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1 INTRODUCTION

PURPOSE

- 1.1 In its 1998 Integrated Transport White Paper, *A New Deal for Transport: Better for Everyone*, the Government recognised the important role motorcycles play as a flexible and affordable alternative to the car. The Government therefore set up the Advisory Group on Motorcycling in 1999 to advise on how to develop transport strategies reflecting the role of motorcycles.
- 1.2 In the Government's 1998 consultation on reforming vehicle excise duty (VED) to ensure a cleaner environment, reforms were considered to VED for cars, lorries and motorcycles. In subsequent Budgets, reforms have been made to both car and lorry VED.
- 1.3 Continuing the reforms to VED, the purpose of this consultation is to set out the Government's current thinking on the taxation of motorcycles and to seek the views of stakeholders on how the Government proposes to modernise the motorcycle VED system.

RESPONSES

- 1.4 Although views would be welcome on all aspects of the Government's proposals, questions are set out in the body of the document so that they can be seen in context. Those questions are collected together in a form in Annex A. **It would greatly help analysis if the responses were made on the form in Annex A** and reached the Driver and Vehicle Licensing Agency (DVLA) by **8 February 2002**. The address to which to respond is:

MOTORCYCLE VED CONSULTATION
Vehicle Policy Group
DVLA
Longview Road
Swansea SA6 7JL

Fax: (01792) 782056

Email: vehleg.dvla@gtnet.gov.uk

1.5 Please note that:

- although responses to this document will be considered carefully, they may not be acknowledged individually; and
- responses, and the names of respondents, may be quoted and made available to the public. You can, however, say that you do not wish this information to be made available in this way.

Q1. Are you prepared to allow your response or name to be quoted, or made available to the public?

A1.a Yes

A1.b No (tick one)

2 BACKGROUND

2.1 This section explains why the Government is reviewing motorcycle VED. It sets out briefly:

- the Government's approach to environmental taxation;
- recent reforms to the VED system; and
- the case for reforming motorcycle VED.

THE GOVERNMENT'S APPROACH TO ENVIRONMENTAL TAXATION

2.2 Over time the Government aims to shift the burden of tax from 'goods' like labour and capital to 'bads' such as pollution. In line with the Government's Statement of Intent on environmental taxation, published in the July 1997 Budget, any environmental taxes should meet the tests of good taxation:

- polluters should face the true costs that their actions impose on society;
- the social consequences of environmental action must be acceptable;
- economic instruments must deliver real environmental gains cost effectively;
- environmental policies must be based on sound evidence; and
- environmental policies must not threaten the competitiveness of UK business.

RECENT REFORMS TO THE VED SYSTEM

2.3 In the 1998 consultation on the reform of VED to ensure a cleaner environment, potential VED changes were considered for a number of different vehicle types. This included cars, lorries, and motorbikes. In the following Budgets, reforms have been undertaken for car and lorry VED, including:

- a reduced rate of VED for cars first registered before March 2001 with engines up to 1,549cc;
- a graduated VED system for cars first registered after March 2001, with

VED rates linked to the carbon dioxide emission levels and the type of fuel used;

- a radical reform of lorry VED which will go live on 1 December 2001. This will sweep away around 100 different lorry VED rates and replace them with a system of seven broad rate bands that reflect better the environmental damage caused by different lorry types. The new system will allow hauliers more flexibility to change the maximum weight at which they operate their vehicles as well as their axle structure without having to re-licence, and will enable around 80 per cent of re-licencing transactions to take place at Post Offices.

THE CASE FOR REFORMING MOTORCYCLE VED

- 2.4** The Government believes there is a case for reviewing and, if appropriate, reforming the current system of motorcycle VED. As the motorcycle fleet has evolved it is important to consider whether the system of taxation needs to change. This is in order to meet commitments to environmental taxation and to contribute towards the role of motorcycling as set out in the Integrated Transport White Paper.
- 2.5** However, the Government is not proposing to reform the current exemption for those motorcycles which were first registered before 1 January 1973.

3 OBJECTIVES FOR MOTORCYCLE VED

3.1 This section describes the objectives of a new motorcycle VED system and sets out the issues that the Government proposes to consider when assessing options for the way forward.

TRANSPORT AND ENVIRONMENT OBJECTIVES

3.2 The Government has set itself a number of challenging transport and environment objectives. These include:

- reducing traffic congestion;
- tackling climate change;
- providing access to affordable transport;
- improving local air quality;
- improving road safety; and
- tackling transport noise.

