

Transport Select Committee

Oral evidence: Volkswagen emissions, HC 1021

Monday 20 February 2017

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Members present: Mrs Louise Ellman (Chair); Clive Efford; Karl McCartney; Stewart Malcolm McDonald; Mark Menzies; Huw Merriman; Will Quince; Iain Stewart; Graham Stringer; Martin Vickers.

Questions 1 - 215

Witnesses

[I](#): Paul Willis, Managing Director, Volkswagen Group UK.

[II](#): Rt Hon John Hayes, Minister of State, Department for Transport, Ian Yarnold, Head of International Vehicle Standards, Department for Transport, and Derek Lawlor, Head of Technology, Standards and Legislation, Vehicle Certification Agency.

Examination of witness

Witness: Paul Willis

Q1 **Chair:** Good afternoon and welcome to the Transport Select Committee. Mr Willis, would you give us your name formally, tell us who you are and what your position is?

Paul Willis: My name is Paul Willis. I am the managing director of Volkswagen Group United Kingdom.

Q2 **Chair:** Thank you. Mr Willis, you have been in front of this Committee before. On the last occasion, a year ago, you were with Mr Schmidt and you told us that you found it “absolutely implausible that senior people in the company would have known of” the defeat device software. Since that time, six senior Volkswagen executives have been indicted in the US, including Mr Schmidt, another person has pleaded guilty and in Germany 37 Volkswagen employees are being investigated. Do you still stand by what you told us a year ago?

Paul Willis: As I also said to you a year ago, my responsibilities for my company are in the United Kingdom, so my knowledge of what may or may not have gone on in Germany or in the United States is quite limited. I said at the time that I thought it was implausible that a member of the board, from my recollection, was involved in any of this. It is my personal opinion that that is still the case, but I am aware of the statement of facts that you are referring to.

Q3 **Chair:** You are aware, but you did not say what you knew. You said you thought it would be “absolutely implausible” for senior people to know about this.

Paul Willis: When I referred to senior people, I was referring to the board, and I still say that—

Q4 **Chair:** You didn’t say that. Do you think it is a reasonable statement to make now—that it is implausible that senior people knew about what was going on?

Paul Willis: Let us be absolutely clear. My role is in the UK.

Q5 **Chair:** Mr Willis, I am not asking you what you knew; I am asking you about your judgment. Are you still of the opinion, given what has happened now, including the arrest of Mr Schmidt—

Paul Willis: My judgment, with the greatest of respect—

Q6 **Chair:** No, Mr Willis. I am asking you questions. I am asking you, in view of what has happened since the last time you came here, do you still believe it is absolutely implausible that senior people in the company would have known of the defeat device?

Paul Willis: With the greatest of respect—



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Chair: No, not respect—

Paul Willis: I must answer the question. You have to know the context.

Chair: I am asking for an answer.

Paul Willis: My responsibilities are in the United Kingdom. I have no knowledge of what has gone on in the United States or in Germany.

Chair: Mr Willis, I am not asking you what you knew—

Paul Willis: Can I answer the question?

Q7 **Chair:** Mr Willis, I am asking you the question and I am picking up what you told us last time. I am not asking you if you knew something you were not telling us. I am asking about your judgment. A year ago you told us that it was absolutely implausible that senior people in the company would know. Are you still of that opinion?

Paul Willis: My judgment is—it is only my opinion—that it is absolutely implausible that any member of the board of Volkswagen AG would have known anything about this. However, I was not involved in any of the discussions, so it is only a matter of opinion and conjecture.

Q8 **Chair:** Senior people—not necessarily on the board.

Paul Willis: I do not know what your definition of senior people is.

Q9 **Chair:** They are your words—

Paul Willis: I do not know who these people are.

Q10 **Chair:** Mr Willis, please, when I am asking a question, don't interrupt me. Those were your words to us a year ago—"senior people." Senior people do not have to be on the board. Do you still think it is absolutely implausible?

Paul Willis: I repeat, Mrs Ellman, that I think it is implausible for a member of the board. I cannot comment on what has gone on in other countries, I am sorry.

Q11 **Chair:** Mr Schmidt told us last year that he "was not directly involved in the processes" related to the cheating, and he could not tell us why it was done. Do you think he was giving us correct information?

Paul Willis: To the best of my knowledge, Mr Schmidt's evidence to this Committee, of course, was completely truthful—to the best of my knowledge.

Q12 **Chair:** Even though he has now been arrested by the FBI.

Paul Willis: He is indicted. That means he is being questioned.

Q13 **Chair:** Your opinion has not changed.



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Paul Willis: I have no idea what questioning is going on with Mr Schmidt. I do not know what he has been indicted for. As far as I know, to the best of my knowledge, when Mr Schmidt was invited here he told the truth as he knew it. That is all I can say. I cannot answer for Mr Schmidt personally; I am sorry about that.

Q14 **Chair:** You also told us last year that Volkswagen would be publishing the Jones Day report. You told us how complicated it was. Is it still the case that the report is to be published?

Paul Willis: The findings of the Jones Day report are contained in the statement of facts in the United States.

Q15 **Chair:** Is the report going to be published here in the UK?

Paul Willis: To my knowledge, there will be no physical report.

Q16 **Chair:** There will be.

Paul Willis: To my knowledge, there will be no physical report.

Q17 **Chair:** There will be no report published.

Paul Willis: There will be no physical report published. The findings of the Jones Day report are contained in the statement of facts in the US.

Q18 **Chair:** That is the case, but when we were discussing this last year we were talking about what is happening here in the UK, not in the US. Will that report be published here in the UK?

Paul Willis: No, I am very clear: to the best of my knowledge, there will be no physical report published. The last time I was here, to the best of my knowledge, there may have been a report to be published, but that is clearly not the case. The findings of the Jones Day report are contained in the statement of facts, which is on the DOJ website.

Q19 **Chair:** Do you think it is reasonable to publish the report or its findings in the US but not in the UK?

Paul Willis: My understanding is that there are various investigations taking place in a number of jurisdictions in Europe. Against that background, I do not think it would be appropriate for me to comment, or for the company to comment, while those investigations are ongoing.

Q20 **Chair:** You think it is reasonable that such a serious report—a report that we were told would be published here—is published to the US Government but not here in the UK.

Paul Willis: We have been on the record on numerous occasions to say that the situations in the United States and in Europe are completely different.

Q21 **Chair:** If the findings of the report are included in the statement of facts, why hasn't the full report been published?



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Paul Willis: My understanding is that all the facts are included in the statement of legal facts. That is my understanding. You have to please excuse me, but I was not involved in the scope. I was not involved in the development of the report. The report is an independent report, and that is the decision of Jones Day. I am sorry; my knowledge is the same as yours with regard to what I read in the statement of facts.

Q22 **Chair:** "The decision of Jones Day." Are you telling us that Jones Day have decided they will not publish the report, not the people who commissioned the report—Volkswagen? If a company in deep trouble calls on somebody to produce a report, surely the commissioner of the report decides whether the report will be published, not the people who drew it up.

Paul Willis: I think it is as I have said: investigations across Europe are ongoing, both civil and criminal investigations with a number of authorities, and that is why at the moment there is no report. We are waiting, and discussing evidence with the different authorities.

Q23 **Chair:** Whose decision is it not to publish at this stage?

Paul Willis: I do not know whose decision it is. I really do not know.

Q24 **Chair:** I thought you just said it was Jones Day who decided.

Paul Willis: I am really sorry, but all I can tell you is that the Jones Day report—the details from that piece of paper—is included in the statement of facts. That is the limit of my knowledge.

Q25 **Chair:** But you are a senior person.

Paul Willis: I am.

Q26 **Chair:** Are you urging that the report be published at the appropriate time in the UK?

Paul Willis: Again, I do not think it is wise for me to urge anything when authorities are investigating the current situation across Europe.

Q27 **Chair:** Yet we were told last time that it definitely would be published.

Paul Willis: I must apologise to you. I did say last time that, to the best of my knowledge, there would be a physical report. That is not the case, because the findings of the report are contained within the statement of facts.

Q28 **Chair:** Volkswagen appointed a former judge to clean up the corporate culture at Volkswagen, given the great difficulties that have been produced by what has happened. She left after less than a year in the job. Why is that?

Paul Willis: I do not know. I have read the statement—the public statement—as you read the public statement. My understanding is that the lady in question left by mutual agreement. From my point of view, the key point is that the position of compliance and integrity officer is still



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in place and the judge in question is being replaced by Frau Werner, so the position is still on the main board of Volkswagen Group.

Q29 **Chair:** Why has she left after less than a year in post? Doesn't that sound very suspicious?

Paul Willis: I do not know. I know what you know—I am sure you have read it in the public statement—which is that she left her position by mutual agreement, and she has been immediately replaced by Frau Werner because of the importance of compliance and integrity within our organisation.

Q30 **Chair:** Does it suggest that something was wrong—that she could not go about her business without being impeded? Is it something like that?

Paul Willis: I completely refute the allegation that there was something wrong. I have seen no evidence of that. I know that the compliance of the company—I know what I am being asked to do in terms of compliance and integrity—suggests that we are a company working hard to be very transparent and open, and to progress in the appropriate way in the future.

Q31 **Chair:** Why do you think she left?

Paul Willis: Mrs Ellman, I simply do not know. I have read the press statement, like you, but the important point I must come back to is that Frau Werner replaced her in that same position. We, as a company, really understand and appreciate the importance of having a compliance member, an integrity member, on our main board.

Q32 **Chair:** You told us before that you were aiming for all the UK Volkswagen vehicles to be fixed by the end of 2016. That has not happened. When do you think it will be?

Paul Willis: I can set that in context, if you don't mind. When we first met, we talked about how quickly we would be applying the technical measures. Of course my ambition and objective at that time was to be able to apply the technical measures by the end of 2016, but, in the event, the technical releases for the measures were not released as quickly as we hoped. One of the reasons for that was the detailed discussions we have had and are having with the regulatory authorities to make sure that there is no change at all in the performance of the cars.

If you take the specific example—I cannot remember the exact number off the top of my head—there were 300,000 or 400,000 cars' technical fixes released in December. I understand your point, but there was a reason behind it. If you are talking about where we are precisely, out of 1.2 million technical measures that have to be applied, as of today we have applied 470,000. At the current rate, we are applying those measures to 20,000 cars a week. We are very pleased with that level of technical fix. Our customers tell us that they are satisfied with the level of technical fix, and we have been talking to the Department for Transport



and informing them of that progress. In the main, we are pleased. It is not perfect, of course. I would never pretend to you that it is perfect—we have had some small issues—but in the main we are pleased, and we are pleased to say that by autumn time—I cannot be more precise than that—we should have achieved what we hoped to achieve, which is all the vehicles where we committed to apply the technical measure.

