

HOUSE OF LORDS
MINUTES OF EVIDENCE
TAKEN BEFORE
THE SELECT COMMITTEE ON THE EUROPEAN UNION
(SUB-COMMITTEE A)

MISSING TRADER FRAUD

WEDNESDAY 10 JANUARY 2007

Belgian Finance Ministry, Brussels

MR RUDY VOLDERS and MR YANNIC HULOT

Evidence heard in Public

Questions 45 - 112

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WEDNESDAY 10 JANUARY 2007

Present

Cobbold, L.
Cohen of Pimlico, B. (Chairman)
Kerr of Kinlochard, L.
Watson of Richmond, L.

Witnesses: **Mr Rudy Volders**, Director, and **Mr Yannic Hulot**, Fiscal Co-ordinator Research, Belgian Finance Ministry, examined.

Q45 Chairman: Good morning, it is very nice to see you.

Mr Volders: Welcome to this meeting concerning VAT fraud. I am perfect in French and in Dutch but in English it is going to be difficult for me. I understand everything but speaking I am always looking at the TV and American films and it is English that everyone understands but for the rest it is very passive. Excuse me for this annoying situation. The Secretary of State, Mr Jamar, is going to come later. There is an urgent meeting at the Parliament because he is also responsible for corruption and OECD and he must now defend before the Parliament the project of law is compliant with the OECD evaluation of Belgium. The Minister of Justice has demanded that he appear. He is sorry about this but he is going to arrive. It is 10.15 and I think he is going to be half an hour. He will immediately come back and you can meet him. For the technical aspects I have invited Mr Hulot who has undertaken the study that has caused much ado about nothing.

Q46 Chairman: That is very English!

Mr Volders: Much ado in the government of the UK and also in the Parliament. I think the Parliament wants more explanation as to why the Belgians ---- It is not why the Belgians, we have been contacted by James Oliver of the BBC ----

Q47 Chairman: For the *Panorama* report.

Mr Volders: Yes, for the *Panorama* report. That was the introduction. He said in the Belgian Parliament Mr Jamar had defended the politics of Belgium to cope with the VAT fraud and we mentioned this study. The journalist knew this and he contacted Mr Jamar and Mr Jamar gave an interview to the BBC journalist and then we had a diplomatic incident. We have spoken with the Ambassador and we are open to discussion to defend our position and certainly to explain our politics to fight against VAT fraud.

Q48 Chairman: We will start as if we had Mr Jamar here. May I thank you for having us. Thank you for filling in for Mr Jamar, who we look forward to meeting later in the morning. We are recording all of this because we are a House of Lords Committee and I hope that is all right. You will get a transcript so you can see what it is that has been said.

Mr Volders: No problem.

Q49 Chairman: I believe you have also had a list of the questions that we hope to ask and, indeed, very appositely the first thing we wanted to ask you about was the work of the Task Force because that must have been the core document from which *Panorama* drew their figures and their facts. In fact, we have not got a copy of the report and we would be terrifically grateful for it.

Mr Volders: A copy of the report?

Q50 Chairman: Of the report on Missing Trader Fraud.

Mr Hulot: It is only available in French.

Q51 Chairman: That is all right, we can get that translated.

Mr Volders: We are copying it now.

Q52 Chairman: Good. None of us is fluent enough in French.

Mr Hulot: We have a short résumé about the Eurocanet project.

Mr Volders: That is in English!

Q53 Chairman: Wonderful. That really constitutes our first two questions. What we are beginning to find is that there is some disagreement about the size of the fraud. We have, as it were, in the United Kingdom owned up to somewhere between £3.7 and £4.5 billion lost through carousel fraud. We owned up to that in the Autumn Budget statement but, for instance, your figure of eight billion is rather higher than we recognise. Then there are reported comments from Mr Kovacs who says it is 250 billion which would be five times the size of the CAP. We would like your views on where the numbers are and where they are coming from and what you think about Eurocanet.

