



HGK Road User Levy Bill

Bill No 77 of 2012-13

RESEARCH PAPER 12/62 29 October 2012

This Bill would provide for the introduction of an HGK road user levy from April 2014.

The levy would apply to both foreign- and UK-registered hauliers with vehicles weighing more than 12 tonnes. The maximum daily charge would be the equivalent of €11 (subject to change) and would be set in accordance with Vehicle Excise Duty bands. UK hauliers would receive an offset in their VED so that they would be, by and large, no better or worse off from the implementation of the levy. It would be an offence not to pay the levy, for which the maximum fine would be £5,000. The levy is expected to raise in the region of £80 million in total between 2013/14 and 2017/18. All monies raised would go into the Consolidated Fund.

The Bill is scheduled for Second Reading in the House of Commons on Tuesday 6 November 2012.

Louise Butcher

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Summary

Following a debate on a Ways and Means resolution on 23 October 2012, the Government introduced the *HGV Road User Levy Bill* (Bill 77 of 2012-13). The Bill is scheduled to receive Second Reading on 6 November 2012.

The UK road haulage sector is facing many pressures – from high fuel prices to competition from European hauliers. It is in this context that successive governments have looked at levelling the playing field for UK hauliers whose competitors can refuel across the Channel (where in general the level of fuel duties paid is lower than in the UK) and who do not pay UK road taxes, which go towards the maintenance and improvement of the road network.

One of the solutions most often put forward by the industry is some sort of road user charge or levy whereby foreign hauliers would be required to pay a charge for the use of UK roads. While UK hauliers would be required to pay the same charge, this would be balanced by a reduction in domestic taxes such as Vehicle Excise Duty (VED). Any scheme would have to comply with the complex rules set out at a European level in the Eurovignette Directive, as amended.

The last Conservative Government looked at this and the previous Labour Government even put some framework legislation on the statute book, but neither of them introduced a scheme.

The Coalition Government consulted on the introduction of a scheme in January 2012. This Bill takes forward the proposals in that consultation. It would provide for the introduction of an HGV road user levy from April 2014, the details of which would be as follows:

- the levy would apply to both foreign and UK-registered hauliers with vehicles weighing more than 12 tonnes;
- the maximum daily charge would be the equivalent of €11 (subject to change) and would be set in accordance with Vehicle Excise Duty bands;
- UK hauliers would receive an offset in their VED so that they would be, by and large, no better or worse off from the implementation of the levy;
- it would be an offence not to pay the levy, for which the maximum fine would be £5,000.

The levy is expected to raise in the region of £80 million in total between 2013/14 and 2017/18. All monies raised would go into the Consolidated Fund.

The scheme would extend to the whole of the UK.

1 Background

1.1 The Eurovignette Directive

Overview of the requirements

Any lorry road user charging scheme, or levy, in the UK would have to operate within the broad parameters set down in the relevant European legislation: [Directive 1999/62/EC](#) ('the Directive') as modified by [Directive 2006/38/EC](#) and by [Directive 2011/76/EU](#).

Although the application of tolls and road user charges/vignettes is not mandatory for Member States, the Directive lays down certain rules to be followed by those Member States if they wish to levy such charges. The most important of these framework conditions are:

- **Tolls** must be levied according to the distance travelled and the type of vehicle; **user charges/vignettes** are scaled according to the duration of the use made of the infrastructure and to the vehicle's emission class;
- Tolls and user charges/vignettes may not be imposed on the same infrastructure at the same time. There is an exception for tolls on bridges, tunnels and mountain passes, which can be applied in addition to user charges/vignettes;
- National tolls and user charges/vignettes must be non-discriminatory, and excessive rebates on tolls are forbidden;
- Charging schemes should cause as little hindrance as possible to the free flow of traffic, avoiding mandatory checks at the EU's internal borders;
- The maximum average tolls must be set in relation to the costs of constructing, operating and developing the infrastructure concerned; and
- Tolls may also include an "external cost charge" which reflects the costs of air and noise pollution, provided that the external cost charges respect maximum values defined in the annex of the Directive.

The maximum charges permitted were amended by the 2006 Directive and vary between €797 and €2,233 per year, depending on emissions class and number of axles. The maximum daily charge allowed is €11.¹ This is subject to change to account for inflation.

Negotiations on the 2011 amending Directive took three years and spanned the end of the Labour Government and the first year of the Coalition Government. Both had concerns about some of the measures included in the first draft of the Directive, particularly support for 'earmarking' (hypothecation) of revenues from any charges that Member States may introduce and the requirement that vehicles under 12 tonnes should always be included in any charging schemes.² In the final Directive, the requirement to charge vehicles weighing under 12 tonnes was not included.

The issue of hypothecation is addressed in Article 9(2) of the Directive, as amended in 2011. This specifically says that Member States shall determine the use of revenues generated by the Directive. In other words, there is no mandatory hypothecation. The Directive represents a compromise between the Commission and Member States as it also goes on to state that that revenues "should" be spent on transport. The term "should" is not legally binding – it expresses a preference – whereas "shall" does have legal force. The full text is given below:

¹ at the € exchange rate on 25 October 2012 this is an annual charge of between approximately £642 and £1,800 and a daily charge of £8.87.

² Transport Committee, [EU transport policy](#), HC 751-i, 27 June 2011, Ev 16

Member States shall determine the use of revenues generated by this Directive. To enable the transport network to be developed as a whole, revenues generated from infrastructure and external costs charges, or the equivalent in financial value of these revenues, should be used to benefit the transport sector, and optimise the entire transport system. In particular, revenues generated from external cost charges, or the equivalent in financial value of these revenues, should be used to make transport more sustainable, including one or more of the following:

- a) facilitating efficient pricing;
- b) reducing road transport pollution at source;
- c) mitigating the effects of road transport pollution at source;
- d) improving the CO₂ and energy performance of vehicles;
- e) developing alternative infrastructure for transport users and/or expanding current capacity;
- f) supporting the trans-European transport network;
- g) optimising logistics;
- h) improving road safety; and
- i) providing secure parking places.

This paragraph shall be deemed to be applied by Member States, if they have in place and implement fiscal and financial support policies which leverage financial support to the trans-European network and which have an equivalent value of at least 15 % of the revenues generated from infrastructure and external cost charges in each Member State.'

The European Commission is currently looking at developing a legislative proposal for distance-based road charging which would initially apply to road freight but could be extended to all vehicles. A legislative proposal is expected by 2014.³

Background

In the mid 1990s Germany was the first EU Member State to introduce a lorry road user charge, or 'vignette', as a result of concern at the number of trucks using its roads. Early schemes were introduced from January 1995 under [Directive 93/89/EEC](#). This was annulled by the European Court of Justice⁴ and was subsequently replaced by [Directive 1999/62/EC](#), which came into force in July 2000, and amended by [Directive 2006/38/EC](#). The aims of the 1999 Directive were to reduce the differences in the levels and in the systems of tolls and user charges applicable within Member States; to provide for greater differentiation of tolls and charges in line with costs associated with the road use; and to further move towards the principle of territoriality.⁵ The Directive also lays down certain rules to be followed by Member States should they wished to retain or introduce tolls and/or user charges.