Q33 **Chair:** Autumn—which year?

Paul Willis: I hope autumn 2017, all being well, although I must say there are some small issues around some of the vehicles. If I can give you a specific example, we have had some small issues where some customers, who might be the second, third or fourth owner of the car, have had some problems with the cars regarding, unbeknown to them, the tuning of the vehicle or the removal of DPF filters, and that is very problematic to fix. We have had a number of discussions around that, and somehow that is delaying it a bit.

Q34 **Clive Efford:** Because of the delay in carrying out these fixes, are customers of Volkswagen now eligible for compensation as has been paid in other countries?

Paul Willis: No. My position on compensation, and our company's position, is absolutely consistent and clear. You cannot compare the situation in Europe with what you are referring to—I think you are referring to the United States. For example, after the technical fixes, there is no change to the vehicles in terms of fuel consumption and there is no change in any of the key relevant objective criteria, so the vehicles are more or less the way they were before the technical fix. Indeed, one of the discussion points we had previously at the Committee was the effect on residual value. From all the data that I analyse, and indeed all the data on residual values I see from people who are expert and independent, there is absolutely no evidence that there has been any degradation in residual value. What I come back to is that there is no loss. Compensation is a legal question in the end. There is no legal basis for compensation.

Q35 **Clive Efford:** Are emissions a factor in people deciding which cars they buy?

Paul Willis: Mrs Ellman asked me that question previously. From the industry data that I have, I think I said last time that, through independent surveys—you can read those for yourself—the range of percentages of people who choose cars based on emissions is between 1% and 5%. I am not saying that is irrelevant, because everything is relevant to us, but it is between 1% and 5% if you want the precise number.

Q36 **Clive Efford:** Is that your figure?



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Paul Willis: No, that is absolutely not my figure; that is the figure I have from the new car buyer survey, which is an industry-wide survey of the whole industry.

Q37 **Clive Efford:** Have you made an assessment of how much, for instance, Volkswagen has benefited from selling vehicles on the basis of people making decisions on falsified emissions information?

Paul Willis: Our position is that we did not falsify any information at all. We never sold cars on the basis of nitrogen oxide levels, so there is no falsification whatsoever. I have to say that. We completely refute that. We have misled nobody.

Q38 **Clive Efford:** As a result of actions by people as yet to be identified in Volkswagen, no one was misled over emissions from your vehicles.

Paul Willis: In Europe, our position is that no one has been misled over emissions in Europe. That is correct.

Q39 **Clive Efford:** As regards all those customers who bought your vehicles on the basis of information you were supplying that we now know was incorrect, for whatever reason, you do not feel any responsibility whatsoever to compensate them in any way. You have no responsibility to those customers at all.

Paul Willis: First, I have a great responsibility to our customers, because without responsibility to our customers we do not have a business, so I come back and say to you that we have a very important responsibility to our customers. That is why we are working so hard to apply the technical fixes and why I have explained to the Committee what we have been doing. But can I come back to you, because we must be absolutely clear on this point? At no time were any vehicles sold to anyone in Europe based on nitrogen oxide levels. Yes indeed, through Government taxation, CO₂ levels are quoted in various brochures for all manufacturers, but CO₂ is a completely separate topic and CO₂ is not affected in any way by nitrogen oxide.

Q40 **Clive Efford:** I want to come back on the issue about duty of care to customers. You say there is no material loss that can be identified in Europe. In answer to this Committee previously, part of your justification for not providing compensation to UK customers was that a recall would take longer in the US than in the UK. Given the substantial delays that we have seen, what is your position now?

Paul Willis: Let us set that fully in context. As I have also said to this Committee on more than one occasion, you cannot compare the United States with Europe because their regulations are completely different, the engine configurations are completely different and the technical measures are completely different. Let's be very specific on the technical measures.

Q41 **Chair:** The point that Mr Efford is making to you is not the technical point; it is about the time involved to put things right, and you are now



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talking about a much longer delay here than was anticipated. That is the key point.

Paul Willis: I can answer that. First, the technical measures in the United States never put the cars back to compliance at all. They do not. In Europe, we apply the technical measures in between 30 minutes and one hour. It is a completely different situation.

Chair: There may be other issues around that.

Q42 **Stewart Malcolm McDonald:** Welcome back, Mr Willis. In your last appearance before the Committee I asked you if Volkswagen was an ethical company and you said yes, it was. Do you still stand by that?

Paul Willis: Yes. I am a proud employee of Volkswagen, absolutely.

Q43 **Stewart Malcolm McDonald:** Is it an ethical company?

Paul Willis: I think Volkswagen is an ethical company, yes indeed.

Q44 **Stewart Malcolm McDonald:** You also said at that hearing that it was a company that knew right from wrong. Do you still stand by that?

Paul Willis: I think the majority of the employees, the people I work for, and people in the United Kingdom and me certainly, know the difference between right and wrong. I absolutely stand by that.

Q45 **Stewart Malcolm McDonald:** Can you tell the Committee, Mr Willis, who is the current chair of the supervisory board?

Paul Willis: The current chair of the supervisory board is Mr Pötsch.

Q46 **Stewart Malcolm McDonald:** His name is Mr Pötsch. That is a man you told the Committee at your last appearance you knew very well.

Paul Willis: I know Mr Pötsch very well.

Q47 **Stewart Malcolm McDonald:** How long have you known him?

Paul Willis: I have known Mr Pötsch since plus or minus 2001 and 2002. At one stage, Mr Pötsch sat on the board of Volkswagen UK in the early part of the 2000s.

Q48 **Stewart Malcolm McDonald:** Before he became the chair of the supervisory board, was he not the chief financial officer?

Paul Willis: Indeed, he was, yes.

Q49 **Stewart Malcolm McDonald:** He was the chief financial officer, I think, until October last year. Is that correct?

Paul Willis: That is indeed right.

Q50 **Stewart Malcolm McDonald:** In November last year, the German market manipulation investigation was widened to include him. Is that correct?



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Paul Willis: If you say so, yes. I am sure you are right, yes.

Q51 **Stewart Malcolm McDonald:** Given that he is now part of that investigation, why has he not stood aside?

Paul Willis: I cannot answer for Mr Pötsch, but I would say it was because he had no knowledge of the situation and he has a right to defend his position when he was CFO. By the way—I am sure you know how organisations work—in a big global organisation with over 600,000 employees, the finance department works over here, the sales department works over there and the engineers work over there. I think it is quite understandable, really, given how a big company works, that he would know nothing.

Q52 **Stewart Malcolm McDonald:** He was the chief financial officer, he is now being investigated by prosecutors in Germany, he is the chair of the supervisory board and you do not think he should stand aside when he chairs the board of a company that is ethical and knows right from wrong.

Paul Willis: It is not my position to comment on that. That is a decision for Mr Pötsch, but I am very sure Mr Pötsch knew nothing about this.

Q53 **Stewart Malcolm McDonald:** Do you think it would help the image of the company if he at least stood aside?

Paul Willis: I do not know. I know that we have clearly, in the United States, done something that is not right, but the image of the company in Europe is very good. Our sales were at a record level last year, so I and the board are very pleased with our sales. That is why we are concentrating on trying to satisfy customers. Make no mistake that our biggest priority over the last 18 months has been to try to satisfy our customers.

Q54 **Stewart Malcolm McDonald:** I want to pin this down, Mr Willis. The current chair, who was the chief financial officer, is currently subject to an investigation by prosecutors that covers the time he was chief financial officer. He is now chair of the supervisory board, and you do not see any conflict there.

Paul Willis: I do not see why he should stand down if he knew nothing about what was going on. He has a duty to other stakeholders in the company. He knows the company very well. He has a responsibility to many stakeholders.

Q55 **Stewart Malcolm McDonald:** And he is under investigation by prosecutors.

Paul Willis: Yes, but under investigation does not mean that there is anything wrong.

Q56 **Stewart Malcolm McDonald:** Indeed, he is innocent until proven guilty.

Paul Willis: Indeed.



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Q57 **Stewart Malcolm McDonald:** I would have thought, given the mess that your company is in, that it would have made sense for him to stand aside while an investigation into him takes place.

Paul Willis: I repeat that I understand our company has faced some very serious problems since this issue, but I cannot go along with characterising it as a mess.

Q58 **Stewart Malcolm McDonald:** Really? Okay, let's just take the last gentleman who appeared alongside you—Mr Schmidt. He has now been arrested for conspiring to conceal defeat devices, defrauding the EPA emissions control programme, cheating Volkswagen customers and violating the US Clean Air Act. If that is not a mess, what is?

Paul Willis: Mr McDonald, Mr Schmidt is innocent until he is proved guilty, so it is not up to us to speculate about what may have gone on.

Q59 **Stewart Malcolm McDonald:** I agree he is innocent until proven guilty, but come on, Mr Willis—most ordinary punters would look at this and say it is a mess.

Paul Willis: I disagree with you. I think most ordinary punters—

Q60 **Stewart Malcolm McDonald:** Of all those other executives who have been arrested, one has admitted guilt. This doesn't look like a mess to you?

Paul Willis: I think most people wait until they hear the comments of the authorities instead of trying to get drawn into this sort of conjecture.

Chair: Mr McDonald, you have made the point, and it is correct that Mr Schmidt has not been found guilty.

Q61 **Stewart Malcolm McDonald:** Can I ask one final question before you go on, Chair? When you were last in front of the Committee, Mr Willis, Mr Stringer asked you what you were apologising for when you initially appeared before us in 2015. Can you remind us what you apologised for in 2015?

Paul Willis: I apologised for any ambiguity that we caused to our customers. We said that we had to apply technical measures to cars to remove any questions or concerns customers may have had about how the cars passed through the tests. I said, and I have repeatedly said, that it is an issue of the testing environment. That is what we have done. We have taken these cars in with a minimum of inconvenience to our customers—of course we do our best—to allay any doubts.

Q62 **Stewart Malcolm McDonald:** You said a lot of this, if not all of it, would be dealt with by the Jones Day report, and that it would put to rest any concerns that members of the Committee, members of the public and your customers might have.

Paul Willis: The Jones Day report is for you to read, and it is very clear what went on in the United States.



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Q63 **Stewart Malcolm McDonald:** Why is it not being published in this country? I cannot understand that. You told us when you were last before the Committee that it would be. I asked you several questions about the possibility of its being edited and you went to great lengths to assure me that would not happen, it would all be transparent and we would all be able to read it.

Paul Willis: Mr McDonald, I apologise to you and the Committee. At the last meeting I, to the best of my knowledge, thought that there would be a physical report. That is not the case. The findings of Jones Day have been outlined in the statement of facts and—

Q64 **Stewart Malcolm McDonald:** When did your knowledge of that change?

