



## Transport Committee

Oral evidence: Vehicle type approval, HC 622

Monday 14 March 2016

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Members present: Mrs Louise Ellman (Chair), Mary Glendon, Karl McCartney, Stewart Malcolm McDonald, Huw Merriman, Will Quince, Iain Stewart, Martin Vickers

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### Examination of Witness

*Witness:* **Mike Hawes**, Chief Executive, Society of Motor Manufacturers and Traders, gave evidence.

**Q220 Chair:** Good afternoon. Welcome to the Transport Select Committee. Could I have your name and organisation, please?

**Mike Hawes:** I am Mike Hawes, chief executive of the Society of Motor Manufacturers and Traders.

**Chair:** Thank you. You support the introduction of real driving emissions tests and the removal of the discrepancy between lab conditions and real-life conditions. How long will it take before that discrepancy does not exist?

**Mike Hawes:** It is important to note that the legislation is still not finalised. The RDE legislation comes in four packages, two of which have been approved by the Commission and the Parliament. There are two packages outstanding. Provided that they are approved, published and put into force, from 2017 you should see the introduction of vehicles that meet the new regulation. From 2019 it will apply to all types.

**Q221 Chair:** So it is 2017 and then 2019.

**Mike Hawes:** It is 2017 for brand-new vehicles, fully developed, for the first time at type approval. Then it will be for all vehicles put on the road from 2019.

**Q222 Chair:** Will the emissions limits be difficult for the auto industry to meet?

**Mike Hawes:** Incredibly difficult. What you are seeing in reports by independent emissions companies is that the current emissions vary between the lab cycle and the real-world cycle. The new real-world driving emissions tests will bring that variation down significantly. I am sure that we will talk about conformity factors. That poses a significant

challenge to the industry, which will require huge amounts of financial investment in R and D and technology. It could have the effect that projects for some vehicles that are currently scheduled for development and bringing on to the market in the next two or three years are cancelled, because the requirements are so demanding that, with the current levels of technology that were envisaged, they may not be able to meet those tests. It will be a game changer.

**Q223 Chair:** What is the scale of the resources that will be required?

**Mike Hawes:** It is difficult to put a figure on it, but it will run into many millions of pounds or euros per company.

**Q224 Chair:** How long has the industry had to prepare? This has been coming, hasn't it?

**Mike Hawes:** It has, but we still do not have the final agreement. We have two of the four packages. We need the complete set, so that you know, effectively, what regulation you are designing to meet. For real-world driving emissions tests, you can probably go back to type Euro 6, which was approved in 2007. Then the Commission indicated that it wanted to investigate how to bring about the introduction of an element of real-world driving emissions testing. It commissioned a report in 2011; following that report, it said that it would bring forward proposals in 2014. Half of those proposals were agreed by the Parliament in February this year, so it has been some time between the aspiration and where we are now. We now have half the regulation, but it is an important half.

**Q225 Chair:** Is there any evidence that tighter limits on diesel pollutants are affecting the industry's investment in diesel technology?

**Mike Hawes:** The limits have got tighter with every successive iteration of the Euro standards, which has required significant investment by the industry to meet them. That continues. With real-world driving emissions tests, you will see even more investment in new technologies and their application to existing models. At the same time, the industry is still challenged to meet CO<sub>2</sub> limits, to improve safety and to provide greater consumer opportunities. All manufacturers have to commit significant resources on a number of fronts to improve the products that are put on the market.

**Q226 Chair:** There are much stricter standards in the USA, aren't there? There is not a problem there as regards diesel.

**Mike Hawes:** They are different. The NO<sub>x</sub> standards are tighter, certainly in California. For CO<sub>2</sub>, they are probably weaker. You approach them on a different basis. Over there, they have a fuel economy figure, which is in miles per gallon; here we have a CO<sub>2</sub> figure for emissions. You are not comparing like with like.

**Q227 Chair:** If the industry is able to conform to the USA standards, why couldn't it conform to similar standards here?

**Mike Hawes:** It is conforming to European standards.

**Q228 Chair:** Not European ones. There are more stringent standards in parts of the USA, as you have just said.

**Mike Hawes:** For some pollutants.

**Q229 Chair:** Why would it be a problem for the industry to meet the same standards in Europe?

**Mike Hawes:** With the real-world driving emissions tests, you will see, in effect, a much tougher standard than is required even in the US. In the US, it is still a laboratory test. Here in Europe, we will have both a laboratory test and a real-world driving emissions test, which means that pretty much whatever the driving conditions are, you will have to meet that emissions standard. In real terms, it will be a far greater challenge for the industry to meet.

**Q230 Chair:** What are your views on the conformity factors set by member states and by the Commission?

**Mike Hawes:** There are two—an initial one of 2.1 and a subsequent one, in 2021, of 0.5. There are two reasons behind that. The first is the technology used to test vehicles, the so-called PEMS—portable emissions measurement system—which is a new technology that has been in place for only a few years, and the type of technology required to meet the latest iteration of the Euro standards. I mentioned earlier that we have two of the four packages of real-world driving emissions legislation. Of the two packages outstanding, one concerns boundary conditions and the other concerns particulate number. In the past, we measured just particulate mass. With the new real-world driving emissions standard, you will also have to test number. It is another challenge to the technology to be able to measure not just NO<sub>x</sub> but particulate mass and particulate number in the real world, detecting what are essentially trace elements against the ambient levels of air quality, which are quite variable, across a range of conditions. The Commission recognises that the testing equipment is not perfect, but it is getting a lot better every year. Hence the Commission will review the measurements and the conformity factors as the technology evolves in the future. We should not view 0.5 as finite.

It is partly to do with technology and its level of measurement specification. The other part is about use. Essentially, the real-world driving emissions tests mean that, wherever you drive a vehicle, the standard must be met. It could be in extreme circumstances. For instance, if you are pulling a vehicle up a hill, with a heavy load, in cold weather, you still have to meet the standard, whereas currently you are doing it on a test cycle, which is very benign. There is recognition that the technology we currently have may not be able to meet all those variable and extreme conditions. The allowance of 2.1 acknowledges that for the overwhelming majority of drivers the standard will be met, but it caters for extreme conditions.

**Q231 Chair:** The original proposals from the Commission are not the same as the ones that were agreed by the technical committee concerned. What would the commercial implications of meeting the Commission's original specifications be?

**Mike Hawes:** The Commission's original proposal was based on a study that did not take account of one of the particular technologies—lean NO<sub>x</sub> traps—in being able to meet the conformity factor, hence the shift to 2.1. As I have already said, the exactitude of the new test will mean significant investment and, potentially, that certain models currently in development may not come to market because the technology they have may not be able to meet that stringent standard.

Smaller vehicles in particular have less flexibility in the type of technology that they can employ compared with larger vehicles, because of packaging constraints. If you were considering a smaller vehicle with a particular technology, it might not meet the new real-world driving emissions standard. Hence you might say, "We would never get that vehicle on the road to pass the test, so we'll have to stop it." For that particular model, you would have to look at alternative forms of propulsion, be they electric, hybrid or efficient gasoline engines. A number of manufacturers are looking at their product plans and trying to see to what extent they can meet the test and adjust those product plans accordingly. For all of them, it means significant additional investment, which takes some time.