The 2006 Directive introduced the possibility for individual Member States to integrate the 'external costs' of road transport into toll prices; these 'external costs' can include congestion costs, environmental pollution, noise, landscape damage, social costs such as health and

³ EC, [Invitation to tender No. MOVE/D3/2011/571-1: specifications](#), January 2012

⁴ on administrative grounds – the European Parliament was excluded from the decision-making process

⁵ 'territoriality' in this case means the ability of States to enforce financial sanctions on foreign nationals

indirect accident costs which are not covered by insurance. It also provides that from 2012 States may include vehicles weighing more than 3.5 tonnes in vignette schemes if they wish.

In July 2008 the European Commission published a proposal to further amend the 1999 Directive to allow for the internalisation of the costs of air and noise pollution caused by traffic into toll charges (not into the vignette scheme). As indicated above, the Directive was subject to disagreement between the Council and the Parliament, with many States expressing concern. These were eventually resolved and the Directive was agreed in September 2011. All the relevant documentation, including the various iterations of the Directive can be found on the [EP legislative observatory](#) website.

1.2 Policy of the Labour Government, 1997-2010

Legislating for a scheme

In the first three years of their first term, the Labour Government faced pressure from across the political spectrum to introduce some form of road user charging scheme for hauliers.⁶ In November 2000 the then Chancellor of the Exchequer, Gordon Brown, responded by announcing his intention to introduce a 'vignette' or charging scheme to ensure that "foreign hauliers start to contribute towards the costs of maintaining the UK road network and the environmental costs that they impose".⁷ In recognition of the fact that the UK haulage industry already contributed towards the costs that it imposed via various taxes, the Government agreed that the overall tax burden on the UK haulage industry should not be increased. As a result the Government indicated that it would offer other tax reductions for lorry operators when the charge was introduced.

A consultation document was published alongside the Pre-Budget Report in November 2001. The paper considered two possible forms of charging: time-based and distance-based. The former was a basic daily or annual charge; the latter could raise more revenue, but it would be more complex to administer as it would require the effective monitoring of all vehicle miles travelled.⁸ In his April 2002 Budget statement Mr Brown announced his decision to proceed with a distance-based charging scheme.⁹

Preliminary legislation was included in section 137 of the *Finance Act 2002*. This provided for a "tax, to be known as lorry road-user charge" to be charged on the use of roads by lorries. No details were given, other than that it would be based on distance travelled. Further legislation would be needed to introduce a specific scheme at a future date. The legislation did, however, allow ministers to spend money preparing for such a scheme.

At a meeting with representatives of the haulage industry in April 2002 the Government stated that it would ensure that the UK haulage industry would not pay any more as a result of the new charge.¹⁰ A first progress report was also published in April 2002, drawing on the responses to the November 2001 consultation paper and other discussions held with the industry. This outlined why the Government decided on the distance-based option, and set out some preliminary thoughts on the nature of the charge and the next steps.

⁶ see, e.g.: "Hauliers set to disrupt cities and ports", *Financial Times*, 9 April 1999; "Foreign lorries may face road charges", *The Daily Telegraph*, 13 April 1999; and: ETRA Committee, *The Road Haulage Industry* (fifteenth report of session 1999-2000), HC 296, 26 July 2000, para 44

⁷ HM Treasury, *Pre-budget report*, November 2000, para 6.69

⁸ HM Treasury, *Modernising the taxation of the haulage industry*, November 2001

⁹ [HC Deb 17 April 2002, cc583-4](#)

¹⁰ HM Treasury press notice, "[Modernising the taxation of the haulage industry](#)", 25 April 2002

The Government took the view that a distance-based charge (i.e. charging by the mile) would be preferable to a time-based charge (i.e. a daily rate). It set out the pros and cons of each method as follows:¹¹

	Pros	Cons
Distance-based	<p>could be imposed on lorries irrespective of their nationality and therefore levy a charge on foreign operators in the UK;</p> <p>could be levied at a much higher level than a time-based charge, given current European Community law;</p> <p>would correlate more closely to the social and environmental costs that lorries impose as in many cases these costs are related closely to the distance that a lorry travels;</p> <p>could be varied by weight and axle structure of lorries and vehicle emission standards, and by the type of road and congestion variables (location and time specific);</p> <p>would be administered electronically, which could help to increase availability of a wide range of additional services for lorry operators. For example, a satellite-based system can provide advanced in-cab congestion information and journey directions and inform the control-hub about the lorry's current location;</p>	<p>would take longer than a time-based charge to set-up. It is estimated that it could take up to four years to set up from securing Parliamentary approval;</p>
Time-based	<p>could be imposed on lorries irrespective of their nationality and would therefore be levied on foreign operators in the UK;</p> <p>could be set-up within around two years of securing Parliamentary approval;</p> <p>could be varied according to the weight and axle structure of the lorry, along the same lines as lorry vehicle excise duty (VED), and also according to vehicle emission standards. These variations might then provide fiscal incentives to lorry operators to use less damaging and more environmentally-friendly lorries;</p>	<p>could only entail a charge of around £5 a day on lorry operators to use UK roads, given current European Community law;</p> <p>does not correlate closely with the environmental and social costs imposed by lorries using UK roads because these costs depend more on distance travelled rather than time;</p> <p>would not be able to provide significant fiscal incentives to use less damaging and more environmentally-friendly lorries;</p> <p>would be likely to take the form of a paper permit, which would not enable the introduction of any wider value-added services, although the sale of permits at particular outlets might provide an opportunity for providing or co-locating other services for lorry operators;</p>

¹¹ HM Treasury, *Modernising the taxation of the road haulage industry - progress report one*, April 2002, pp4-10

The Government said that it would discuss details with the industry over the following twelve months, but its initial view was that the charge should apply to all vehicles, regardless of their country of registration and that it would apply to all roads in the UK. However, there would be some variation according to lorry weight and emissions level and the type of road used. At this stage there was also an intention to build a system that could be further varied to permit different charges throughout the day.¹²

The Treasury published a second progress report in May 2003. It set out the main characteristics of the intended scheme and reported that the Government had decided that the offsetting tax would be a reduction in fuel duty.¹³ The main characteristics were given as follows:

- The charge would apply to all lorries with a gross vehicle weight of over 3.5 tonnes, but the charge would be phased-in, starting with heavier lorries;
- The charge would apply to all UK roads, not just the motorway or major road network and the charge would vary depending on the type of road used, so, for example, lorries would pay a different rate of charge on motorways compared with other roads; and
- There would be a separate 'occasional user' scheme, which would omit the need for in-vehicle technology and instead rely on single tickets purchased via the Internet or electronic terminals.¹⁴

The Government had yet to decide details of the scheme, such as:

- The use of a differential rate structure, so, for instance, heavier lorries with fewer axles might pay more per kilometre, and lorries with more environmentally friendly emissions standards might pay a lower rate;
- Whether to introduce different rates for travel at different times of day; and
- The technology that would be used: the two main options were a microwave system (i.e. roadside sensors) and a satellite-based positioning system (i.e. an in-vehicle 'black box'). It was moving towards the latter option as the preferred method.¹⁵

The paper also explained why the Government opted for an offset of fuel duty rather than VED for UK hauliers and the challenges that it would face in implementing it:

Fuel duty has been chosen because it is a tax currently paid by all hauliers, and because it is the current method of recovering from hauliers the costs that they impose. In the future, the lorry road-user charge will recover from hauliers many of these costs, and so it is appropriate that hauliers' fuel duty should be reduced [...]