Paul Willis: Where are we now—February? I cannot remember exactly, but it was when I started to read about the publication of the statement of facts, which I think might have been January, or something like that. I cannot quite remember.

Q65 **Stewart Malcolm McDonald:** When you say you started to read, what were you reading?

Paul Willis: I was reading the statement of facts.

Q66 **Stewart Malcolm McDonald:** That was published by the company for the press and the public to see and all the rest of it.

Paul Willis: Yes, that is right.

Q67 **Stewart Malcolm McDonald:** You have not had any conversations with senior directors or executives back in Germany about this. Were you reading about it at the same time as me, in the *Financial Times*?

Paul Willis: I read about it in the press statement like you, indeed, yes.

Q68 **Stewart Malcolm McDonald:** Clearly, with the greatest respect, you are the wrong guy here, aren't you? I accept that we are the ones who invited you, but who would you put up to sit in front of this Committee? With the greatest of respect, I cannot get answers, and there are some questions I have not even asked you yet.

Paul Willis: I am the most senior guy in the UK.

Q69 **Stewart Malcolm McDonald:** That is clearly not good enough. You are not on the board of supervisors—

Paul Willis: No, I am not on the supervisory board.

Q70 **Stewart Malcolm McDonald:** You are not on the board of Volkswagen AG, so who do I have to talk to? Who would you suggest we invite?

Paul Willis: I would suggest that I am the most—

Q71 **Stewart Malcolm McDonald:** No, I want someone from Germany. I want someone from the board of supervisors. Who would you suggest?



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Paul Willis: I am not going to suggest anybody. I am the most senior guy in the UK.

Stewart Malcolm McDonald: You are the guy to give us all the answers.

Q72 **Chair:** We accept you are the most senior person.

Paul Willis: In the UK, yes.

Q73 **Chair:** Mr Willis, you also told the Committee previously that Volkswagen has an “absolute obligation” to make sure that the vehicles “have the same characteristics and the same miles per gallon as we committed to.” Is that your position?

Paul Willis: Yes.

Q74 **Chair:** It is still your position.

Paul Willis: Yes.

Q75 **Chair:** We have had a lot of representations from members of the public concerned about vehicles developing faults after the fix has been applied. You made a brief reference to that before, but we have had representations particularly in relation to the exhaust gas regeneration valves. Is that something that concerns you, and what are you going to do about it?

Paul Willis: I have to say, Mrs Ellman, that every single complaint or inquiry that I get concerns me. We have had variations of questions from customers post technical fix. To put it in perspective, when a customer says there might be an issue with a vehicle, we have a system that you plug into the car—it is called a DIS machine—and it tells you if there is a fault in the car, or if something is not quite right. Following the application of 470,000 technical measures, we have had 3,500 queries, which is 0.75%.

Q76 **Chair:** Are they following any pattern? Are there any particular issues?

Paul Willis: I can explain to you in detail what the issues are. Of the 0.75%, 65% of inquiries refer to what I would call subjective issues—“My car does not quite feel right”—or to the fact that under heavy load or heavy acceleration there might be a different noise acoustic. That is 65%. Then we have had about 600 cases of EGR valves, which is what you referred to, and I think we have had literally a handful, a couple of hundred, of fuel. To come back to the EGR, we analysed in detail what the EGR issues are and we have worked with customers to find a resolution. In the majority of cases, we have found a resolution, but I have to say to you that, when we do the detail of what is actually wrong with the exhaust gas valve, the fault is to do with wear; it is not to do with the technical fix.

Q77 **Chair:** Have you had any issues about safety concerns?



Paul Willis: No, none. Zero.

- Q78 **Iain Stewart:** In previous sessions you gave us an assurance that none of the Volkswagen employees in the UK was directly responsible for this situation. You also gave us an assurance that no one would lose their job in the UK because of it.

Paul Willis: Yes.

- Q79 **Iain Stewart:** Can you give us an update on that? Has anyone been made redundant or is anyone's job still under some threat?

Paul Willis: Nobody at all has been made redundant. As I committed to the Committee, I have a responsibility to make sure that no one is made redundant for something that is not the fault of any of the employees. In fact, in the last couple of years Volkswagen Group in the UK has had reasonable customer results, so we have been growing our revenues and volume, and, not related to anything to do with this topic, we have increased our headcount by about 30 people. In Milton Keynes, currently we employ—I do not know the exact number, but, let's say, between us and financial services—about 2,300 people. We have increased normal business.

However, as a result of trying to make sure that we look after customers properly and to try to resolve any issues that may have occurred, we have employed 47 more people, some in Leeds in our customer service centre and some with the AA to go to the highlands and islands, and we have redeployed 30 people from other parts of the business to focus on customers. Plus or minus, I think we have 77 people who in 2016 were concentrating on customers, on trying to resolve any issues that came up, to try to satisfy our customers.

Coming back to your point, nobody has been made redundant, and in fact my understanding is that in the dealer network, where we employ 25,000 people throughout the United Kingdom, at the moment there has been no impact either. Indeed, we are trying to find more people to help us apply the technical fixes.

- Q80 **Iain Stewart:** I was going to ask about the relationship with the dealers. Have any dealerships walked away from the company and said they do not want to sell Volkswagen cars anymore?

Paul Willis: No.

- Q81 **Iain Stewart:** Everything is working as you thought in dealership relations.

Paul Willis: As I said at this Committee, from the very onset in September last year we have worked very closely with our dealers to support them in many aspects of the business. We have not done a perfect job, because there is no such thing as perfection, and if there is something that is not quite right, that we are not doing right, we sit around the table and have a discussion to try to resolve the problem.



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Q82 **Mark Menzies:** Welcome back, Mr Willis. Has Volkswagen not published the Jones Day report because it provides evidence that UK customers were deliberately misled by Volkswagen and therefore are owed compensation?

Paul Willis: No; it is absolutely clear. Forget about Jones Day. No one will be able to say that we misled customers in any way. I am absolutely clear on that. We have never ever sold cars on the basis of nitrogen oxide emission levels. In our view, we have not misled customers in any way.

Q83 **Mark Menzies:** But you did provide false information on nitrogen levels.

Paul Willis: No. We did not provide any information on nitrogen levels to customers.

Q84 **Mark Menzies:** You did not try, hope or seek to mislead.

Paul Willis: No. I can be absolutely categorical. We did not mislead anyone with those cars.

Q85 **Mark Menzies:** We might return to that. The US Justice Department has access to Jones Day, and in the US Volkswagen has agreed a huge compensation package with US authorities. They have access to the report and compensation follows. Is that not a bit of a coincidence?

Paul Willis: My understanding is that we have worked hand in glove with the authority in the United States, because there was a breach of the law and a negotiated settlement.

Q86 **Mark Menzies:** You have worked hand in glove with authorities in the United States. Have you worked hand in glove with authorities in the United Kingdom?

Paul Willis: I think so, yes. I know the Minister is coming.

Q87 **Mark Menzies:** We might come back to that. In January last year I asked you, "If you are a straightforward organisation, why did you feel the need to install a defeat device in order to deceive customers, Government and regulatory authorities?" You replied that the answer to my question was, "We have to wait for Jones Day. Our position is very clear: this is not a defeat device. We have to wait for Jones Day to have full clarification." But by failing to publish the report, despite its being there and ready to go, you have proved that you are not a straightforward organisation, that you deliberately deceive your customers with defeat devices and now you want to avoid giving your customers, in your own words, full clarification. Why is that?

Paul Willis: As I said in the previous meetings, we did not fit defeat devices to our cars. That is our position and, therefore, we did not seek to mislead customers in any way.

Q88 **Mark Menzies:** You come before us, your mouth opens and words cascade out, and then the next time you come before us those words have changed in meaning.



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Paul Willis: I am very clear, Mr Menzies, I have read exactly what I said.

Q89 **Mark Menzies:** I do not think you are clear in anything, Mr Willis. That is the problem.

Paul Willis: I have been very clear that we did not fit defeat devices to our vehicles in Europe and we did not mislead customers in any way.

Q90 **Mark Menzies:** I do not think you are clear in anything, and that is the problem. You open your mouth, words come out, and then, when it all gets difficult, those words either change their meaning or, the best phrase we have had today—I think we have had it about nine times—you say “to the best of my knowledge,” but “best of my knowledge” does not really seem to stretch very far because you do not seem to know very much, even to the point where we have had phrases like “I do not know,” “I cannot recall,” “I read it in the *Financial Times* at the same time as you,” in reference to Mr McDonald’s questions to you. Is it that you are somebody who is following a brief and this is what you should say when you are in front of the Committee, or do you actually believe this stuff?

Paul Willis: Mr Menzies, I think you know my position. My position is that I am responsible for Volkswagen Group products in the United Kingdom. I am absolutely clear in my view of what the company has done. I am really clear that we have not misled customers in any way. After all, my part of the organisation is responsible for producing all the marketing material. I am really clear: we have not misled customers in any way.

Q91 **Mark Menzies:** That is good to know. When you came before us, again your opening gambit, like the first time you came in October 2015, was how sorry you were—*mea culpa*—how awful it all was and so on. Today you sit in front of us and you say you have done nothing wrong.

Paul Willis: I am sorry for any ambiguity or confusion that I have caused to customers.

Q92 **Mark Menzies:** You are sorry you have been made to look daft. You are sorry that you have been in a situation where Volkswagen was caught red-handed doing things that it should not have been doing. That is what you are sorry for.

Paul Willis: I am afraid, Mr Menzies, that I have to refute that statement.

Q93 **Mark Menzies:** Then publish the Jones Day report. Finally, before I finish, one thing that you assured us when you came before us in the second session of 25 January was that the British taxpayer should not be out of pocket. You then went on to say, “If necessary we will have a meeting with HMRC.” Tell me about those meetings.

Paul Willis: First, again in context, I am very clear that the British taxpayer should have no liability on this topic. I fully agree with that; I said it in the Select Committee’s first meeting and I stick by that today.



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Therefore, we have had discussions with HMRC—sorry, the Treasury—and we have had discussions with the Department for Transport. Indeed, I discussed with Mr Hayes the payment that we made, because I believed that the testing of the vehicles was a result of the confusion that happened last year. That is why I stuck by what I said at the time, and I stick by it today. The British taxpayer should have no liability for—

Q94 **Mark Menzies:** Excellent, so as a result of Volkswagen trying to deceive people, you have made a payment to the British taxpayer. How much was that for?

Paul Willis: May I come back? I am sorry, but I have to say that it is not because Volkswagen tried to deceive people. It is because, as a result of this discussion, the Department for Transport undertook a testing regime and I paid for that £1.1 million.