**Q232 Chair:** When you say additional investment, what kind of money are we talking about?

**Mike Hawes:** Hundreds of millions per company.

**Q233 Chair:** Hundreds of millions?

**Mike Hawes:** Per company. Even if a particular model has that system now, you may have to recalibrate it and adjust the design engineering—the packaging—to meet the new standard. If you multiply that over the 300 or so different models that are currently available to the consumer, you can see the significant amount of investment that is required.

**Q234 Chair:** What is the difference in potential investment costs between the Commission's original proposal and what has now been agreed?

**Mike Hawes:** That would be a very difficult figure to gauge. Obviously companies' investment costs are commercially confidential, so I would not have insight into the actual figure. However, the challenge before the industry means that, by definition, it will have to re-evaluate some of those original plans. Engineering and developing a new car is the most expensive part of taking it from a drawing board to the showroom.

**Q235 Karl McCartney:** I know you were breathless when you came in earlier, but could you explain what you meant when you said that by 2017 it would be new cars, and then you mentioned that it was all cars by 2019? Can you explain what you mean by that?

**Mike Hawes:** If you develop a new iteration of a car, you get type approval to put it on the road. If you are developing a brand-new model from 2017, it must meet the standard. Obviously some cars that are launched this year, for instance—

**Q236 Karl McCartney:** Basically, you are saying that when they have a make-over—

**Mike Hawes:** Yes: 2019, it applies to all models.

**Q237 Karl McCartney:** A mark 2 or 3 version.

**Mike Hawes:** Correct.

**Q238 Karl McCartney:** Thank you for that. Are all motor manufacturers singing from the same hymn sheet now?

**Mike Hawes:** In terms of?

**Karl McCartney:** Are they all happy with the direction this is going?

**Mike Hawes:** The entire industry has always recognised that air quality is an issue that needs to be addressed and that road transport and motor vehicles, be they cars, buses or trucks, contribute to air quality. They have all said that the current testing regime is not fit for purpose. If consumers pick up a magazine or something containing the official figures, which have to be stated, the variants from what they are likely to get do not do the industry any favours. They would certainly like to see a change in the approach to testing, and they have been working for that.

**Q239 Karl McCartney:** Do you think maybe the manufacturers were happy to see Volkswagen get caught, as long as it was not them?

**Mike Hawes:** It is a hugely competitive industry, and that is what drives the innovation, but I do not think there is any degree of schadenfreude.

**Karl McCartney:** I knew you were going to use that word. Thank you very much.

**Q240 Stewart Malcolm McDonald:** Mr Hawes, can you talk me through exactly what the SMMT does on behalf of industry?

**Mike Hawes:** We do a range of things. We have a membership of just under 700. That encompasses vehicle manufacturers, importers—be they bus, truck, coach or taxi—engine manufacturers, component manufacturers, the supply chain and the aftermarket. It is the gamut of the UK automotive sector. Our role is to try to ensure that the industry is promoted. We help the industry to address any challenges. We also provide information in terms of data and a range of other services, as any other trade association would, to enhance what we hope is the success of the sector.

**Q241 Stewart Malcolm McDonald:** How much would it cost to join the SMMT?

**Mike Hawes:** It depends on the company. It is related to turnover.

**Q242 Stewart Malcolm McDonald:** In terms of what I am getting for my cash to join the SMMT, you will represent my interests with the UK Government and the European Commission. You are a lobby group, essentially.

**Mike Hawes:** Lobbying Government agencies is one of the things we do. It is certainly not the only thing. We do a range of other activities to promote the industry.

**Q243 Stewart Malcolm McDonald:** How much money did you spend in the last financial year on lobbying in Europe on behalf of the UK industry?

**Mike Hawes:** It would not be a significant amount. I personally probably made three visits to Brussels last year—one of which, I am happy to say, was for a reception that we hosted for Commission officials and MEPs, along with other members of the industry.

**Q244 Stewart Malcolm McDonald:** Could you put a figure on it?

**Mike Hawes:** The total cost would probably be £10,000.

**Q245 Stewart Malcolm McDonald:** It was nearly £300,000 in the last financial year, according to the European Parliament's transparency register.

**Mike Hawes:** I am aware of that figure. We disagree with it.

**Q246 Stewart Malcolm McDonald:** Did you not put that information into the register?

**Mike Hawes:** We have an issue with the way that figure was calculated.

**Q247 Chair:** In what way?

**Mike Hawes:** I am happy to submit more evidence in writing. If I had £300,000 to spend on lobbying in Europe, I think I would know exactly what I was doing.

**Chair:** That is not the question. The question is: did you spend that?

**Q248 Stewart Malcolm McDonald:** The information put into the register is put there voluntarily. Why would you question your own figure?

**Mike Hawes:** Because I think that we misinterpreted the way in which the figure is set out.

**Q249 Stewart Malcolm McDonald:** You would dispute the estimate of the annual costs related to activities covered by the register, which was £200,000 to £299,000.

*Mike Hawes:* While I recognise that it is our figure, we have been looking at the calculation. It did not look right to me. I certainly do not believe that I am spending that amount of money on behalf of the organisation in Europe.

**Q250 Chair:** The point is that this is what has been declared, apparently by you. You are now saying that it was a wrong declaration.

*Mike Hawes:* I believe that we may have misinterpreted the requirement. I think it relates to how many heads—you have to put down how many staff members there are. It assumes that those staff members are solely lobbying in Europe, which is certainly not the case.

**Q251 Stewart Malcolm McDonald:** Do you know how many people are involved?

*Mike Hawes:* In Europe? Yes. First, we do not have an office in Europe, so it is people here who do Government relations both with the UK and with Europe—or, indeed, with other markets, should that be necessary.

**Q252 Stewart Malcolm McDonald:** Do you know how many people that is?

*Mike Hawes:* Approximately—one, two, three, four—

**Q253 Stewart Malcolm McDonald:** I think your colleagues are giving you the answer.

*Mike Hawes:* No, they are just suggesting that we come back for clarification. It is fewer than 10.

**Q254 Stewart Malcolm McDonald:** I have here that it is 12.

*Mike Hawes:* But that includes—

**Q255 Stewart Malcolm McDonald:** I have here that on the transparency register it is 12.

When new proposals come out from the EU Commission, and I, as a manufacturer here in the UK, do not like them, how do you get something that is more favourable to me as a member of the SMMT? Talk me through what you do.

*Mike Hawes:* First, you look at the proposal and see whether there is a detriment to the industry or to an individual company. Often in a first draft there may be. We are about promoting the industry and ensuring that it grows in the UK, and that the UK's interests are safeguarded. If we believe that there is a proposal that may militate against the success of UK companies or any company in particular, we will make that position known, with evidence, to appropriate policy makers.

**Q256 Stewart Malcolm McDonald:** Do you think that that is the case for the type approval proposals that came out quite recently? Are they detrimental to UK industry?