3.3 In delivering these objectives, the Government uses a variety of policies, such as targeted spending, regulation or taxation . It is important to consider which policy instrument is most appropriate to delivering each objective.

Q2. Do you agree that the Government is right to take into account the objectives in paragraph 3.2 when considering reforms to motorcycle VED?

A2.a Yes

A2.b No (tick one)

A2.c *comments*.....

ROLE OF MOTORCYCLE VED

3.4 The Government has considered the contribution that motorcycle VED could make towards the objectives identified above:

- **reducing traffic congestion** – by encouraging smaller motorcycles to replace journeys which would have been undertaken by cars, particularly at busier times on the road, the Government believes that road traffic congestion can be reduced. The Government also believes that engine size data can effectively identify smaller motorcycles;
- **tackling climate change** – in most cases where smaller motorcycles replace journeys that would otherwise have been made by car, there will be climate change benefits. Different size motorcycles emit different levels of carbon dioxide, and generally the smaller the motorcycle is, the lower its carbon dioxide emissions. Engine size data can identify smaller motorcycles, which when used instead of cars, have the greatest benefit in terms of carbon dioxide saving;
- **providing access to affordable transport** – the Government believes that motorcycles, particularly smaller motorcycles, can provide an affordable alternative to the car. It is possible to use engine size data to encourage these smaller motorcycles;
- **improving local air quality** – emissions of local air pollutants from motorcycles, as a percentage of overall emissions from the transport fleet, are predicted to rise. This is being tackled through the first stage of European emission standards for new motorcycles that will be implemented from 2003;
- **improving road safety** – motorcycle safety remains a prominent issue. Figures recently published by the DTLR show that there were 8 per cent more accidents in 2000 than the previous year and 11 per cent more fatalities. However, it is not clear that the VED system could be useful in delivering safety improvements – especially given the extra cost of some measures, such as anti-lock braking systems. The Government believes that measures to improve safety would be most effectively delivered through regulation and by improving VED enforcement to ensure that all motorcycle keepers are insured and keep their vehicle road-worthy (see chapter 5); and
- **tackling transport noise** – motorcycles have in the past been associated with noise pollution. However, the tightening of European type approval standards and the UK's own legislation have been tackling this problem. Using VED to deliver noise improvements is not considered practical, because of the relative complexities involved and the greater effectiveness of regulation.

3.5 In summary the Government believes that motorcycles should be encouraged where they replace car use, especially for commuting purposes. This is because of the lower environmental impact and the reduced congestion of travelling, particularly commuting, by motorcycle instead of by car. The Government also believes that smaller motorcycles can provide an affordable alternative to the car, and could be useful to some people without access to other forms of transport, particularly in areas where public transport is limited.

Q3. Do you agree that the motorcycle VED system should be used to help deliver objectives to tackle climate change and reduce congestion, while also encouraging motorcycles as an affordable alternative to car use?

A3.a Yes

A3.b No (tick one)

A3.comments.....

DELIVERING THE OBJECTIVES

3.6 Given the objectives identified, the Government believes that it is most appropriate to continue to differentiate motorcycle VED on the basis of engine size, which is a good proxy for the use, size and impact of a motorcycle. Therefore a VED system with different rates depending on engine size can be used to help deliver the objectives outlined above. A motorcycle VED system based on engine size is also relatively simple to use.

Q4. Do you agree that engine size should continue to form the basis for motorcycle VED ?

A4.a Yes

A4.b No (tick one)

A4.c comments.....

4 REFORMING THE VED BANDS

4.1 This section examines options for implementing a system for motorcycle VED which reflects the objectives highlighted in section 3 and uses a system based on engine size. It considers the main uses of certain sizes of bikes and whether there is a need to change the band sizes and the number of bands to encourage particular uses.

CURRENT MOTORCYCLE VED SYSTEM

4.2 The current motorcycle VED system is set out below:

Band	Engine Size
Low	Not Over 150cc
Intermediate	Over 150cc up to 250cc
High	250cc and over

REFORMING THE CURRENT SYSTEM

4.3 The Government believes that motorcycles:

- not over 400cc are used predominantly for commuting purposes;
- over 400cc and up to 600cc are used both for commuting and leisure purposes; and
- 600cc and over are used predominantly for leisure purposes.