Q95 **Mark Menzies:** If you had said to me, “We made a mistake. We set out, and somewhere in the organisation someone got a bit carried away, they tried to be really clever and make these cars out to be something they were not—still good cars, but something they were not—and we got caught and we are really sorry,” I would have complete respect for you. As a result, you sit there and you are someone who is a completely incredible witness.

Paul Willis: I am sorry, but—

Q96 **Mark Menzies:** I feel sorry because I am not sure whether it is because you are somebody who is trying really hard on behalf of Volkswagen to hope this goes away. When we have the Minister in front of us we will be asking some questions of him, but can you give me absolute assurance that everything the Department for Transport asked for, every cost HMRC asked for, has been met by Volkswagen UK?

Paul Willis: We have paid the £1.1 million, and we said the taxpayer should not have any liability.

Q97 **Mark Menzies:** Were there any other costs or was there any other information the Department for Transport asked you for that you have not provided?

Paul Willis: No.

Mark Menzies: They did not ask you for a copy of the Jones Day report.

Q98 **Chair:** You have answered everything the Department asked you.

Paul Willis: Yes.

Mark Menzies: That will do.

Paul Willis: Could I put that into context? I have had, I think, five meetings with the Minister. My team and I—sometimes I have not been present—have had meetings with the Department for Transport to update them on the ongoing fixes.



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Q99 **Mark Menzies:** You have given them everything they wanted.

Paul Willis: Yes, indeed.

Q100 **Karl McCartney:** Mr Willis, I want to take it perhaps to the macro rather than the micro and just dealing with Volkswagen. Volkswagen got caught. Do you think you are the only company that was employing the actions that you got caught for, or are you going to give us the answer that you do not know?

Paul Willis: First, I do not accept your first premise. I have to say that we did not do anything wrong. Secondly, I cannot comment on what other car companies do.

Q101 **Karl McCartney:** But engine design and innovation is often copied right across the board when it comes to the car industry.

Paul Willis: I am not sure that is true.

Q102 **Karl McCartney:** Do you accept that other companies have been caught using defeat devices or turning off various things when the car is—

Paul Willis: I recall that Mr McDonald asked me a similar question in the last Committee meeting. It is like me asking you whether you know what is going on in China. I do not know what is going on with engine development in other car companies. What I can tell you, however, is that if you read the Department for Transport's report on EU5 engines—let's take them first—in the real world, out of 19 cars, our product was fifth. If we are fifth, it means that there are 14 vehicles that in the real world emit more NOx than us. That is the first question. In EU6 engines, out of a number I cannot remember—maybe it is 20 cars—our cars were second, fourth and fifth. I do not know what other car companies are doing.

Q103 **Karl McCartney:** Are you aware of Fiat Chrysler being under investigation? Are you aware of Renault engines and, by association, Nissan?

Paul Willis: Yes, I am aware.

Q104 **Karl McCartney:** You are aware of those.

Paul Willis: Yes, I am aware that several car companies in a number of jurisdictions are under investigation, but I do not know the precise detail of what for, because different car companies use different strategies during the testing regime.

Q105 **Karl McCartney:** But you think maybe Volkswagen was the one that got caught red-handed—the phrase one of my colleagues used.

Paul Willis: You have to ask the other car companies, but the position of Volkswagen is that we did nothing wrong.

Q106 **Karl McCartney:** Do you think using devices such as the one Volkswagen used is endemic across the car industry?



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Paul Willis: I could not comment on what other people do.

Q107 **Karl McCartney:** Do you think you are on your own, as Volkswagen? Do you think nobody else does what Volkswagen has done?

Paul Willis: I do not think we did anything wrong.

Karl McCartney: On that point, Chair—

Paul Willis: We have discussed, and from the evidence from other people I think there is clarity, that the testing regime needs to be more reflective of real-world driving, and in 2018, when the regime includes RDE, we will see a situation where there is more clarity on what actually happens at the tailpipe in the real world.

Chair: That is a different issue, which we have also been looking at.

Q108 **Graham Stringer:** Why didn't you put NOx information out?

Paul Willis: We are not required to. NOx is part of the certification process.

Q109 **Graham Stringer:** You don't think customers would be interested.

Paul Willis: I don't actually. All I can tell you is that when I sit and study—because we study a great deal—people's preferences on why they buy cars, it is between 1% and 5%. For example, Mr Stringer, perhaps you could help me understand why people continue to buy. I think there were more diesel cars sold in the UK last year than ever. What that says to me is that progressive Governments, through their taxation policy, actually encourage the sale of diesel. There is a bigger issue through taxation. Believe you me, I think it is important that we manage and control the environment we live in—I really believe that—but it is a bigger question than car companies; it is a question of NOx in the cities.

Q110 **Graham Stringer:** When you say you have done nothing wrong, you are referring to Volkswagen Group, not Volkswagen AG, are you?

Paul Willis: For me they are the same thing, sorry—Volkswagen AG and Volkswagen Group.

Q111 **Graham Stringer:** But Volkswagen AG admitted in September, didn't they, that they had fitted defeat devices?

Paul Willis: In America, not in Europe.

Q112 **Graham Stringer:** There are no defeat devices operating in Europe.

Paul Willis: That is correct.

Q113 **Graham Stringer:** When you came before this Committee, which I guess you were not looking forward to, did you not think to talk to the other parts of Volkswagen so that you could answer the questions that the Chair asked you?



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Paul Willis: I prepared very diligently for this meeting, Mr Stringer, and I got as much information as I possibly could. I apologise if I have not been able to answer one or two questions, but I have answered every question as openly and transparently as I possibly can.

Q114 **Graham Stringer:** Mr McDonald asked you who was the right person to answer these questions, and in answering the Chair you said you had no knowledge and it was not your responsibility. They were the most pertinent and difficult questions that you were likely to be asked. You have obviously thought and, as you said, you have prepared very hard. Why didn't you ask other people who might know the answers to those questions in your business?

Paul Willis: I think I have answered the questions really rather well today. Our position is that we have not fitted defeat devices. If you ask customers, and you have your constituents, we have applied technical fixes to 470,000 cars. We have asked 78,000 people, as a sample of the 470,000, a whole series of questions, such as, "Are you happy and satisfied with what Volkswagen has done?" When I take the data, those people have said, within 0.03 percentage points, that they are satisfied with what we have done. The job that I have been focusing on in the last 15 months or so is to apply the technical fix for those vehicles, and I and my team have been working extremely hard to satisfy our customers.

Q115 **Chair:** Are you aware, Mr Willis, that some consumer experts are advising people not to have the fix?

Paul Willis: Yes, I am, and I am concerned about that. That is not what we and the Department for Transport want. We and the Department for Transport have been encouraging people to have the technical measures applied. The logic some of these groups and people are using not to have the technical fixes is simply not credible, in our view.

Q116 **Clive Efford:** I have to confess to being totally confused, so you are going to have to walk me through this. What are you fixing if you have not done anything wrong?

Paul Willis: The cars—we have been through this several times before—

Q117 **Clive Efford:** Take me through it again.

Paul Willis: The purpose of the technical measures is to remove any question of how the cars went through the testing regime. This had no impact. This has had no impact at all on real-world driving—nothing.

Q118 **Clive Efford:** Volkswagen, at enormous expense, presumably—I don't know how much you spent on these fixes—is making changes to these cars for no reason whatsoever.

Paul Willis: No. We are removing any doubt from our customers' minds about how the cars may have got through the testing regime. Our customers expected us to do this, and that is why we are doing it.



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Q119 **Clive Efford:** It was not sufficient to say to the customers, "Actually, these devices that everyone is complaining about have not been fitted in Europe," or is it just the UK?

Paul Willis: There is no difference in the engine technology in Europe and the UK.

Q120 **Clive Efford:** It is just America.

Paul Willis: America is completely different.

Q121 **Clive Efford:** You couldn't say, "There is no need to do this" and reassure them—just sort of go through—and make no alterations to the car whatsoever because there is nothing wrong.

Paul Willis: Our position is that the cars were not fitted with defeat devices. That is our position.

Q122 **Clive Efford:** But you are making no alterations to the cars that you are fixing because there is nothing wrong.

Paul Willis: No. We are making some slight alterations in how the engine works—in EGR circulation and the injection—but it is all about the testing regime. We say that we did not fit a defeat device to these vehicles, because that is a very precise definition.

Q123 **Clive Efford:** Okay, but there is nothing in the software that has altered the readings in the emissions.

Paul Willis: That is right.

Q124 **Clive Efford:** Nothing at all.

Paul Willis: That is absolutely right.

Q125 **Clive Efford:** There is no need to change anything when you fix these cars.

Paul Willis: There is nothing changed at all in the readings on the critical objective criteria that the authorities look at—nothing. The fuel consumption is the same, the CO₂ is the same and the driveability is the same, so there is no change.

Q126 **Clive Efford:** It is incredible for us to sit here and listen to you say to the Committee that you are recalling 1.2 million cars across the UK and 8.5 million across Europe.

Paul Willis: That is right, yes.

Q127 **Clive Efford:** They are all going to be recalled but there is nothing wrong with any of them.

Paul Willis: Our position is that there is nothing wrong with any of them at all. That is our position: the cars were not fitted with defeat devices. Some people do not necessarily agree with us. Therefore, to remove any doubt whatsoever, we are applying the technical measures.



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Q128 **Clive Efford:** What is causing the post-fix issues that drivers are complaining about?

Paul Willis: I have analysed this in a lot of detail. The number of people who are complaining is very small, and on every single occasion I can tell you that, if we do not find a resolution immediately, we have a methodology to try to find a resolution. By the way, just to be clear, a lot of the issues that people have come up with post technical measure are actually nothing do with the technical measure. However, that is not the point. The point is that we have a responsibility to make sure that if there is something wrong with the car, whether or not it is related to the technical measure, the customer walks out of our retailer satisfied.

Q129 **Clive Efford:** Clarify the figures for me. There are 500,000 vehicles affected in the United States. Is that a figure you are aware of?

Paul Willis: Yes, that is right.

Q130 **Clive Efford:** But there are 1.2 million vehicles in the UK alone and 8.5 million across Europe.

Paul Willis: That is correct.

Q131 **Clive Efford:** But in America you have paid out \$19.6 million in compensation and in the UK you have not paid anything.

Paul Willis: That is because, as I keep saying, you cannot under any circumstances compare the situation in the United States with Europe. You cannot at all. It is a different situation.

Q132 **Chair:** It is amazing, isn't it, Mr Willis, that you have not done anything wrong, yet you are doing all this work and spending this money? When you first came in front of the Committee, you were full of apologies but today you say you have not misled customers in any way. What has changed? Is it your legal advice?

Paul Willis: No, not at all. I am still apologetic to all our customers because—

Q133 **Chair:** What are you apologetic for if you have done nothing wrong?

