

RAC Autumn Statement Representation

About RAC

This submission is made on behalf of RAC Motoring Services (The RAC) which is the UK's oldest motoring organisation. The RAC offers a range of motoring services including roadside assistance, motor insurance, motoring advice and information and is separate from the RAC Foundation which is a transport policy and research organisation which explores the economic, mobility, safety and environmental issues relating to roads and their users.

With more than eight million members, the RAC is one of the UK's most progressive motoring organisations, providing services for both private and business motorists. As such, it is committed to making driving easier, safer, more affordable and more enjoyable for all road users.

The RAC, which employs more than 1,500 patrols, providing roadside assistance across the entire UK road network and as a result has significant insight into how the country's road networks are managed and maintained.

More information on the RAC is available at www.rac.co.uk

In September 2016, the RAC published its Report on Motoring. Click [here](#) to read this.

Estimated motoring related tax revenue to the Treasury (Table 1)

Tax	Description	Motorists' total contribution in 2014	Motorist's total contribution in 2016
Fuel duty	57.95p paid on every litre of fuel bought	£26.4bn	£27.6bn*
VAT on fuel	20% on all automotive fuel sales	£6.3bn	£8.8bn**
Vehicle Excise Duty	Paid every year according to a vehicle's CO ₂ emissions	£5.9bn	£5.5bn*
Insurance Premium Tax (Motorist contribution)	Forms part of the cost of motor insurance	£624m***	£1.2bn***
TOTAL (Estimate)	Total contribution from motorists in motoring related taxation	£39.1bn	£43.1bn

* Budget 2016 estimates for FY 16/17

(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508193/HMT_Budget_2016_Web_Accessible.pdf)

** 20% based on Sept 15-Aug 16 for quantities release for consumption – August 2016 hydrocarbon oil duties bulletin (46,8bn litres released for consumption)

***Figure for 2016 includes IPT increase to 9.5% and then to 10%. 2014 figures calculates IPT revenue based on 6% rate. Calculations based on Q1 2016 average premiums and DfT licenced vehicles.

Considerations

Policy Call	Motoring opinion	Analysis and Cost
Fuel duty - The Chancellor should not increase fuel duty for the remainder of the Parliament	<p>Despite the lower prices of fuel at the pumps in 2016 compared to 2011-15, the cost of fuel remains a significant concern for motorists according to the 2016 RAC Report on Motoring. 24% listed the cost of fuel as one of their top four concerns, compared to 47% in 2014.</p> <p>31% of motorists surveyed said they are spending more on fuel in 2016 compared to 2015, whilst 32% said their expenditure is falling, indicating that motorists are taking advantage of lower fuel costs to use their vehicles more.</p> <p>According to separate survey conducted by the RAC in March 2016 prior to the Budget, Motorists are realistic and whilst a minority (32%) are calling for further cuts in fuel duty, a far higher percentage (46%) recognize that this is unlikely in the current economic climate and support an ongoing freeze in duty.</p>	<p>According to the 2015 Comprehensive Spending Review, by 2020/21, motorists will be paying an extra £2.5bn a year in fuel duty compared to 2014/15.</p> <p>The RAC urges the Chancellor to commit to not increasing fuel duty for the remainder of Parliament. Since the EU referendum, the UK has experienced a drop in the value of the Pound, which has made the cost of wholesale fuel (traded in US dollars) more expensive. This has been somewhat offset by the stabilisation of the price of a barrel of oil, which has for the most part been trading between \$45-50. However, the volatility of the sector, as well as the value of the Pound means motorists have been at the mercy of the markets. We believe the Chancellor would be wise to keep fuel duty at current levels to maintain as much pump pricing stability as possible before any decision on when the UK withdraws from the EU.</p> <p>Freezing fuel duty is beneficial to both the motorist and to economic growth. According to the Treasury's own analysis of fuel duty levels, published in 2014, 'Modelling work suggests in the long-term reductions in fuel duty will result in an increase in GDP against the baseline of between 0.3 and 0.5 per cent.'¹ The pump price of fuel peaked at 142ppl for unleaded and 147ppl for diesel in April 2012. At present, fuel prices are around 111ppl (unleaded) and 113ppl (diesel) meaning prices have fallen by around 23% respectively. However, pump prices at the end of September were at their highest of the year, according to RAC Fuel Watch. In January and February many retailers were selling both diesel and</p>

		<p>unleaded for under £1 a litre. Figures from the Department for Transport show that traffic levels have steadily increased through 2015-16, no doubt playing a significant part in increasing economic activity and growth. The DfT acknowledges within their analysis that lower fuel costs have played a part in increasing traffic levels.²</p> <p>Independent studies by the NIESR³ and the CEBR have also confirmed the benefits lower fuel duties can have on economic growth.⁴</p> <p>We conclude that raising fuel duty could reduce revenue to the Exchequer, discouraging motorists and businesses from using their vehicles and thus resulting in lower duty receipts. The Chancellor should also be aware that raising duty may put growth at risk in the run-up to and in the immediate period following the UK's formal withdrawal from the EU.</p>
<p>Insurance Premium Tax – The Chancellor should not increase IPT following a recent double rise.</p> <p>The Chancellor should also consider offering IPT discounts or exemptions for telematics based insurance products for younger drivers to improve road safety.</p>	<p>The 2016 RAC Report on Motoring found that the cost of insurance has now become the biggest cost concern for motorists, overtaking the cost of fuel.</p> <p>7% of motorists ranked the cost of insurance as their top overall motoring concern, with a further 17% ranking it as a top 4 concern. In total, one in four (25%) ranked insurance costs as a concern, significantly higher than 2015, where less than one in five (18%) named the</p>	<p>The RAC estimates that motorists are now contributing more than £1bn a year in their share of insurance premium tax, following an initial rise in November 2015, and a second rise in October 2016.</p> <p>In summer 2016, industry experts indicated that the cost of car insurance premiums had risen on average by 19% in quarter 2 2016 compared to the same period 12 months earlier. They also forecast that motorists were facing the highest annual rises in premiums for five years.⁵</p> <p>A Freedom of Information request by the RAC earlier this year revealed that in 2014, the numbers of children convicted of driving</p>

