

Lorry Road User Charging – A Way Forward for the UK

Background

The new Government's Coalition agreement includes a commitment to "work towards the introduction of a new system of HGV (Heavy Goods Vehicle) road user charging to ensure a fairer arrangement for UK hauliers". Campaign for Better Transport has commissioned research to see how this commitment can best be implemented in practice. This is a summary of that report.

At present UK hauliers face unfair competition, with foreign hauliers not paying anything towards the costs of their use of UK roads. In addition, fuel tax is higher in the UK than in many other EU countries. Our research shows that, for these and other reasons, there has been a significant growth in the presence of foreign vehicles in the UK and in the market share taken by these vehicles in cross-border goods traffic with the UK. As well as the impact on UK hauliers, this has safety implications: there is evidence that foreign lorries are more likely to be involved in collisions and safety enforcement is difficult.

In the charging structure for lorries, the UK is increasingly out of step – most other European countries have implemented or are in the process of implementing some form of lorry-charging scheme, whereby all hauliers from any country pay for using the roads, either by time or distance. In some cases, the overall indirect tax taken from road haulage is higher than the UK.

A simple but effective lorry road user charging scheme would therefore be fairer to UK hauliers but could also deliver wider objectives to:

- Improve road safety
- Reduce greenhouse gas emissions
- Minimise the external costs from heavy good vehicle traffic, including local air pollution, noise and congestion

The experience from Europe shows that lorry road user charging schemes can be introduced, that the technology is proven and that this delivers significant benefits, particularly to support the economy and reduce climate change – the two main objectives in the new Government's transport policies.

All proposals for the UK must be within the context of the EU framework on competition and harmonisation and the directive of charging international road freight (the Eurovignette Directive). Germany's lorry road user charging scheme was developed within this framework and could be drawn on for the UK's proposals.

Aims and benefits of a lorry road user charging scheme

The Government should set clearly defined objectives from the start for a lorry road user charging scheme. This would also help avoid "mission-creep" where additional features are added to meet new objectives but which end up adding to complexity and making it more difficult and costly to deliver.

The objectives of a lorry road user charging scheme should be:

- Fairness between UK and foreign hauliers, and between large and small operators
- Keeping the costs of a scheme proportional to its benefits
- Reducing collisions and improving road safety
- Reducing other costs from HGV traffic, including local air pollution, noise and congestion
- Raising standards and efficiency in the HGV sector, for both operators and employees
- Reducing greenhouse gas emissions per tonne of freight delivered

The schemes which operate in Germany and Switzerland have:

- Improved the efficiency of the HGV sector with less empty running
- Been accompanied by an increase in rail freight use, reducing some of the environmental impacts of HGVs
- Provided funding for supporting improvements in the freight sector

Designing and delivering a lorry road user charging scheme

Previous proposals for UK lorry road user charging were overly complex – one of the reasons why they were not taken forward. However, our research suggests that a straightforward scheme could be delivered in this Parliament which would achieve the aims outline above.

The very simplest scheme would be a charge just based on the time spent on the road in the UK, but this would not meet wider objectives, would raise enforcement issues, could run into EU limits on charging, and be costly to implement and run.

Instead, our research proposes a straightforward charge which would:

- Be based on vehicle type and distance, using either GPS or data from an electronic tachograph
- Include all roads; this would avoid, for instance, displacing traffic from motorways to local roads
- Initially cover just GB (England, Scotland and Wales) and not UK, to avoid cross border Northern Ireland/ Irish Republic issues

Our research argues that this distance-based charge on all roads would be far more cost effective than a time-based system. The technology is well proven and, in the case of the Swiss model, to a large extent self-enforcing. It is also reliable and durable so that its lifetime costs would be reasonable for operators. A charge of between 5p and 15p per kilometre, varied by size and weight, plus a discount for the lowest polluting engines, would be comparable to the level charged in Germany.

A UK system could therefore draw on “what works” and could be delivered in this Parliament by 2015.

Supporting UK hauliers

Clearly a scheme designed to be fairer to UK hauliers cannot just add to their costs. There has been a lot of discussion about ways to support UK hauliers if such a scheme is implemented. A fuel duty rebate has been suggested, but from the German experience a rebate, whether for UK hauliers or for all hauliers buying fuel in the UK, would fall foul of EU regulations. However, other compensation mechanisms were agreed in Germany, and our research lists elements which could help the UK’s freight sector and financed using income from lorry road user charging, including:

- Improved facilities for drivers
- Financial support for the certificate of professional competence driver training requirements
- Support for small operators’ training and it equipment
- Tax rebates for smaller operators to join return load schemes to reduce inefficient empty running
- A scrappage scheme to shift operators to more fuel efficient HGVs
- Support for vehicle modifications to save fuel
- Reductions in annual vehicle duty to the minimum permitted level
- UK toll rebates

If every UK operator participated in such a support package at the German level, this would enable a payback of £1.5-2bn a year for three years. While this would not necessarily be revenue neutral for every UK operator, it would benefit smaller hauliers most and help to improve their efficiency and their ability to compete with operators from other countries.

Next steps

The Government should look to consult with stakeholders at an early stage on the objectives of a lorry road user charging scheme, and how a scheme could be designed and delivered around these objectives. Existing good practice from Europe and elsewhere should be drawn on in developing these proposals.

This summary is based on research for Campaign for Better Transport by the Metropolitan Transport Research Unit (MTRU), supported by De Nove, Olswang and T-Systems.