Paul Willis: There somehow has been an element of doubt in some of our customers' minds—

Chair: I think it is a bit more than an element of doubt.

Paul Willis: I have spoken to many customers. I have stood in our retailers and spoken to customers. I have spoken to the biggest fleet companies in the UK. I have spoken to the British Vehicle Rental and Leasing Association and I have to say they have a completely different view from the MPs around this table. I come back to the point that they understand what is going on, they say there is no basis for compensation and that we are doing a good job with applying the technical measures.



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Q134 **Chair:** It is only this Committee that has any problem with what has gone on. Is that what you are saying?

Paul Willis: I am not saying it is only this Committee. My job is to answer your questions to the best of my ability, and with any customers, consumers, or any journalists in fact—I have had discussions with journalists—we have a very open policy and we will attempt to answer the questions as best we possibly can. If you read what the journalists say, they seem to understand what has happened as well.

Chair: The last question, Mr McDonald.

Q135 **Stewart Malcolm McDonald:** Thank you, Chair—much appreciated. It is clearly not just this Committee that has questions about what is going on. That is why Volkswagen is in front of prosecutors in all four corners of the globe. I want to come back to something we touched on but did not get much of an answer on, and that is the departure of Christine Hohmann-Dennhardt. She was one of the first appointments of the current chair of the supervisory board. You had poached her from Daimler—

Paul Willis: That is right.

Q136 **Stewart Malcolm McDonald:** Your great big rival. Surely the fact that she has gone is a blow to the authority of the chair of that supervisory board. It was said to be mutually agreed, so can you shine some light on that mutual agreement?

Paul Willis: I cannot shine any light on that mutual agreement. I come back to the point, Mr McDonald, that we understand, and are committed to, the importance of a compliance and integrity officer, and that is why we still have a compliance and integrity officer.

Q137 **Stewart Malcolm McDonald:** Volkswagen said publicly at the time that there were differences in the understanding of her responsibilities. What were those differences?

Paul Willis: I do not know.

Q138 **Stewart Malcolm McDonald:** Did you not think to ask this before you turned up?

Paul Willis: No.

Q139 **Stewart Malcolm McDonald:** You did not think this would get asked. It is an elementary thing. If I were in your shoes, I would have thought, "They're definitely going to ask me about why this woman left."

Paul Willis: I think the announcement speaks for itself in so far as—

Q140 **Stewart Malcolm McDonald:** I think it does not. I want to know what the reasons were—

Paul Willis: I do not know.



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Q141 **Stewart Malcolm McDonald:** Why did she think her job was one thing and your bosses thought her job was something else?

Paul Willis: I cannot answer that question.

Q142 **Chair:** Mr Willis, I am going to finish now. A number of things are pretty clear. You are telling us, and please tell me if I am misrepresenting you, that all the things we and others are discussing are really a lot about very little—much ado about nothing, would you say?

Paul Willis: I did not say that.

Q143 **Chair:** What is it? You told us it was some kind of misunderstanding and you have done nothing wrong. The phrase you used was, "We have not misled customers in any way."

Paul Willis: We have not misled customers in any way, and I come back to the point. On each occasion you have invited me here I have done a great deal of research with customers, with stakeholders across the company, and journalists as well.

Stewart Malcolm McDonald: All biased.

Paul Willis: No.

Chair: Let Mr Willis finish.

Paul Willis: For example, I spoke to two big leasing companies last week and asked if they could tell me what they think of the current situation—"Can you tell me whether there is anything we could do better?" Their answer was, "On 99.9% of occasions, you have satisfied your customers." There are some outliers, and of course my response to that is that if there are any outliers please let me know what they are and we will—

Q144 **Chair:** Mr Willis, can you give me a guarantee that, when customers complain after their vehicle has been recalled and so-called fixed, you will put their problem right without cost, without charge? You will put the vehicle right to their satisfaction without charge.

Paul Willis: I can absolutely guarantee to you that if there are any customer issues we will look at them in a great deal of detail. Our responsibility is to find a way to satisfy those customers. That is our responsibility.

Q145 **Chair:** If after the fix has been done, customers complain about their vehicle, you will put it right to their satisfaction free of charge.

Paul Willis: Mrs Ellman, that is exactly what we are trying to do today. Every single—

Chair: And you will.



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Paul Willis: Every single customer complaint I read personally. I take an interest in every single customer complaint. If there are any issues, I will do everything I can to resolve those problems, yes, of course.

Chair: Thank you very much, Mr Willis.

Paul Willis: Thank you for your time.

Clive Efford: Just for the record, Chair, it is \$19.6 billion that I was referring to, not million, in compensation paid out in America in fines and compensation.

Chair: We will clarify that. Thank you.



Examination of witnesses

Witnesses: Rt Hon John Hayes, Ian Yarnold and Derek Lawlor.

Q146 **Chair:** Welcome to the Select Committee. Minister, would you and the members of your team say who you are, for our records?

John Hayes: I am delighted to be here. It is my first appearance before the Transport Select Committee since I returned to the Department for Transport. The matter we are going to consider today is an important one, as you well know. I have read your previous report on it with some care. I have brought with me two colleagues, who will introduce themselves in a moment, so that we have all the skills necessary to provide the answers to the questions that you will no doubt want to pose.

Ian Yarnold: Good afternoon. My name is Ian Yarnold. I head the international vehicle standards division within the Department for Transport.

Derek Lawlor: Good afternoon. My name is Derek Lawlor. I am the interim chief technical and statutory officer at the VCA.

Q147 **Chair:** Minister, do you think that Volkswagen has misled customers in the UK in any way at all?

John Hayes: Yes. I think Volkswagen acted extremely badly. It is extraordinary that in their evidence earlier this afternoon they seemed to be uncertain about whether they had behaved badly or not, yet when this scandal first broke, their tone was very different, wasn't it? When the scandal first broke, they acknowledged that they were acting improperly and said they would do everything in their power to put it right. This curious inability to recognise their own failure seems to me to be little short of ridiculous, frankly.

Q148 **Chair:** Has the Department reached a view on whether the device used by Volkswagen in the Skoda vehicles is an illegal defeat device under EU regulations?

John Hayes: We have not signed off the Skoda vehicles. Volkswagen have pressed me repeatedly to do so. We have enjoyed correspondence with them over a considerable period of time and have elicited more information from them, which we required. My Department and my officials—Ian and his team—have drawn up a paper for me on Skoda, but we have not yet signed off the Skoda vehicles, despite the fact that Volkswagen and others have pressed us to do so several times, not least because we are yet to be satisfied that Volkswagen have fully recognised their culpability, in the way I described earlier.

Q149 **Chair:** Could you amplify what you mean when you say that you have not signed them off?

John Hayes: I will ask Ian to go into some detail. He has been involved with Volkswagen in the detail that I described.



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Q150 **Chair:** Could you explain to us what signed off means?

Ian Yarnold: As you probably heard, the vehicle modifications—the so-called technical fix—are a software update to the—

Q151 **Chair:** Can I take you back a bit? You approved the original Skodas, didn't you?

Ian Yarnold: Yes.

Q152 **Chair:** What we are talking about now is the fix—not the original certification.

Ian Yarnold: The Vehicle Certification Agency approved the Skoda vehicles. Those vehicles include the same engine line-up as the other brands within the group: a 1.2, a 1.6 and a 2 litre.

John Hayes: I am sorry to interrupt you, Ian, but I want to be absolutely clear. I know that Ian will explain this in more detail, following your question. There is a technical fix in two forms. There is a software update and a mechanical fix, depending on the exact vehicle. Some vehicles require a software update. Some require a mechanical fix. Ian can explain that in a bit more detail.

Ian Yarnold: The 1.2 litre engine and the 2 litre engine both require a software update. The 1.6 litre engine—the central engine—requires the software update, but it also requires an air diffuser to be fitted in the inlet manifold, to create turbulence on the inlet air going into the cylinder. That changes the original vehicle from the one we approved. The obligation of the UK authority is to reassess that calibration—that engine and vehicle—to ensure that it now complies with the legal limits when it was first put in place and approved. Our assessment has been on the basis of redoing all the legal tests to the same vehicles we approved originally.

You will remember the test report that we published back in April last year, in which we set out very clearly that we could determine when the defeat device was operating. We wanted to be sure that that defeat device had been removed and that a different one had not been put in place, under different operating characteristics. We carried out the same full suite of tests for our recertification, or rechecking, as we did under our emissions test programme back in the early part of 2015. Normally, you would carry out only one test in the laboratory for the emissions test, and it would either pass or fail. We did that, but we also did a series of further tests. As I recall, it comprised five tests in the laboratory and four on the test track.

Q153 **Chair:** But you gave certification to Skodas, and now there is a problem. Are you going to take action against Volkswagen in relation to Skoda, which you certified?

Ian Yarnold: May I try to clarify your question, Chair? Are you asking whether we are taking legal action?



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Chair: Yes.

Ian Yarnold: I am sorry; I misunderstood. Our view is that the defeat device—or, as we have called it, the cycle recognition strategy—is prohibited under EU regulation.

Q154 **Chair:** Therefore, are you going to take action?

Ian Yarnold: The question is whether there is a criminal offence. To determine whether it is a criminal offence, we would have to gather evidence. The evidence, as far as we can determine, is held in Germany and the Czech Republic. For the Skoda vehicles, you would expect the evidence to be in the Czech Republic, because that is where Skoda lives.

Q155 **Chair:** What are you doing about gathering the evidence? Are you doing anything about it?

John Hayes: Let me tell you very plainly what I intend to do. We have already had discussions with the German Government. I spoke to the Minister before Christmas. The Secretary of State and I will go to Germany next month—to Berlin—to meet the Minister, to elicit as much information as we can from them and to request that we are provided with the detailed technical information that will allow us to take further steps, if we choose to do so. I also intend simultaneously to contact the US authorities, who may have information, in any case, to see what information can be gleaned from them.

Ian is absolutely right. It is difficult for us to proceed. To be honest with you, as I said on the Floor of the House, I considered conducting our own investigation, but where would our investigation lead if we did not get the information from source—from Germany, where the test took place?

Q156 **Chair:** When do you think you will get this information? It is taking a very long time, isn't it?

John Hayes: It is a long time—hence my trip to Germany, to facilitate it.

Q157 **Graham Stringer:** Why can't you just look in the engine and the computer bits and decide whether there is a defeat device there or not?

John Hayes: It is more a question of what happened when the vehicles went through the test process. As you know, the way the vehicles achieve approval is by going through a test process. Unfortunately, it is a laboratory test; we can talk about real driving tests in a moment. For the test process, the vehicles concerned were programmed, we believe, to defeat the test. It is not a question of finding a Volkswagen and looking at how it is running now and what it is emitting. We would have to go back to the original tests to see what was done during that process.

