

Modernising the Taxation of the Haulage Industry

A consultation document

November 2001



HM TREASURY

Modernising the Taxation of the Haulage Industry

November 2001

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INTRODUCTION

PURPOSE

1.1 In the November 2000 Pre-Budget Report, the Government proposed a series of steps to modernise the taxation of road haulage in the UK. The steps that it has already taken include the use of fuel duty differentials to encourage the use of cleaner, ultra-low sulphur diesel and road-fuel gases, a major reform to Vehicle Excise Duty, and the introduction of a £100 million Haulage Modernisation Fund.

1.2 In addition, the Government proposed to introduce a form of lorry road-user charging in the UK. The objective of the charge would be to ensure that lorry road-users in the UK contribute on a fairer and more equal basis towards the costs that they impose when using roads in the UK, regardless of their nationality. The Government also recognised that, as the UK haulage industry already contributes towards the costs that it imposes in the UK, this should not increase the tax burden on the UK haulage industry. The Government therefore indicated that it would offer other tax reductions for lorry operators when the lorry road-user charge is introduced.

1.3 The purpose of this document is to set out the Government's current thinking on this issue and to allow all interested parties to comment on how the Government might best implement a lorry road-user charge.

1.4 In particular, the Government has identified two possible forms of lorry road-user charging on which it would welcome comments:

- time-based charging; and
- distance-based charging.

1.5 The Government would ensure that costs would not increase for the UK haulage industry as a result of either charge through reductions in other taxes levied on lorry ownership or use.

CONSULTATION

1.6 Although views would be welcome on all aspects of the Government's proposals, some specific 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 B (starting on page 23). **It would greatly ease analysis if the responses were made on the form in Annex B** and reached HM Treasury **by 8 February 2002**. Responses should be sent to:

MODERNISING HAULAGE TAXATION

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1.7 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)

THE ROAD HAULAGE FORUM

I.8 The Government will involve the Road Haulage Forum in developing its proposals and options for a lorry road-user charge, in addition to the wider haulage industry and other stakeholders.

Box I.1: The Road Haulage Forum

The Road Haulage Forum was founded in 1999. It enables key Government Ministers, the road haulage industry associations, the Transport and General Workers' Union, the Society of Motor Manufacturers and Traders and independent hauliers to meet regularly to discuss the main issues facing the road haulage industry and to agree action where appropriate. The Forum is chaired by the Minister for Transport and includes the Financial Secretary to the Treasury. It has met eleven times within three years. Key successes include:

- playing a key role in deciding how to allocate the £100 million Haulage Modernisation Fund to secure a more competitive and more environmentally-friendly haulage industry, including detailed work on options for improving driver training and launching an industry led self-help scheme;
- contributing to the design of radical reforms to lorry Vehicle Excise Duty that will bring down lorry VED rates for some of the cleanest and least-damaging lorries to amongst the lowest in Europe; and
- forming a united position on key elements of the proposed EU-wide Working Time Directive for mobile operators.

The Government will continue to work closely with the haulage industry generally and the members of the Road Haulage Forum in particular. The Government will also involve the Forum in developing its proposals and options for a lorry road-user charge, as outlined in this consultation document.

2

BACKGROUND

2.1 This section explains the reasons behind the Government’s proposal for a lorry road-user charge in the UK and puts this proposal in context. It sets out briefly:

- the Government’s objectives for a lorry road-user charge;
- issues to consider when deciding which lorry road-user charging option to take forward; and
- recent changes to lorry taxation.

OBJECTIVES FOR A LORRY ROAD-USER CHARGE

2.2 The Government recognised the economic and environmental arguments for a lorry road-user charge in the November 2000 Pre-Budget Report. In particular, the Government acknowledged that:

- for fairness, efficiency and competitiveness, lorry taxes should not discriminate on the basis of nationality. Lorry taxes should therefore embody a high degree of territoriality (i.e. affect everyone who undertakes the taxable activity within the country) rather than nationality (i.e. affect only those that happen to be nationals of the country in which the activity is undertaken); and
- environmentally, and in line with the Government’s Statement of Intent on environmental taxation, road-users should contribute towards the true costs that they impose on society, regardless of their nationality (see Box 2.1).

