty at 48 pence per gallon

CONFIDENTIAL

Qa 04322

To: MR LANKESTER
From: SIR KENNETH BERRILL

Prime Minister

I did not show you
this earlier since I
felt sure you would
not have wanted me
to write expressing your
views before the Cabinet
discussion.

Civil Service Manpower - Vehicle Excise Duty


1. On 1 November the Cabinet is to discuss whether to abolish or retain VED (I attach a copy of the report by officials on the subject). We understand that both the Chancellor of the Exchequer and the Minister of Transport are likely to recommend retention and the Prime Minister may like to be aware of some of the implications, especially for Civil Service manpower. 12
31/10
2. If VED is abolished, 3,700 staff can be saved by the end of 1982 with the possibility of a further 1,100 savings if it proves possible (as the CPRS thinks should be the long term aim) to transfer the remaining vehicle registration work to insurance companies. If VED is retained, some savings can be achieved by abolishing the 4 and 6 monthly payment of licences but these only amount to 1,600 by end-1982 with a possible 2/300 thereafter. The net savings from abolishing VED compared with retention are therefore 2,100 possibly rising to 3,000.
3. The Minister of Transport may resist using staff savings as an argument for abolition because his Department, unlike others, has offered options up to the 20 per cent maximum target without including the abolition of VED. On the other hand, the overall manpower savings so far offered fall far short of even the 10 per cent minimum target and the Government will need further possible saving in Departments if the exercise is not to prove a big disappointment. And it can be argued that VED staff should really be regarded as tax collectors (and therefore part of the Treasury family) where nothing like 20 per cent options are on offer.

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4. The Minister of Transport (and the regional Ministers) may also argue that replacing VED with increased petrol duty will lead to a great increase in costs for rural motorists. While the effect will depend on mileage, the best estimate is that the average rural motorist would be no more than £2.50p. a year worse off.

5. The main case for retention of VED, however, is that it provides the Chancellor of the Exchequer with added flexibility in his tax policy and that if an instrument for raising indirect taxes is abolished it will be harder to cut income tax. The CPRS believes this argument has been overstated. There are at present three taxes specifically linked to motoring - car tax, petrol duty and VED - and there would seem to be some scope for rationalisation. It is suggested that petrol duty alone will be a less buoyant source of revenue than petrol duty and VED together. But raising VED is no more popular than raising petrol duty - it is widely disliked as an unfair and easily evaded tax. The increase in petrol duty at the changeover can be clearly demonstrated to result from a straight switch in taxes. Thereafter the rises in petrol duty required to keep its real value constant would be no greater in percentage terms than the rises needed in both petrol duty and VED if VED is retained. Both taxes affect the retail price index alike and both are difficult to increase when the cost of motoring is rising for other reasons. Indeed, it may be presentationally more difficult to raise the two together than to have only petrol duty to revalorise. We therefore doubt the alleged gain in flexibility from fragmenting the tax system and do not believe in this case that any such gain is worth the administrative cost.

6. Abolition of VED and increasing petrol duty would also be a valuable way of encouraging energy conservation without putting up total cost for the consumer. It is estimated that it might reduce petrol consumption by 3-3½ per cent in the short term and up to 7 per cent in the long run.



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7. If the Prime Minister agrees, you might write to the Chancellor's Principal Private Secretary on the lines of the attached draft.
8. I am sending a copy of this minute to Sir Robert Armstrong.

KB

29 October 1979

Att

CONQUEROR

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DRAFT MINUTE FROM MR LANKESTER TO MR BATTISHILL

Civil Service Manpower - Vehicle Excise Duty

The Prime Minister has read the report of the Official Working Group on Taxation and Transport about the operation of Vehicle Excise Duty (GTT(79)33). She has noted that the net savings in civil service manpower from abolishing VED are 2,100 by 1982 - possibly rising to 3,000 - over and above the maximum savings possible if VED is retained.

She feels that, given the difficulties in finding manpower savings in some Departments, this is a proposal which ought not lightly to be turned down. Abolition of VED would be a very visible sign of the Government's determination to cut civil service numbers and would, at the same time, be beneficial in terms of energy conservation. It is, therefore, important to consider how strong the argument really is that abolition would lead to a loss of fiscal flexibility. She would be grateful if the Chancellor could consider how far the benefits from the present multiplicity of taxes on motoring justify the extra administrative costs.

I am sending copies of this minute to the Private Secretaries to the Minister of Transport, Lord Privy Seal, Secretary of State for Energy, Secretary of State for Industry, and Sir Robert Armstrong.

CONFIDENTIAL



CH/EX. REF. NO. (79)12

COPY NO. 2 OF 6 COPIES

Economic Policy

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

21 May, 1979

Mr Norman

THE FUTURE OF VEHICLE EXCISE DUTY (VED)

FLAG C

Thank you for your letter of 14th May in which you refer to the line that you propose you should take if questioned about our policy on the future of vehicle excise duty as it applies to petrol engined vehicles. You will have seen that Christopher Soames wrote to me on the same day raising the question of how I propose to deal with this subject in the Budget.