*Mike Hawes:* Type approval, or specifically—

**Q257 Stewart Malcolm McDonald:** The EU Commission's recent proposals in relation to—

*Mike Hawes:* On type approval?

**Stewart Malcolm McDonald:** Yes.

*Mike Hawes:* Broadly speaking, I think they are fair and sensible. The devil is always in the detail. Clearly, if this will help consumers to regain some trust in the process, it is to be welcomed.

**Q258 Stewart Malcolm McDonald:** Do you think it will achieve that?

*Mike Hawes:* Potentially. Again, we need to see how it will be implemented. It is a 600-page document and I must admit that I have not had time to read all of it, but there are some proposals in it that would help to give confidence to consumers.

**Q259 Huw Merriman:** I will stay with the proposed reforms of the type approval process from the European Commission. Do you think that it is difficult to test, in the sense that the testers are so reliant on income from the motor manufacturers? Is there a better way of getting segregation in place?

*Mike Hawes:* The system that we have across Europe works. You have heard from previous witnesses that it is not in their interests for the system to favour manufacturers in any way. They have very clear demarcation between services they provide, which are hugely competitive, to help vehicles to be developed—in the UK, given the witnesses you have had—and which we fully support, and the actual test, which is a small part of their business. Overall, I think the testing is robust.

**Q260 Huw Merriman:** Given that there has been so much focus—dare I say it, taint—on what has been going on, do you think it would be better to detach the two completely, so that you are only using operators who have no reliance at all on auto manufacturers?

*Mike Hawes:* It is about having the expertise. It is incredibly difficult, challenging and intricate to develop a car and to put it through a test process. Those skills are rare. We certainly want to support them in the UK, because they are beneficial to the UK automotive industry and enable us to have appropriate testing facilities. I do not think that there is a need for separation. There is already a sufficient degree of separation within organisations such as the ones that you have met previously.

**Q261 Huw Merriman:** I want to stay on the subject, but looking more at the various rules per member state. In order to aid simplification, would your organisation prefer that there was just one testing regime, instead of member states having their own versions, even if there is a peer-to-peer review system? We have heard that there are concerns about taint in countries such as Luxembourg, which may not have been as rigorous as others. Do you think that it would be better for the industry as a whole if you had just one testing regime for the EU?

*Mike Hawes:* It is helpful to have a range of testing facilities. Developing a vehicle from the drawing board through to pressing the start button on the production line takes four or five years. The testing has to come at a particular time within that development process. The longer you have to delay, the more money you will tie up waiting. Given the investment that you have made, you want to keep to plan. At the moment, you have a choice across Europe and can go to wherever there is vacancy at a testing facility. I am not aware of any testing country or market—whatever you want to call it—that is more sympathetic than another.

**Q262 Huw Merriman:** I have one last question. You described the costs that will be incurred. Would you describe it as using a sledgehammer to crack a nut?

*Mike Hawes:* No. As I have already said, if it will give a greater degree of confidence to testing, there are some huge advantages in seeing it implemented. We are still trying to find out the detail of exactly how it will be implemented, certainly around issues like market surveillance. If it is to be enacted, it will give confidence, because it is absolutely clear that

linking it with real-world driving emissions will deal with the accusations that have recently been levelled against the industry.

**Q263 Chair:** In the written evidence you gave us, you made reference to the implications of WLTP—the worldwide harmonised light vehicles test procedures. What are the implications for vehicle excise duty?

*Mike Hawes:* As we have said before, we are shifting from the NEDC cycle to a WLTP cycle—going from a benign test to a much more aggressive one that covers a greater multitude of driving styles. As a consequence, the official figure when you move to WLTP will be much more reflective of the type of fuel economy—it is just fuel economy—that consumers would expect to get. It will not be perfect, but it will be a lot closer. I think the ICCT report says that the discrepancy will be halved.

For a car that previously hit 99 grams per kilometre, there will potentially be a difference of, say, 20%—maybe 100 or 115 grams per kilometre—under the new test, because it is a much tougher test. In the UK, we have vehicle excise duty, company car tax and capital allowances based on CO<sub>2</sub>. Often which band you are in comes down to a single gram. Some vehicles tested under the old regime, as it currently is, that were at 99 will pay a certain amount of VED, if any. A new car put on the road that is the latest iteration of the same vehicle may have more advanced emission technologies, but it could still be higher-emitting in carbon dioxide, according to the new test, so it would be in a different band. Having two systems of testing can cause some confusion, and it has implications for those three areas of Government fiscal income, which need to be considered.

**Q264 Chair:** Have you raised this with Government?

*Mike Hawes:* We have had initial meetings with the DVLA and others. They are aware of it. We work with the DVLA to ensure that they have the right specification for every car that is sold, to ensure that it has the right tax band.

**Q265 Chair:** How will this impact on vehicle registration?

*Mike Hawes:* That is a very good question. In terms of sales or in terms of the registration process?

**Q266 Chair:** Either of those—let's say the registration process.

*Mike Hawes:* Again, this is one of the things that needs to be agreed.

**Q267 Chair:** You make reference to that in the written information you sent us, in relation to the DVLA.

*Mike Hawes:* Yes. In terms of registration, when the WLTP becomes law—presumably in 2017, but it still needs to be transposed—all new vehicles will be under the new system, so they will be given a CO<sub>2</sub> figure. Overnight, you will go from the old scale to a new scale. While the registration process will continue as is, you need to consider how it relates to older vehicles. For three years, potentially, you will have a mix of vehicles on the road tested under the old system and vehicles tested under the new system. In fact, the new vehicles may be lower emitting had you tested them under the old system. I appreciate that this is quite complicated. Is it fair that the consumer—

**Q268 Chair:** Could you repeat that bit about the new system?

*Mike Hawes:* Okay. You have two cars: car A, which is tested under the new system, and car B, which is a brand-new version of the same car, tested under the new system. Despite the investment in cleaner and more fuel-efficient technologies, type B may still have a



published CO<sub>2</sub> figure that is higher than type A's, because it is a much tougher test. You need to make sure that the system allows for the fact that currently NEDC is the basis for VED, company car tax and so forth. How will you approach newer vehicles, which have a more punitive test but in the real world may be emitting less CO<sub>2</sub>, had they been tested under the existing NEDC test?

**Q269 Chair:** How will the consumer make any sense of this?

*Mike Hawes:* One idea is that you have a single date. Rather than running the two systems in parallel, you say that from 2017, by law, vehicle manufacturers will test to the new WLTP cycle to put a car on the road. However, by using a correlation figure, you would continue to publicise up to, say, 2020, what that figure was under the old system. You would continue that until all cars had to be tested under the new system, by 2020.

It is important to recognise that this is Europe-wide regulation. The UK might be very good at getting its systems in order, through the DVLA and so forth, but 27 other member states also have to get their systems in place. You do not want to confuse the consumer, because one thing that mandatory publication and labelling of CO<sub>2</sub> has done is drive consumer behaviour to lower-emitting vehicles.

**Q270 Chair:** Who should be responsible for making the consumer aware of what is happening, so that they understand the purchasing and comparative features of any alternative vehicle that they may be considering?