2.3 As a result, the Government wants to undertake further modernisation of taxation affecting road haulage to ensure that:

- all lorry road-users in the UK contribute on a more equal basis towards the costs that they impose in the UK, regardless of their nationality; and
- this proposal should not involve increasing the tax burden on the UK haulage industry as a whole.

2.4 The Government proposes that the best way to deliver these objectives is to introduce a lorry road-user charge in the UK alongside reductions in other taxes levied on lorry operators.

Q2. *Do you agree with the objectives underlying the proposal for a lorry road-user charge, as discussed in paragraphs 2.2–2.4?*

A2.a Yes

A2.b No (tick one)

A2.c comments

.....

.....

Box 2.1: The social and environmental costs of road transport

Road transport imposes a variety of costs on society. These include:

- **local air pollution.** Emissions from vehicles affect the quality of the air people breathe, and have the biggest impact close to where traffic is greatest – in town and city centres and near to busy roads. Emissions of local air quality pollutants generally depends on the type of vehicle, age, emission standard and fuel type;
- **climate change.** Road transport is a major source of carbon dioxide (CO₂) emissions. While CO₂ is not harmful to health, it is the most important of the greenhouse gases that cause global climate change. CO₂ emissions are proportional to the amount of fuel consumed;
- **traffic accidents.** Accident costs include the costs of medical care, absence from work and also grief and suffering;
- **congestion.** Growth in traffic has led to increasing congestion on the road network, particularly in urban areas;
- **noise.** Transport noise can have a significant impact on people’s quality of life and health; and
- **track costs.** This includes road infrastructure and maintenance costs.

DESIGNING A LORRY ROAD-USER CHARGE: ISSUES TO CONSIDER

2.5 To help decide which lorry road-user charging option to take forward, the Government proposes to assess:

- the *fairness and efficiency* of each option, in line with HM Treasury’s objective of a “fair and efficient tax system”, through considering the extent to which each option would enable the Government to ensure that lorry road-users in the UK pay towards the costs that they impose in the UK, regardless of their nationality; and
- the impact of each option on the Government’s *environment and transport policy objectives*, as considered in other recent reforms of haulage taxation.

2.6 In addition, the Government will consider the administrative costs to business of each option and any wider business benefits.

Q3. *Are the issues in paragraphs 2.5–2.6 the right ones for the Government to consider when assessing the options for taking forward lorry road-user charging?*

A3.a Yes

A3.b No (tick one)

A3.c comments

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RECENT CHANGES TO LORRY TAXATION

2.7 Since 1997, the Government has introduced a series of reforms to taxes affecting the ownership and operation of lorries in the UK, which a lorry road-user charge would complement:

- in Budget 2001, a radical reform to lorry Vehicle Excise Duty (VED) was announced. The reforms, which will go live on 1 December 2001, 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 bring down lorry VED rates for some of the cleanest and least damaging lorries to amongst the lowest in Europe, will allow hauliers more flexibility to change their weight and axle structure without having to re-licence, and will enable around 80 per cent of re-licencing transactions to take place at Post Offices;
- in the November 2000 Pre-Budget Report, the Government introduced transitional arrangements to the new lorry VED system described above;
- in Budget 98, a reduced pollution scheme was introduced to enable lorries meeting low emission standards to qualify for VED reductions of up to £500 a year. A version of this scheme has been maintained in the new lorry VED system described above; and
- in successive Budgets, the Government has used fuel duty differentials to encourage the take-up of the cleanest fuels currently available. As a result, for example, all diesel sold in the UK now meets the cleaner ultra-low sulphur specification. The Government has also actively promoted cleaner alternative fuels such as Compressed Natural Gas (CNG). For example, hauliers who convert their lorry to using this fuel can benefit from a low fuel duty rate of nine pence per kilogram and the Government stated in Budget 2001 that it would not increase this duty rate in real terms until at least 2004.