Reducing fuel duty solely for those vehicles paying lorry road-user charge represents a considerable organisational challenge. Whilst the legitimate haulage industry should be able to obtain cheaper diesel as easily as possible, the Government will take robust measures to prevent fraudsters from buying cheaper diesel and using it in non-chargeable vehicles, undercutting legitimate trade.

¹² [ibid., p12](#)

¹³ HM Treasury, *Modernising the Taxation of the Haulage Industry - Progress Report Two*, 6 May 2003

¹⁴ [ibid., pp3-6](#)

¹⁵ [ibid., pp4-5](#)

The Government has identified two feasible means of offering an offsetting reduction in fuel duty to hauliers:

- A new chemically marked fuel, which will be sold at a discounted rate to hauliers to use in chargeable vehicles. It will be illegal to use it in a vehicle that is not paying the charge.
- A repayment scheme, whereby hauliers declare (electronically, where possible) how much fuel they have used in each chargeable vehicle, and are refunded some of the fuel duty, possibly as a credit against their lorry road-user charge bill.¹⁶

The plan was to start the tendering process in late 2003 and to introduce the charge sometime in 2006. However, the Chancellor announced in Budget 2004 that it would not be introduced until 2008.¹⁷ A third progress report published alongside the Budget stated that the Government had reached conclusions in two further areas – the ‘occasional user scheme’ and fuel duty repayments.¹⁸

Decision not to proceed

Before the scheme could proceed any further, in July 2005 the then Secretary of State for Transport, Alistair Darling, announced the Government’s decision to halt the development of a lorry road-user charge and to amalgamate the work to date into the Government’s broader plans for a national road pricing scheme.¹⁹ The idea of a nationwide road pricing scheme was later abandoned.²⁰

The road haulage industry was unhappy with the decision not to proceed: there were reports that the Freight Transport Association (FTA) and the Road Haulage Association (RHA) were considering taking the Government and the European Commission to court over whether the change in policy constituted reverse discrimination against the road haulage industry.²¹ Consequently, the RHA and the FTA set up the Burns Inquiry into freight taxes, which reported in December 2005.²² It concluded that there was “widespread pessimism across the road transport industry about the future and government inertia towards unfair foreign competition”. One of its key recommendations was that foreign vehicles should cover their full UK costs through a vehicle charge or an equivalent mechanism while UK operators should be rebated for this charge through fuel credits aligned to quarterly VAT returns.²³ Consequently, the Government set up a ‘Haulage Industry Task Force’ which reported to the Treasury in December 2006 with a ‘summary of evidence’ though it did not make any recommendations or set out the Government’s general view.²⁴

In April 2008 the Government published a freight data feasibility study. This was a technical study of the various charging options, though it did not analyse the option the Government had previously adopted, of a distance-based charge. While it set out reasons why a charging scheme would deliver low value for money and be too complex to implement, it did not directly address why the Government had opted for a distance-based scheme or on what

¹⁶ *ibid.*, pp4&7

¹⁷ HM Treasury, *Budget 2004*, HC 301, March 2004, paras 7.45-7.47

¹⁸ HM Treasury, *Modernising the Taxation of the Haulage Industry - Progress Report Three*, March 2004, p10

¹⁹ [HC Deb 5 July 2005, c173](#)

²⁰ for further information on Labour’s national road pricing policy, see HC Library note [SN3732](#)

²¹ [“Hauliers to fight on over lorry charge climb-down”](#), *The Daily Telegraph*, 1 September 2005

²² Robbie Burns led the inquiry – he has been prominent in the transport and logistics industry for many years: he was the founding Chief Executive of Exel (Logistics) and has held a number of board advisory roles at CTR, Ryder, Tibbett & Britten and Hays; he is currently Chairman of Nightfreight

²³ [The Burns Freight Taxes Inquiry](#), 1 December 2005, p59

²⁴ HM Treasury, [Haulage Industry Task Force: summary of evidence](#), 6 December 2006

evidence they had decided to abandon it.²⁵ It did, however, look at a time-based charge or 'vignette', the only option which had "a potentially positive business case". It found that a vignette scheme offered a benefit-to-cost ratio (BCR) of between 1.06 and 1.25 when the necessary HM Treasury 'optimism bias' was applied.²⁶

In July 2009 the Transport Select Committee published a report into road taxes, fees and charges. On the issue of a lorry road user charge it concluded that the Government should "speedily revisit the issue and update its assessments" and "consider if a lower-cost lorry user charging scheme might yield worthwhile benefits, within EU rules".²⁷ In its response to the Committee, published in October 2009, the Government reiterated that the evidence from the 2008 feasibility study had confirmed that a charging scheme would be unworkable.²⁸

There was no mention of this issue in the Labour Manifesto for the 2010 General Election.²⁹

1.3 Policy of the Coalition Government, 2010-

Background

The Conservative Party has long been in favour of introducing some sort of lorry road user charge or levy. The previous Conservative Government decided not to proceed with such a charge in 1997 for a number of reasons, as explained at the time by the then Treasury Minister, Philip Oppenheim:

First, in Germany and France ... a huge number of foreign truck drivers criss-cross the continent, but in the United Kingdom there is only a small number. If we impose a vignette, we would have to give a small compensating reduction on VED to our own truck drivers. The administrative cost would be relatively high and would raise around £4 million ... The amount of money raised would be miniscule, and we would then have to compensate our truck drivers with small reductions in VED. The result would be no revenue gain and a lot of administrative hassle.³⁰

By 1999 the Conservatives had changed their mind and had indicated their support for a 'BRIT disc' (a 'British road infrastructure tax'). In August 2007 the report by the Party's Economic Competitiveness Policy Group recommended the 'swift introduction' of a lorry road user charge, balanced by a reduction in either fuel duty on diesel or Vehicle Excise Duty (VED) for UK hauliers.³¹ This was followed by several reports to the effect that a future Conservative Government would look favourably on the idea.³² However, the Party's Manifesto for the 2010 General Election did not include a commitment on the issue.³³

The Liberal Democrats have also long supported this kind of charge. In August 2007 and June 2008 the Party published policy papers on the environment and transport, which set out

²⁵ DfT, *Freight data feasibility study: final report*, April 2008, paras 1.4-1.6

²⁶ *ibid.*, para 1.4; complex Government schemes such as any vignette scheme invariably show a more optimistic BCR estimate prior to implementation than is actually delivered when implemented; this is because high-level analysis tends to miss costs, and overestimate the degree to which benefits could be realised; HM Treasury has computed an 'optimism bias' to allow for this effect (*ibid.*, para 6.4)

²⁷ Transport Committee, *Taxes and charges on road users* (sixth report of session 2008-09), HC 103, 24 July 2009, para 157

²⁸ Transport Committee, *Government response to the Committee's Sixth Report of Session 2008-09* (sixth special report of session 2008-09), HC 95, 27 October 2009, p12

