



### Road user charging to replace fuel duty

The RAC Foundation has told a parliamentary hearing that if the Government decides to introduce a system of **road user charging to replace fuel duty** as more and more cars become electric, then it should be as simple as possible in design and application. With the UK Government ban on the sale of new petrol and diesel cars from 2030 and with hundreds of thousands of electric vehicles already on the road, income from fuel duty will steadily decline and the question for any Chancellor of the Exchequer is how will he make up the lost fuel duty revenue? The shift to electric cars is estimated to bring a drop of £5 billion a year in fuel duty by 2031 – a considerable hole in any budget for a Chancellor!

Appearing as a witness before the Transport Select Committee Steve Gooding, director of the RAC Foundation, said fuel duty is going away, and the real question starts with whether the UK Government regards the continuing fall in fuel duty income is a price we pay for “saving the planet” and decides to increase other duties instead. The alternative is **some form of road user tax** should continue given the fact that we have had a fuel duty levy on UK motoring for many years and have all got used to it. His conclusion was it will be continued in some form.

#### Alternative road use charging

Given his view that motorists will continue to be taxed to a similar level as today, Mr Gooding said there were **two approaches** to introducing an alternative form of road use charging:

- **At one extreme - a complicated scheme of time, distance, place charges.** He said the RAC Foundation view was that any time and/or place charges should be decided locally so, for example, if there is to be a congestion charge it would make more sense for that to be a **locally designed and managed measure**. Those measures could include congestion charges or peak travel charges. He does not think the citizens of London or Greater Manchester or wherever would be that happy if it was somebody in the Department for Transport deciding what it should cost for them to do their local driving.
- **At its simplest - you pay per distance travelled** which is similar to our paying fuel duty when we are really paying for the number of miles we drive. If we are to go down that path, then from the RAC Foundation perspective they would say “**go with the simplest scheme you possibly can, don’t over complicate it.**” Steve Goulding said that motorists who drive electric cars should be prepared for the introduction of charges based on the distance they cover each year. A “distance

charge” would be less controversial than road pricing because it can be levied by checking the annual mileage figure during an MOT test or from an on-board computer without the state prying into motorists’ whereabouts. But a distance charge would not necessarily distinguish between rural or semi-rural roads and congested urban or major roads close to urban areas (like the M42) and could place a burden on drivers in remote rural areas with lengthy trips to commercial, workplace or retail destinations in the nearest towns.

#### Charge rate

The likely charge rate would be a single per-mile charge for each category of vehicle. The charge rate would depend on a vehicle’s weight (hence taking into account the damage it does to the road) and its tailpipe emissions. The lighter and cleaner a vehicle is, the lower the per mile charge. The heavier and dirtier the vehicle is, the higher the per mile charge.

#### Tax collection costs

One key concern with any tax system is the cost of collecting the tax and the consequent effect on the amount of tax collected net of the collection costs. With fuel duty it’s payable as you pay for each litre of fuel as you fill your fuel tank and it is collected for the Treasury by the fuel retailers.

In an earlier comment from the RAC Foundation in 2017 they envisaged a **per-mile charge**, adjusted for the weight of the vehicle, and collected via insurance companies, presumably during the term of the current insurance cover. The reliability and the tamper proof protection built into the devices on vehicles recording annual mileages would be important as an almost certain unintended consequence would be criminals devising ways of circumventing the accurate recording of mileages to avoid road use charges.



Brand new MG ZS EV arrived in showrooms in November 2021

Footnote: The **RAC Foundation** is a transport policy and research organisation that explores the economic, mobility, safety and environmental issues relating to roads and their users. [More](#)