Box 2.2: The Government's approach to environmental taxation

The Government places a high priority on protecting the environment for future generations. Its central economic objective of achieving high and stable levels of growth and employment must be achieved in a way that is environmentally sustainable. It will use economic instruments, including taxation, to achieve environmental objectives where this is an effective way of doing so. Just as work can be encouraged through the tax system, so environmental damage can be discouraged. Different levels of tax can send important signals to reduce pollution and other environmental damage.

Over time, the Government has reformed the tax system to increase incentives to reduce environmental damage. The Government's aim is to shift the burden of taxes from 'goods' to 'bads'; to encourage innovation in meeting higher environmental standards; and to deliver a more dynamic economy and a cleaner environment, to the benefit of everyone.

The Government's Statement of Intent on environmental taxation, published in the July 1997 Budget, set out that:

- 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 efficiently;
- environmental policies must be based on sound evidence; and
- environmental policies must not threaten the competitiveness of UK business.

Box 2.3: European context

Many European organisations have conducted research into the optimal instruments for taxing lorries and have concluded that lorry road-user charges offer many benefits:

- the *European Commission* recognised in its recent Transport White Paper that the price users pay for transport must take more account of the social and environmental costs imposed by transport and that taxes and charges must be levied on a fairer basis that does not discriminate according to nationality. The Commission concluded that Member States should be encouraged to promote more distance-based lorry road-user charging alongside reductions in other taxes;
- the *European Conference of Ministers of Transport (ECMT)* compared road freight transport taxes in nine European countries and set out a framework for establishing an efficient system of taxes and charges for transport in a report published in 2000. The report concluded that the instruments used to levy taxes should be differentiated to reflect the social costs road transport imposes as closely as possible and levied on all lorry operators regardless of nationality. Therefore, it suggested that existing transport tax structures could be made more efficient through shifting the tax burden towards more territorial charges, such as distance-based lorry road-user charging;
- the *European Federation for Transport and Environment (T&E)*, a pan-European Non-Governmental Organisation, promoted distance-based lorry road-user charging in a report published in 1999. The report concluded that this was the best tool for linking taxes and charges most closely to underlying environmental costs and for ensuring that there is no discrimination according to nationality; and
- the *European Economic and Social Committee (ESC)* promoted a shift to ‘competitiveness enhancing’ taxes and charges that contain a high degree of territoriality, such as distance-based lorry road-user charging, in its own-initiative report published in July 2001.

Several European countries already operate time-based lorry road-user charges (see Box 3.1) and distance-based lorry road-user charges (see Boxes 3.2 and 3.3).

3

LORRY ROAD-USER CHARGING: OPTIONS

3.1 This section outlines the two main lorry road-user charging options that have been identified.

3.2 The Government has identified two possible options for a lorry road-user charge:

- a time-based charge (a 'vignette'); or
- a distance-based charge.

TIME-BASED CHARGING

Features 3.3 A time-based charge might have the following features:

- the charge might be varied according to the weight and axle structure of the lorry (as in the VED system);
- the charge would apply across the UK motorway network and similar roads;
- the charge would apply regardless of the country of registration of the lorry;
- for foreign-registered lorries, the charge would depend on the time spent on the motorway (rounded up to the nearest day);
- for UK-registered lorries, a compulsory annual charge might be administered alongside reduced levels of lorry VED; and
- when the charge was paid, a paper disc would be issued.

Level of charge 3.4 In line with existing European commitments and the charging levels in the eurovignette (see Box 3.1), a time-based charge would cost around £5 per day and up to around £750 per year for using UK motorways. Such a charge for UK-registered lorries could be offset by reductions in lorry VED. Once the appropriate charge was paid, any distance could be travelled on UK motorways within the permitted time period.

Lead time 3.5 It is estimated that it would take up to about two years to create a time-based charging system in the UK once Parliamentary approval had been secured.