Q158 **Graham Stringer:** Are you saying that the defeat device—the chip, the computer or whatever it is—is not an integral part of the car at the moment?



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John Hayes: Yes. The defeat device is a mechanism to beat the test. We have pushed very hard for real driving tests, by the way; that is what I was alluding to. We have had some success with that and are hoping to get real driving tests on the road, rather than a laboratory test. The test itself is a mechanism to get vehicle approval. Because the test took place in Germany, we believe the Germans will have information that we do not have. We need to get it from them in order to proceed.

Q159 **Graham Stringer:** Are you saying that, before the test, Volkswagen may have added an extra bit of software or hardware that defeated the system and that it is not permanently in every car on the road?

John Hayes: Yes.

Graham Stringer: That is clear.

Q160 **Clive Efford:** The German authorities raided Volkswagen's headquarters in order to obtain evidence. When did they do that?

John Hayes: Last year, I think.

Q161 **Clive Efford:** Why haven't we discovered anything from the information they gathered? Why do we have to wait for your meeting?

John Hayes: Because the Germans have not made available that evidence, such as it is. There is an ongoing investigation. The Germans have not yet proceeded to law, as you know. They have been in the business of trying to gather evidence to decide how they should proceed. We are hoping that they will share that information with us. In the phone call I had with them, they suggested that they wanted to co-operate.

Q162 **Clive Efford:** We have asked for the information, and they have said, "We're not able to give it to you at this stage." Is that the answer from Germany?

John Hayes: No. When I spoke to the Minister, I made it clear that I thought it would be right for us to work in concert. He said he thought that that was the way we should proceed—thus my request for a further meeting, which will allow us to get further information.

Q163 **Clive Efford:** That is an answer to a different question. Have you requested information the Germans are in possession of and that you need in order to decide whether to progress to your own investigation, here, into the activities of Volkswagen?

John Hayes: My officials have been in touch with the German officials, certainly.

Ian Yarnold: In answer to your question, no, we have not formally requested that evidence.

Q164 **Clive Efford:** Why not?



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Ian Yarnold: Because we have been focusing on understanding exactly where we are legally in the UK. We put a lot of reliance on the Eurojust process. We reported to you previously that the Eurojust collection of prosecuting authorities were looking to take that forward collectively, as a group of member states. As the Minister said, we recognise that that risks delay, delay, delay. The Minister has made it very clear that he wants to move forward really quickly on these issues.

Q165 **Clive Efford:** We have just had someone from Volkswagen here. They clearly feel that they have now moved beyond this in the UK and can sit there and say, "We did nothing wrong." That is what they did for an hour prior to your coming in. Basically, they have just told us, "We are quite clear. We did not fit these devices to our vehicles. There is absolutely nothing wrong with these vehicles. We are recalling 8.5 million vehicles across Europe, including 1.2 million in the UK, just because we want to cheer up our customers." We—the British Government—seem to be sitting back, but Europe seems to be quite clear that we are in breach. The European Commission is bringing infringement proceedings against the UK on three different areas of inactivity. Doesn't that suggest that we should be moving along a little more quickly? Haven't we been letting customers down?

John Hayes: I think we should move on quickly.

Q166 **Clive Efford:** But not the Government.

John Hayes: Since I came back into the Department, I have had a series of meetings with Volkswagen, face to face. I have exchanged correspondence with them to make it very clear that there are four areas we need to work on. One is getting these fixes in place. The second is having some kind of warranty for the fix. The third is the payment of funds that the taxpayer has had to expend as a result of what Volkswagen did. The fourth is compensation.

We have made some progress with the speed of the fixes. Volkswagen are now fixing about 20,000 vehicles a week and they have put extra resource into that. The money they have paid—I got £1.1 million from them—goes some way towards compensating the taxpayer for what we have had to spend. I continue to work with them on the warranty for the fix, because I do not want people to have the fix and then find that it has some deleterious effect on their vehicle. I have continued to press for additional compensation. To get to the bottom of the issue, Clive, we have to get the information that the Germans have and we haven't. That necessitates my working with Ministers there.

Q167 **Clive Efford:** Well, John, you got £1.1 million—well done on that—but the US has got \$19.6 billion in fines and compensation. I put it to you again that the Government have failed in their duty and are letting down Volkswagen's customers in the UK.

John Hayes: I made it very clear to Volkswagen that they need to do the four things that I set out a moment ago, and I am determined that they



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should. I would not have spent as much time as I have pursuing Volkswagen if I did not believe what you believe about it.

Q168 Clive Efford: On the issue of working together, what information did the Government refuse to disclose to the Commission when they requested it, and why?

Ian Yarnold: Our view is that we have not refused to disclose any information. In our view, the only issue is that they wanted information as our testing programme a year ago was being completed. We took the view at the time that it would not be helpful to release individual vehicles on a drip-feed basis. We wanted to be able to look at it in the round, to prepare the report. The report, which you have seen, is this one. As soon as it was published—on the same day—we sent copies to the European Commission's automotive unit. We have released all the data that underpin the report—something like 50 megabytes of data. That is available on gov.uk. We have communicated that to the Commission.

If we look back before that, we have had regular dialogue with the Commission. We have all that evidenced with them. I and others have written to them. There have been regular communications at the monthly meetings they hold in Brussels. We refute the suggestion that we have not acted in sincere co-operation; we think that we clearly have. To come back to your point, the issue was only that we would not release, or drip-feed, information on each vehicle as we tested it through the programme. We chose to take a holistic approach and release the data as one set.

Q169 Clive Efford: If the Commission is successful in taking action against the UK, what sanctions can it impose?

John Hayes: It can fine us. We are determined to take every step to ensure that that does not happen. That is precisely why, in co-operation with other countries, I am determined to pursue Volkswagen—not only because the Government would face that fine, but because it is the right thing to do in the interests of the consumer, as you suggest.

Q170 Chair: Is there any timing on this? As Mr Efford said, a lot of time has gone by and nothing much has happened.

John Hayes: Things have happened in the meetings I have had with Volkswagen. I started meeting them last year. Between us, we have probably had 20 separate engagements with Volkswagen, in writing or in person.

These are the things that have happened. They have paid the £1.1 million. I want another £1 million, by the way. As you will remember from your previous report, it actually cost the taxpayer £2 million. Volkswagen have paid £1.1 million of that. I want the remainder. We have upped the pace of the fix. We have put constant pressure on Volkswagen to do that, and they have put extra resource into speeding up the process. We continue to engage with them on the warranty. I heard the representative of Volkswagen who gave evidence earlier say that they



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were in continuing discussions with us on that matter. It is absolutely right that some kind of guarantee is offered to Volkswagen customers that, if they have the fix, it will not have a detrimental effect on their vehicle. We have done all of those things.

I continue to press Volkswagen on compensation. They should pay some compensation to customers who have been affected in this way. As I said, I am zealously determined to pursue Volkswagen.

Q171 Chair: You say that they paid you some of the money that was requested. Are they disputing or arguing about the rest?

John Hayes: There was a £2 million sum involved in respect of what the taxpayer had to spend as a result of the original Volkswagen action.

Q172 Chair: Have they agreed to pay you? Is some of this in dispute?

John Hayes: There were two parts to it. Part of it was the production of our vehicle emissions testing programme—you are familiar with this document—and establishing the new unit we put in place as a direct result of all of this, with which you will also be familiar. Derek can talk about that, should you wish him to do so. Partly, in Volkswagen's eyes, there was the issue of a cost in respect of other vehicles and manufacturers that they did not think they should bear. If you add that cost, it comes to £2 million. Volkswagen have paid £1.1 million, but I think they should pay the rest. I have told my officials that we should produce a second invoice, affirming our original letter, which mentioned the £2 million, to get the extra money.

Chair: Thank you for clarifying that.

Q173 Stewart Malcolm McDonald: Minister, thank you for your comments so far. Can I get an idea of exactly how the Department is approaching this? Is there a special unit dealing entirely with this investigation, or is there an investigations unit that is dealing with Volkswagen plus Vauxhall and whatever else you have going on?

Ian Yarnold: My team leads on all the vehicle regulatory activities. I have a responsibility for the VW activity. You mentioned the other manufacturer, concerning fires and suchlike. My team has a direct interest in that.

Q174 Stewart Malcolm McDonald: How many people in the Department are working on Volkswagen itself?

Ian Yarnold: Probably four. There is a dedicated team of two, within my team. We draw in my technical experts—the engineers—as and when we want them. I estimate that about half a person is regularly used on that. In the agency, there would be a similar amount of activity. The dedicated team is two full-time people within my unit.

Q175 Stewart Malcolm McDonald: Minister, you mentioned that you had had up to 20 engagements, including paperwork, with Volkswagen. Is that



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with Volkswagen UK solely? Have you had any communications with Volkswagen in Germany?

John Hayes: We have had 20 interfaces, including the interfaces that Ian has had, too. I have met Volkswagen UK. At my last meeting, I met a main board director from Volkswagen and emphasised the need to take further steps. I am meeting both Volkswagen UK representatives and representatives from the group.

Q176 **Stewart Malcolm McDonald:** I refer to the discussions that your Department has had with Volkswagen, be that Volkswagen UK or Volkswagen in Germany. Earlier the previous witness, Mr Willis, said that Volkswagen had given you everything you asked for. Do you recognise that assessment?

John Hayes: It is not true.

Q177 **Stewart Malcolm McDonald:** Have you asked them for the Jones Day report?

John Hayes: We have. Today, as a direct result of the interface that you had with Volkswagen earlier today, I will write to them again to ask them to publish that report in full. They said they would do so originally.

Q178 **Stewart Malcolm McDonald:** They did.

John Hayes: We asked them for it, and they have now gone back on that original commitment. I will write to them today, as a direct result of this hearing.

Q179 **Stewart Malcolm McDonald:** I want to be clear before I ask the next question. Mr Willis told us that Volkswagen had given the Department for Transport everything it had asked for. You have asked them for the Jones Day report, and they have not given that to you. Is that correct?

John Hayes: Yes, but it is more than that.

Q180 **Stewart Malcolm McDonald:** It is a lot more than that.

John Hayes: I have asked them for the warranty in respect of the fix and for compensation in respect of Volkswagen customers. Neither of those things is yet forthcoming. In the original letter on the taxpayer costs that I mentioned earlier—the £2 million—we asked for that amount in full. They subsequently paid £1.1 million. It would be entirely inaccurate to say that everything we have asked for has been granted. We have made some progress in respect of the £1.1 million, the pace of fixes and the continued discussions about warranty, but it is not true to say that Volkswagen have done everything we have asked them.

Q181 **Stewart Malcolm McDonald:** Is it your view that that is a misleading statement?