Mr Hulot: Eurocanet is a detection method, not an evaluation method. It is a network between all the Member States between anti-fraud units about the fraudulent transactions. If we have a transaction from Member State one to Member State two, to Member State three, Member State four, we have the companies which are targeted. The aim of the project is to monitor closely electronically the companies which are invoicing constantly to missing traders. With that data it is possible to make a reproduction of where the missing traders are in the EU. Do you understand what I mean?

Q54 Chairman: Yes.

Mr Hulot: It is possible to do a reproduction. With the network it was possible to make this study, and we did it. The first conclusion is that VAT fraud is not homogenous in the EU, there are big differences.

Q55 Lord Watson of Richmond: Differences in how it is done?

Mr Hulot: Yes. It was not a study about the VAT fraud in the UK, it was a study of data and we have very good data. It is perhaps the first time in the European Union that we have had the data to make the study. If Mr Kovacs says it is 250 billion of fraud, I do not know if he has got data to say that, but to do the study we did we had data and we had data from 23 countries.

Q56 Chairman: That says, to me at least, that the Eurocanet data is probably better than anything else that is around because you have collected it from the people who are actually directly dealing with the data.

Mr Hulot: Yes.

Q57 Chairman: Is there any chance that the amounts are double-counted?

Mr Hulot: Normally not. We made a filter to avoid double-counting. Also, we had a problem with the Dubai route because all the fraud which we called the “Dubai route” was in the UK. We were in communication with the old anti-fraud unit in the EU and we never had a case with damage out of the UK.

Q58 Lord Watson of Richmond: May I ask a supplementary. However, there is this enormous discrepancy between your figure, which is bad enough, and this other figure which is hundreds of billions. It prompts the question whether what is actually happening here is that we are really only beginning to look for this fraud and that it may be rather like an iceberg, that we have detected what is on the surface but we have not actually discovered the dimensions under the surface. Do you allow for a possibility that the extent of VAT fraud, and carousel fraud in particular, may be much, much greater than that has been anticipated?

Mr Hulot: I think last year we were at the top but had never ----

Q59 Lord Watson of Richmond: You had never done that research before?

Mr Hulot: No. I have to say we saw the figures for the first quarter to 2006 and the transactions went down from 70 per cent, and also in the UK. That means that the study gave some figures and now it is not the situation we had then.

Q60 Lord Watson of Richmond: It is less.

Mr Hulot: Yes. The reason we know was there was the first Curacao bank which closed and on the Dubai route everybody had an account in this bank.

Q61 Chairman: The bank was in Curacao, not Dubai.

Mr Hulot: Yes, Curacao.

Q62 Chairman: One in Dubai as well?

Mr Hulot: Yes, but it was for the fraud that we call the “Dubai route”. It was the Dubai route but ----

Q63 Chairman: It was banked in Curacao.

Mr Hulot: The accounts were offshore in Curacao. This fraud disappeared in September. In the study the Dubai route represented 66 per cent of the fraud in the UK which means these figures have disappeared. We imagine now the fraud in the UK is at least a third less than last year.

Q64 Chairman: Can I ask who has been providing the Eurocanet figures from the UK?

Mr Hulot: To evaluate the fraud in a country you do not need the data from the country but you need the data from the other countries and we had the data from all the countries.

Q65 Chairman: Including the UK?

Mr Hulot: No. We have a problem with the UK.

Q66 Chairman: Do tell me, why?

Mr Hulot: At this moment the Eurocanet network is a very good detection method but for one year we have had no data from the UK, they do not want to participate and we do not know why. You are the one that is of more concern and we have contacts but we have no data, no feedback about the missing data. We send the results from all the other countries, they have the results, but they do not participate and I do not know why.

Q67 Chairman: Oh dear.

Mr Hulot: We have contacts in the Ministry of Finance, we have contacts in CCT and also with the FLO. If you can help us to have good contacts and exchange of information.

Lord Watson of Richmond: If I may say, this is quite extraordinary. I do not know whether you saw yesterday's *Financial Times*.

Chairman: It is one of yours.