4.4 The Government believes that the VED system should reflect the environmental benefits and reduced congestion of smaller motorcycles used, particularly for commuting, instead of cars. The Government is therefore considering whether it should adjust the VED bands to acknowledge better the benefit of those motorcycles not over 400cc, and also those motorcycles between 400 and 600cc which could have environmental and congestion benefits when used in place of a car.

4.5 In considering the number of bands, the Government needs to balance simplicity and delivering an effective VED system which can differentiate between the benefits of certain sizes of motorcycles. It therefore is proposing to consider VED systems of between two and four bands.

4.6 There are a number of different combinations which could be envisaged for a new VED system based on engine size, using different band splits and different numbers of bands. One example might be:

Proposed VED reform: example 1

<i>Band</i>	<i>Engine Size</i>
<i>Low</i>	<i>Not over 400cc</i>
<i>Intermediate</i>	<i>Over 400 and up to 600cc</i>
<i>High</i>	<i>600cc and over</i>

Q5. Do you believe that example 1 will help deliver the objectives identified better than the existing system?

A5.a *Yes*

A5.b *No (tick one)*

A5.c *comments*.....

Q6. The Government is also considering the case for a further higher rate for the largest motorcycles (over 1000cc), because of the relatively larger environmental impacts they have. Do you think this is a good idea?

A6.a *Yes*

A6.b *No (tick one)*

A6.c *comments*.....

5 MOTORCYCLE VED EVASION

5.1 This section looks at evasion of motorcycle VED and assesses whether the Government needs to take any action.

BENEFITS OF ENFORCING VED

5.2 The Government believes that the benefits of improving the enforcement of motorcycle VED include:

- ensuring that motorcycles are roadworthy, as keepers are required to provide a valid MOT certificate for their motorcycle when applying for their VED disc;
- ensuring that motorcyclists are insured against accident, because keepers are required to produce a certificate of insurance when applying for their VED disc;
- combating crime by ensuring that the vehicle register is up to date; and
- ensuring that all motorcycle keepers pay their fair share towards the cost of using the roads.

5.3 Motorcycle VED enforcement is an important issue, as the evasion rate is substantially above the average VED evasion rate for all vehicles. This evasion is undermining the aims of ensuring road safety and defeating vehicle crime. The Government is therefore proposing to take further action.

ACTION TO COMBAT MOTORCYCLE VED EVASION

5.4 The Government is looking at ways to combat the high evasion rate and the level of theft of VED discs, and intends to publish a consultation document early in 2002.

5.5 Possible solutions include utilising rectangular licence discs that stick to the number plate. This would make detection of evasion easier. It would also disintegrate if tampered with, making theft for use on another vehicle impossible.

Q7. Are there any ideas that you would like to have considered in tackling the evasion and theft of motorcycle VED discs?

comments.....

ANNEX A: RESPONSE FORM

RESPONDING

This Annex is a response form that we would like you to use to give us your answers to the questions to be found in the main body of the document. **It would greatly ease the analysis of responses if you used this form** and returned it to the DVLA by **8 February 2002**:

MOTORCYCLE VED CONSULTATION

Vehicle Policy Group

DVLA

Longview Road

Swansea SA6 7JL

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Q1. Are you prepared to allow your response or name to be quoted, or made available to the public?

A1.a Yes

A1.b No (tick one)

Q2. Do you agree that the Government is right to take into account the objectives in paragraph 3.2 when considering reforms to motorcycle VED?

A2.a Yes

A2.b No (tick one)

A2.c comments.....

Q3. Do you agree that the motorcycle VED system should be used to help deliver objectives to tackle climate change and reduce congestion, while also encouraging motorcycles as an affordable alternative to car use?

A3.a Yes

A3.b No (tick one)

A3.c comments.....

Q4. Do you agree that engine size should continue to form the basis for motorcycle VED ?

A4.a Yes

A4.b No (tick one)

A4.c comments.....

Q5. Do you believe that example 1 will help deliver the objectives identified better than the existing system?

A5.a Yes

A5.b No (tick one)

A5.c *comments*.....

Q6. The Government is also considering the case for a further higher rate for the largest motorcycles (over 1000cc), because of the relatively larger environmental impacts they have. Do you think this is a good idea?

A6.a Yes

A6.b No (tick one)

A6.c *comments*.....

Q7. Are there any ideas that you would like to have considered in tackling the evasion and theft of motorcycle VED discs?

comments.....

Name and address:

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.....
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Interest in this policy:

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