John Hayes: That is for you to conclude, not me.

Q182 **Stewart Malcolm McDonald:** I am just asking for your view.



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John Hayes: You have heard what I have said and you have heard what he said.

Chair: We wanted to clarify the position, and I think you have clarified it.

Q183 **Mark Menzies:** I will stick with the Jones Day report for the moment. Why do you believe that Volkswagen have chosen not to publish the Jones Day report, despite promising and assuring this very Committee that they would do so?

John Hayes: One can only conclude that they have good reason not to do so, and the only good reason not to do so that one might reasonably assume is that it contains information that contradicts what Volkswagen have said both publicly and to this Committee.

Q184 **Mark Menzies:** When he came before the Committee in January last year, Mr Willis from Volkswagen told us that they were “a straightforward organisation;” they had no need to install a defeat device in order to deceive customers and that all we had to do was wait for the Jones Day report. He said, “Our position is very clear... We have to wait for Jones Day to have full clarification.” Yet there is no intention at all from Volkswagen to publish the report or to issue clarification. What do you, as the Department for Transport, think is the driving force behind Volkswagen’s desire to deceive people?

John Hayes: In the terms you describe it, Volkswagen made a serious error of judgment, didn’t they? If they assumed that the report would exonerate them and they could publish it on that basis, but have now found that they are not prepared to publish it because it does not, one can only describe that as an error of judgment.

Q185 **Mark Menzies:** In response to a question that I asked him in January 2016 seeking assurances that UK taxpayers would not be out of pocket as a result of Volkswagen’s actions, Mr Willis assured me that that was the case. When I sought clarification today, I was told by Mr Willis that all moneys requested by Government—be that HMRC or the Department for Transport—had been paid, and that no money that had been requested had not been paid. We are now discovering that Mr Willis was not straightforward with us, aren’t we?

John Hayes: The payment of the £1.1 million, which we received just before Christmas, was welcome, and was a result of the pressure that we put on Volkswagen, but, as I said, there was a further sum of money, which was detailed in our first letter to Volkswagen, that is yet to be paid. I am of the view that they should pay it, because I do not think that our taxpayers should be out of pocket as a result of what Volkswagen have done.

Q186 **Mark Menzies:** To be clear, the Department for Transport has requested money from Volkswagen. Despite Mr Willis sitting there and telling us in no uncertain terms that all money requested had been and would be paid to the taxpayer, that is not true, is it?



John Hayes: No.

Q187 **Mark Menzies:** Fine. What action can we therefore take against Volkswagen? At the end of the day, we are here to represent our constituents, be they Volkswagen customers or not. It concerns me that, with a situation in the United States where \$19 billion-plus, and counting, has been paid to compensate for the deception that was pursued by Volkswagen, there is no desire in Volkswagen UK to compensate customers here. Indeed, Volkswagen's view is very clear. They regard this matter as closed. It is history, and they have moved on. In fact, Mr Willis even boasted about how excellent his performance was today—how excellently he had answered questions. We got boasts about Volkswagen's record profitability and sales in the UK. That is what he is thinking about. Is it not time that we took action against Volkswagen? If they are not coming forward with information, is it not time that we started to raid them to get that information?

John Hayes: There are two aspects to your question, Mark. The first is the action we might take against Volkswagen. I have said throughout that we have not ruled out taking action. In order to do so, we would need to elicit the information that I described earlier, particularly because much of this happened in Germany. It would be impossible to proceed without that baseline information.

Secondly, as you know, a number of consumers, in three separate groups, have decided to take further action. I will meet all three of those groups, with their legal representatives, this Wednesday to look at what support Government can give them. I will happily consider a range of kinds of support the Government can give those litigants, because it seems to me that the case they have is the case of the consumer. It is a very different case. Our case is about the test, and whether the official bodies were deceived in the test. Their case is about the consumer. As consumers, they can argue that they thought they were buying one thing and ended up buying something different. It seems to us important that we get behind those people and back them, for the very reason I gave Clive—people have been short-changed and they deserve the Government's support.

Q188 **Mark Menzies:** In conclusion, Minister, it has now been established that Mr Paul Willis of Volkswagen was not a straightforward witness. Today he told us things that were simply not true. That is a matter of fact. It is there. It exists. It is out there. We are dealing with an organisation that is not straightforward and has not been straightforward from the beginning. We have now discovered that it has not been providing information that it says it has been providing. I cannot speak for my colleagues but, as a member of this Committee, I will be holding you, as the Minister, to account if you do not hold Volkswagen to account on behalf of the people of the United Kingdom. That is the thought I leave you with. Volkswagen may have forgotten about it, but I have not forgotten about it and this Committee has not forgotten about it; nor



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should Her Majesty's Government.

John Hayes: Let me tell you what I think about that. You know me well enough to know that I hold no candle for faceless, soulless corporate businesses. I am interested in the wellbeing of the people. To that end, I will take any action within my power to ensure that right is done. There are constraints on that, for the reasons I gave earlier. There are constraints on the information I have available to me. There are constraints on the legal steps that I can take, for reasons that you will understand. Notwithstanding those constraints, all that I can do, I will do. I know that the Secretary of State feels the same. We will travel together to Germany to pursue this, by the way. You can be assured that the righteous indignation that you feel, Mark, is entirely shared by Ministers in the Department for Transport.

Q189 **Chair:** When do you expect to travel to Germany?

John Hayes: We expect to go in March.

Q190 **Chair:** It is a definite arrangement.

John Hayes: Yes. We have a date. At the moment, we are discussing the date with the German Minister's office.

Q191 **Karl McCartney:** Minister, I do not know whether this question is for you or for your colleagues from the Department. Volkswagen got caught out pretty majorly, but as I tried to ask Mr Willis earlier, and will now ask you and your colleagues, is it the only company that has engaged in those types of nefarious practices? Has it been the worst company, or do you think that other motor manufacturers have done the same? I know there are some examples of slightly different defeat devices, but engine design and innovation is often copied across the car manufacturing world, whether for competitive advantage or because people are replicating what others have done. If Volkswagen were using the devices to make their engines seem better under test circumstances, were other manufacturers doing the same?

John Hayes: I will ask my colleagues to comment on that. Derek ought to have his place in the sun, because he has come all this way.

Karl McCartney: Good afternoon, Derek. It is good to hear from you.

Q192 **Chair:** Could I make that more specific? It is an issue that has been raised in relation to Fiat Chrysler vehicles.

John Hayes: I am conscious of the Fiat Chrysler issue. Again, Ian and Derek will comment on that. What I will say is this. In your previous report—as I said earlier, I read it with assiduity—you asked for greater publication of information about how these things are dealt with. Essentially, you said that there must be a transparent process and that we should publish as much data as possible about vehicle testing and so on. Today I am quite prepared to commit to doing that. I do not think enough information has been put into the public domain in the past. We



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can be more open and transparent about this. I do not think that Government should have anything to hide. You say in your report—perfectly generously—that, where there are issues of commercial sensitivity, they can be accommodated within that transparent process. I think they can. I can assure you now that we will do that, so that there can be no doubt about what others are doing and that the system is being applied both fairly and equitably.

Q193 **Chair:** Have you investigated emissions for Fiat Chrysler?

John Hayes: Yes. I was going to ask Derek to comment on that.

Derek Lawlor: The emissions programme that we carried out last year was to investigate whether similar manufacturers were following similar practices. The report clearly states that that was not found. A lot of tests were done, both in the laboratory and on the track. There was also some RDE testing, involving real-world driving. That did not find any evidence to suggest that other manufacturers were using the same sort of technology.

With regard to Chrysler, as part of the surveillance unit we have obtained two vehicles and are testing those as we speak. A vehicle was in the lab this week. We have another one that is ready for testing as soon as that is finished.

Q194 **Karl McCartney:** When what Volkswagen had been doing came to light, the silence from the world of motor manufacturing was deafening. There was not much condemnation of Volkswagen. Maybe it was because they were looking after their own, but was it also because quite a few companies were looking after their own backs?

Derek Lawlor: I am not sure that I can comment on what other manufacturers thought about it.

Q195 **Karl McCartney:** Does either of the other two panellists want to answer that one?

John Hayes: Let me relate it directly to another observation that the Committee made previously. The Committee made a very salient observation that it is very important that this process is robust and independent. There was a suspicion on the part of the Committee—I will not put it more strongly than that, but it is reflected in the recommendations—that, unless there was robust independence, there was a risk of poachers and gamekeepers being the same people. When we set up the surveillance unit, under Derek, we wanted to create enough separation to make sure there was nothing cosy about the way the matter was dealt with. It is not for me to comment on whether there is any cosiness in the industry. I can certainly assure you that the way we have now constructed our arrangements means that there can be no cosiness between us and manufacturers in making sure that they are doing the right thing.



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Q196 **Graham Stringer:** I will go back to the first question I asked, because there is something that I clearly do not understand. If, as you said in answer to Karl McCartney, you can test other models to see whether they are using defeat devices in this country, why can't you do that with Volkswagen?

Derek Lawlor: We have tested Volkswagens as part of the emissions programme. We also tested Skoda vehicles.

Q197 **Graham Stringer:** I understood the Minister to say that, to show that they had used defeat devices, you had to go to Berlin to get the evidence when the vehicles were tested there. I cannot put those things together. Help me.

Derek Lawlor: Maybe I can clarify what the Minister intended. The defeat devices are present in the Volkswagen vehicles that have not been fixed. We can run a suite of tests that will demonstrate that. What we cannot do is show how those vehicles would perform if the defeat device was there before the fix, because there are no vehicles available to demonstrate that.

Q198 **Graham Stringer:** That is clear. Can I follow up on the previous witness's evidence? I listened carefully to what Mr Willis was saying. It seems to me that they are defending Volkswagen by using a technical definition that is different from article 3(10) of the Euro 6 Regulation 715/2007/EC. They are arguing that that does not cover them. Secondly, they are arguing, as a defence against their customers taking action against them, that they have not deceived them. They are arguing two separate things. My interest, as a representative of the public, is that this company has been poisoning people by allowing more NOx out than it said. Have you been able in any sense, Minister, to quantify how much extra nitrogen dioxide, other oxides of nitrogen and particulates have gone into the atmosphere because of the use of these devices? There is an estimate in epidemiological studies that 23,000 people a year are dying. Have you tried to pinpoint that?

John Hayes: You raised this when you last met to discuss this issue, by the way.

Graham Stringer: I think I raised it on the Floor of the House.

John Hayes: You did. I will ask Ian to deal with the technical point, but let me deal with the first point you made about Volkswagen and their claims now that they did not deceive people. There is a very simple response to that. If Volkswagen think they did nothing wrong, why are they engaged in retrofitting 5,000 vehicles a day? Why would you want to change the vehicles if you had done nothing wrong in the first place? You can't have your cake and eat it, can you?