*Mike Hawes:* It will be a combination of the manufacturers who are putting the car on the market, the DVLA and, I would suggest, Government, given that fiscal issues are at stake.

**Q271 Chair:** Do you get the impression that those organisations are prepared to address this?

*Mike Hawes:* Yes. They are certainly aware.

**Q272 Chair:** Are they ready to address it?

*Mike Hawes:* They are certainly making plans. In the space of two to three years, the industry faces change to the test cycle from NEDC to WLTP, change from the existing Euro 6 to Euro 6+ with real-world driving emissions, and the changes to the type approval process that were alluded to earlier. Those three things will happen at once, so there will be a degree of challenge to the industry in making sure that the systems continue to be understandable to both the industry and the consumer.

**Q273 Chair:** Do you feel confident that the various organisations and authorities involved are ready to address this in a consumer-friendly way?

*Mike Hawes:* Yes. I think they are, because everyone is conscious. One of the industry's real achievements over the last 10 or 20 years has been the shift to lower emission driving. Given the CO<sub>2</sub> and air quality targets that the UK, Europe and the industry have, this is not something we can afford to get wrong.

**Q274 Chair:** Why should CO<sub>2</sub> emissions be measured in the laboratory, but NO<sub>x</sub> emissions measured on the road?

*Mike Hawes:* As I said earlier, for CO<sub>2</sub> emissions, you come out with a specific number—anything from zero for a purely electrical or hydrogen vehicle, up to probably 300 or so for a high-performance sports car. That figure affects vehicle excise duty, company car tax and other taxation. It also provides a comparison between models. The importance of the lab test has always been that it allows a like-for-like comparison between vehicles. That is

what it was designed for. No matter what the vehicle is, what the specification is or where you test it, you know that the figure for the car is comparable with the figure for that car tested in a totally different lab.

Once you go outside the lab, you are open to the infinite variations of real-world driving. With RDE, for NO<sub>x</sub> particulates and so forth it is a simple pass or fail. You either achieve it or you do not, hence you either can or cannot put the car on the market. For CO<sub>2</sub> it is much more granular, because a difference of 1 gram per kilometre can determine the tax effect on a particular vehicle. Once you go into the real world, you are opening yourself up to questions about repeatability given changes in weather, driving style, maintenance, loads, terrain and altitude—all those infinite figures.

**Q275 Chair:** There is still this basic different approach. What would you say to the allegation that, because consumers are concerned about fuel usage you want to show them what is being done there, but because they are less concerned about nitrate pollutants, you are not so concerned about that, as motor manufacturers? Do you think that is the truth?

**Mike Hawes:** No. With every iteration of the Euro standards we have had to invest billions in new technology. That is not something you would do if you did not think that it was important or if you took it lightly. It has always been a case of addressing both the regulated emissions—NO<sub>x</sub> particulates—and driving down CO<sub>2</sub>.

Obviously the industry will produce products that it markets to consumers, and consumers will make their own decisions as to what they want. They tend to purchase according to a number of factors; fuel economy is certainly up there, but as you have seen in recent months, attention to air quality is also very much a concern. Perhaps two or three years ago it was not as high as it is now, but certainly the industry was looking to address both air quality and CO<sub>2</sub> simultaneously, irrespective of whether that was at the forefront of consumers' minds when purchasing a vehicle.

**Q276 Chair:** Why couldn't you have both a lab test and a real-world test for CO<sub>2</sub>, so that consumers could still compare different vehicles?

**Mike Hawes:** For the reasons I gave earlier. With CO<sub>2</sub>, there are infinite variations that have a very marked effect on fuel economy. All other things being equal in terms of terrain, load, temperature and so forth, any two of us in this room would most likely have a different emission performance on CO<sub>2</sub>, given that we have different driving styles. You will never be able to get something that truly replicates the lab test, which is there for comparison purposes, given that infinite variation.

**Q277 Stewart Malcolm McDonald:** Can I go back slightly? I will be very brief. SMMT is a membership organisation. Is Volkswagen UK a member of SMMT?

**Mike Hawes:** Yes, it is.

**Q278 Stewart Malcolm McDonald:** How much does it pay in fees?

**Mike Hawes:** That would be commercially in confidence. However, it would pay in accordance with its turnover. It is also worth pointing out that our income does not depend solely on membership fees.

**Q279 Stewart Malcolm McDonald:** What else?

**Mike Hawes:** We have a data service which generates some income. We have a couple of subsidiary companies, one of which provides consultancy to manufacturing companies on how to improve their processes and so forth.

**Q280 Stewart Malcolm McDonald:** Obviously we are having this inquiry on the back of the Volkswagen scandal. I guess that business has been busy between Volkswagen and you guys since then.

*Mike Hawes:* It has been busy with quite a number of our members—

**Q281 Stewart Malcolm McDonald:** But specifically in relation to Volkswagen.

*Mike Hawes:* The fact that you are having this inquiry shows that it is more than just a single company issue. The fact that you have called the SMMT shows that it is something that pertains to the industry as a whole.

**Q282 Mary Glindon:** How independent of motor manufacturers is the type approval process? Isn't the process too reliant on revenue from motor manufacturers?

*Mike Hawes:* As I think you have heard from previous witnesses, revenue from manufacturers for testing is, I believe, about 10% of their business. There are a number of other parts in their business in terms of engineering and consulting, but they are kept separate from the testing part of the business. The system is robust. As we said before, if anything is at fault it is the current regulation around the cycle, which is giving these variations and results that are quite different from those in the real world.

**Q283 Mary Glindon:** How can we be sure that all parts of the type approval and testing regime are working to ensure high safety and environmental standards when every organisation that is charged with assessing those standards relies on revenue from the car industry?

*Mike Hawes:* They do, but remember that the tests are independently witnessed by the VCA in the UK and similar organisations across Europe. You have that independent verification. I suggest that it is not in their interests to do anything other than produce a valid, robust test, to ensure that their reputation is maintained. Their reputation is very high.

**Q284 Mary Glindon:** The European Commission has drafted a series of proposals for reforming the type approval process. The proposals suggest that the Commission believes that technical services are too close to the car industry. To what extent do you think that that assessment is correct?

*Mike Hawes:* The testing bodies are independent, and they pride themselves on that independence. There is also a competitive marketplace for the services. I know that the accusation is that it is too close. If you are a manufacturer, you invest an amount to ensure that you develop a vehicle that will pass the test. It is a very stringent test; there are no shortcuts. If there is anything to suggest that you are not meeting the requirements of that test, the test will be stopped, either by the testing authority or by the VCA.

**Q285 Mary Glindon:** So you do not think that the Commission needs to go that far.

*Mike Hawes:* No. If there is something that needs to be improved, it is the test itself. That is happening, both in terms of the test cycle—NEDC to WLTP—and on emissions testing with RDE. That is clearly where the efforts need to lie.

**Q286 Mary Glindon:** The Commission would like more powers of oversight over the type approval process. Do you think that would help to raise standards?

