

NATIONAL ALLIANCE AGAINST TOLLS

TRANSPORT SELECT COMMITTEE - TAXES AND CHARGES ON ROAD USERS

Introduction

1. The committee are conducting an inquiry into taxes and charges on road users and have invited comments and posed various questions.
2. This is the submission of the National Alliance Against Tolls (NAAT) which was formed in 2004 by local groups protesting against tolls in England, Scotland and Wales. Tolls are one of the taxes on roads users. We oppose all forms of toll regimes, even if they are given names such as "congestion charging", "road pricing" and "road user charging".

Summary

3. Taxes on roads users are considerably greater (£50 billion or more) than the amount (£9 billion or less) which is spent on provision and maintenance of provision of road space for those who are being taxed. There is no valid excuse for penalising drivers with even higher taxes.
4. Fuel tax is the best way of charging for roads use. Vehicle excise duty should be reduced, particularly for lorries. Existing tolls should be removed, and no new ones introduced.

What taxes and charges are currently paid to government by road users, how much revenue do they raise and how does this compare with national and local government expenditure on the roads network and ancillary services?

5. The NAAT last looked at this in June and there will be no significant change to the data that was available then.
6. The figure for the more direct taxes is about £50 billion a year or about £57 billion if less direct taxes are included –
 - £25 billion - Fuel Duty,
 - £9 billion - VAT on fuel,
 - £6 billion - Vehicle Excise Duty,
 - £6 billion - VAT on purchase of new cars,
 - £2.5 billion - Company car tax,
 - £0.5 billion - Insurance Premium tax,
 - £0.5 billion - Tolls and "congestion charges",
 - £50 billion - Total of direct taxes on use of vehicles,

 - £3.5 billion - proportion (one third) of other taxes on oil companies,
 - £3.5 billion - Other taxes on garages and car repairers etc.
 - £57 billion - Total of all taxes related to vehicles.

(An appendix shows how the figures were derived.)

7. The NAAT in June also looked at roads spending. The last published figure for public spending on what was described as “roads” gives £9 billion for 2007/08 (Public Expenditure Statistical Analyses 2008, published in April - chapter 5, table 5.2, line 4.5 - estimated outturn of £3,151 million for “national roads” and £5,525 million for “local roads”).
8. This £9 billion will overstate the spending that is incurred on behalf of those who are providing the money. It may include some public transport spending as local authorities are now being given part of their spending allocation as an amount which can be spent on either roads or public transport. And a lot of the spending will not be on road space for cars, vans and lorries – but on the provision, maintenance and lighting of pavements, alleys, footpaths, bridleways, cycle lanes, bus lanes and pedestrianised areas - all places where cars, vans and lorries can't go. The £9 billion will also include spending on schemes which impede traffic and create congestion, e.g. closing and narrowing roads, demolishing flyovers and footbridges, traffic "calming", pedestrian operated lights.
9. So of the £9 billion that is spent on "roads", possibly only half is positive spending on increasing road capacity and maintenance and repair of existing capacity.
10. The PES for 2008 also gives public spending for 2007/08 on railways of £8,185 million and other transport of £4,297 million. Some people suggest that this spending should be included as part of the spending of road taxes. In our view if those who travel by train etc are to be subsidised, then that subsidy should be regarded as coming out of general taxes and not road taxes. The average person in a year travels 900 miles by public transport, and 5,700 miles by private vehicles (National Travel Survey 2006). If all travel was by public transport, then public spending would be far higher but there would be no drivers left to pay the £50 billion of roads taxes.
11. The committee also referred to spending on “ancillary services”. We have not attempted to quantify this. It is a matter of opinion as to what extent other services are provided solely because of roads use, and would not be needed in some other reality where we all travelled on foot or bicycle or tram, and goods were delivered by trains, canal barges and horse and cart.

What is the impact of the current charging regime on individuals, businesses and the economy?

12. Putting a charge on anything discourages its use. But given the overwhelming need and desire for people and goods to move, even the present exorbitant level of charges probably has little effect.
13. To the extent that there is some effect there will be a distortion in that people and goods may switch to a way which is subject to lower or no taxation. It is a matter of opinion whether society is better off if these alternatives, e.g. air travel or rail travel, are used instead of roads. Though at the moment lobbies, such as those for rail travel, appear to be successful in arguing that their use should be encouraged even though their facilities may already be crowded and difficult and expensive to expand and their power sources at the margin are the burning of fossil fuels.

Do the taxes and charges paid by motorists capture the external costs of congestion, local air and noise pollution, accidents, and CO2 emissions? Would it be desirable for them to do so and, if so, how could this be achieved?