Box 3.1: The eurovignette

A time-based user-charge – the eurovignette – currently exists in Germany, Belgium, the Netherlands, Luxembourg, Denmark and Sweden. Germany has announced its intention to leave the eurovignette scheme at the end of 2002 and to replace it with distance-based charging (see Box 3.3). Some other eurovignette countries might follow Germany's lead.

To use motorways in any of these countries, lorries over twelve tonnes must buy a eurovignette paper disc. The eurovignette charges are based on EU-wide euro-emission standards (emission levels improve the higher the 'euro-standard') and the number of axles. The current charges in euro (€) are set out below:

Lorry type	less than 4 axles			4 axles or more		
	euro-0	euro-I	euro-II	euro-0	euro-I	euro-II
I day	8	8	8	8	8	8
I week	25	23	25	41	37	33
I month	96	85	75	155	140	125
I year	960	850	750	1550	1400	1250

Lorries registered in Belgium, Denmark and Sweden must buy an annual eurovignette, whereas those registered in Germany, the Netherlands and Luxembourg only need to buy a eurovignette when they want to use the motorways in any of the six countries. Lorries registered elsewhere, such as in the UK, must also buy a eurovignette to use the motorways in any of the six countries. The eurovignette is non-transferrable.

The eurovignette can be purchased at petrol stations, service areas, garages and lorry-stops on motorways or near motorway access roads. The eurovignette can also be purchased via trade associations, chambers of industry and commerce, road haulage co-operatives and the relevant government departments and agencies. Payment is by cash or credit card.

The eurovignette is enforced via spot checks. Penalties are linked to the time spent travelling on a motorway without the appropriate eurovignette. The maximum fine is €5000.

DISTANCE-BASED CHARGING

Features 3.6 A distance-based charge might have the following features:

- the charge could be differentiated according to weight and axle structure, with more damaging lorries paying a higher charge per mile;
- the charge could apply across the UK motorway network and, possibly, extend to other roads;
- the charge would apply regardless of the country of registration of the lorry;
- the charge could be administered automatically by modern technology, involving either microwave-based technology or global positioning satellite-based (GPS) technology;
- the charge could also be administered via a paper-based system for infrequent users of UK roads who did not want to install the necessary equipment for electronic charging; and

- in the short- to medium-term, it might be possible to differentiate the distance-based charge according to a range of other criteria, such as vehicle emission standards, carbon dioxide emission levels or the location, time and day of the journey to help tackle congestion.

Level of charge 3.7 Distance-based charges would not be subject to the same maximum levels as time-based charges. They could therefore be levied at levels that reflect more closely the costs imposed by lorry road-users in the UK. The overall charging level on the UK haulage industry would be offset by reductions in other taxes levied on lorry operators.

Lead time 3.8 It is estimated that it would take up to about four years to create an electronic distance-based charge in the UK once Parliamentary approval had been secured.

Box 3.2: Swiss distance-based charging

Switzerland introduced a lorry road-user distance-based charge on 1 January 2001. The charge level depends on the distance travelled, the maximum permitted weight of the vehicle (according to the vehicle documents) and the vehicle emission standard. For example, a 34 tonne euro-II lorry pays approximately SFr 0.50 per kilometre, equivalent to approximately 20 pence per kilometre. The charge applies to all lorries over 3.5 tonnes and on all roads in Switzerland.

The charging mechanism must be turned on when entering Switzerland and turned off when leaving. Within Switzerland, the distance travelled, maximum vehicle weight and vehicle emission standard must all be recorded.

Swiss lorries must be fitted with an electronic On-Board Unit (OBU) that uses microwave-based technology to switch the charging mechanism on/off at the Swiss border. Within Switzerland, the OBU records all the necessary data and this is cross-checked by global positioning systems (GPS) technology where necessary. The lorry operator must transfer the data on the OBU to Swiss Customs every month via an electronic chip-card and pay the charge due within 60 days.

Foreign lorries have the option of using either an OBU in the same way and under the same terms as Swiss lorries (though a deposit is needed to guarantee the payment of periodic billing) or using a manual self-declaration system with vehicle details recorded when entering and leaving Switzerland and payment according to the same charging structure at the border.