I agree with you that we ought to review the previous Government's decision to abolish VED and to make up the revenue loss through the petrol duty before we decide either to confirm the policy or to reverse it. As you will know, I was anything but convinced by the case for abolition. We are obviously bound to give some weight to the manpower savings which are alleged to be possible, but there is also the related question, which Christopher Soames refers to in his letter of possible changes on the procedures for vehicle registration.

Above all, of course, I have the revenue implications to bear in mind. "An old tax is," as they say, "a good tax" - particularly when you recall that it will yield about £800 million in the current year. Would not a modern on-line computer facility at Swansea enable us to save the (claimed) £20 million in staff costs, without losing the revenue?

There is clearly no time to resolve this issue before the Budget. I go along with the proposition in Christopher's letter to the effect that I should make it clear that any changes I might propose in the transport taxes in my Budget statement are without prejudice to the future of VED which will be subject to early review. I hope that we in fact can decide what to do about this in the course of the summer. All the relevant material is available and I see no need for an extensive further review by officials. Against

The Rt. Hon. Norman Fowler, MP,



this background I am content for you to deal with any questions concerning the matter on the lines proposed in your letter - that we shall be reviewing the whole operation of the tax and that, pending a decision, we shall not be proceeding with the consultations on the phasing of the change from VED to petrol tax which were initiated by the previous Government.

I am sending a copy of this letter to Christopher Soames and a copy of both our letters to the Prime Minister.

A handwritten signature in dark ink, appearing to read 'Geoffrey Howe', with a horizontal line underneath.

(GEOFFREY HOWE)

Prime Minister 2



To note. The last Government decided to phase out VED and replace it by higher petrol duty. The Chancellor intends to keep his options open.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

21 May, 1979

amb. TL
22/5

Dear Unkown

FUTURE OF VEHICLE EXCISE DUTY

Flag A

Thank you for your letter of 14th May in which you draw my attention to the decision to abolish VED, and suggest that the Budget Statement should avoid prejudicing the matter before we have had time to think about it further.

.... Flag B

I enclose a copy of a letter I have just written to Norman Fowler accepting this approach. I agree that we need to think carefully before giving up a proposal which is said to offer the possibility of eliminating over 2,000 Civil Service posts. But I would like to examine all the issues involved, and the results of the consultations, before we commit ourselves to continue the abolition process. As you know, we face a formidable revenue problem, and the loss of such a fruitful tax needs to be given very careful consideration.

VED is worth £800 million p.a.

I am copying this to the Prime Minister and to the Minister of Transport.

[Handwritten signature]

(GEOFFREY HOWE)

The Rt. Hon. Lord Soames, M.P.

CONFIDENTIAL



B

Department of Transport
2 Marsham Street London SW1P 3EB
Telephone 01-212 3434

The Rt Hon Sir Geoffrey Howe MP
Chancellor of the Exchequer
Treasury
Parliament Street
LONDON
SW1

14 May 1979

CH/EXCHEQUER	
REC.	14 MAY 1979
ACI/M	Mr Lovell
COMES	CST EST
TO	FST(O) FST(L) SIR DWYSS SIR LAUREY MR HITTLER MR GRIFFITHS MR RIXLEY PS/KE

Dear Geoffrey.

I am already being pressed on the question whether we intend to reverse our predecessor's decision to abolish Vehicle Excise Duty. I am liable to face a similar question shortly in the House.

I propose to say that I am ending the present round of consultations which assumed that the decision to change from VED to petrol tax would go ahead and were therefore aimed only at the speed at which the changeover should take place. But I want time to look into all the possible options, if only because the price of not going ahead with abolition is to lose some helpful savings in my Department's manpower. I therefore propose to add that I shall however be reviewing

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the whole operation of the tax, including the efficiency of
the Swansea operation.

I am copying this letter to Christopher Soames.

Yours ever

NORMAN FOWLER

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XXXXXXXXXXXXXXXXXXXX

WHITEHALL, LONDON SW1A 2AT

14 May 1979

The Rt Hon Sir Geoffrey Howe QC, MP
 Chancellor of the Exchequer
 HM Treasury
 Parliament Street
 LONDON SW1P 3AG

Dear Geoffrey.

THE FUTURE OF VEHICLE EXCISE DUTY (VED)

You will remember that the previous Government announced in the House of Commons (on 21 November 1978) its intentions to phase out Vehicle Excise Duty (VED) and replace the revenue thus lost by increases in petrol taxation not later than 1983. One of the reasons given for this decision was, of course, the considerable administrative savings which would flow from abolition.

We shall no doubt need to consider this decision in due course, and I am sure that we can expect to be pressed in both Houses ^{and} by various bodies to reverse it. I am anxious that we should not lightly give way to these pressures. The disappearance of VED will enable about 2,200 Civil Service posts to be saved at the Swansea Centre and in local offices over the country, with a financial saving, taking account of Post Office charges, of some £20m a year.