²⁹ Labour Party, *A Future fair for All: the Labour Party Manifesto 2010*, April 2010

³⁰ SC (B) Deb 4 February 1997, cc138-139

³¹ *Freeing Britain to Compete: equipping the UK for globalisation*, August 2007, pp27-28

³² see, e.g.: "Tories to resurrect lorry road user charge", *Road Transport.com*, 7 February 2008

³³ Conservative Party, *Invitation to join the Government of Britain: the Conservative manifesto 2010*, April 2010

their support for a lorry road user charge.³⁴ The Liberal Democrat Manifesto stated that the Party would introduce charging for lorries as part of a broader, GB-wide road pricing scheme in a second Parliament.³⁵

Legislative proposals

The Coalition Agreement of the Conservative-Liberal Democrat Coalition Government that took office in May 2010 stated that it would “work towards the introduction of a new system of HGV road user charging to ensure a fairer arrangement for UK hauliers”.³⁶

In January 2012 the then Roads Minister, Mike Penning, outlined the Government’s proposals for a charging scheme. There would be a time-based charge of around £10 a day for all goods vehicles weighing more than 12 tonnes. The cost of the charge to UK hauliers would be offset by some sort of compensation measure, the most likely one being a reduction in VED. The Government estimated that the cost to industry would be as follows:

For 94% of UK-registered HGVs over 12 tonnes, hauliers would not pay any more than now. Four per cent would pay no more than £50 a year more and a further 2% would pay slightly over £50, but the maximum extra cost would be £79. Even these small increases could be avoided by most vehicles if they were re-plated to carry a slightly reduced weight.³⁷

The charge would vary according to VED class (i.e. the more damage the vehicle causes, the more it would have to pay).

Non-payment of the charge would be a criminal offence, which could result in a fine imposed by the courts. It would also be made a fixed penalty offence with on-the-spot fines and financial deposits for drivers based outside the UK.

The consultation document issued in January 2012 sought views on the proposals until 18 April. It anticipated that primary legislation would be introduced in the 2013-14 session of Parliament, with the intention of having a scheme operational by May 2015.³⁸

The response to the consultation, outlining the Government’s plans going forward, was published on 23 October 2012. This confirmed the Government’s intention to proceed with legislation for a lorry road-user charge on the basis of the proposal set out in the January 2012 consultation document.³⁹ The Government outlined why it thought this sort of charge was necessary to restore fairness for UK hauliers competing with European companies for the same international business:

A large HGV currently pays between €25 and €46 for a 100 mile autobahn journey in Germany. A vehicle doing a two-day return trip from the UK to the Benelux countries pay €16 in user charges. A Northern Irish haulier delivering to Dublin pays almost €12 in tolls for a return journey. In contrast, a vehicle travelling from any of these countries to the UK pays nothing to use UK roads.

³⁴ Liberal Democrats, *Zero carbon Britain: taking a global lead* (policy paper 82), autumn 2007, para 5.4.3; and: *Fast-track Britain: building a transport system for the 21st century* (policy paper 85), June 2008, para 5.1.2

³⁵ Liberal Democrats, *Liberal Democrat Manifesto 2010*, April 2010, p80

³⁶ HMG, *The Coalition: Our Programme for Government*, May 2010

³⁷ DfT press notice, “A fairer deal for UK hauliers”, 25 January 2012

³⁸ DfT, *Charging Heavy Goods Vehicles : A consultation document*, January 2012, p15

³⁹ DfT, *Delivering charging for heavy goods vehicles: The Government’s plans following consultation*, October 2012

These are just examples, but almost all European countries have charging schemes for HGVs. Over time, the different ways in which countries across Europe charge for the use of their road network has created an imbalance that is unfair to UK carriers.

This is why UK road freight transport operators and organisations have consistently called for the introduction of charging, provided that the overall level of taxes and charges on UK carriers does not increase significantly.⁴⁰

The October 2012 document also confirmed the fine and enforcement structure:

VOSA [the Vehicle and Operator Services Agency] will target vehicles failing to comply with the charge.

We are actively looking into targeted stopping of vehicles known to be non-compliant, using Automatic Number Plate Recognition to perform “live” checks against a database of vehicles that have paid.

We are actively looking at doing such checks at or near ports.

Drivers that are unable to give a satisfactory UK address will be required to pay an on-the-spot fine (technically known as a Fixed Penalty Notice) of £200 in the form of a financial deposit. Enforcement officers will have the power to immobilise a vehicle until this is paid.

DVLA [the Driver and Vehicle Licensing Agency] will be able to enforce against UK vehicles that have not paid the charge, using the records they hold of vehicles, renewal dates, and the address of the operator. There will be a new “supplement”, like that currently paid by those failing to pay VED, of £200 to cover failure to pay the charge.

For cases that go to court, the maximum possible fine is £5,000.

The law will also allow enforcement against those that have paid too low a charge rate.⁴¹

In a change from the consultation paper, the Government brought forward the implementation date for foreign hauliers by a year to April 2014, to align with the introduction of the scheme for UK hauliers.⁴²

The Government’s proposal of a time-based charge (vignette) with a VED offset is broadly the opposite of the scheme that the Labour Government considered a decade ago but abandoned due to its low cost-benefit and its complexity. The October 2012 paper briefly addresses the viability of that sort of distance-based charge with a fuel duty rebate:

There are other ways of introducing charging - most notably distance-based charging, and we included questions on this in the consultation. However it is not possible to introduce measures fully to offset the costs of a distance-based charge for UK hauliers without introducing a fuel duty rebate. The European Court of Justice has already ruled that such a rebate scheme would be illegal.

Reducing VED rates at the same time as introducing charging is a simple, effective and targeted way of ensuring that the vast majority of UK hauliers pay no more than

⁴⁰ *ibid.*, p8

⁴¹ *ibid.*, p16

⁴² *ibid.*, p17

now. VED cuts are a “time-based” method of offsetting the charge, meaning they fit well with a time-based charging scheme.⁴³

Responses

In general, the Government received mainly positive responses to its consultation. Of the 92 respondents to the proposals, roughly two thirds to three quarters supported the proposal all or in part.⁴⁴ On the question of the alternative, the distance-based charge, views were mixed – 42 per cent were in favour of such a charge and 37 per cent were against. Thirty-nine per cent believed that such a charge would increase costs.⁴⁵

The road haulage industry has welcomed the proposals. The Freight Transport Association (FTA) has said that the “Bill and supporting documentation seem to deliver on the three main demands that FTA put forward during consultations [that a scheme should be fair, not add administrative burdens and come with hefty penalties for non-compliance], so we are giving this the thumbs up at this stage”.⁴⁶ However, the FTA is seeking clarification on the following issues:

- How charging will work in Northern Ireland across the land border with the Republic of Ireland?
- How will holders of Reduced Pollution Certificates be compensated through replacement grants?
- Detailed arrangements have been announced for draw-bar combinations (rigid vehicle towing a trailer). FTA will work with members to understand the practicality of these arrangements.
- Which operators are using the types of vehicle where there will be a higher net charge than at present? In particular who operates the 28 tonne 2+2 artics?⁴⁷