*Mike Hawes:* I have not seen any evidence that the standards have not delivered. I know accusations have been made about member states outside the UK. However, if these measures give confidence in the testing regime, we will support them.

**Q287 Will Quince:** You mentioned that the testers pride themselves on their independence, but we have heard from previous witnesses that often they act not only as testers but as consultants to the same manufacturers, even on the test itself.

**Mike Hawes:** My understanding is that they have a firewall between those who offer consultancy services to help vehicle manufacturers in the UK to develop products and those who perform the test. They are very strict in terms of the delineation between those two services, to avoid any implication of doing anything other than that.

**Q288 Will Quince:** But you can see why the perception, at least, would be alarming, especially when you look at individuals. There is a lot of churn within the industry, with people changing between different manufacturers, from testing companies to manufacturers, and vice versa. Does that concern you at all?

**Mike Hawes:** What concerns me is the reason behind that churn, which is that talent is incredibly in demand. These are highly educated, experienced individuals. We need more of them. You can see why on an open market they are of extremely high value. It is not a bad thing that there is a degree of exchange, with people moving around between, say, a consultancy and a manufacturer, because all parts of the industry need that skill set—the manufacturers to be able to develop the products, the consultants to be able to help them, and the testers to understand the test, which goes to reams and reams of paper. The test to put a vehicle on the road is incredibly stringent.

**Q289 Will Quince:** Can you think of any other industry where the regulators or testers are this close to the companies that they are testing?

**Mike Hawes:** I must admit that I have not given it any thought. I would like to go away and think about that.

**Will Quince:** I would be surprised if there is.

**Q290 Chair:** Would it be best for technical services and even the vehicle approval authorities to be funded by an industry levy, rather than to be financially so close to the manufacturers?

**Mike Hawes:** That is what the Commission is looking to implement. I represent businesses that are very concerned about cost. Invariably when there is a levy the cost goes in one direction—to the manufacturer. We would like to see what is envisaged in terms of cost in the proposals that are coming forward from the Commission. The proposals that it has put forward will carry a degree of additional cost and burden for the industry. Clearly, it will be shared across the industry. The suggestion is that it would remove that closeness, but the way we operate at the moment is not necessarily broken. I maintain that the test is what needs to be fixed, and that is being fixed.

**Q291 Chair:** Don't all these very big changes suggest that something is broken? You have just said that it is not broken, but something is broken, isn't it? Wouldn't more separation between the financial interests of the manufacturing sector and those responsible for testing be better for independence?

**Mike Hawes:** No. As I said, some of the organisations that provide authorised testing services provide a range of support and consulting services for the industry. Those are separate, highly valued and particularly important for the UK. The proposals from the Commission are addressing some weaknesses in the system. Market surveillance is one that has caught a lot of headlines, and it is probably correct to address it. If that will restore trust and faith in the system, which is an incredibly complicated system, we will support it.

**Q292 Will Quince:** I have a couple of points on trust. It is like justice; not only does it have to be done, it has to be seen to be done. There is a real issue with the closeness. You mentioned the test, but will the test solve the problem while golden cars can still be created for those tests and even the testing companies can act as consultants and advisers on how to pass them? It just seems so close.

**Mike Hawes:** As I said, they are separate parts of a single entity. There is a firewall between the two. They provide advice on what is a highly complex and complicated area. Very few people have a full understanding, in breadth, of testing. In the UK, we have a lot of small manufacturers, who will not necessarily have all that expertise, so they need to buy it in. Vehicle manufacturers buy in expertise about how a vehicle needs to be developed to ensure that it can legally be put on the road. Then they develop the vehicle over four, five, six or seven years—however long it takes. The testing comes almost, but not quite, at the end. It is a relatively small part of the total investment cost that has gone in. I do not think that the relationship is too close. I go back to the fact that it has to be independently verified—in the UK's case, by the VCA.

**Q293 Will Quince:** I go back to the point about golden vehicles, because it is quite a crunch point. Changing the test will not change the fact that golden vehicles can be introduced—

**Mike Hawes:** What do you mean by golden vehicles?

**Q294 Will Quince:** A number of witnesses have been absolutely clear that golden vehicles exist. They are cars specifically designed and engineered to get through the test that do not bear much resemblance to the car that comes off the production line for the consumer.

**Mike Hawes:** I would dispute that. When you pass the test, you also have to pass conformity of production. That specifies—you can put the question to the VCA—that the vehicle that is tested meets the requirements of the production vehicle. Testing authorities have the right to pull cars off the production line to check that the vehicle going down the production line has the same specification as the one that was tested. The thing to remember about how you develop a vehicle is that, from the drawing board until the point at which you are about to start production, the vehicle goes through a number of iterations—from drawing board, to clay, to a number of mules and then to various pre-production cars. Invariably the car that you put into the test has, by definition, to be a pre-production model.

**Q295 Chair:** That is the theory. Nevertheless, the phenomenon referred to by Mr Quince has been mentioned in evidence in this Committee by a number of witnesses. We assume that there is some truth in that somewhere.

**Mike Hawes:** I am not familiar with it. Given that there is a certificate of conformity of production, any vehicle that is tested has to be the same as that which subsequently goes down the production line.

**Q296 Will Quince:** We have already heard from others that the follow-up testing is very poor, if it happens at all. Do you believe that the figures for a car straight out of production, with five miles on the clock, which went back to the testing station would bear any resemblance to the figures for the test model—the golden vehicle?

**Mike Hawes:** Yes, they would. A number of member states are repeating the lab tests and pulling in vehicles at the moment. We will find out whether they pass those lab tests.

**Q297 Iain Stewart:** To go back to the firewall that you mentioned between the consultants and those doing the testing, who polices that firewall? Who does an audit to make sure that it is not breached?

**Mike Hawes:** That is part of the responsibility of the organisation itself. I go back to the fact that it is not in their interests of their own integrity to have anything other than a clear delineation and reputation and respect from being able to offer consultancy services, and separately ensuring that they test a vehicle in accordance with the regulation that is set out.

**Q298 Iain Stewart:** I understand that, but I am still interested in knowing whether anyone does random audits of a company to make sure that the two sides are kept appropriately apart.

**Mike Hawes:** Certainly the VCA has to be satisfied that a test facility meets the appropriate standards, in terms of both preparation and having equipment of the right standard and calibration. Indeed, I believe that one of the Commission's proposals is for peer review, which will probably address that point. If that is lacking, it will be addressed by the Commission's proposal. We would welcome that, to negate any suggestion that there is untoward activity between the two halves of an organisation.

**Q299 Iain Stewart:** In most organisations or industries, there should be an independent body that verifies this and does random checks. Does that happen?

**Mike Hawes:** You would have to ask those types of organisations. I am not familiar with exactly how each of them is structured.

**Q300 Martin Vickers:** A few moments ago, you sought clarification from Mr Quince about golden cars, yet we have had frequent references to them in the course of this inquiry. I find it somewhat surprising that someone in your position would seek that clarification. Are you seriously saying that this is a concept you have never heard of?