Box 3.3: Germany's proposals for distance-based charging

Germany has announced its intention to leave the eurovignette scheme on 31 December 2002 and to introduce distance-based charges in January 2003.

The new distance-based charge will apply to all lorries over 12 tonnes on German motorways and will be set according to distance travelled, the number of axles and the vehicle emission standard. The German Government has indicated that charging levels are likely to range from DM 0.27-0.37 (€0.14-0.19) per kilometre, equivalent to approximately 9-12 pence per kilometre.

The German government invited the private sector to come forward with proposals for how to operate the system. The possible options outlined included utilising microwave-based technology to monitor distances travelled via motorway gantries or using global positioning systems (GPS) technology to record distances travelled without the need for gantries. For lorry operators that only use German motorways occasionally and where operators do not want to fit On-Board Units (OBUs) into their vehicles, an alternative paper-based system will be set-up whereby lorry operators have to pre-book and pre-pay for their journey before joining the motorway.

Q4. Do you agree that time- or distance-based charging are the two main options for operating a lorry road-user charge?

A4.a Yes

A4.b No (tick one)

A4.c comments

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4

FAIRNESS AND EFFICIENCY

4.1 This section examines the fairness and efficiency of the two options for introducing lorry road-user charging in the UK.

ENHANCING FAIRNESS AND EFFICIENCY

4.2 The Government believes that a key objective for a lorry road-user charge would be to ensure that lorry road-users contribute on a more equal basis towards costs that they impose in the UK, regardless of their nationality. However, in recognition that the UK haulage industry already pays towards this cost, the Government would want to ensure that this new charge did not increase costs for the UK haulage industry by making offsetting tax reductions elsewhere.

TIME-BASED CHARGING

Level of charge **4.3** Under existing European requirements, a time-based charge could take the form of a time-based permit lasting between one day and one year. The cost of the time-based charge would be around £5 a day or up to around £20 a week. When compared with overall lorry operating costs, it would enable a small shift towards taxes that would be levied regardless of nationality.

Correlation with costs **4.4** The charge could be varied to provide signals to use cleaner lorries (by varying the charge according to vehicle emission standards) or to use less damaging lorries (by varying the charge according to weight and axle structure), subject to the maximum charging level described above. For example, the eurovignette currently differentiates according to lorry euro-emission standards. However, the time-based charge does not correlate closely with the environmental and social costs imposed by lorries using UK roads because, for example, two identical lorries travelling different distances would pay the same amount for a one-day permit but impose different amounts of environmental and social costs in the UK.

DISTANCE-BASED CHARGING

Level of charge **4.5** A distance-based charge could be set at a level more closely related to the costs that lorries impose than is possible for a time-based charge. For example, Germany plans to charge around 9-12 pence per kilometre (see Box 3.3 above). If a distance-based charge were to be set at around this level, for example, any journey of more than around 35 miles undertaken on one day would incur a higher distance charge than under a time-based charge of around £5 a day. This could therefore allow a more substantial shift in the tax burden towards taxes that would be levied regardless of nationality.

Correlation with costs **4.6** The costs that lorries impose are related to the amount that a lorry travels and so distance-based charges can correlate with the costs imposed by lorries. This could be reinforced by relating the charge to the vehicle weight, number of axles and vehicle emission standards. In the medium-term, a distance-based charge might also take account of the location, time and day of the journey to help tackle congestion.

Q5. Which charging option do you believe offers the most potential to ensure that lorry operators contribute fairly and efficiently towards the costs that they impose in the UK regardless of nationality, as discussed in paragraphs 4.3–4.6?

- A5.a Time-based charging
- A5.b Distance-based charging
- A5.c Other (tick one)

A5.d comments

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Q6. Are there any particular aspects of the design of the lorry road-user charge that would enhance its fairness and efficiency, as discussed in paragraphs 4.3–4.6?