Lord Watson of Richmond: Yes. There is a trader in Britain who has been sentenced to 15 years in prison and his two colleagues seven and a half years each. He is actually, by nationality, French and Belgian but he has been carrying out his fraud in the UK. There is a name given to the person who has been heading the investigation, not just of this but all these investigations, for the Revenue and I am just wondering why you have not had contact with him. He is Mr Chris Harrison, Deputy Director for Investigations at the Revenue. You should contact him. You could ring him up this afternoon.

Q68 Chairman: But, like you, we have a minister who is fundamentally responsible for fraud, the Paymaster General, but you have not been in contact with her office either?

Mr Hulot: Yes, but apparently they do not know very much of the project and they fight against fraud but with other methods.

Mr Volders: They do not believe in the Eurocanet method but that is strange. Is there another country with the UK that is not participating in Eurocanet?

Mr Hulot: Yes, we also have a problem, a political problem, with Germany.

Q69 Chairman: That is very interesting.

Mr Hulot: For the project we had some help from OLAF last year and they do not want to work with OLAF. It is more a political problem. Germany is ready to work on the project without the help of OLAF. They think it is a good project but they had a problem with the participation of OLAF in the project.

Q70 Lord Cobbold: Why do they have that problem with OLAF?

Mr Hulot: Apparently it is the sovereignty of fiscal matters and then OLAF. They want to stick with Member States but not with the European Commission about the operation of fighting fraud.

Q71 Chairman: Yes, I am familiar with that statement of objection.

Mr Hulot: Perhaps we have the same problem in the UK, I do not know.

Q72 Chairman: I am just thinking that this could be the case but we must find out because obviously it is in everybody's interests to find out how extensive the fraud is.

Mr Hulot: For one year we have had no help from OLAF and it is a project only for Member States. If that was the reason it is over now.

Q73 Lord Watson of Richmond: Is it your understanding then that the British and the Germans are not co-operating but they are not co-operating for different reasons, the Germans are not co-operating because they see this as a sovereignty issue and the British are not co-operating because they do not believe in the methodology of your project?

Mr Hulot: Perhaps that is the case. You have to know that the project works in 23 countries in the EU and everybody is very interested and have invested in the project. In some countries they have created teams to work in Eurocanet and we have contact points which are working in Eurocanet full-time. It is a very early method of detection. With this method we can detect six months earlier than with other methods.

Q74 Lord Kerr of Kinlochard: I am impressed about this initiative, which I take it originated in this Ministry and is run by this Ministry.

Mr Hulot: Yes.

Q75 Lord Kerr of Kinlochard: I am less impressed by the report which you have kindly shown us. I am not clear how you can be in a position to make statements like the one on page 33 where you say that the Dubai route is exclusively a phenomenon in the United Kingdom. If you have not had working co-operation with the United Kingdom I am not sure how you know of the scale of the Dubai route in the UK and if you have not had working co-operation from other Member States I do not know how you can state that the Dubai route is exclusively a problem in the United Kingdom. I take that as an example. I see that you basically decide on the scale of carousel fraud in Member States by taking an assumption about the proportion of GDP per Member State which is attributable to fraud and I see that curiously you put the United Kingdom top of the list followed by France, Spain and then Sweden. We are now on the league table on page 17 which scores Sweden, for example, as far higher in this issue than Belgium. I am not clear of the basis for these statements. It seems to me that it is very good to take an initiative against carousel fraud but it is rather dangerous to make statements about the scale of carousel fraud in the United Kingdom without any working link with the United Kingdom authorities and dangerous to make

statements about the Dubai route saying that it is exclusive to the United Kingdom if you do not have complete coverage across the European Union.

Mr Volders: That is not our problem. It is a remark. Why? Because it is very hard. We say it is now only in the UK but now we must prove why we made this statement, and Mr Hulot can answer that.

Mr Hulot: It says that you have a big risk if your country is big and if your reimbursements are abnormal. That is what the figures are saying. It is only that the United Kingdom is a very big country and the reimbursements in proportion are very big. That is only what I am saying there.

Q76 Chairman: It is a statistical observation?

Mr Hulot: Yes, it is statistical and macro-economical. In the study there are two approaches, macro-economic and micro-economic.

