



The Chartered
Institute of Logistics
and Transport

Paying for roads

POLICY PAPER

Introduction

The Government currently generates £28 billion annually from fuel duty on petrol and diesel. However, as the shift towards electric vehicles accelerates, this revenue stream is diminishing. To address this, the Government needs to find alternative sources of income while ensuring a fair and efficient system for funding road infrastructure.

The primary objective of a new system should be to raise a similar amount of revenue from road users. There are several ways that this could be done but any

replacement system should also meet the secondary objectives of making better use of our roads and contribute to the journey towards net zero emissions.

Public opinion, media and politics

Road user charging has been explored in various forms for many years, often sparking adverse comments, petitions, objections, and rejections. Some schemes, like London's congestion charge, have been implemented in the UK as have others in cities like Stockholm and Singapore but these are relatively few and far between.

The topic of road pricing, whether aimed at managing congestion or funding road maintenance, often frustrates road users because they expect this to increase their travel costs. However, there is a growing recognition of the financial shortfall created by the necessary shift to alternative fuel vehicles.

Views about road user charging often arise because road users have been misinformed. Politicians, campaign groups and media rarely note the positive benefits of road user charging and instead focus on the fact that some taxes may rise.

The key messages which should be considered are:

- No overall increase in taxes
- Road users will have a choice of paying less by using less congested routes or alternative modes
- The alternatives would be to raise other taxes such as income tax or VAT
- The new system will encourage the transition to net zero

For any new scheme to succeed, it's crucial to win the hearts and minds of both individuals and businesses. Addressing this engagement should be the first step.



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Government should lead, but many others should contribute

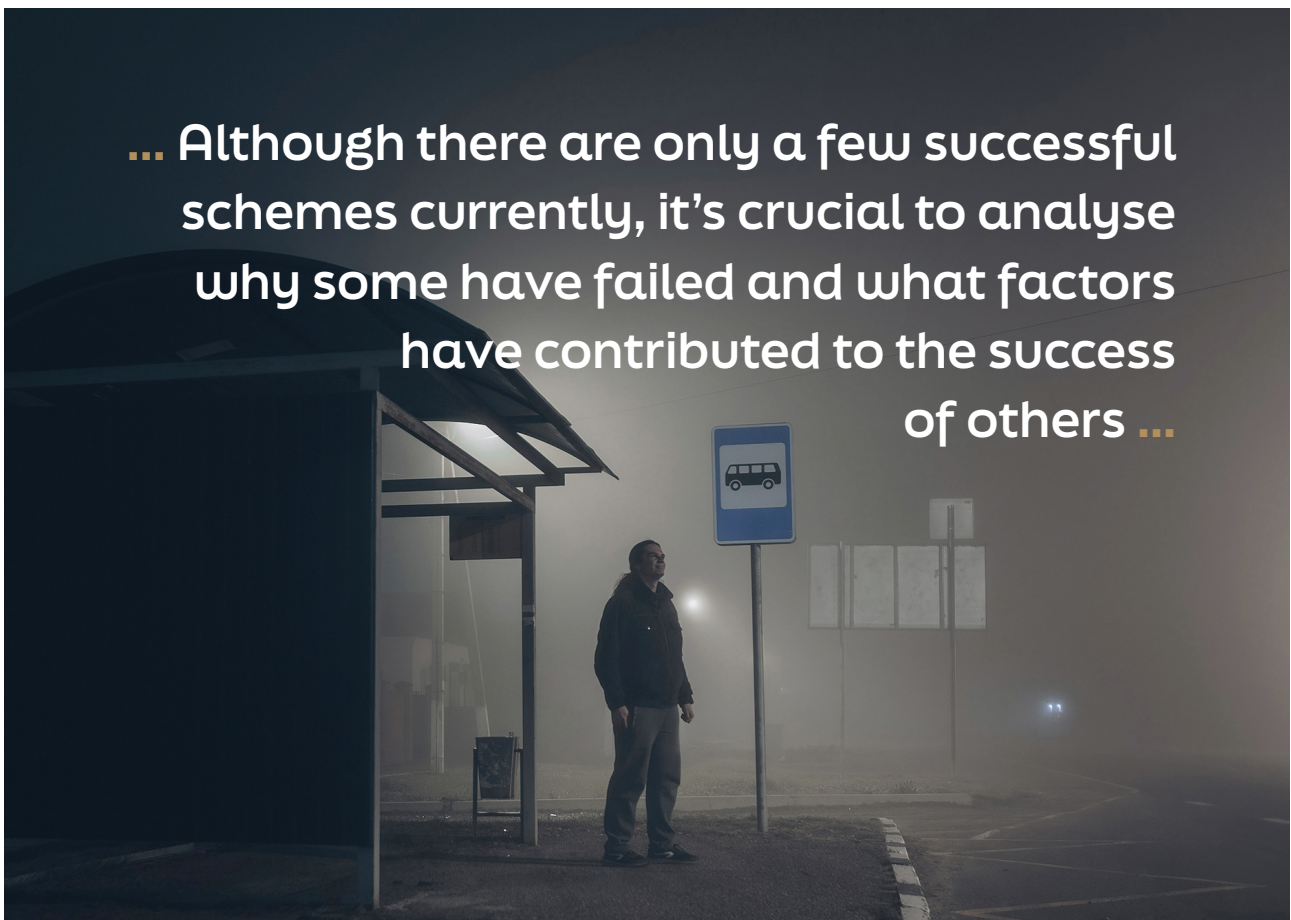
Whilst taxation is the prime responsibility of the Treasury and so the move to change the system for paying for roads should be led by the Chancellor, the issue is so wide ranging, with potentially wide ramifications, a cross-government approach must be taken, and include as a minimum the Department for Transport, Department for Energy and Net Zero, and Department for Housing, Communities and Local Government. Government should make a clear statement of long-term policy which does not change during shorter term political or economic cycles.