A6.a

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5.1 This section examines the impact that the two options for introducing lorry road-user charging in the UK could have on the Government's environment and transport policy objectives. It assesses to what extent these options offer the potential to contribute positively towards the Government's environment and transport policy objectives.

ENVIRONMENT AND TRANSPORT OBJECTIVES

Box 5.1: Transport 2010 – the Ten-Year Plan for Transport

In July 2000, the Government published its Ten-Year Plan for Transport. The Plan sets out a long-term strategy for delivering a quicker, safer, more reliable transport system that respects the environment. Key road related outputs and targets for 2010 include:

- congestion reduced below current levels, particularly on inter-urban trunk roads and in large urban areas;
- 100 new bypasses on trunk and local roads to reduce congestion and pollution in communities;
- 80 major trunk road schemes to improve safety and traffic flow at junctions;
- widening 360 miles of strategic roads;
- road condition on the strategic road network maintained to a high standard;
- 40 per cent reduction in the number of people killed or seriously injured in road accidents;
- smarter management of the trunk road network, giving drivers better information on traffic conditions; and
- accelerated take-up of cleaner vehicles to reduce air pollution and carbon dioxide emissions.

The Government's Climate Change Programme, published in November 2000, sets out how the UK will meet its Kyoto target to reduce greenhouse gas emissions by 12.5 per cent below 1990 levels by 2008-2012 and move towards its domestic goal to reduce carbon dioxide emissions by 20 per cent below 1990 levels by 2010. Measures in the Ten-Year Plan will contribute towards these targets.

The Government's Air Quality Strategy, published in January 2000, establishes the framework for achieving further improvements in ambient air quality in the UK to 2003 and beyond. The Ten-Year Plan will contribute to further reductions in air pollution, especially in major cities where air pollution remains a problem.

Relevant objectives **5.2** The Government has set itself a number of challenging environmental and transport objectives. It is important to consider the possible impact of each lorry road-user charging option on these objectives, given the social and environmental costs of road transport set-out in Box 2.1. The main environment and transport objectives that need to be considered in this context are:

- climate change;
- local air quality;
- road maintenance;
- road safety; and
- traffic congestion.

Ten-Year Plan 5.3 As part of the Ten-Year Plan for Transport, the Government recognised the potential role of road-user charging for all vehicles to help achieve its transport and environmental objectives, and in particular its congestion objective. Local Authorities have been given powers to introduce local congestion charging. However, the Government deferred taking a decision on introducing road-user charging on the inter-urban road network.

Q7. *Has the Government identified in paragraph 5.2 the main environmental and transport objectives that should be considered in this context?*

A7.a Yes

A7.b No (tick one)

A7.c comments

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TIME-BASED CHARGING

Level of charge 5.4 Given the relatively low maximum charging level for time-based charges, the overall impact on the Government's transport and environmental objectives of introducing a time-based charge would be limited.

Variation of charge 5.5 However, subject to the maximum rates, it would be possible to vary the charge according to a range of variables to send signals to lorry operators. This could include, for example, varying the charge to encourage the use of less damaging and less polluting weight and axle structures or vehicle emission standards. These signals could have a small positive environmental impact.

Correlation with costs 5.6 As a lorry operator would pay one amount for any time period regardless of how much the lorry is used in this period, time-based charges would not necessarily correlate closely with the amount of damage caused by lorries. In particular, a time-based charge would not necessarily follow the principle that the more the lorry is used on the road, the higher the costs it imposes and therefore the more the lorry operator should pay.

DISTANCE-BASED CHARGING

Level of charge 5.7 On its own, the introduction of a distance-based charge could reduce emissions of carbon dioxide and local air quality pollutants. However, the actual effect of its introduction would depend on how the charge is offset for UK lorry operators.

5.8 If the distance-based charge was restricted to motorways, there could be some diversion on to other roads that could have an effect on road safety, congestion and the environment. On balance, therefore, there might be a case to extend the distance-based scheme to other roads.

