

Background

The Chancellor of the Exchequer announced in his Autumn Statement on 5 December 2012 that the increase in main fuel duty rates due on 1 January 2013 had been cancelled and that the 1 April 2013 increase had been deferred to 1 September 2013. The Chancellor of the Exchequer also announced that, for the remainder of this Parliament, subsequent increases in fuel duty rates will take place on 1 September each year instead of 1 April.

The Chancellor announced in his March 2013 Budget on 20 March 2013 that the increase in fuel duty rates planned for 1 September 2013 had been cancelled. The increase in main fuel duty rates would have been 1.89 pence per litre and would have cost the haulage industry an estimated additional £218 million a year.

The Chancellor announced at the Conservative Party Conference on 30 September 2013 that he intends to freeze fuel duty for the remainder of this Parliament if it can be afforded.

Current economic climate

The Autumn Statement 2013 takes place against a backdrop of a UK economy that has experienced tentative growth since the start of the year with the preliminary estimate for Q3 2013 indicating a rise of 0.8 per cent in output during the quarter, the highest growth since 2010. However, inflation is still above the two per cent target (the Consumer Prices Index was 2.2 per cent in October 2013, down from 2.7 per cent in September) with low wage growth (average pay before bonuses rose 0.9 per cent in the year to September) and tight credit conditions. Although transport prices fell by 1.5 per cent between September and October, primarily due to falls in forecourt fuel prices, the price of oil has barely moved. The main concern is that consumers will drive growth by using their savings since earnings have not kept pace with inflation. There are positive signs for economic recovery but, after two years of stagnation, the Government must ensure this growth is sustained.

The UK's freight transport sector continues to face a challenging business environment in 2013 with businesses

having to contend with high operating costs and weak levels of business activity. The UK economy has grown steadily for three consecutive quarters but GDP still remains 2.5 per cent below the peak seen in Q1 2008.

The price of a barrel of oil has generally remained over the \$100 mark for the past three years. World oil prices have fluctuated in 2013 so far averaging \$109 per barrel (bbl). In the case of road freight, fuel represents nearly 40 per cent of a 44 tonne gvw hgv operating costs. Fuel costs for one such truck are over £52,000 per annum as at 1 October 2013 according to FTA's Manager's Guide to Distribution Costs October 2013 update.

With most hauliers' operating margins averaging one per cent, carriers should pass these costs on to customers where they can. However, such narrow margins indicate that the strong bargaining position of many customers often means that these high costs cannot be passed in full. According to FTA's Manager's Guide to Distribution Costs in the year to 1 October 2013 total operating costs for a 44 tonne gvw artic were broadly

unchanged and haulage rates had risen by just 0.7 per cent in the same period. FTA members reported that 63 per cent of a sample of domestic haulage rates had not changed since the start of 2013, with a further 15 per cent reporting a fall in rates, reflecting the impact of falling fuel prices in Q2 2013. This extremely tight operating margin coupled with broadly unchanged haulage rates is illustrative of an industry that is in desperate need of growth stimulus.

FTA welcomed the Chancellor's announcement on 30 September 2013 of his intention to freeze fuel duty for the rest of this Parliament, if it can be afforded. If this can be delivered, this will mean that fuel duty will have been frozen for four years by the time of the next General Election. This approach has delivered much needed relief not only to businesses, but also to consumers, and recent evidence seems to suggest it is also playing a helpful role in the Government's aims to keep inflation in check. Therefore, FTA urges the Government to maintain this commitment to abandon any further rises for the rest of this Parliament.

Fuel price and duty update Autumn Statement 2013

Trends in fuel duty and prices

Changes in fuel duty rates since March 2001

Date	Ultra low sulphur petrol/diesel (ppl)	Sulphur free petrol/diesel (ppl)	Biodiesel (ppl)	LPG (as road fuel) (p/kg)	Natural gas (as road fuel) (p/kg)	Rebated gas oil (red diesel) (ppl)
07/03/01	45.82			9.00	9.00	3.13
26/07/02	45.82		25.82	9.00	9.00	3.13
01/10/03	47.10	47.10	27.10	9.00	9.00	4.22
03/12/04	47.10	47.10	27.10	9.00	9.00	5.22
07/12/06	48.35	48.35	28.35	12.21	10.81	7.69
01/10/07	50.35	50.35	30.35	16.49	13.70	9.69
01/12/08	52.35	52.35	32.35	20.77	16.60	10.07
01/04/09	54.19	54.19	34.19	24.82	19.26	10.42
01/09/09	56.19	56.19	36.19	27.67	22.16	10.80
01/04/10	57.19	57.19	57.19	30.53	23.60	10.99
01/10/10	58.19	58.19	58.19	31.95	25.05	11.18
01/01/11	58.95	58.95	58.95	33.04	26.15	11.33
23/03/11	57.95	57.95	57.95	31.61	24.70	11.14
01/09/14	Expected rise may be cancelled in the December 2013 Autumn Statement					