Roads are integral to every aspect of our economy and daily life. Therefore, any changes in taxation must take into account their impact on the environment, housing, industrial and commercial activities, education, health, and tourism.

Organisations such as CILT, with its wealth of expertise and objectivity, together with motoring groups, freight organisations and others should play a significant role in promoting accurate information which helps shape public, political and media opinion.

Although there are only a few successful schemes currently, it's crucial to analyse why some have failed and what factors have contributed to the success of others. Additionally, examining other sectors that have undergone significant, large unwelcome changes to their payment models, like the water industry, will provide valuable insights into managing such substantial transformations. As an aside, we know that pay-as-you go systems can reduce usage/wastage. Studies show that water meters lead to a 5- 15% reduction in household water use, so a clear pay-per-mile system could reduce unnecessary journeys or maximise usage (eg. with car pooling/sharing).

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Scheme principles

CILT is not endorsing any single approach, however, there are a few principles which any set of measures should meet, as follows:

- Simple, easy to understand
- Inexpensive to collect
- Not open to fraud
- Evolves in line with long-term policy
- Fair
- Secure
- National scheme with local input
- Looks to incentivise the more efficient use of the infrastructure. Roads are not used to capacity currently (eg. single occupancy vehicles)
- A charging scheme should aim to nudge motorists rather than penalise

The need for urgency

The government should initiate a comprehensive research and consultation program, involving diverse expertise and community input, to explore and formulate options for future road funding. This should be clearly communicated through a policy statement, indicating that road payment methods will need to evolve as petrol and diesel vehicle numbers decrease.

Recognising the urgency, the government must start the consultation process now. This will ensure that all societal sectors are engaged, public acceptability is gauged, and the broader implications of any proposals are thoroughly considered.



The Chartered Institute of Logistics and Transport

CILT is a professional institution embracing all transport modes whose members are engaged in the provision of transport services for both passengers and freight, the management of logistics and the supply chain, transport planning, government and administration. Our principal concern is that transport policies and procedures should be effective and efficient, based on objective analysis of the issues and practical experience, and that good practice should be

widely disseminated and adopted. The Institute has a number of specialist forums, a nationwide structure of locally based groups and a Public Policies Committee which considers the broad canvass of transport policy.

CILT prepared a background paper on Road User Charging and held a webinar in September 2024 when members contributed views. Copies of the background paper and the output of the webinar are available on request.

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Contact

The Chartered Institute of Logistics and Transport UK (CILT) provides insight into pivotal decisions and policies. Our recommendations emanate from the extensive collective knowledge and expertise of industry experts from CILT's members and focus on delivering prosperity for the United Kingdom. We invite you to engage with us and use this expertise to unlock sustainable growth, reshape our transport infrastructure for heightened efficiency and explore the transformative potential of transport and logistics.

If you have any comments on what you have read, please contact:

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