The Road Haulage Association (RHA) has called the Bill “good news for British hauliers”, in particular the scale of the penalties available for non-compliance and the plan to bring the implementation of the scheme forward to spring 2014.⁴⁸

However, the Campaign for Better Transport, which campaigns for better public transport and support for walking and cycling, has called the Bill a ‘missed opportunity’ for not opting for a distance-based charge, which can raise more revenue and be better aligned with environmental goals:

The Bill is a step in the right direction, but by going for daily charges rather than a distance-based system, the Government has missed an opportunity to charge foreign lorries properly and make our freight transport better and more sustainable. Most other European countries are opting for distance charges for lorries - this levy leaves us out of step with much of Europe.⁴⁹

⁴³ *ibid.*, p8

⁴⁴ *ibid.*, p18

⁴⁵ *ibid.*, p34

⁴⁶ FTA press notice, “[HGV Road User Levy: a landmark shift in sharing road costs, says FTA](#)”, 23 October 2012

⁴⁷ *ibid.*

⁴⁸ RHA press notice, “[RHA welcomes HGV charging process](#)”, 23 October 2012

⁴⁹ CBT press notice, “[HGV Road User Levy Bill a missed opportunity](#)”, 23 October 2012

2 The Bill

The *HGV Road User Levy Bill* (Bill 77 of 2012-13) received First Reading in the House of Commons on 23 October 2012. The Bill and the Explanatory Notes can be found on the [Parliament website](#). The Bill was subject to a Ways and Means resolution, approved on 23 October.

The Bill extends to the whole of the UK. In England, Scotland and Wales the charge would be administered by the Driver and Vehicle Licensing Agency (DVLA) and in Northern Ireland by the Driver and Vehicle Agency (DVA).

The aims of the Bill were set out in a Written Ministerial Statement by the Secretary of State for Transport, Patrick McLoughlin:

The HGV Road User Levy Bill will introduce charges for all HGVs that weigh 12 tonnes and over for using the UK road network.

[...] The levy is designed to be cost neutral for UK hauliers, through offsetting reductions in vehicle excise duty (VED) payments. Changes to VED will be included in the Finance Bill 2014.

The levy will be time based and will vary according to the vehicle type, weight and number of axles. This seeks to ensure that the charging scale is linked to the amount of damage a HGV causes to a road. The levy will be a maximum of £1,000 per year or £10 per day for the largest vehicles. UK-registered HGVs will pay the levy for either a six-monthly or annual period. Foreign-registered vehicles can pay the levy either daily, weekly, monthly or annually. Rebates will be available under certain circumstances. Revenues will be paid into the consolidated fund.

The Bill makes it an offence to fail to pay the levy and, on summary conviction, a fine of up to level 5 on the standard scale (currently £5,000) will be payable. The Bill also provides for the offence to be subject to a fixed penalty and it allows the Secretary of State to refuse to issue a vehicle licence if he is not satisfied that the appropriate levy has been paid.

The scheme will be administered by the Driver and Vehicle Licensing Agency (DVLA) or the Driver and Vehicle Agency (DVA) in Northern Ireland. A private company will be contracted by the Department for Transport to administer the payment scheme for foreign-registered HGVs. The contractor will be required to maintain an electronic database of foreign-registered HGVs for which a levy has been paid. UK enforcement agencies will have access to the database.

The scheme will be enforced by the Vehicle and Operator Services Agency (VOSA) in Great Britain and the Driver and Vehicle Agency (DVA) in Northern Ireland. These agencies currently enforce UK and foreign hauliers' compliance with regulations on vehicle roadworthiness, drivers' hours and other road safety regulations. The police also have enforcement powers.⁵⁰

2.1 Ways and Means resolution and debate

What is a Ways and Means resolution?

'A charge upon the people', which generally refers to a tax or duty, must, before being incorporated in statute, be authorised by a Ways and Means resolution. The *DODS Handbook of House of Commons Procedure* explains:

⁵⁰ [HC Deb 23 October 2012, cc51-52WS](#)

The definition of a charge upon the people extends to charges which, while not explicitly a tax, are in the nature of a compulsory levy. An example might be a requirement on classes of business to pay a levy to finance the activities of some regulatory body established by Act, the benefits from which do not accrue solely to the industry concerned. Provisions in bills requiring money to be paid into the Consolidated Fund also need to be authorised by a Ways and Means resolution (unless they are purely incidental to the exercise of a function involving expenditure, in which case the authority forms part of the relevant money resolution). The provisions of a bill introduced in the Commons which will require the subsequent sanction of a Ways and Means resolution are identified in italics when the bill is first printed.⁵¹

The main Bill to which this procedure applies is the annual *Finance Bill*.

The *HGV Road User Levy Bill* is subject to the procedure because the levy or charge is a tax. As indicated in section 1.2, above, the last time a government legislated for this sort of scheme it was included in a *Finance Bill*, for the same reason. The present Bill does not include the provisions as to the Vehicle Excise Duty (VED) offset for UK hauliers as this requires changes to an existing tax. The details will be provided in the *Finance Bill* corresponding to the levy's first year of operation (i.e. 2014). The charge/levy provided for in the Bill is a tax and as such revenue would go into the Consolidated Fund.

Issues raised during the debate

During the Ways and Means debate in the House of Commons, the Labour Shadow Transport Spokesman, Jim Fitzpatrick, raised a number of questions and sought clarification on specific points.⁵² The Parliamentary Under-Secretary of State for Transport, Stephen Hammond, responded at the end of the debate. The points raised by *Mr Fitzpatrick* to which Mr Hammond responded are given below:

What is likely to be included in any exemption for 'specific roads' as permitted under clause 3(2)

The clause allows the Government to consider the future exemption of roads. For example, Wales might want to introduce a general road charging scheme or the Government might agree with Northern Ireland that certain roads that cross the border should be exempted.

The nature of the 'administrative fee' that will apply when one makes an application for a rebate under clause 7(5)

The Bill allows the Government to set the administrative conditions that will pertain for rebates. For UK vehicles, charged rebates will be allowed on the same basis as those for VED.⁵³ An administrative fee, if introduced at all, will only be set at a level to cover the administrative cost.

Whether the money raised via the levy can go into the Consolidated Fund, as set out in clause 9 of the Bill, when the 2006 EU Directive (see section 1.1, above) specifies that it must be hypothecated for transport purposes

The 2011 amending Directive states that decisions on the use of revenues generated under the Directive are a matter for Member States.

⁵¹ *DODS Handbook of House of Commons Procedure*, eighth ed., 2011/12, para 10.3.2

⁵² the Government published a draft Bill for the purposes of the debate so that Members could comment on the specific provisions expected in the Bill proper, which was published after the debate

⁵³ information on VED exemptions and rebates can be found in sections 5 and 6 of HC Library note [SN1482](#)

The nature and cost of the contract to be awarded to a third party contractor to maintain the electronic database of foreign-registered HGVs for which a levy has been paid

There will be a 'robust procurement' of the provision of the payment facility to foreign-registered hauliers.