Source: HMRC Hydrocarbon Oils Historic Duty Rates

Key facts

Duty on petrol and diesel was cut by one pence per litre to 57.95 pence per litre on 23 March 2011. It could rise by 1.62 pence per litre on 1 September 2014 if the increase is not cancelled. This is an estimated increase of 2.8 per cent.

Between 7 March 2001 and 23 March 2011 the duty on diesel and petrol increased from 45.82 pence per litre to 57.95 pence per litre. This is a rise of 26.5 per cent. Underlying inflation between March 2001 and March 2011 increased by 36.6 per cent.

Fuel duty represented 53.4 per cent of the cost of a litre of bulk diesel (excluding VAT) as at 22 November 2013.

Changes in bulk fuel prices since 2003

Fuel type	1 Jan 03 (ppl)	22 Nov 13 (ppl)	% change
Diesel	61.47	108.60	76.7%
Unleaded petrol	59.97	104.70	74.6%
Gas oil	17.46	62.39	257.3%

Source: EnergyQuote/JHA

Key facts

Bulk contract diesel (excluding VAT) fell by 3.0 per cent, unleaded petrol fell by 2.0 per cent and gas oil fell by 3.8 per cent from 23 November 2012 to 22 November 2013. Underlying inflation in the 12 months to October 2013 increased by 2.7 per cent.

Importance of fuel costs in overall operating costs as at 1 October 2013

Vehicle type	Low mileage (miles pa)	Fuel costs as a % of total cost of vehicle and driver	Average mileage (miles pa)	Fuel costs as a % of total cost of vehicle and driver	High mileage (miles pa)	Fuel costs as a % of total cost of vehicle and driver
7.5 tonnes rigid	30,000	20.87	40,000	21.30	55,000	22.49
10–12 tonnes rigid	45,000	26.07	55,000	26.04	65,000	25.00
12–14 tonnes rigid	35,000	22.83	40,000	22.37	50,000	22.25
16–18 tonnes rigid	45,000	29.83	55,000	29.23	65,000	28.87
26 tonnes rigid	40,000	32.10	50,000	31.60	60,000	31.19
32 tonnes rigid	50,000	34.64	55,000	32.19	65,000	32.08
33 tonnes (2+2) artic	65,000	34.91	75,000	35.02	85,000	34.24
38 tonnes (2+3) artic	65,000	35.49	75,000	35.27	85,000	35.22
38 tonnes (3+2) artic	50,000	33.11	70,000	34.66	85,000	35.75
32 tonnes drawbar	45,000	30.02	60,000	31.00	80,000	33.44
40 tonnes (2+3) artic	50,000	33.18	70,000	35.65	80,000	34.93
44 tonnes (3+3) artic	70,000	38.11	85,000	37.75	100,000	37.46

Source: FTA Manager's Guide to Distribution Costs, October 2013 Update Report

Key facts

In October 2013 fuel costs represented 37.8 per cent of total costs for a 44t gvw artic based on an average mileage of 85,000 miles per annum. In October 2003 fuel costs were 29.9 per cent of total costs. A high of 40.4 per cent was reached in July 2008 when world oil prices soared.

The annual fuel bill for a 44t gvw artic running an average mileage (85,000 miles per annum) has increased from £30,162 in October 2003 to £52,459 in October 2013. This is an increase of 74 per cent.

Estimated impact of potential fuel duty rise on 1 September 2014 on hgv operating costs*

Vehicle type	Average mileage (miles pa)	Annual fuel used (litres)	Increase in fuel costs (£)**	% increase in vehicle costs	% increase in vehicle & driver costs	% increase in total costs
3.5t gvw van	35,000	6,120	99	0.70	0.70	0.63
7.5t gvw rigid	40,000	11,365	184	0.80	0.37	0.31
10–12t gvw rigid	50,000	17,485	283	0.81	0.44	0.38
12–14t gvw rigid	40,000	13,988	227	0.76	0.38	0.33
16–18t gvw rigid	60,000	22,730	368	0.87	0.48	0.43
26t gvw rigid	60,000	27,276	442	0.86	0.53	0.46
32t gvw rigid tipper	55,000	31,254	506	0.82	0.54	0.47
33t gvw (2+2) artic	75,000	37,883	614	0.91	0.59	0.51
38t gvw (2+3) artic	75,000	40,112	650	0.91	0.60	0.51
38t gvw (3+2) artic	70,000	39,778	644	0.89	0.59	0.50
32.5t gvw drawbar	60,000	30,307	491	0.87	0.53	0.45
40t gvw (2+3) artic	70,000	41,871	678	0.90	0.60	0.52
44t gvw (3+3) artic	85,000	47,123	763	0.91	0.63	0.55