Variation of charge **5.9** As distance-based charges could be set at a higher level than time-based charges, they could include greater variations in charging levels to influence behaviour. For example, a distance-based charge could also vary according to vehicle emission standards and therefore play a role in encouraging the purchase and use of cleaner vehicles to reduce local air pollution. In the medium-term, a distance-based charge might also take account of the location, time and day of the journey to help tackle congestion.

Correlation with costs **5.10** The damage caused by lorries relates partly to the distance that they are driven.

Q8. Which charging option do you believe offers the most potential to contribute positively towards the Government’s environment and transport policy objectives, as discussed in paragraphs 5.4–5.10?

A8.a Time-based charging

A8.b Distance-based charging

A8.c Other (tick one)

A8.d comments.....

Q9. Are there any particular aspects of the design of the lorry road-user charge that would enhance its environmental and transport impact, as discussed in paragraphs 5.4–5.10?

A9.a

6

ADMINISTRATIVE COSTS AND WIDER BUSINESS BENEFITS

6.1 This section examines the impact that the two options for introducing lorry road-user charging in the UK would have on administrative costs for business and the extent to which they might offer wider benefits to the haulage industry.

TAX COMPLIANCE COSTS AND WIDER BENEFITS

6.2 The Government would want to ensure that the lorry road-user charge did not create significant administrative costs for the haulage industry. The Government would also prefer to introduce systems that offer the widest possible benefits to end-users, particularly in the form of additional services that could be offered via new technology. The Government therefore proposes to assess how each possible lorry road-user charging option could affect compliance costs and offer wider benefits.

TIME-BASED CHARGING

Administration 6.3 A time-based charge would take the form of a paper disc. For UK-registered lorries, it could be administered alongside reductions in lorry VED with no additional administration: applications for lorry VED discs could automatically include a time-based charging permit. There might therefore be no additional administrative costs for UK businesses. For foreign-registered lorries, it would be necessary to purchase a time-based charging permit before joining a chargeable road. The time-based charging permit could be available at, for example, selected outlets across Europe, on main lorry routes to the UK and at points throughout the UK.

Wider benefits 6.4 A time-based charge would not enable the introduction of any wider value-added services. The sale of time-based charging permits at particular outlets might provide an opportunity for providing or co-locating other services for lorry operators.

DISTANCE-BASED CHARGING

Box 6.1: Wider benefits of distance-based charging technology

The technology that underpins distance-based charging could offer a range of wider benefits to operators.

The modern technology could enable precise information to be communicated both to the driver and the control-hub, including the location, speed and direction of travel of the vehicle, the latest traffic information and turn-by-turn route instructions. This could help lorry operators avoid congested routes, getting lost and loading/unloading delays and could therefore facilitate better vehicle and driver utilisation leading to savings in fuel and wage costs and, potentially, vehicle costs from reduced fleet size. It could also improve customer service.

By providing instant access to information on nearby facilities and avoiding unnecessary delays, the technology could also improve the driving environment and, in the event of breakdown or a minor accident, instantly provide an accurate location and liaise with the appropriate emergency services or breakdown recovery provider.

Over time, the monitoring of individual vehicle and driver behaviour could help operators to improve overall business performance. The technology could also act as a theft deterrent – and help with vehicle theft recovery.

Administration 6.5 A distance-based charge could be administered electronically. For lorries fitted with the appropriate equipment, the system could automatically monitor the distance-travelled and any other relevant factors. It would be important to ensure that all lorry operators who were frequent users of UK roads were able to obtain the appropriate equipment easily and affordably. Detailed bills could be sent to advise how the charge was calculated. For lorries not fitted with the appropriate equipment, the Government could set up a paper-based system. This might require such lorry road-users to pre-book and pre-pay their journey in advance.

Wider benefits 6.6 As other countries introduce electronic distance-based charging, it will be important for frequent users of roads in those countries to acquire the appropriate equipment in their lorries. If the Government opted for distance-based charging, it would discuss with other countries and within the EU how to ensure that the different systems operating in different countries are inter-operable and require as little different equipment as possible. Therefore, a potential advantage of a UK distance-based charge might be that hauliers using UK roads frequently could, depending on similar systems being adopted, be equipped to operate in some other countries that operate distance-based charging without needing to adopt additional equipment or use the more cumbersome paper-based option in those countries.