Q77 Lord Kerr of Kinlochard: Forgive me. You have there a minority of Member States in the European Union not including the largest Member State nor those among the smallest, Cyprus and Malta are not there. This seems to me to be a very odd table with no Germany.

Mr Hulot: It is because the data was not available for those countries. That was not published.

Q78 Lord Kerr of Kinlochard: That illustrates my point, if I may say so. I think it is very good to take an initiative and very dangerous to publish conclusions drawn on the basis of only partial completion of the exercise.

Mr Hulot: My sources are the World Trade International, an international organisation. I only copied that data in the report. It was very indicative of the size of the country and the level of fraud.

Q79 Lord Kerr of Kinlochard: Why is the United Kingdom discussed throughout this report although you say there is no co-operation with the United Kingdom, and Germany not discussed in this report although you also say there is no co-operation with Germany?

Mr Volders: He has not found the figures for Germany.

Mr Hulot: They are not available. They are classified “confidential” in Germany.

Mr Volders: When we averaged the figures the representative end was bigger but we stayed with the macro-economic analysis based on the figures in Eurocanet and based on the figures from the countries who have published their figures. I think we have a representative study.

Q80 Chairman: I would like to move us on because this study is new to us, I think we should take it away, have a good old look and come back and ask you a few more questions on paper so that we can establish what we are doing. We now know the kind of basis on which you have been operating, which I find very helpful. I would like to move us on to ask you what is happening in the Belgian economy. We have a faint feeling that perhaps Missing Trader Fraud manifests itself differently in each country and we would very much like to know what you think is happening here and what steps you are taking to deal with it.

Mr Volders: The politics of the approach in tackling this sort of fraud?

Q81 Lord Watson of Richmond: Not just that. You made the point right at the beginning that we are not looking at the same patterns of fraud, that even from the research you have done the evidence is that it is done differently, there is not a European-wide fraud, so to speak, there is fraud taking place in different Member States and it is done differently.

Mr Hulot: Yes.

Q82 Lord Watson of Richmond: How about Belgium?

Mr Hulot: In my team we identified eight typologies of fraud. We have to establish the difference between operators first, the fraud and the damage. Of course the problem is everywhere in the EU but the missing trader is in the UK and the damage is where the missing trader is. It is very important to identify which operators are in your country. In Belgium five years ago we had a very big problem with missing traders and the fraud was reduced by ten in five years. We reduced the damage of that fraud by ten.

Mr Volders: We have the figures for that also.

Mr Hulot: Now we have conduit companies we have no fraud in Belgium but we have offshore companies for fraud in other countries and we have tried to fight against those companies. It is more and more difficult because there is no fiscal fraud in our country.

Q83 Chairman: Can I get it straight that your missing traders are now in other countries, is that right, they are not in Belgium any more, you believe them to be in other countries?

Mr Hulot: I work in the Police Service also and we know that all Belgian fraudsters are now in France, Spain or the UK.

Q84 Chairman: In England?

Mr Hulot: Yes.

Q85 Lord Watson of Richmond: There is one less now!

Mr Hulot: Yes.

Q86 Chairman: You got rid of them on the whole, you persuaded them to move, by enforcement.

Mr Volders: We have very stringent policies for attacking fiscal fraud. We had a commissioner of government in 2001 and now we have a secretary of state, the Minister of

Finance, to attack fiscal fraud. Why has Belgium had experience in VAT fraud? Because we have had this system of the Benelux reverse system.

Mr Hulot: In 1993 and before in the 1980s.

Mr Volders: I think in the 1970s we had the reverse charge system between Belgium, the Netherlands and Luxembourg. We detected the carousel fraud in the 1980s.

Lord Cobbold: Do you think that the reverse charge could be applied throughout the Community?

Lord Watson of Richmond: Is it the most effective method of stopping this?

Q87 Lord Cobbold: Would it stop it generally?