I understand that the planning and consultations to achieve this run-down have already got some way. Moreover, the decision to abolish VED opens the way to a review of possible changes in the procedures for vehicle registration which could also produce substantial savings. There will also be economies for the Police and Courts who would be relieved of evasion cases (165,000 were prosecuted last year).

The abolition of VED is, therefore, of considerable importance in relation to our commitment to reduce the burden of bureaucracy. I raise it now because it may well be relevant to your budget plans. Even if we are not in a position by the time the budget is reached to say that it is our firm intention to proceed with abolition (and whether or not to recoup the lost revenue by increasing petrol taxation), I hope that at least it will be possible to avoid any statement which prejudices this prospect. If we are to make real inroads into the costs of administration, we cannot afford to close off options such as this.

I am sending a copy of this letter to the Prime Minister and the Minister of Transport.

Yours

Christopher

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PRIME MINISTER

Vehicle Excise Duty: Cabinet on 1 November

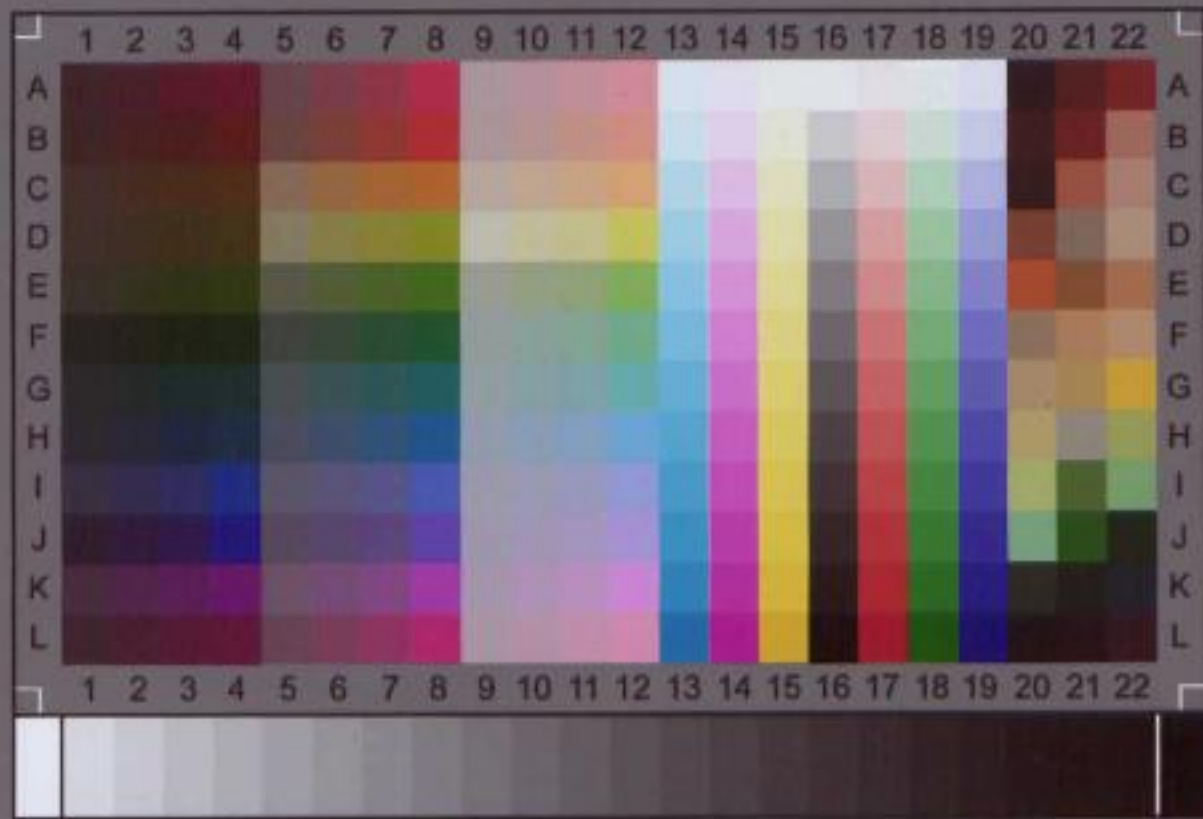
Since much of tomorrow evening will be taken up with your dinner for Premier Hua and on Wednesday night you will be very late back from Bonn, I am putting in to you now the four attached papers on Vehicle Excise Duty which are due to be taken at Cabinet this Thursday.

As you will see, the Chancellor of the Exchequer and the Minister of Transport come down in favour of the retention of VED, though both believe that it should still be possible to make substantial staff savings; while the Lord President and the Secretary of State for Energy are in favour of the abolition of the duty because of the advantages in both staff reductions and energy conservation which would result from abolition.

mf . thh.

29 October 1979

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