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545212/prov-road-traffic-estimates-july-2015-to-June-2016.pdf

³ <http://www.niesr.ac.uk/sites/default/files/publications/dp398.pdf>

⁴ <http://fairfueluk.com/FairFuelUKCEBRreport.pdf>

⁵ <http://www.confused.com/on-the-road/cost-of-motoring/what-the-price-index-means-for-you>

	<p>cost of insurance as a concern.</p>	<p>without insurance rose by 21% in 2 years.⁶ Industry experts also estimate that uninsured drivers can add up to £30 per year to the cost of a motorist's insurance premiums⁷. In addition to this, the ABI estimated that bogus whiplash claims could be adding up to £90 to the average annual insurance premium⁸, highlighting the need for the Government's reforms to be brought forward as soon as possible.</p> <p>The RAC opposed previous increases in IPT, and we would encourage the Chancellor not to increase IPT any further at a time when both the actual costs and the concerns of the costs of motor insurance are rising. Should the Chancellor raise IPT further, he risks encouraging more drivers to break the law by not insuring their vehicle. This will not only make our roads less safe, but will also have the effect of increasing premiums for other drivers to cover the cost of claims involving uninsured drivers. We would also urge the Chancellor to clarify when the government plans to curb fraudulent whiplash claims will finally be published.</p> <p>The RAC also encourages the Chancellor to promote safer driving and assist younger drivers by offering an IPT exemption or discount on all telematics related policies for drivers aged between 17 and 25 years old. Whilst the RAC understands this may reduce revenue in the short term, its value in promoting safer driving amongst the most 'at risk' age category can play a significant role in reducing road traffic collisions and the associated costs. The DfT has estimated that reported road traffic accidents can cost over £15bn a year.⁹</p>
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⁶ <http://www.rac.co.uk/press-centre#/pressreleases/number-of-children-convicted-of-driving-without-insurance-rises-by-21-in-two-years-1356093>

⁷ <http://www.gocompare.com/car-insurance/uninsured-driver-claims/>

⁸ <https://www.abi.org.uk/Insurance-and-savings/Topics-and-issues/Personal-injury-claims/Whiplash-claims>

⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/556396/rrcgb2015-01.pdf

<p>Long term local road maintenance fund</p>	<p>The 2016 Report on Motoring confirmed that the condition of local roads remains motorists' most pressing concern. 14% identified the condition of local roads as their No 1 concern and a further 24% rank it as a top 4 concern.</p> <p>79% of motorists agreed that motoring taxes are not sufficiently reinvested into local roads.</p>	<p>The RAC urges the Treasury to consider introducing a long term funding mechanism for local road maintenance, that mirrors the ring-fencing of VED to fund maintenance and development of the Strategic Road Network (SRN), which was announced in the 2015 Summer Budget.</p> <p>Within the Spending Review 2015, the Government is forecast to collect around £5-6bn per year from Vehicle Excise Duty between now and 2020. Given the amount the motorist is now paying in taxation, as referenced in table 1 above, we believe there is scope for the Chancellor to ring fence a proportion of this to improve local roads and we urge him to set aside funding for this, alongside the previously announced Roads Fund.</p> <p>Government figures have suggested ¹⁰ that the local road repair backlog is up to £8.6bn. Virtually all journeys start and finish on local roads and therefore the Government's investment to improve the strategic road and rail infrastructures and in ports and airports will fail to deliver their forecasted benefits unless the deficiencies in the local roads infrastructure are addressed as a matter of urgency. In 2013, drivers spent over £100m repairing vehicles damaged by potholes¹¹, whilst the RAC's Pothole Index, published in August 2016, shows that pothole related damage to vehicles has doubled over the last 10 years.¹²</p> <p>The costs for business fleets has been estimated at around £215m a year.¹³ At the current levels of funding for local roads, and without a long term solution, there is a</p>
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¹⁰ <http://www.ft.com/cms/s/0/80e94668-4687-11e5-b3b2-1672f710807b.html>

¹¹ <http://www.bbc.co.uk/news/uk-england-25736223>

¹² <http://www.rac.co.uk/drive/news/motoring-news/rac-data-shows-pothole-damage-doubles-over-last-10-years/>

¹³ <http://www.fleetnews.co.uk/news/2013/3/4/potholes-costing-fleets-millions/46357/>

		<p>substantial risk that these sums will increase year on year.</p> <p>Setting out a strategic vision and a long term funding mechanism for local roads will give local authorities funding clarity, allowing them to focus more on preventative maintenance (fixing roads properly, rather than patching up potholes), saving businesses and motorists money, boosting economic growth and therefore ultimately increase revenue to the Treasury.</p>
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