The nature of the two per cent of UK hauliers who will see an increase of more than £50 to their annual costs due to the levy

The maximum loss for conventional HGVs that are either articulated or rigid and do not have a trailer would be £79 a year, based on current exchange rates. Of 7,000 rigid vehicles that tow a trailer, 40 vehicles would probably suffer a penalty of some £300.

Whether the Treasury will incur any costs from a staggered introduction of the levy

The Government has brought the date forward so that there will be a simultaneous introduction in April 2014.

Whether the lower VED for UK vehicles will act as a disincentive for haulage companies to procure greener or green vehicles, or if it is anticipated that the size of such vehicles will mean that they would not be covered by the reduced VED

The Government believes that there is no change to the incentives for greener vehicles.

Whether the Government's 2011 decision to opt out of the European Directive on cross-border enforcement of traffic offences will impact on the new measures⁵⁴

The Government does not believe that the opt-out from the European Directive on traffic law enforcement will have any implications. Vehicles must pay before using a road in the UK and VOSA can stop any that do not and immobilise them until a fine is paid.

Whether the introduction of the HGV levy charging scheme is likely to lead to the wider use of road charging schemes

The Government is committed to considering charging based on polluting carbon vehicles in the future.

Whether UK companies that have vehicles on the continent that are being charged to use European roads will be able to apply for a rebate when those vehicles are not using UK roads

As is the case with vehicle and excise duty, it is not possible to get such a refund, so the charge would be cheaper than any daily charge. UK hauliers are unlikely to benefit from such a refund.⁵⁵

The resolution was approved following the debate. The Bill was presented by Mr Hammond and given First Reading.⁵⁶

⁵⁴ for more information on this decision, see: [HC Deb 5 April 2011, cc62-63WS](#)

⁵⁵ [HC Deb 23 October 2012, cc862-5 and cc883-5](#)

⁵⁶ *ibid.*, c890

2.2 Charging provisions (clauses 1-4)

Clauses 1-4 are broadly administrative measures: they introduce the requirement for all HGVs that are kept or used on a UK road to pay a levy (**clause 1**); define an HGV, or ‘heavy goods vehicle’ as one which weighs more than 12 tonnes or is a ‘heavy motor car’ as defined in legislation⁵⁷ (**clause 2**); provide that the levy will apply to all public roads in the UK, with a power for the Minister to vary exemptions by Order (**clause 3**); and provide for those who are liable to pay the levy (**clause 4**).

The powers provided to the Secretary of State under **clauses 2 and 3** may both be varied by Regulations or Orders made under the affirmative procedure (i.e. subject to a vote in both Houses of Parliament).⁵⁸ In future, therefore, the levy could apply to vehicles of a lower weight. Similarly, the roads to which it applies could be limited to, for example, motorways, or it could be disapplied to a portion of the road network that introduced a universal road charge for all motor vehicles.

The wording in **clause 3** means that the levy would not apply to any use on private land or unadopted roads that do not form part of the public road network. However, this is unlikely to have a practical impact. The levy would apply to those roads covered by the London Congestion Charge and the M6 toll, despite EU prohibitions about ‘double charging’. This is because there is a specific exemption in the EU rules to permit a user charge to apply on the same roads as a congestion charge – both the scheme in London and the M6 toll are congestion measures and so come under this exemption.

Clause 3(4) defines a public road as a “road that is repairable at public expense”. It is not clear what, if any, reason there is for using the term ‘public road’, as defined above, as opposed to the term ‘highway maintainable at public expense’, which is used in the [Highways Act 1980](#), as amended. This is not explained in the Notes to the Bill.

The liability to pay the levy under **clause 4** would fall to the individual to whom the vehicle was registered for the purposes of the [Vehicle and Excise Registration Act 1994](#), as amended, or the keeper of the vehicle, if the vehicle was registered in the UK; or to the individual who held a Community licence in respect of the vehicle, or the keeper of the vehicle, if the vehicle was registered outside the UK. For UK-registered vehicles, the liability to pay the levy would align with liability to pay VED under the 1994 Act. As the two would be paid together, it is thought that this will minimise bureaucracy.

Clause 4(4) provides that a person would not be liable to pay the levy if their vehicle was stolen, lost or disposed of. Where a vehicle was stolen, liability would cease the day after the one on which the vehicle was stolen and resume on the day that the vehicle was ‘recovered’. ‘Recovery’ is not defined. In this context, during the Ways and Means debate on 23 October, Labour’s Transport Spokesman, Jim Fitzpatrick raised a concern about the wording of this part of the Bill:

It is not quite clear whether the recovery is by the police or the owner, or whether, if a vehicle is damaged or unable to be used, it means that the levy will be suspended or re-instigated when the vehicle is recovered—or whether that is entirely fair.⁵⁹

The Minister did not respond to this point when closing the debate.

⁵⁷ “a mechanically propelled vehicle, not being a motor car, which is constructed itself to carry a load or passengers and the weight of which unladen exceeds 2540 kilograms” (section 185 of the [Road Traffic Act 1988](#), as amended) that is liable for VED under Part 6 of the 1994 Act (vehicles used for exceptional loads)

⁵⁸ a full description can be found in House of Commons Information Notice factsheet L7, [Statutory Instruments](#), May 2008

⁵⁹ [HC Deb 23 October 2012, c863](#)

What will be the cost of the levy to UK hauliers?

The Government estimates that the overwhelming majority of UK hauliers will see no negative impact from the charge. A relatively small number may see their costs rise slightly:

UK haulage operators should benefit from a reduction in foreign haulage operations, as set out in the economic impact section, but we do not have evidence to understand the precise repercussions of this. Around 98% of the current UK HGV vehicle fleet of 12 tonnes and over will pay no more than £50 extra per year, and 94% will pay nothing extra at all. This is in the context of HGV running costs of around £80,000-£100,000 a year. This measure is expected to have a negligible impact on wider businesses and civil society organisations. For UK vehicles, the charge will be paid in a single payment alongside VED, meaning no additional administration costs for businesses.⁶⁰

As indicated in section 1.3, above, the FTA has looked at those operated likely to be negatively affected. They set out their concerns as follows:

The Bill makes explicit that VED will be the means by which rebates will be made, to make the overall scheme virtually cost-neutral for UK operators. The precise reductions in VED to bring this about will not be known until the Budget Statement in 2014 where they will be included as part of the Finance Bill.

An analysis published by the Department in February of this year showed that about 6,500 vehicles fell into bands where VED rates were already too low to fully offset the cost of the levy before the applicable EU minimum rate was reached. Of these about half were 28 tonne 2+2 articulated vehicles. In nearly all cases the additional cost could be reduced to less than £10 were vehicles to be downplated into the next VED rate band. FTA will be checking the detailed documents to ensure this option is still available and that no significant types of vehicle are unduly affected.⁶¹

This issue was raised by Mr Fitzpatrick in the Ways and Means debate (see above), and the Minister, Mr Hammond, indicated that a small number of vehicles could be up to as much as £300 worse off.

2.3 Payment, rebates, exemptions and reductions (clauses 5-8 and Schedule 1)

The amount of levy

Clauses 5 and 6 and **Schedule 1** set out the amount of levy to be paid and the way in which it must be paid. The amount to be paid varies by type and weight of vehicle. There are 11 bands, for which the daily rate varies between £1.70 and £10, and the annual rate varies between £85 and £1,000. The detailed tables are contained in Schedule 1 to the Bill and are reproduced in the appendix to this paper.