Q199 **Chair:** We put that to them, Minister. We got a rather strange answer.

John Hayes: Right. That is a very obvious counter-argument. Volkswagen cannot have it both ways. Clearly, they did not behave



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properly. They acknowledged that initially and they are now retrofitting the vehicles. Ian will answer on the measurements. It is quite complicated.

Ian Yarnold: I would like to go back a little, to the question of whether we can test for a defeat device. In the normal European test, you would not look specifically for a defeat device. It is not part of the test. When we created the test programme that led to our report, we ran the vehicle forwards and backwards, and that showed it very clearly. We published the results—you can see the TRFs—and were able to establish it. We did not need to go to Germany for that. We simply ran the vehicle in its normal way and then in reverse, in effect. We are able to do that.

We then tested all the most popular-selling diesel passenger car vehicles in the UK, by sales volume, over the previous five years. That gave us the report that we have now mentioned a few times. In it, we established that many manufacturers were using a defeat device. VW were using a defeat device, but, in addition, they had what we call a cycle recognition strategy. One of the issues we had to deal with in the report was when a defeat device is permissible. We tried to argue that out in the report. The European regulation that you mentioned, 715/2007/EC, makes clear what is and is not a permissible use of a device strategy—where it can be justified on the basis of engine damage and so on. It is all explained in our report.

Your next question was about whether we have been able to quantify. We have not been able to quantify the total emission, under all conditions of operation, of the VW Group fleet to give you the additional emission of NO_x. What we can say—this goes back to a question that the Chair asked earlier about the fix and our obligations—is that when we tested vehicles before and after, depending on the particular model we were testing, we saw that there was a reduction in NO_x of roughly 35% on one vehicle and roughly 40% on another. We will be able to provide all that information, because, as the Minister said, we want to be transparent. When we get to the conclusion of the recertification or retesting of all the Skoda vehicles, we intend to publish that information, so that it is available. That is the best answer I can give to your question.

John Hayes: The challenge, Graham, is that, because vehicles need to be for different terrains and speeds, are used for different purposes and so on, one cannot say that all vehicles would produce the same emissions. It can't be done. That is even more of a challenge with CO₂, by the way, but I digress. There is a complication, but that does not mean that we should not publish the information Ian described. I have committed to do that.

Q200 **Graham Stringer:** It is important to nail the lie. I have sat on Select Committees for 20 years. I have never seen somebody come along and blatantly lie to a Committee. I have seen all sorts of evasive witnesses, but I think we have just seen somebody tell us blatant lies. It is



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important to nail the real consequence. It is not commercial; it is that there is more poison going into the atmosphere. Is it not possible to put in a top level and a bottom level? You could take 24%, or whatever it was, and say, "This is the most damage that they could have done. This is the least damage," and put that into the epidemiological study, so that you could say, "This could have led to so many deaths"—maximum and minimum.

Ian Yarnold: We go back to what the Minister said. There are so many different operating conditions that you cannot draw a conclusion from the laboratory tests. The numbers I gave you were from the reassessment of the vehicles. On test A and test B, that is the difference we have seen. How the vehicle performs on the road, under different operating conditions, might be completely different. I have tried to be clear about the evidence we have. It might be possible to do that, but we are not able to do it currently.

Q201 **Clive Efford:** I want to try to bring things together a bit in some questions. Isn't it clear from what we have heard from Volkswagen today that they are going to contest this? Isn't it now inevitable that the Government will have to take action against Volkswagen, because they are not just going to say, "Mea culpa," and cough up?

John Hayes: If I were confident that we had the means and the information to pursue the course you describe, personally, I would not be against that course. I would need to make sure that, in the public interest, I did so on the basis of the information I described earlier. I cannot pursue something when I have no chance of achieving anything.

Q202 **Clive Efford:** Okay. An example is that you asked for £2 million from Volkswagen to compensate the taxpayer for expenditure that has been paid out by the Government thus far. You got £1.1 million. When they are paying out \$19.6 billion for less than half as many vehicles in America as in the UK—500,000 vehicles in the USA, compared with 1.2 million in the UK—doesn't that suggest that they are thumbing their nose at the Government and they think we are a bit of a soft touch? Doesn't that mean that the Government have to up their game?

John Hayes: I suspect that the reason for that, Clive, is that both the legal regime and the vehicle regime in America are different, so the comparison is not an entirely reasonable one, although I can understand why you make it and why consumers would make it, too. If it were as straightforward as our simply doing what the Americans have done, or could have done, I would be in a different situation, but it is not quite like that.

Q203 **Clive Efford:** We hear that there are 23,000 premature deaths due to air quality—9,300 in London alone. In your opening statement, you were quite clear that there had been deception—that they had altered their vehicles to give more favourable emission readings—and that compensation was due. It cannot be that the Government just sit back



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and say, "There's nothing we can do."

John Hayes: My commitment to this is, as I described it, zealous. I have the absolute determination to do all that we can to make Volkswagen do the right thing. I will leave no stone unturned in that respect.

Q204 **Clive Efford:** In your opening sentence, you said that Volkswagen had a curious inability to recognise their culpability. If action is not forthcoming, the conclusion of the public will be that the Government have a curious inability to act on behalf of Volkswagen's customers in the UK.

John Hayes: As I said, we rule nothing out. If I can obtain the necessary information to take steps that will work, in the interests of the taxpayer and the consumer, I will.

Q205 **Stewart Malcolm McDonald:** I am quite encouraged by what you have had to say so far, Minister. I guess the proof will be in the pudding, but your words have been stronger than those of some of your colleagues who have appeared before us previously. I am heartened by that. I want very quickly to check two things with you. Was it your Department or the Treasury that calculated the figure of £2 million you mentioned?

John Hayes: We calculated it, with the knowledge and approval of the Treasury.

Q206 **Stewart Malcolm McDonald:** It was you guys. That is fine.

John Hayes: Stewart, everything goes through the Treasury.

Stewart Malcolm McDonald: Plus ça change.

Ian Yarnold: I remember that, when I appeared here in April, someone said during questions, "How much did you spend on the test programme?" to which I replied, "£1 million." They then asked, "How much have you spent, or do you plan to spend, on market surveillance?" It was £1 million. That is where the £2 million came from. It is as straightforward as that.

Q207 **Stewart Malcolm McDonald:** It is just as straightforward as that.

Ian Yarnold: It is Department for Transport money.

Q208 **Stewart Malcolm McDonald:** I want to check something, Minister. You mentioned that, given the discrepancies—to be charitable—between what Mr Willis told us before you sat in that chair and what you have subsequently told us, you would go away from this session and write to Mr Willis about some of those discrepancies, to do with the information and the cash you are looking for. Could you share that letter with the Committee as soon as you have sent it, and his response?

John Hayes: I would be more than happy to do that. I heard the earlier session. T. S. Eliot said, "It's not wise to violate the rules until you know how to observe them." It is pretty clear to me that Volkswagen do not know how to observe them.



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Stewart Malcolm McDonald: Hear, hear.

Q209 **Mark Menzies:** You have just quoted T. S. Eliot. The performance that we had earlier today was more like something from Alice in Wonderland and the Mad Hatter's tea party, because it was so utterly incredible. As we close, can I be clear that Her Majesty's Government take a very dim view of the deception that Volkswagen has engineered on consumers—its own customers—in Britain?

John Hayes: Absolutely—as dim a view as this Committee takes.

Q210 **Mark Menzies:** Minister, can I thank you personally for being very straightforward with us today? It is a real shame that Mr Willis and Volkswagen clearly do not understand the meaning of the word “straightforward.” If they did, they would not have set out to deceive us in the way they did.

John Hayes: Following your theme, Mark, Lewis Carroll—

Q211 **Chair:** Minister, before you get carried away with that, I have some further questions to put to you. We have concentrated a lot on Volkswagen today, but there is a more general issue; it is connected with Volkswagen, but it is wider. It is about our failure as a country to meet our nitrogen oxide limits. What is going to happen about that? What will you, as the Minister, do to change that?

John Hayes: As you know, the lead responsibility for this is in DEFRA, but we are working together very closely. In fact, I meet my DEFRA ministerial colleague weekly on the issue of emissions and how our Departments can work together to draw up a new plan. We are missioned to do that by the court judgment to which you alluded. A draft plan will be published in the spring. I am hoping to have it ready to be published in April, with a view to the final plan being published by the end of July. It will require us to take much more radical action than has so far been taken. There are some difficult choices, Madam Chairman, not least because I do not want to disadvantage less well-off people, who need a car to get to work, to hospital, to school or whatever. I am not prepared to do that. Balancing the wellbeing and interests of the people against the necessary steps that we need to take to guarantee air quality is a challenge, but one we are determined to meet.

Chair: We will return to the issue in more detail.

Q212 **Karl McCartney:** I have a quick question on that. Minister, I know that you will not have the details or the figures with you now, but could you provide me and, probably, the whole Committee with rough figures for the emissions created by diesel cars, diesel taxis, diesel lorries and vans, ships, aeroplanes—both used and unused fuel—and agricultural vehicles? That would be very useful.



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John Hayes: I can certainly do that. I do not want to anticipate the draft plan too much. You would not expect me to do so, because I would be in all kinds of trouble with Dr Coffey, as well as other people.

Q213 **Karl McCartney:** You wouldn't want that, would you, Minister?

John Hayes: I wouldn't want to be in that position. What I will say is this. There is an important challenge in differentiating the different sources of emissions. The public will look to Government, Government agencies and other public authorities—local authorities, for example—to see what they do, if we are going to ask them to do more. It is absolutely right that we take action that takes account of that public expectation. I am discussing that with DEFRA Ministers, as I described.

On the detail, you will know that in the report that was referred to earlier we looked at some of the changes in NOx emissions over time. I refer you to page 10. The older diesel vehicles are the worst offenders, if I can put it that way, in terms of NOx emissions. That is not to say that there are not challenges for a range of vehicles. I am very keen on electric vehicles, as you know. The older diesel vehicles—cars, vans and HGVs—are the biggest problem. Finding ways of dealing with that is the significant challenge I mentioned earlier.

Q214 **Karl McCartney:** There are not many filters on ship engines and aeroplane engines, Minister.

John Hayes: We will look at that as well. I will happily write to you.

Karl McCartney: I am very pleased to hear it. Thank you very much indeed.

Q215 **Chair:** This is a very important matter of public health where transport plays an integral part. We will return to that area. Thank you very much for your evidence today and for the commitments you have given to us, which we will pursue with you.

John Hayes: My dear friend Mark mentioned Alice in Wonderland. Lewis Carroll was a mathematician. It seems to me that Volkswagen's sums do not add up.

Chair: We will conclude on that note.