

RAC Budget 2016 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

Motoring related tax revenue to the Treasury (Table 1)

Tax	Description	Motorists' total contribution in 2014*
Fuel duty	57.95p paid on every litre of fuel bought	£26.4bn
VAT on fuel	20% on all automotive fuel sales	£6.3bn
Vehicle Excise Duty	Paid every year according to a vehicle's CO ₂ emissions	£5.9bn
Insurance Premium Tax	Forms part of the cost of motor insurance	£624m
TOTAL	Total cost for 2014 (exc. The 2015 additional IPT rate)	£39.1bn
Additional costs in 2015: Insurance Premium Tax extra cost - 1 November 2015 rates	An extra £386m	£386m

Considerations

Policy Initiative	Motoring opinion	Cost
Freeze Fuel Duty for the Parliament	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>According to the Comprehensive Spending Review, by 2020/21, motorists are due to pay an extra £2.7bn in fuel duty compared to 2014. The RAC is concerned that by failing to announce an extension to the freeze in fuel duty in the 2015 Comprehensive Spending Review, the Chancellor has opened the door to inflation based increases in duty from April 2016. The RAC urges the Chancellor to commit to an extension of the freeze in fuel duty for the remainder of Parliament. The UK has the highest fuel duty levels in the European Union, and motorists should not be seen as an easy target for higher taxation, particularly whilst oil prices are relatively low.</p> <p>Freezing fuel duty is beneficial to both the motorist, and also 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</p> <p>The Treasury's own impact assessment makes it clear that over the long term, it benefits economic growth to cut fuel duty; however, we recognise that freezing duty in the short term will protect revenues for the Chancellor.</p> <p>Independent studies by the NIESR² and the CEBR have also confirmed the benefits of lower fuel duties can have on economic growth.³</p>

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/303233/Analysis_of_the_dynamic_effects_of_fuel_duty_reductions.pdf

² <http://www.niesr.ac.uk/sites/default/files/publications/dp398.pdf>

³ <http://fairfueluk.com/FairFuelUKCEBRreport.pdf>

<p>Long term local road maintenance fund</p>	<p>2015 Report on Motoring confirmed that the condition of local roads is the top concern for motorists with 10% ranking it Number 1 and a further 20% listing it as a top-four concern.</p> <p>Motorists' spending priorities reflect these concerns: 30% say local road maintenance should be the Government's No 1 priority for government transport investment and a further 45% place it in their top 5 priorities.</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 between £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</p> <p>Government figures have suggested ⁴ 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 forecast 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 potholes⁵. The costs for business fleets has been estimated at around £215m a year.⁶ At the current levels of funding for local roads, these sums are likely to increase year on year.</p> <p>Setting out a strategic vision and a long term funding mechanism for local roads will give local authorities certainty of funding, allowing them in 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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⁴ <http://www.ft.com/cms/s/0/80e94668-4687-11e5-b3b2-1672f710807b.html>

⁵ <http://www.bbc.co.uk/news/uk-england-25736223>

⁶ <http://www.fleetnews.co.uk/news/2013/3/4/potholes-costing-fleets-millions/46357/>



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