14. The costs of roads congestion are largely borne by the users of the roads. To put a tax on top would be a double charge. If any other public or private service, e.g. hospital beds or cans of beans, had excess demand, then the supply would be increased. Some people argue that improving the roads system will increase demand and not reduce congestion. Obviously if there is an inadequate system then increasing supply will increase use. But to suggest that demand and use will increase infinitely is nonsense. There are only 24 hours in a day and people do not want to spend them all travelling, indeed the average amount of time spent travelling has remained steady for the last 30 years at about one hour per day (National Travel Surveys).
15. Only part of air pollution comes from roads traffic. The latest Air Quality Pollutant Inventory published by the National Atmospheric Emissions Inventory earlier this month gives figures for what it regards as the six priority air quality pollutants. For England the proportion from "Transport sources" is – Ammonia - 3%, Carbon Monoxide - 51%, Nitrogen Oxides – 45%, Non-Methane Volatile Organic Compounds – 14%, Particulate Matter & Pm10 – 30%, Sulphur Dioxide - 8%. That is an average of 25% from transport sources, and that is ALL transport, not just road transport or cars.
16. The most annoying forms of noise pollution are those which are irregular such as noisy neighbours and dogs, passing motorcycles and planes. To the extent that cars do cause a noise nuisance, the cost of reducing it through quieter road surfaces etc is minute compared with the billions of charges collected from roads users.
17. The costs of roads accidents are largely borne by roads users both directly and through insurers. Even some part of the cost of hospitals treating people hurt in roads accidents is recovered from drivers via Road Traffic Act claims by hospitals against insurers.
18. It is assumed that "the costs of CO2 emissions" is referring to the anthropogenic global warming theory that there is warming due to additional atmospheric CO2, and that the overall effect is negative. The UK Greenhouse Gas emissions for 2006 published by DEFRA in March gave ALL transport as being responsible for 151 million tons of CO2 out of a total of 554 million tons, so the bulk of CO2 emissions does not come from roads use. In any case fuel for roads use is already subject to punitive taxes, whereas other uses of fossil fuels are either untaxed or subject to taxes at very low rates.

Should the primary purpose of taxes and charges on motorists be to raise revenue to cover the costs of the road network, to reduce traffic and congestion, to minimise the negative social and environmental impact of transport, or some combination of these?

19. The primary purpose of any tax is to raise as much net revenue as possible without causing a revolt by those charged. The amount raised from roads users already exceeds the spending for road users by a factor of between 5 and 10, so the purpose is self evidently not "to cover the costs of the road network". Given that the taxes are already at such a high level it would be unreasonable to increase them with the claim that it was to meet any of these "purposes"

or to hypothecate some part of any increase to say extra roads spending whilst ignoring the existing gross excess of tax over spending.

20. Some types of charge are better for UK Plc than other charges. They are those charges which are the cheapest to collect and which encourage fuel economy (whether achieved by driving less, using a smaller vehicle, less heavy use of the gas pedal, car sharing etc). On this basis the emphasis should be on fuel taxes. Other taxes and charges on road use should be reduced or eliminated.

Does the current system have different impacts on different categories of road user? If so, is this fair?

21. If “road user” includes ALL users then obviously it does have different impacts in that some users pay little or no direct charge for the use of the roads – walkers, cyclists, bus passengers, horse riders, animals. There are also some vehicles which are exempt from vehicle excise duty such as agricultural vehicles and crown vehicles.
22. Generally the present system makes little difference in the treatment of different types of roads users, though motorcycles and taxis may get preferential treatment in a few areas. One major exception to this rule is with vehicle excise duty. The maximum rate for a car until recently was about £200 (though for some cars there is now a £400 band). The maximum rate for lorries is £1,850. Lorries do cause far more damage to roads than a car does, but a lorry will also consume far more fuel and thus pay a lot more in taxes on fuel.

What alternative methods of charging for road use are available, such as road pricing in town and city centres and on the national road network, lorry road-user charging schemes, switching charges between fixed charges (such as Vehicle Excise Duty) and variable charges (such as fuel duty)?

23. The committee as an example give a list of charges which are other names for tolls. For those affected, tolls are the most unpopular form of tax on roads, and as the committee would expect the NAAT is opposed to all these charges. In March 2006 the Government quietly published “Consumer Behaviour and Pricing Structures : Final report on Qualitative research”. The report indicated that people did not want “road pricing” and preferred a “petrol tax”.
24. Tolls are unfair and uneconomic and may result in unwanted outcomes such as people driving longer distances to avoid them. Tolls are also very expensive to collect.
25. Consultants reporting to the Government in 2004 said that a national road pricing scheme could cost up to £62 billion to implement, with annual running costs of £5 billion on top. The London congestion charge is even more expensive to administer per vehicle. In comparison the cost of collecting fuel duty is almost nil as it is assessed at the refinery and import depots. Some people turn a blind eye to the costs of collecting tolls and suggest that a national road toll would be just be a replacement for existing taxes or that any overall increased charge would be spent on new roads etc.