**Mike Hawes:** A lot of accusations have been made about the industry and testing, such as bizarre things like taking off wing mirrors for tests. Those have not necessarily been made in this room, but they may have been made outside it. It comes down to the evidence and the science behind it. A vehicle that is put through a test cycle undergoes a rigorous valuation, which is verified independently. Thereafter, there is the right to pull production cars from the line to check that the performance of those vehicles matches the legal requirements of the car that was tested. As I said, various authorities are in the process of testing vehicles, both in the laboratory and in the real world. The indicative results that have come out in some countries at an early stage suggest that those vehicles meet the laboratory test. They are vehicles that have not necessarily been pulled off the production line; they may actually have been pulled off the road.

**Q301 Martin Vickers:** How many are pulled off the production line? Is it a very infrequent process?

**Mike Hawes:** In the scale of things, it will be infrequent. You have factories that produce up to 5,000 or 6,000 vehicles a year, so it is a representative sample.

**Q302 Stewart Malcolm McDonald:** Are you able to give me an example of a time when the SMMT assessed an environmental regulation that came from Brussels, thought that it was not strong enough and did not challenge industry enough, and successfully had it strengthened, to make it tougher for the industry to meet, in the public interest?

**Mike Hawes:** The Commission tends to start from the basis that it will produce something that is incredibly tough to start with. Like any good regulation, a regulation will be

effective only if it can be complied with. We seek to ensure that the UK's industrial interests, as well as its ability to deliver to those environmental terms, are understood.

**Stewart Malcolm McDonald:** That is a very long-winded way of saying no.

**Q303 Chair:** Have you ever sought to strengthen a directive?

**Stewart Malcolm McDonald:** Have you ever thought that industry has not been challenged enough to meet a directive and that it has to go further?

**Mike Hawes:** Given the wealth of challenges that are before the industry, we have our work cut out just to meet the ones we currently have.

**Q304 Chair:** Thank you very much for coming and for answering our questions.

**Mike Hawes:** Thank you. We apologise for being late. We were sent from pillar to post by security.

**Chair:** We realise that. I am sorry about it.

### Examination of Witness

*Witness:* **Antti Peltomäki**, Deputy Director-General in the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, European Commission, gave evidence.

**Q305 Chair:** Good afternoon. Welcome to the Transport Select Committee. Thank you for joining us today. Could you give us your name and position for our records, please?

**Antti Peltomäki:** Good afternoon, Madam Chair, and distinguished members of the Transport Committee. My name is Antti Peltomäki. I am the deputy director-general in the directorate-general for internal market, industry, entrepreneurship and SMEs. I have been working there since 2012.

**Chair:** Thank you very much. Could you bring us up to date on the current proposals for introducing real driving emissions tests?

**Antti Peltomäki:** Yes. First, we have the package that consists not only of real driving emissions tests but, very much linked to that, of the type approval framework review. In May last year, we managed to write up the first part of real driving emissions tests on the procedure itself. Then we had the second round on the not-to-exceed limits—the so-called conformity factors and the timetables. That was voted through in October. It was then challenged by the European Parliament, as it was subject to regulatory procedure with scrutiny. The Parliament has since voted for it and the package has been confirmed. The Commission has now adopted the final phase. Of course, it will have to be published in the *Official Journal* in the days or weeks to come.

We are working on package three, which deals with particulate numbers, as well as transparency issues. That is scheduled for around the middle of this year; I think that the timetable was for June. Towards the end of the year, we will have the final phase, which is package four, covering conformity surveillance. The whole of the RDE package will be finalised towards the end of this year.

**Q306 Chair:** The gap between NO<sub>x</sub> emissions in the laboratory and real-life conditions on the road has been known for a long time. Would anything ever have been done, had it not been for the Volkswagen scandal?

**Antti Peltomäki:** The discrepancy between the laboratory tests and what we then learned from the Joint Research Centre studies that were done in 2011 and 2013 clearly showed that whenever the same cars are tested on the roads, on average they emit four to five times more than they emit in a laboratory-testing environment. Of course, there was an early

commitment when we had the so-called CARS 21 high-level group in 2011-12. The Commission also adopted that kind of action plan in CARS 2020, which was endorsed by the Council, as well as by the Parliament, as a road map for working towards real driving emissions tests. When we had the unfortunate Volkswagen case, everything was really speeded up. We are now trying to make sure that we deliver as soon as possible.

**Q307 Chair:** How much will diesel pollutants be reduced by the introduction of RDE?

*Antti Peltomäki:* The numbers that we have now are 400 mg per kilometre, on average. The limit of 2.1 that has been agreed as a conformity factor will lower the level to 168 mg per kilometre, which is clearly less than half of what vehicles do today.

**Q308 Chair:** The conformity factors suggested by the Commission because of the research that you conducted have been watered down considerably. Was your research right? Do you regret the watering down of the conformity factors?

*Antti Peltomäki:* When we did our impact assessment, we had a basic study showing that the conformity factor in the first phase should be somewhere between 1.6 and 2.1. We proposed 1.6, which was the most stringent figure. Then the technical committee on motor vehicles discussed that, involving the member states. The final outcome was that a clear majority of member states went for the upper limit, but the 2.1 figure was in the basic study for our impact assessment. We were down, while the member states were a bit up.

**Q309 Chair:** But your original research was correct.

*Antti Peltomäki:* We have admitted that real driving emissions tests are very challenging, because of course they are done with real driving emissions on real roads. There are certain technical and statistical uncertainties that more or less justify using those conformity factors. With the 2.1 figure, it is more a question of the transition. With the second conformity factor of 1.5, the question is how much we allow a certain margin of error. We have already announced that we will use the so-called revision clause. If there is clear technical evidence that we can go much closer to 1, we will propose that.

**Q310 Chair:** Some environmental groups say that the RDE limits that are now proposed are illegal. What do you say to that?

*Antti Peltomäki:* The legal requirement, which is 80 mg, is clearly spelled out in Euro 5 and Euro 6 legislation. Of course, when we say that in the RDE tests we will allow a certain conformity factor, based on the uncertainties that exist, that is where you can challenge it. However, we spell out clearly that we are not opening any kind of legal requirement. We are really trying to introduce a distinct methodology that will allow us to meet the target.

**Q311 Chair:** There is a commitment to review the conformity factors annually, until they are brought down to Euro 6 limits by 2023. How will those reviews be conducted? Who will carry them out?

*Antti Peltomäki:* The Commission has its own technical arm, which is called the Joint Research Centre. It has been providing us with all kinds of scientific evidence and has been very instrumental in testing all these kinds of different technologies, including the real driving emissions test procedure. We really rely on its expertise. Of course, every bit of evidence that is available will be used.

**Q312 Chair:** Now that we know how harmful diesel pollutants are to human health, do you think that it was wrong for member states to incentivise taking up diesel?



**Antti Peltomäki:** When manufacturers opted for diesel, one of the objectives was to have lower fuel consumption. It is also clear that CO<sub>2</sub> emissions are directly linked to fuel consumption. From a CO<sub>2</sub> perspective, the diesel strategy has been well justified, but you are right that in terms of air pollutants, especially NO<sub>x</sub>, and particle numbers, diesel is much more challenging than other things.