6.7 By making use of modern technology, electronic distance-based charging might offer a wide range of additional benefits to some lorry operators. For example, the technology could be utilised to provide advanced in-cab congestion information and journey directions and to inform the control-hub about the lorry's current location (see Box 6.1).

Q10. Which charging option do you believe offers the best combination of minimising compliance costs and creating wider benefits, as discussed in paragraphs 6.3–6.7?

A10.a Time-based charging

A10.b Distance-based charging

A10.c Other (tick one)

A10.d comments

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Q11. Are there any particular aspects of the design of the lorry road-user charge that would minimise compliance costs and create wider benefits, as discussed in paragraphs 6.3–6.7?

A11.a

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A

ANNEX A: REFERENCES

SELECTION OF KEY DOCUMENTS

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B

ANNEX B: RESPONSE FORM

RESPONDING

This Annex is a response form to use to give your answers to the questions to be found in the main body of the document. It would also help analysis of responses if you could answer the questions about your interest in this policy although you are under no obligation to do so. **It would greatly ease the analysis of responses if you use this form** and return it to HM Treasury by **8 February 2002**. It cannot be guaranteed that responses after that date will be considered.

MODERNISING HAULAGE TAXATION

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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, indicate on the form under question one 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)

Q2. *Do you agree with the objectives underlying the proposal for a lorry road-user charge, as discussed in paragraphs 2.2–2.4?*

A2.a Yes

A2.b No (tick one)

A2.c comments

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Q3. Are the issues in paragraphs 2.5–2.6 the right ones for the Government to consider when assessing the options for taking forward lorry road-user charging?

A3.a Yes

A3.b No (tick one)

A3.c comments
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Q4. Do you agree that time- or distance-based charging are the two main options for operating a lorry road-user charge?

A4.a Yes

A4.b No (tick one)

A4.c comments
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Q5. Which charging option do you believe offers the most potential to ensure that lorry operators contribute fairly and efficiently towards the costs that they impose in the UK regardless of nationality, as discussed in paragraphs 4.3–4.6?

A5.a Time-based charging

A5.b Distance-based charging

A5.c Other (tick one)

A5.d comments
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Q6. Are there any particular aspects of the design of the lorry road-user charge that would enhance its fairness and efficiency, as discussed in paragraphs 4.3–4.6?

A6.a
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Q7. Has the Government identified in paragraph 5.2 the main environmental and transport objectives that should be considered in this context?

A7.a Yes

A7.b No (tick one)

A7.c comments
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Q8. Which charging option do you believe offers the most potential to contribute positively towards the Government's environment and transport policy objectives, as discussed in paragraphs 5.4–5.10?

A8.a Time-based charging

A8.b Distance-based charging

A8.c Other (tick one)

A8.d comments
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Q9. Are there any particular aspects of the design of the lorry road-user charge that would enhance its environmental and transport impact, as discussed in paragraphs 5.4–5.10?

A9.a
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Q10. Which charging option do you believe offers the best combination of minimising compliance costs and creating wider benefits, as discussed in paragraphs 6.3–6.7?

A10.a Time-based charging

A10.b Distance-based charging

A10.c Other (tick one)

A10.d comments
.....
.....

Q11. Are there any particular aspects of the design of the lorry road-user charge that would minimise compliance costs and create wider benefits, as discussed in paragraphs 6.3–6.7?

A11.a
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Q12. Name and address:

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Q13. Nature of business or interest in this policy:

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If you operate a lorry or own a haulage operation, please provide the following additional information:

Q14. How many lorries do you own/operate?

Q15. What products do you transport most regularly?

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Q16. What percentage of your work is (a) local / (b) national / (c) international?

- (a) % local
(b) % national
(c) % international

Q17. Are you (a) an own-account operator or (b) a hire-and-reward operator?

- (a) own account operator
(b) hire-and-reward operator (tick one)

