

**The Rt Hon Rachel Reeves MP**  
**Chancellor of the Exchequer**

Her Majesty's Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

11/10/2024

Dear Chancellor,

*The Transport Planning Society's reflections on the Autumn Budget*

I am writing to you on behalf of the Transport Planning Society ahead of your forthcoming Budget and Spending Review to raise three issues relating to taxation of and spending on road transport.

The first relates to the negative impacts of the current freeze on fuel duty in both fiscal and transport policy terms. We understand the challenges around raising fuel duty given current economic circumstances. But you and the Prime Minister have repeatedly stressed the need for the government to make difficult decisions to re-establish financial stability and deal with wider challenges such as decarbonisation of the economy.

The freezing of the rate of fuel duty between 2011 and 2022 is estimated by the OBR to have cost £65bn over the decade. And the original policy intention of encouraging fuel efficiency and reducing environmental pollution through the 1993 escalator has been entirely lost. The reduction in the effective rate of fuel duty has also been significantly regressive – better off people drive a lot more and they have received at least three times the benefit that the less well off (highest to lowest quintile). Fuel duty for transport is the same in cash terms as it was in 2011 – just to keep up with the CPI would require an increase of just over 25p.

We recognise that restoring fuel duty to its 2011 real terms level in one go would be difficult. We therefore suggest that a 5p increase now, with 5p increases every year would be a reasonable way forward, combined with index linking. It must cover both private cars and goods vehicles as originally intended.

The second issue relates to the substantial loss of income that will arise due to the transition to Zero Emission Vehicles. As you will be aware, the Transport Select Committee has estimated that the combination of loss of fuel duty and VED could total £35bn by 2050. Your predecessor recognised this when he introduced VED on both new and existing EVs and low emission vehicles from 2025. The introduction of EVs is already losing about £1bn a year from fuel duty, forecast to rise to £4-5bn by 2030.

Fuel duty currently comprises a distance-based levy for ICE vehicles using the road network. We believe this should be replaced in the first instance with an odometer-based per mile charge for EVs. This could be paid on an annual basis as part of the MOT inspection or periodically, based on estimated mileage and reconciled annually. It could be introduced for all new EVs after a specified date and charged differentially from the equivalent cost per mile of fuel duty to maintain the incentive for EV uptake. But it would mean that EV drivers would pay a distance-based levy in the same way that the remaining ICE drivers would do.


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An odometer-based EV levy would be relatively easy to introduce. It could be developed in due course to provide the basis for a congestion-related national road user charging scheme, which

the TPS – in common with the TSC and many other organisations – believes will be necessary to encourage optimal use of the road network and decarbonise road transport.

Finally, in your review of public spending priorities, we urge you to re-examine the rationale for investment in the strategic road network. Schemes which seek to address congestion are, ironically, those least likely to bring economic benefit. We recognise that investment in the SRN is needed, for example on safety grounds and for network maintenance and improved climate resilience. But as 70% of trips in the UK are still under 5 miles, any money saved from congestion-relief schemes and not required to improve network resilience should be allocated to regional and sub-regional public transport and active travel improvements. This will improve access to goods, services and opportunities and support growth across all the UK's communities. Because they generate traffic, most strategic road schemes do not offer this benefit in the long-term, even to car and lorry users.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ben Plowden', with a stylized, flowing script.

Ben Plowden, Chair, Transport Planning Society