**Q313 Chair:** Did the Commission itself have a policy on that?

**Antti Peltomäki:** No. Our legislation is technologically neutral. We try to define the requirements and targets. It is then very much up to the car manufacturers to make their own choices. Member states were allowed to give certain incentives to favour diesel. I do not know whether that was a mistake. Of course, you achieve something, but at the same time clearly you cannot address the NO<sub>x</sub> and the air pollutants.

**Q314 Chair:** The whole process of change has been very slow. How do you explain the slow rate of progress on introducing WLTP—the worldwide harmonised light vehicles test procedures? Why has progress on that been as slow as it has, going over so many years?

**Antti Peltomäki:** On CO<sub>2</sub> and the WLTP, things have very much developed in the UNECE. That is where we are achieving the kinds of results that are applicable not only in Europe but as widely as possible globally. Together with Japan, we have really been pushing a new kind of test cycle on CO<sub>2</sub> emissions. On the NO<sub>x</sub> side, we have been working very much on our own to be the first in the world to introduce the real driving emissions test cycle.

**Q315 Chair:** Has the Commission made any assessment of the potential tax implications for member states that tax vehicles on CO<sub>2</sub> emissions?

**Antti Peltomäki:** Taxation is very much a priority for the member states. We have certain minimum rules on energy taxes. In that context, member states have been allowed to choose to incentivise certain types of energy choice. We in the Commission have not advocated any kinds of tax incentives, because our powers are still very weak in that area.

**Q316 Chair:** Have you made any assessment of the implications of the change?

**Antti Peltomäki:** It has been part of different studies, but as far as I know there is not a study that gives a Commission view on these issues.

**Q317 Chair:** There will be quite a long transition period between the NEDC and the WLTP cars labelled as Euro 6, which will have been tested against different standards. What will be done to make the situation clear for consumers, so that they know what cars they are purchasing and what the comparisons are?

**Antti Peltomäki:** On NO<sub>x</sub>, we have part of the third RDE package. Under the transparency rules, we are introducing a requirement for car manufacturers to announce the results of real driving emissions tests. They also have to be included in the conformity certification—the declaration that car owners will have in their cars.

**Q318 Chair:** What can the Commission do to make information clearer to consumers, so that they know both what they are purchasing and how to make comparisons between what they are considering purchasing and other vehicles?

**Antti Peltomäki:** This is one measure. On CO<sub>2</sub> emissions, we are doing exactly the same thing. There is also the so-called car labelling directive, which introduces the requirement for test results to be announced. Then there is the whole exercise that we are carrying out now. Together with the member state authorities and all stakeholders, we are trying to make sure that consumers get reliable information and the right information.

**Q319 Chair:** Should the manufacturers be doing more?

**Antti Peltomäki:** Definitely, yes. They should base their activities on results that are reliable and based on test procedures that are as robust as possible.

**Q320 Stewart Malcolm McDonald:** Thank you for that evidence. When you were in the audience, you probably heard me ask Mr Hawes about lobbying. Lobbying in Brussels is an enormous industry. According to figures that I have in front of me, manufacturers of diesel vehicles spent up to €18.5 million in 2014 alone, employing 184 lobbyists. What are they getting for their money?

**Antti Peltomäki:** You are right. We have a lot of lobbyists in Brussels. We have tried to establish clear rules on how lobbyists are able to operate vis-à-vis the Commission's services and officials, and even vis-à-vis the politicians. Of course, we have a lot of discussions. We invite different stakeholders to platforms where we discuss policies. The lobbyists also use those platforms to try to pass on messages about how industry players see their interests. We definitely know that they have their own angle on things. We have NGOs and other types of lobbyists as well, so we try to be as impartial and neutral as possible.

**Q321 Stewart Malcolm McDonald:** I have here in my hand details from the transparency register that outline millions and millions of euros. It breaks down the figure I have just given you, plus more, and shows what manufacturers and trade associations in the car industry are spending. The register is voluntary, so, first, the figures in it are probably quite conservative. My second point is: why is it a voluntary register? Surely it would be better if it was compulsory and had some sort of oversight. I am not entirely sure who oversees the register. Who checks that all the information in it is correct?

**Antti Peltomäki:** Our DG is not directly responsible for Commission rules on these policies. We have been trying to make sure that we have clear, understandable rules on how we allow lobbyists to be in contact and in interaction with us. For example, in relation to real driving emissions we had a kind of working group, which was an open invitation to all the different stakeholders, including the car manufacturers. We did not place any kind of restriction on anyone. We had a lot of NGOs, as well as car manufacturers and their associations, taking part in that, together with the member states.

**Q322 Stewart Malcolm McDonald:** You have just said that, with all of those millions of euros being spent on lobbying, the Commission does not have a responsibility to ensure that there is transparency on that.

**Antti Peltomäki:** Definitely it does. We have tried in many respects to introduce transparency in all our work and in the way in which the Commission and the European institutions behave in legislative processes. We have really clear rules on how we have to disclose the information and with whom. I think that we are plain.

**Q323 Stewart Malcolm McDonald:** That cannot be case. I go back to the point: why is the register voluntary? This whole thing just stinks to the public. I want Britain to stay in the European Union, but stuff like this makes it pretty difficult for me to convince people that there is not something wrong with the way lobbyists are running riot in Brussels and able to get regulations to suit their industry that are not always in the public interest. Do you see the problem that people like me have?

**Antti Peltomäki:** For your information, if we in the Commission accept any kind of contacts with lobbyists, they have to be registered.

**Q324 Stewart Malcolm McDonald:** When did you last meet Matthias Müller?

**Antti Peltomäki:** I have not met him.

**Q325 Stewart Malcolm McDonald:** You have not met him. Why not?

**Antti Peltomäki:** My commissioner has met him in the context of the investigations that are ongoing in Germany. They are asking for clear, direct, first-hand information, which Volkswagen is ready to provide on this. Of course, there have been invitations to provide the information—

**Q326 Stewart Malcolm McDonald:** Have you had any meetings with senior management at Volkswagen?

**Antti Peltomäki:** Personally, not.

**Q327 Stewart Malcolm McDonald:** Okay, then I am a bit confused as to why you are here to give evidence. This has all come about on the back of the Volkswagen scandal, but you have not had—

**Chair:** No. We invited Mr Peltomäki.

**Stewart Malcolm McDonald:** But you have not had any discussions with—

**Antti Peltomäki:** I am replacing my commissioner.

**Stewart Malcolm McDonald:** Okay. That is all for now.

**Q328 Martin Vickers:** It is perhaps understandable that member states can be rather protective of their own particular car industry. Do you find that that is a problem and that the Commission is also, in effect, having to struggle to convince member states that perhaps some of their own industry is at fault?

**Antti Peltomäki:** In a Brussels environment you always have many different interests at stake. We can easily see that there are different types of industrial interests, depending on the industrial structure of the member state concerned. It then becomes a question of how they play the game. To me, it is natural, in a sense, that they try to see how their own industries can create growth and jobs, but we have to make European policies that are favourable to everybody.