The issue of the maximum daily charge is a complex one. The 1999 EU Directive, as amended provides that the maximum permissible daily charge is €11. At current exchange rates that is approximately £8.87. The January 2012 consultation paper explains how the exchange rate and other considerations affect the daily charge:

The Eurovignette Directive sets the daily charge at a maximum of €11 ... However there is provision in the Directive for limits to be increased by inflation and rounded up to the next euro. Therefore (unless there is deflation), the EU's maximum daily charge will have increased to €12 – around £10 - by the time the UK's HGV user charge comes into force.

⁶⁰ DfT, [Tax Information and Impact Note for Heavy Goods Vehicle charging proposals](#), October 2012, p6

⁶¹ op cit., "HGV Road User Levy: a landmark shift in sharing road costs, says FTA"

The Government proposes to set the daily user charge at the maximum permitted rate where it can. A rate of £10 a day is still low when compared to what the same sum will buy for a 40 tonne HGV on a German autobahn (around 80km) or French autoroute (about 50km on a typical stretch).

The Eurovignette Directive also stipulates that the daily, weekly and monthly user charge rates must be no more than 2%, 5% and 10% respectively of the annual rate. This explains the proposed lower daily user charges in bands A-D.

The Government recognises that the proposed user charging scheme contains a degree of complexity. However, this is necessary if we are to charge lighter and less damaging HGVs significantly lower annual charges than the heaviest and most damaging [...] In practice, we expect more than 90% of foreign-registered HGVs to fall into bands E, F or G. And aligning user charges with existing UK VED bands will make the administration of the charge for UK-registered HGVs quick and easy.⁶²

The daily rate in **Schedule 1** is illustrative. As the Government expects the first charging year to be 2014, the actual rate would be set out in the *Finance Bill* for that year. The same Bill would make provisions for the offset in VED. This arrangement would allow the government of the day to vary the levy and VED in tandem.

As indicated above, efficient administration of scheme is dependent on the DVLA/DVA being able to administer the levy and VED at the same time. For this reason, **clause 5** provides that one's VED and levy must be paid for the same period. So, for example, if one chooses to pay VED for six months then the levy must be paid for six months; annual VED requires annual payment of the levy. Under **clause 6**, foreign hauliers may choose whether to pay the levy daily, weekly, monthly or annually.

How much will the levy raise?

Based on a start date of April 2014, the Government estimates that the levy would raise net revenue of between £69.8 million and £90.3 million over the period 2013/14 to 2017/18. The central estimate is £80 million. This includes a loss in the first year of operation.⁶³

Set up costs are estimated at between £3 million and £6.7 million, with annual administration and enforcement costs of between £3 million and £4.8 million.⁶⁴

Rebates

Clause 7 provides that a rebate may be given after the levy has been paid for more than one month, in cases where a vehicle has been stolen, destroyed or is no longer used in the UK. The calculation for providing the amount of rebate is given in **clauses 7(3) and 7(4)**. Because an annual levy represents a saving on a monthly levy and a monthly levy represents a saving on a daily levy, the rebate is not calculated pro-rata. This is to prevent someone from taking advantage of the discounted annual rate and claiming a rebate that would in effect mean that they paid less than the monthly rate for the same period (the annual rates are less than 12 x the monthly rate).

To give an example, the rates for a Band G vehicle are £10 per day, £100 per month and £1,000 per annum (the equivalent of approximately £83). So, applying the formula in clause 7(3):

⁶² op cit., *Charging Heavy Goods Vehicles : A consultation document*, p9

⁶³ *Explanatory Notes to Bill 77*, para 36

⁶⁴ *ibid.*, para 38

- If someone paid the annual levy of £1,000 and after **two months** tried to claim a ten month rebate for the remainder of the period, they would get £800 back ($100 \times (10 - 2) = 800$). This means they would have 'lost' £200 – the equivalent of two x the monthly rate, not two months' of the annual rate (£166).
- Similarly, if they tried the same after **ten months**, they would have paid £1,000 under the monthly rate. Under the annual rate they would get no rebate ($100 \times (10 - 10) = 0$). This means that they would have 'lost' the full annual charge of £1,000 – again, the equivalent of ten x the monthly rate, not ten months' of the annual rate (£830).

By way of comparison, this is the same principle that is applied to rail season tickets:

Any refund is calculated from the date the Season Ticket was handed in. It will be the difference between the price you paid and the cost of a ticket or tickets for the period for which you have actually used the ticket, plus an administration charge. Because of the discounts on longer term Season Tickets, refunds are not made pro rata to the periods before/after surrender and Annual Season Tickets have no refund value after about 10 1/2 months.⁶⁵

There are other general powers under clause 7 for the Secretary of State to set requirements that an applicant must meet before applying for a rebate, such as sending information electronically, reporting stolen vehicles to the police etc., and to charge an administration fee for the rebate. As the Minister, Mr Hammond, said in the Ways and Means debate (see above), the Government has yet to decide whether such a fee would be charged. Any fee would be limited to cover the actual costs of administration.

Exemptions and reductions

Clause 8 exempts from the levy rigid goods vehicles charged to VED at the basic goods vehicle rate and vehicles under trade licences (i.e. vehicles temporarily owned by motor traders in the course of their business).

It also contains a power whereby the Secretary of State may exempt vehicles from the levy or apply a reduced rate. This power could not be used to exempt *all* UK registered vehicles as a group, as this would be in contravention of the EU Directive.

2.4 Collection and enforcement (clauses 9-13 and Schedule 2)

Collecting the levy

Clause 9 would provide the powers necessary to collect the levy; they are the same as the collection powers given to HM Revenue & Customs (HMRC) for other purposes.

It also states in **clause 9(4)** that revenue from the levy would go into the Consolidated Fund. As indicated above, during the Ways and Means debate there was some discussion as to whether the money raised should be allocated to transport schemes. The Minister, Mr Hammond, argued that the sum raised would be relatively small and that, in any case, the Government has made a sizeable investment in transport:

[Mr Hammond:] ... this Government's spending review committed £30 billion for roads, rail and infrastructure. I should also like to highlight the other transport settlements and, indeed, the good news that we gave to local pinch-point schemes only 10 days ago.

Jim Fitzpatrick: I am sorry to interrupt the Minister again, but does that mean that the consolidated funds will not be hypothecated for transport issues, as has been

⁶⁵ National Rail, [Season ticket conditions](#)

requested by a number of his hon. Friends? Will the Department have to make a bid to the Treasury to get some of that money back?

Stephen Hammond: I have said that the normal rules will apply and that the directive allows the UK Government to spend the money in the way that they consider appropriate. The money will go into the consolidated fund. The Department for Transport has enjoyed robust discussions with the Treasury and got an excellent settlement for the infrastructure of this country. I have no doubt that we will continue to have robust discussions in the future and I am sure that we will continue to receive a good settlement for transport.⁶⁶

Enforcement

Clauses 10-13 provide for an enforcement regime for the levy. Clause 10 would give 'stopping officers'⁶⁷ the power to stop vehicles that appear to be HGVs in order to enforce the levy; **clause 11** would create a new offence of using or keeping an HGV for which the levy has not been paid; **clause 12** and **Schedule 2** set out the legal proceedings following the committal of an offence under clause 11; and **clause 13** provides for the offence under clause 11 to be a fixed penalty offence.