Mr Volders: It is a political opinion now, it is not Mr Hulot's opinion, it is a political opinion of the Director. With the reverse charge, the system that now exists, there are risks. We now have eight typologies already detected. When you have Kovacs doctrine, he has another statement and he wants another method of attacking fraud, another technique on the VAT system, but the change has got to be more at the last person in the chain logistically in the chain of goods. There are always risks in every system of your fiscal regime and there are possibilities for fraud. When you think about it, it is unbelievable that OLAF and the European organisations are not dealing with the Member States enough to deal with this international fraud because when you want to attack carousel fraud you must co-operate with the other countries. In the European Commission there is an institution for attacking fraud. Now it is a bilateral reunion but maybe we have to deal with the other countries also and ask whether you are experiencing it. We do not have an instrument where we can say, "Okay, this is the experience of Belgium, this is the experience of the UK", then we could have it all in OLAF and maybe we would find more typologies than the eight because the missing traders are now in another country.

Q88 Chairman: It seems to me that the missing traders are offshore to the EU, which is the problem I am struggling with, that the missing trader on the whole has moved outside the EU countries, or is this not your experience, Mr Hulot, do you think they are still in the EU countries?

Mr Hulot: It is the companies which are moving out. The missing traders is where you have the damage.

Q89 Lord Cobbold: They have to be within the Union to benefit from the VAT.

Mr Hulot: Yes.

Chairman: Yes, that is true.

Q90 Lord Watson of Richmond: I have, if I may, a question which comes from your summary here. On the second page, you say: "...it's of the utmost importance to gain intelligence and experience that should be shared in due time by all Member States. By making the best use of current European legislation, allowing the direct contact between nominated anti-fraud staffs, it must be possible to exchange faster and better intelligence." If I understand correctly what you have been saying, even by making the best use of current European legislation, the fact is that you are not able to draw information from very important Member States, including the UK and Germany, I would like you to be more specific about the position of current European legislation. Are you saying that for this effort against fraud to become a comprehensive one you need new European legislation or are you saying that there is enough legislation there for you to widen your search to be comprehensive?

Mr Hulot: I think we have enough but it is another way of working. The Eurocanet project is legal, we have the 1998 regulation from 2003 and it is enough to work like this. We need another way to work together which is more flexible because VAT fraud is a very big fraud

where you need to be very fast. The ordinary tools to fight against normal fraud are different. If it is for criminals I think we have the tools but it is the mentality that we have to change.

Lord Watson of Richmond: If I may come back to Lord Kerr's point which really is fundamental. Unless and until you have comprehensive information it is not possible to answer the very first question which we posed, which is what is the scale of the problem, and if you cannot answer the question what is the scale of the problem you cannot either answer the question what is the severity of the problem. What is unfortunate about the way all this has developed through the BBC and all the rest of it is that what has actually come through is that there is somehow a special UK problem, which may or may not now be being properly addressed, it probably is. I come back to the original point. Is that really the picture that we should be looking or should we be looking at a much wider picture of this fraud across the European Union, in which case it is essential that you have the co-operation of Germany and the United Kingdom otherwise you will not be able to do this work.

Chairman: Nobody will be able to do this work.

Q91 Lord Watson of Richmond: Do you see the reason for our unease? In terms of a parliamentary report, as things stand at the moment we would simply have to report that the view in Brussels was that this is primarily a British problem. We will talk to people in Britain who will say that they have now tackled it and significantly reduced it, and you were saying that yourself, in which case there is no problem, it has gone away, but we could be making a very fundamental mistake and we may be looking at a much wider problem, much more diffuse within the EU and it may be growing rather than diminishing. I think we have to get this right. What you said initially would indicate to me that we should not spend too much time on this problem because it is actually diminishing, the UK has probably got on top of it and there is not much to talk about, but could we be making a bad mistake and what we are looking at is actually something much bigger?

Mr Volders: I think it is a problem for all the countries within the European Union. VAT fraud and carousel fraud is a very big problem for all the countries. Why? Because damage for Europe and the Member States can be very, very quick and the loss for the treasury is immediate. We have *The Guardian* and *The Guardian* has begun to give us shivers and we have been interviewed by the Belgian Parliament and the Secretary of State says “Okay, fiscal VAT Fraud is estimated at that”, and *The Guardian* has said, “In the UK this is the amount of VAT fraud”, and what they have they done is on the basis of the gross national product extrapolated from the other countries. The Belgian parliamentarians have read it in *The Guardian* and said, “That is strange. Secretary of State, why do you say the amount is that and *The Guardian* says it is very, very much bigger?” That is why the specialised people in VAT fraud have begun this work because when we know exactly the size of the VAT fraud you can come up with solutions. When you know how much is fraud it is a statistic, it is proof.