**Q329 Martin Vickers:** You are assisted in your work by the various regulatory authorities within the member states. Do you find that they are of equal standard across the EU, or are some clearly failing?

**Antti Peltomäki:** When we assessed the type approval framework directive, we had first an evaluation, then a fitness check and then public consultation. The very clear line that came from all of those was that one of the great weaknesses of our regime was the different implementation, application and enforcement of our common legislation. That is why what we have proposed following the Volkswagen crisis not only has much more robust test procedures for both NO<sub>x</sub> and CO<sub>2</sub> in the making but also focuses much more on market surveillance, supervision of authorities and the kinds of powers that the Commission can have vis-à-vis member state authorities and technical services.

**Q330 Iain Stewart:** A previous witness to this inquiry suggested that Luxembourg has a suspiciously high number of tests, given its size and the absence of a major car industry there. Is that something the Commission is aware of?

**Antti Peltomäki:** We know that, whenever we introduce new and more demanding test procedures, they will be costly for everybody, including car manufacturers, national technical services and national authorities, as well as the Commission. We have tried to make sure that

it is proportionate and fit for purpose to address that kind of local issue, which we have witnessed in our work on the type approval framework. It relates very much to how the same legislation has been applied in different member states.

**Q331 Iain Stewart:** Forgive me, but that does not really answer my question. It has been put to us by other witnesses in our inquiry that Luxembourg is a country that conducts a disproportionately high number of approvals. Is the Commission aware of that allegation? If so, have you investigated it?

**Antti Peltomäki:** Yes—for sure. We have read all the testimonies that are around and have taken the approach that, under existing legislation, it is up to the car manufacturers to make their own choice about the technical service that they want to use for the type approval of their vehicles. We know that some services are more popular than others. It is up to each and every member state's national type approval authorities to make sure that they are applying the same rules, wherever they are and whatever the nationality of the owner. You referred to technical services in Luxembourg; they are not only in Luxembourg, but also in other member states.

**Q332 Iain Stewart:** Can I ask one further question on this? Have you done any checks, as the Commission, on the process in Luxembourg, to make sure that it adheres to the appropriate standards?

**Antti Peltomäki:** In the review of type approval legislation, we are proposing that the Commission should have the chance to order audits and peer reviews between national type approval authorities, and that it should have certain powers to do checks on vehicles on the road, as well as whatever performance criteria different technical services are using. At the moment we do not have those powers.

**Q333 Chair:** Why are some testing agencies more popular than others?

**Antti Peltomäki:** That is perhaps a question that you should address to car manufacturers.

**Q334 Chair:** Surely you have a view on it.

**Antti Peltomäki:** Like the previous witness, I think that it is sometimes to do with availability. Sometimes it is about closeness. Different manufacturers may establish a relationship with companies that have learned to handle the requirements based on European law. Whenever they have freedom of choice, they use it.

**Q335 Chair:** Do you have any evidence for what you are saying, or is it just a view you have formed?

**Antti Peltomäki:** No. I am not in a position to explain why car manufacturer X usually goes to technical service Y, or not. That is their freedom of choice.

**Q336 Chair:** At the moment manufacturers are allowed certain flexibilities in relation to shaving tyres or raising temperatures of tyres, for example. Will that be carried through to the new testing regime?

**Antti Peltomäki:** No. That is exactly the kind of thing that we are trying to avoid. The real driving emissions test, in particular, will test cars in many different situations, on real roads and in real driving situations, so it will definitely be much more difficult to optimise a car only for certain standards.

**Q337 Chair:** Will it be forbidden? You said that it will make it much more difficult. Will it be stopped?

**Antti Peltomäki:** We need to make sure that the cars on the production line that then go on to the streets are tested in different kinds of situations, including when they are on the road. We need to have the right to initiate spot checks on cars.

**Q338 Chair:** So you will have spot checks.

**Antti Peltomäki:** That is what we are proposing in our type approval proposal.

**Q339 Chair:** Who will conduct the spot checks? Who will be responsible?

**Antti Peltomäki:** We at the Commission will be able to do it, together with the member states—the national authorities. That is why we have a so-called enforcement forum in our proposal. That is how the co-ordination of market surveillance activities and oversight will be conducted.

**Chair:** You are making a number of very fundamental proposals for change. They seem to imply that you believe that there is too close an association between testing organisations—

*Sitting suspended for a Division in the House.*

*On resuming—*

**Q340 Chair:** Under a number of the changes that you are proposing, there seems to be an assumption that there is too close a relationship between the manufacturers and the various testing authorities, perhaps in terms of financial connections. Is that correct?

**Antti Peltomäki:** That was one of the elements of our proposal. When we really started to look at the situation after the Volkswagen case, we introduced provisions to create a kind of Chinese wall between car manufacturers, technical services and type approval. The whole remuneration should go via national funding schemes—the so-called pools. Those would cover not only the type approval but the market surveillance that the national type approval authorities are going to do. That is a major change in terms of how we see a certain independence being created.

**Q341 Chair:** Are you confident that your proposals will correct that situation of undue connections?

**Antti Peltomäki:** We believe that it is one of the elements; we are introducing checks that will really make sure that there is independence, based on the fact that there is no direct financial interest between a type approval technical service and a manufacturer.

**Q342 Stewart Malcolm McDonald:** When the Volkswagen scandal broke, why, in your view, did it take American researchers to work it out?

**Antti Peltomäki:** Excuse me?

**Stewart Malcolm McDonald:** When the Volkswagen scandal broke, it was brought to public attention by American researchers, as opposed to European regulators. Why was that?

**Antti Peltomäki:** When we compare our systems, there are a lot of similarities, but the US system has definitely been stronger. It has focused on market surveillance more than pre-type approval procedures, although of course it has those. There were also certain active NGOs looking for this. I guess that there was some collaboration between different players.

The US Environmental Protection Agency was then able to show that Volkswagen diesel cars were emitting more than is the case on average. They have exactly the same situation in the US as in Europe. On average, all diesel engines are polluting more than is allowed. That is what we have learned. We have not received any real investigation results from the US, but there will be a meeting with our US counterparts in early April. We hope that by that time we will have a much better understanding of how the whole Volkswagen case started in the US.

**Q343 Will Quince:** I want to comment on one point you made about the testing and how you hope that the Commission will be more rigorous. You did not go as far as to say that it will actually forbid certain practices around golden vehicles. You mentioned that the car should be the same as the car that ends up on the production line and is then handed to a consumer. We have heard about testing practices such as tyre pressures being inflated in order to pass a test to levels that would not be legal, or indeed advisable, on a road. Surely that is not acceptable and is something that the Commission should forbid.

**Antti Peltomäki:** I do not have clear evidence on that personally, but I know that it is discussed. It is a question of how you consolidate the testing environment and what is and is not allowed. It is obviously the case that that has happened.

**Chair:** I am aware that you have a last train to catch, Mr Peltomäki, so we will conclude proceedings now, but we may write to you with further questions. Thank you very much for coming today.

**Antti Peltomäki:** Thank you. If there are any further questions, we are ready to reply in written form.