26. The committee also raises the possibility of switching between fixed and variable charges. The most recent changes in charges in roads use have been to increase fixed charges for cars with bigger engines. The declared purpose of these recent increases was to reduce fuel consumed and the resulting pollutants. If this was the real aim, then the emphasis should have been on fuel taxes not on fixed costs.
27. Most drivers think that fixed charges should be reduced. As vehicle licences are required for various purposes it is not appropriate for vehicle excise duty to be removed altogether, but the NAAT believe that there is a case for substantially reducing the duty and for relating it to the amount of road space that a vehicle (including vans and lorries) occupies.
28. Other charges that should be reduced or eliminated with the emphasis moved to the tax on fuel are the various forms of tolls and possibly the compulsory third party insurance.
29. One of the advantages of a tax on fuel is that it is difficult to avoid, whereas about 1.5 million roads users are currently evading payment of vehicle excise duty.

Should foreign-registered vehicles pay for access to the UK's roads and if so, how? How closely enforced are the rules governing re-registration of foreign-registered vehicles which are brought permanently to the UK and the consequent liability for VED?

30. The NAAT opposed the plans (eventually abandoned) for lorry road user charging. The problem that they were supposed to address – foreign owned lorries on UK roads - was real but the solution would have cost a very large amount to administer. There was also a risk that such a scheme might at some stage fall foul of EU rules, and a risk to the British haulier that the Government at some stage would use the system to get more from them.
31. In the view of the NAAT it would be more appropriate to substantially reduce the high levels of vehicle excise duty for lorries. This would reduce the costs of British hauliers, and would also mean that a higher proportion of the taxes that hauliers paid was related to roads use. We also think that there should be more standardisation of diesel duties within the EU. Britain charges the same duty on diesel as it does on petrol, but many EU countries have lower taxes on diesel. This is not appropriate as diesel engined vehicles get more miles to the gallon while creating more emissions of fine particulate matter. The EU was looking at the issue of harmonisation of fuel taxes but it was abandoned. Britain should try and revive the issue and should also explore the introduction of limits on the amount of fuel in vehicles entering the country, for safety reasons.

End. See appendix on next page.

Appendix – Calculation of taxes figure

The Road Users Association have been publishing road tax figures for some years. Based on their work, we have since 2005 done our own assessments. What follows is based on our last review in June 2008.

- £25 billion - **Fuel Duty** - 2008 Budget report published in March, chapter C, table C6 “Current Receipts” gives £25.7 billion for 2008/09. About £0.5 billion would be the effect of the duty increase scheduled for the autumn, but postponed.
- £9 billion - **VAT on fuel** – An average fuel price of 118 pence a litre was derived from AA Fuel Price Report for May. The VAT works out at just under 17.6 pence a litre. Annual fuel sales are 50 billion litres per UK Petroleum Industry Association.
- £6 billion - **Vehicle Excise Duty** - 2008 Budget report published in March, chapter C, table C6 “Current Receipts” gives £6.1 billion for 2008/09.
- £6 billion - **VAT on purchase of new cars** – Various sources give 2.3 million new car sales a year at £17,000 average price, giving total sales of £39 billion. Note that there is no VAT on used car sales, and most of the VAT on commercial vehicle sales (but not company cars) is reclaimable.
- £2.5 billion - **Company car tax** – HMRC Library - Taxable benefits in kind and expenses payments - Table T4.5 gives for 2006/07 on car and fuel benefits: estimated tax of £1,800 million and national insurance of £700 million.
- £0.5 billion - **Insurance Premium tax** - Association of British Insurers give premiums received by their members in 2006 for motor insurance as £10,277 million. At a rate of 5%, that yields £0.5 billion tax.
- £0.5 billion - **Tolls and "congestion charges"** – London charges £270 million, M6 Toll £65 million, about 20 other tolls in England and Wales yielding £230 million.
- £3.5 billion - **proportion (one third) of other taxes on oil companies** – HMRC website – “PRT and Government revenues from UK oil and gas production” - Table 11.11 shows a figure of £9.9 billion estimated for 2008/09. An arbitrary one third of this tax has been taken as relating to sales of road fuels
- £3.5 billion - **Other taxes on garages and car repairers etc** - There are about 34 million licensed vehicles and another 1.5 million not licensed. They contribute to the sales of independent filling stations, firms selling vehicles and repairing them etc. That activity will generate VAT, Corporation tax and PAYE etc. It has been taken that the tax on sales and profits will average £100 per vehicle (excluding the VAT on new cars).

End of appendix and NAAT submission to Transport Committee.

<http://www.notolls.org.uk/index.htm>