Q92 Lord Kerr of Kinlochard: I understand that but I do think it is dangerous on the basis of extrapolations to make statements about other countries’ problems. The total level that is discussed in your report is an extrapolation.

Mr Volders: Yes.

Q93 Lord Kerr of Kinlochard: The amount in the UK asserted in your report is an extrapolation. The breakdown between the ----

Mr Hulot: The study is an extrapolation.

Q94 Lord Kerr of Kinlochard: It is an estimate. On page 37 you tell the world that in the United Kingdom 30 per cent of the problem is classic carousel and 70 per cent is the Dubai route. On page 39 you say that the Dubai route is an important problem which must be given

considerable attention in view of the astronomical amounts at issue for the United Kingdom. Forgive me, but using words like “astronomical” or “70 per cent”, or even giving an estimated total for somebody else’s problem without discussing it with the person whose problem it is seems to me to be very dangerous. I go back to what I said first. I think it is very good to take an initiative against carousel fraud but very dangerous to publish extrapolations on the scale of the problem in other Member States without using data from the other Member States. I cannot see what use we can make in our study of your extrapolations.

Mr Volders: I am a scientist, I work only on figures and perhaps for the public consideration it was a response to ----

Mr Hulot: The Secretary of State is responsible and he has done his work, we have this report. The Secretary of State has said to the journalists that on the basis of our report we estimate the frauds to be like this. Maybe that is dangerous. We do not want a diplomatic incident, we want to co-operate. I hope the feeling of the people around the table is that it is a beginning.

Q95 Chairman: And a most useful thought.

Mr Hulot: We have to try to estimate the size.

Chairman: We have two more questions. Lord Cobbold has one and I have another one to ask people who are involved at this sort of technical one. Lord Cobbold.

Q96 Lord Cobbold: Do you feel that there is a role for OLAF in tackling this problem Europe-wide or do you feel it is best handled by the nation state at nation state level?

Mr Volders: It is best handled by the Member States because OLAF is not really competent.

Q97 Chairman: They have other jobs?

Mr Volders: We do not have the competence in OLAF that you have in the Member States. There are not so many people, there are only three for the VAT for all of the EU. The intervention of OLAF in the project at the beginning was only funding for the meeting. I have to say it was very important that at the beginning the project was not only involving Belgium but five countries, and among the five countries we had the UK. At the beginning we had very good contact with someone who was the boss from the CCT.

Mr Hulot: He has retired.

Q98 Chairman: I am not going to try and guess what happened. What I would like to ask, Mr Hulot, while you are here is there has been much talk about and, indeed, we have proposed a reverse charge on two commodities. You have views on whether reverse charging will fix the problem, whether it be ours or the European problem.

Mr Hulot: Yes, when we had the big problem of Dubai the reverse charging system was a good solution but at the moment it is over. For us we will have a new method very soon that we are looking at in the Eurocanet project so we will be able to say one week later if you have a new Dubai route or Hong Kong route ----

Q99 Chairman: One assumes that somebody will find a new one.

Mr Hulot: It was a very big problem that some countries had but now you can have 100 carousels from one million pounds but with the reverse charge you can have one million fraud from £1,000. Do you understand?

Q100 Chairman: Not quite, except that both systems are subject to fraud because you have tried it.

Mr Hulot: With the reverse charge the fraud will be at the retail side.

Mr Volders: At the end.

Q101 Chairman: You are moving the fraud around?

Mr Volders: The risk is moving to the retailer.

Mr Hulot: With carousel fraud you have a small group which specialises in this fraud but with the reverse charge you have many, many fraudulent companies. It is impossible to handle it. If you have a big problem, after you have a very big problem, it is very difficult to comprehend.

Lord Cobbold: Does this mean that we need a complete rehash of the VAT system?