Under these clauses the offence of using or keeping a relevant vehicle for which the levy has not been paid would be subject to a maximum fine of £5,000 (level 5 on the standard scale), if found guilty on summary conviction.

For UK hauliers, the offence would be subject to the fixed penalty scheme. The Secretary of State would set the amount of the Fixed Penalty Notice (FPN) by regulations under section 53 of the [Road Traffic Offenders Act 1988](#). FPNs are effectively temporary stays of prosecution and allow an individual to agree to a fixed penalty and subsequent immunity from prosecution for the offence. Alternately, a person may choose to elect for a hearing where they get the chance to defend themselves but where the penalty, if found guilty, is higher. FPNs vary from £30 to £200.

For foreign hauliers, the Government anticipates requiring a roadside Financial Penalty Deposit (FPD) in lieu of a fixed penalty. FPDs were introduced under section 11 of the [Road Safety Act 2006](#) to prevent offenders who are unable to prove a UK address from escaping a penalty. Failure to pay an FPD can result in a vehicle being clamped and towed. FPDs vary from £30 to £200.

As to legal proceedings, under **Schedule 2**, proceedings may not begin more than three years after the commission of an offence. No proceedings may be brought for the recovery of any underpayment of the levy more than 12 months after the end of the period in respect of which the levy was paid.

2.5 Miscellaneous, Regulations and Orders (clauses 14-22)

Clause 14 provides for the setting up of a register of levy payments, detailing the registration of all vehicles that have paid the levy and the length of time for which the levy has been paid. This would be publically available on a website.

⁶⁶ [HC Deb 23 October 2012, c884](#)

⁶⁷ 'stopping officers' are appointed under section 66B of the *Road Traffic Act 1988*, as amended by the *Road Vehicles (Powers to Stop) Regulations 2011* ([SI 2011/996](#)) specifically for the purposes of allowing officers other than police officers to stop goods vehicles (the police have a general power to stop under section 163 of the 1988 Act)

Clause 15 would allow the Secretary of State to refuse to issue a VED licence (tax disc) for any vehicle for which the levy has not been paid. This would mean that a vehicle for which the levy was not paid would also be unlicensed/untaxed, which is an offence under section 29 of the 1994 Act and subject to a maximum fine of £1,000 (level 3 on the standard scale) or five times the annual duty charge, whichever is greater. For the heaviest, most polluting vehicles this could be upwards of £9,000. Untaxed vehicles can also be clamped and towed.

Clause 16 would allow highway authorities to install equipment for the detection of non-payment of the levy.

Clause 17 would give the Secretary of State a general power to make regulations for the purposes of implementing the provisions of the Bill. Any regulations made under this clause would be subject to the negative resolution procedure (i.e. no automatic debate or vote in Parliament).⁶⁸

Clauses 18-22 are general administrative provisions. Under clause 21, commencement would be subject to an Order by the Secretary of State.

3 Appendix: Levy rates for classes of vehicle

The following tables are from Schedule 1 to the Bill. Table 1 sets out the rate of the levy, by band, in GBP; subsequent tables allocate each category of vehicle to a specific band:

TABLE 1: RATES FOR EACH BAND

<i>Band</i>	<i>Daily rate</i>	<i>Weekly rate</i>	<i>Monthly rate</i>	<i>Half-yearly rate</i>	<i>Yearly rate</i>
A	£1.70	£4.25	£8.50	£51.00	£85.00
B	£2.10	£5.25	£10.50	£63.00	£105.00
C	£4.80	£12.00	£24.00	£144.00	£240.00
D	£7.00	£17.50	£35.00	£210.00	£350.00
E	£10.00	£32.00	£64.00	£384.00	£640.00
F	£10.00	£40.50	£81.00	£486.00	£810.00
G	£10.00	£50.00	£100.00	£600.00	£1,000.00
B(T)	£2.70	£6.75	£13.50	£81.00	£135.00
C(T)	£6.20	£15.50	£31.00	£186.00	£310.00
D(T)	£9.00	£22.50	£45.00	£270.00	£450.00
E(T)	£10.00	£41.50	£83.00	£498.00	£830.00

⁶⁸ a full description can be found in House of Commons Information Notice factsheet L7, [Statutory Instruments](#), May 2008

TABLE 2: RIGID GOODS VEHICLE

<i>Revenue weight of vehicle</i>		<i>2 axle vehicle</i>	<i>3 axle vehicle</i>	<i>4 or more axle vehicle</i>
<i>More than</i>	<i>Not more than</i>			
kgs	kgs	Band	Band	Band
11,999	15,000	B	B	B
15,000	21,000	D	B	B
21,000	23,000	—	C	B
23,000	25,000	—	D	C
25,000	27,000	—	D	D
27,000	44,000	—	—	E

TABLE 3: RIGID GOODS VEHICLE WITH TRAILER OVER 4,000 KG

<i>Revenue weight of vehicle</i>		<i>2 axle vehicle</i>	<i>3 axle vehicle</i>	<i>4 or more axle vehicle</i>
<i>More than</i>	<i>Not more than</i>			
kgs	kgs	Band	Band	Band
11,999	15,000	B(T)	B(T)	B(T)
15,000	21,000	D(T)	B(T)	B(T)
21,000	23,000	—	C(T)	B(T)
23,000	25,000	—	D(T)	C(T)
25,000	27,000	—	D(T)	D(T)
27,000	44,000	—	—	E(T)

TABLE 4: TRACTIVE UNIT WITH TWO AXLES

<i>Revenue weight of tractive unit</i>		<i>Any no. of semi-trailer axles</i>	<i>2 or more semi-trailer axles</i>	<i>3 or more semi-trailer axles</i>
<i>More than</i>	<i>Not more than</i>			
kgs	kgs	Band	Band	Band
11,999	25,000	A	A	A
25,000	28,000	C	A	A
28,000	31,000	—	D	A

<i>Revenue weight of tractive unit</i>		<i>Any no. of semi-trailer axles</i>	<i>2 or more semi-trailer axles</i>	<i>3 or more semi-trailer axles</i>
<i>More than</i>	<i>Not more than</i>			
31,000	34,000	—	E	C
34,000	38,000	—	F	E
38,000	44,000	—	—	G

TABLE 5: TRACTIVE UNIT WITH THREE OR MORE AXLES

<i>Revenue weight of tractive unit</i>		<i>Any no. of semi-trailer axles</i>	<i>2 or more semi-trailer axles</i>	<i>503 or more semi-trailer axles</i>
<i>More than</i>	<i>Not more than</i>			
kgs	kgs	Band	Band	Band
11,999	28,000	A	A	A
28,000	31,000	C	A	A
31,000	33,000	E	C	A
33,000	34,000	E	D	A
34,000	36,000	E	D	C
36,000	38,000	—	E	D
38,000	44,000	—	G	E