*Source: FTA Manager's Guide to Distribution Costs, October 2013 Update Report

**Based on estimated planned increase in fuel duty of 1.62 pence per litre on 1 September 2014

Key facts

Between 1 October 2012 and 1 October 2013, total vehicle operating costs for a 44t gvw artic were broadly unchanged. Underlying inflation in the 12 months to October 2013 increased by 2.7 per cent.

Volatility of Sterling against the US Dollar has highlighted the effect of world oil price rises for UK motorists. Between 1 January 2003 and 22 November 2013 Sterling began at \$1.61, reached a high of \$2.11 and a low of \$1.36 and is currently back around \$1.61.

Tax revenue from road freight

Industry contribution* in fuel duty and VED revenue

The next increase in the main fuel duty rates is scheduled to take place on 1 September 2014 and is currently estimated at 1.62 pence per litre. This could cost industry an additional £187 million minimum per year on top of the £7.4 billion per annum tax-take from fuel duty and vehicle excise duty from vans and trucks only.

2013/14	(£ billion)
Fuel duty revenue*	6.68
VED revenue*	0.73
Total	7.41

*Industry contribution from hgv's and vans only calculated by FTA using figures from Transport Statistics Great Britain 2012 published by the Department for Transport.

Fuel price and duty update Autumn Statement 2013

Estimated impact of potential fuel duty rise on 1 September 2014 on hgv operating costs*

EU member state	Price excluding duty (pence per litre)	Fuel duty (pence per litre)	Fuel duty index	Net selling price (pence per litre)	Variation on UK price (pence per litre)
Austria	59.25	34.34	59.26	93.60	-20.96
Belgium	61.43	35.87	61.91	97.30	-17.26
Bulgaria	64.06	27.66	47.74	91.72	-22.84
Croatia	57.30	28.11	48.51	85.41	-29.15
Cyprus	64.26	34.45	59.45	98.71	-15.85
Czech Republic	57.80	33.87	58.45	91.67	-22.89
Denmark	66.13	33.92	58.53	100.04	-14.52
Estonia	58.61	32.96	56.87	91.57	-22.99
Finland	61.97	38.82	66.99	100.79	-13.77
France	55.07	36.86	63.60	91.92	-22.64
Germany	60.28	39.46	68.09	99.74	-14.82
Greece	64.31	28.77	49.65	93.09	-21.47
Hungary	60.70	32.06	55.33	92.76	-21.80
Ireland	61.18	41.86	72.23	103.03	-11.53
Italy	60.65	51.79	89.36	112.44	-2.12
Latvia	57.47	29.44	50.80	86.91	-27.65
Lithuania	62.32	27.69	47.79	90.02	-24.54
Luxembourg	58.52	28.10	48.49	86.62	-27.94
Malta	62.92	33.75	58.25	96.68	-17.88
Netherlands	58.20	37.60	64.89	95.80	-18.76
Poland	58.51	29.25	50.47	87.75	-26.81
Portugal	61.78	30.83	53.20	92.61	-21.95
Romania	59.68	28.19	48.64	87.87	-26.69
Slovakia	61.21	34.06	58.77	95.27	-19.29
Slovenia	56.03	37.27	64.31	93.30	-21.26
Spain	61.66	30.99	53.48	92.65	-21.91
Sweden	61.43	45.68	78.82	107.11	-7.45
United Kingdom	56.61	57.95	100.00	114.56	0.00
EU average (excluding UK)	60.47	34.21	59.03	94.68	-19.88

Source: EC Directorate-General for Energy, Weekly Oil Bulletin No 1680 18 November 2013

Key facts

The United Kingdom levies the highest fuel duty in the European Union.

UK fuel duty on diesel needs to fall by 24 pence per litre to achieve parity with the average duty rate in the rest of the European Union.

UK forecourt diesel prices excluding VAT need to fall by 20 pence per litre to achieve parity with the average forecourt price in the rest of the European Union.

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