Chairman: Go to an origin system.

Q102 Lord Cobbold: Sales tax or whatever.

Mr Hulot: No, because you have other typologies, for example the definitive regime. It is very dangerous. In your company you have one invoice from Bulgaria and you have to say in one or two weeks if you can make the reimbursement. If try to have contact with Bulgaria it is impossible to read what you have on the invoice, it is another alphabet, and you have to contact the anti-fraud unit in Bulgaria and ask, "Is it possible that you have £1 million on this invoice" and you have to answer within ten days, which is impossible with the system of international co-operation now.

Q103 Lord Kerr of Kinlochard: You would not favour a move to an origin system because of the difficulty of trusting?

Mr Hulot: At this stage of international co-operation it is impossible. You have to reinforce the possibilities of direct exchanges and control and so on.

Q104 Lord Watson of Richmond: You were talking about the difficulty of getting responses from Germany and the United Kingdom. In terms of the new Member States – Bulgaria and Romania – have you established contact with them or not?

Mr Hulot: Yes, we did immediately. In the last quarter of last year they contacted us and asked us to visit and in February we will go to Bucharest and Sofia to make them ----

Q105 Lord Watson of Richmond: That is reassuring.

Mr Volders: It was also the politics to co-operate. These new Members must immediately co-operate. I have visited Lithuania and their exchange programmes for information are performing better than the Belgians.

Mr Hulot: There will be members from the network at this moment.

Mr Volders: They have invested in new ICT, so they are the best performing machines.

Q106 Lord Watson of Richmond: That is the most reassuring thing I have heard this morning.

Mr Hulot: It means that by now they will receive all suspect transactions in the direction of their country from all the other Member States.

Q107 Chairman: I am personally most grateful for your help on the technical side because it has managed to knock on the head one or two ideas we were nursing about the technical dealing with fraud. I have deliberately not sought to seek answers from either of you on the purely political questions because had Mr Jamar been here it would have been proper to ask him, but it is not quite proper to put those to you. We are meeting Eurostat at 11.30 so I am afraid we probably need to despair of Mr Jamar but, on the other hand, perhaps we might correspond with him.

Mr Hulot: No problem at all.

Lord Watson of Richmond: And with you, Mr Hulot.

Q108 Chairman: This technical information is most useful. We are very grateful for both of these reports which we had not seen. We can ask more questions, if we may, in writing.

Mr Hulot: You can ask more questions at the technical level and also at the political level.

Chairman: The technical level is extremely helpful.

Q109 Lord Watson of Richmond: You are aware that the European Parliament is also now going to carry out an investigation into carousel fraud.

Mr Hulot: The Economic Committee.

Q110 Chairman: I would still like to talk to the technical practitioners.

Mr Volders: Just as an example, we had an amazing VAT fraud in mineral oils beginning in 2000 and what did we do? We co-operated with the economic enterprises and there are two federations of petrol oil in Belgium and the Netherlands. All of the petrol oil comes from Rotterdam and is sent to Belgium. We have done a protocol between the two organisations, the two countries, to give all information when there is a tanker that is leaving Rotterdam, the Belgian authority is informed and vice versa, reciprocity. There are now no mineral oil frauds because we know everything. That ship must arrive there and if it does not arrive we have a problem. We have not detected another construction of VAT fraud in the mineral oil area with this simple agreement between two federations. When I say it was €300 million in 2000 and we have estimated that because of the detection of fraud we have eliminated it to zero and we can say there is now €300 million in the Treasury for Belgium.

Q111 Chairman: Some number.

Mr Volders: That was just with this agreement. This was what Mr Hulot said also. All the Directives and Regulations for the exchange of information are already implemented but we must do it.

Q112 Chairman: That is a useful answer.

Mr Volders: How can we do it, we have a contact point like we have with Mr Simon Felderman, and now you have a contact point with Mr Hulot. That is the only thing, we must know each other and have confidence in each other.

Chairman: That is entirely right.

Lord Watson of Richmond: That is something we could help to facilitate. I have given you one name from that newspaper report from the Revenue service.

Chairman: Thank you very much indeed.