Call for Evidence: Smart Road User Charging – Feb 23

Summary: Principles for Smart Road User Charging in London

- London should avoid adopting a smart road user charging system before a nationwide system is in place.
- One single system would be preferable to the current multiple road user charging systems.
- All motorised vehicles should be included in the charging system.
- Traffic reduction strategy should be targeted at private motorists and not automatically apply to freight movements.
- The smart charging system must be simple to administer, interoperable around the UK, allow automated payments, and be governed in a transparent and fair way.
- An independent regulatory body should set road user charging rates.
- To be carefully phased in as alternative fuels take the place of diesel, to avoid double taxation with fuel duty.
- Funds raised to be ring-fenced to ensure adequate funding for road infrastructure, to deliver improvements to road maintenance and reduction in periods of disruption (eg roadworks/incident recovery).

About Logistics UK

Logistics UK is one of the country's largest business groups, supporting, shaping and standing up for safe and efficient logistics. We are the only organisation representing the entire logistics sector. We represent a sector delivering an increasingly innovative, productive and sustainable system of essential national infrastructure. This system ensures the availability of the products that households, businesses and public services rely on every day, and is supporting the UK's transformation for the future. Our membership of over 20,000 includes global, national and regional businesses and SMEs spanning the road, rail, sea and air industries as well as the buyers of freight services, such as retailers and manufacturers.

Background

For an efficient logistics industry, free flowing roads with minimal delays are crucial. Road freight is an essential enabler of all business activity: in 2020, road accounted for 89% of all freight traffic, playing a crucial part in the UK's supply chain[1]. It also plays a key role in facilitating and supporting other freight modes. Transport infrastructure spending continues to be needed to improve roads across London and nationally, to enhance capacity and reduce unreliability. Appropriate policies and funding are also needed to help provide facilities for drivers to attract sufficient human resource to the industry.

There is an inherent transport cost in everything we buy. As the UK recovers from the global pandemic, we are now faced with a cost-of-living crisis. According to Logistics UK's Manager's Guide to Distribution Costs, total operating costs for a 44-tonne articulated truck increased by 13.3% in 12 months to October 2022, due to increased fuel prices (our members' biggest cost) and upward pressure from wages as the industry experienced an acute driver shortage, with the average 44tn truck driver wages increasing by an average 8.3% in same time period. At the same time, there was a 10.5% increase in the Consumer Prices Index (CPI) inflation rate in the year to December 2022, which raised most other input costs.

The UK Government has decided to gradually phase out petrol and diesel vehicles from the UK over the next few decades. This policy decision will reduce and eventually eliminate tax revenues from Fuel Duty. Our expectation is that the Government will introduce a form of Road User Charging (RUC) rather than lose this important source of tax revenue so any smart charging scheme introduced regionally must be developed in cooperation with national government.

There are many ways to structure a smart user charging system, which offers decisionmakers a flexible tool to help deliver policy outcomes from the road transport network. Charging rates could, for example, be varied depending on the type of road, time of day, amount of congestion, environmental performance of the vehicle, and other factors. It must, however, be a single national charging system, as opposed to multiple regional systems that are fragmented, costly to maintain and implement.

[1] GOV.UK Statistical data set: Freight (https://www.gov.uk/government/statistical-data-sets/tsgb04-freight)

Principles

Avoid multiplication of charges/taxes/levies

The UK has the highest fuel duty rates in Europe, which acts as a distance charge and also strongly incentivises logistics efficiency and better environmental performance. Charges should support the uptake of alternatively fuelled/zero emission commercial vehicles to help build the investment case for businesses. However, it should be recognised that some parts of the supply chain are more difficult to decarbonise. Whilst innovation is taking place to produce zero tailpipe emission HGVs, it will take some time for the market to fully develop and put in place the appropriate refuelling and recharging infrastructure. Consequently, the government has set later phase-out dates for the sale of new non-zero tailpipe emission HGVs, with vehicles between 3.5 tonnes and 26 tonnes having until 2035 and 2040 for HGVs over 26 tonnes. If TfL is to include emissions within the charging structure, there should be recognition of steppingstone technologies that provide greenhouse gas emissions savings, such as CNG, LNG and HVO.

UK HGV operators will this year recommence paying a fee for the use of UK strategic road network – the HGV Road User Levy (RUL) (The RUL was suspended during the Covid-19 pandemic). This is payable on an annual basis for UK-based hauliers, or on shorter time-based periods for those vehicles visiting the country, and is based on vehicle type. No other UK road user pays such a charge.

HGV operators also pay Vehicle Excise Duty (VED) per year for each HGV on their licence, a compulsory annual test fee (that is used to fund DVSA HGV enforcement activity instead of the taxpayer).

The introduction of smart road user charging in London must be done in coordination with the UK government, which controls domestic taxation policy, to avoid the freight sector from facing multiple layers of costs, which will reduce investment opportunity for fleet renewal.

Appoint an independent Regulator to set smart user charging rates

The introduction of smart road user charging would create a system where users pay to access publicly owned infrastructure. This is similar in concept to the rail industry, where users pay the infrastructure manager (Network Rail) to use the network. Prices are set through a control period process and reviewed by an independent economic regulator (the Office of Rail and Road). The introduction of such a smart charging system in London will create a similar situation for road vehicles. Logistics UK would wish to see an independent regulatory body be granted powers to scrutinise and amend road user charging rates. This could be an expansion of the role of an existing body such as the ORR or may require a new body to be set up.

Avoid unnecessary administrative burden

Any smart road user charging system must be simple and must avoid introducing an unnecessary administrative burden. It must be interoperable with a national charging scheme and any others that are established around the UK. The system should allow for automated payments on a fleet-wide scale and be governed in a transparent and fair way. It should also be integrated with other infrastructure and congestion charges that are currently in place, to create a one-stop shop for charging.

Ensure fair treatment across the road sector

The essential value of freight needs to be taken into account in any charging structure and care must be taken to ensure the scheme's aims to deter private car use are not automatically applied to freight. Freight journeys taking place in peak hours should not be penalised as often this is driven by customer need. Whilst congestion reduction is listed as a key aim for a future road user charging scheme in the Mayor's Transport Strategy, this should be targeted at non-essential journeys where alternatives are available, such as walking, cycling or public transport.

Use funds to improve road infrastructure

Funds raised should be ring-fenced to ensure adequate funding for roads spending, to deliver improvements to road maintenance and reduction in periods of disruption, such as roadworks and incident recovery.

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