Pay-as-you-drive: The public’s views on road pricing

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Decarbonisation and the pricing of road transport
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The shift to electric vehicles is necessary to meet net zero by 2050

But it will lead to a lost of revenue from vehicle taxation

HM Treasury has said it intends to keep revenue from motoring taxation broadly the same

Distance-based road pricing (or pay-as-you-drive) is the obvious choice

Politicians have long seen it as toxic but it has been many years since the public’s views were tested

Our research is the most extensive in recent years

Methodology:
- 4 focus groups conducted by More In Common
- In-depth 60-question online survey of over 3,000 people, nationally representative, conducted by Public First in May 2022
- Expert roundtable
- Stakeholder interviews
There is broad agreement on the need for reform

Given these considerations, would you agree or disagree that the current system of vehicle taxation is in need of reform?

- Income from fuel duty and car tax is falling as people switch to EVs and we need to fund the money to pay for public services: 60% Agree, 6% Disagree
- The current two-tax of VED and fuel duty is confusing and not very transparent so drivers can’t easily keep on top of how much tax they’re paying for driving: 59% Agree, 5% Disagree
Support for pay-as-you-drive grew as arguments were discuss

**Figure 3: change in support for replacing the current system of vehicle taxation with pay-as-you-drive road pricing**

Q1: In general, would you support or oppose replacing fuel duty and car tax/VED with a pay-as-you-drive system?

Q2: Given what you’ve read and understood from this survey, do you think replacing the current system of vehicle taxation with a new pay-as-you-drive system which charges people based on the distance they travel is a good or bad idea?

<table>
<thead>
<tr>
<th></th>
<th>Start of survey</th>
<th>End of survey</th>
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</thead>
<tbody>
<tr>
<td>Support/Good idea</td>
<td>41%</td>
<td>49%</td>
</tr>
<tr>
<td>Neither support nor oppose</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Oppose/Bad idea</td>
<td>13%</td>
<td>18%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>8%</td>
<td></td>
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People understand the need for EVs to start paying tax

Do you find these arguments for replacing the current system with pay-as-you-drive convincing or not?

- 65% Convincing
- 19% Unconvincing

- 56% Convincing
- 25% Unconvincing

EV drivers should pay tax like all other drivers
Tax revenue is falling from switch to EVs - money has to come from somewhere to fund public services

“I think that there is going to be a massive black hole caused by the lack of revenue from electric cars, so if there's a way for them not to get clobbered as it were, but for them to pay their share, then I think it's a really good idea.”

Adrian, Stroud
But a single system for all vehicles is preferable

Pay-as-you-drive

Do you agree or disagree?

- If the issue is that EVs pay no tax, then there should be a tax on EVs and leave the rest as it is: 52% Agree, 17% Disagree
- Any change will only be fair if it applies to all drivers: 59% Agree, 9% Disagree
- It is fair that EVs should be taxed but at a lower rate than petrol and diesel cars: 56% Agree, 17% Disagree
People are also attracted to the prospect of paying less

Do you think these arguments for/against pay-as-you-drive strong or weak?

- 64% Strong, 9% Weak: It would mean those who drive less would pay less tax
- 54% Strong, 12% Weak: It would mirror the current system so the more you drive, the more you pay
- 52% Strong, 11% Weak: It would be more transparent about how much you pay in tax

“I think it can be beneficial because if it’s all upfront and… if it’s all open and clear, then it could be beneficial because people can budget better.”

Joe, South West London
There are 3 main viable options

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<tr>
<th>Options</th>
<th>Pros</th>
<th>Cons</th>
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</table>
| 1. A flat per-mile charge for EVs only | • Targets EVs not currently taxed  
• Easier and quicker to implement  
• Easy to understand and communicate  
• Does not require vehicle tracking  
• Avoids rising car use and congestion | • Does not tackle the lack of transparency and fairness in the current system  
• Creates two different systems  
• Penalisches people who have few alternatives to driving  
• Potentially slows down the uptake of EVs |
| 2. Replacing fuel duty and VED for all vehicles with a set per-mile emission-based charge (and a tax-free mileage allowance) | • Easy to understand  
• Tackles the lack of fairness and transparency of the current system  
• Fair reflection of emissions and road surface impact  
• Incentivises efficient use for all drivers  
• Encourages the uptake of cleaner vehicles  
• Does not require vehicle tracking | • Penalises people who have few alternatives to driving  
• More complex to implement and administer |
| 3. A “smart” per-mile charge that varies depending on vehicle type and emissions, location and time of day | • Most accurately reflects the relative impact of different vehicles  
• Encourages the uptake of cleaner vehicles  
• Encourages driving at off-peak times reducing congestion  
• Takes into account the availability of alternatives | • More complicated to understand and implement  
• Requires vehicle tracking |
Roadside cameras are seen as invasive but in-vehicle tracking is not.

Figure 8: People’s preference for technology to implement pay-as-you-drive road pricing

40% of people would be more supportive if there was the ability to opt-out of distance charging and pay a set annual charge instead (even if it cost them more)

<table>
<thead>
<tr>
<th>Technology Description</th>
<th>Support</th>
<th>Neither support nor oppose</th>
<th>Don’t know</th>
<th>Oppose</th>
</tr>
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<tbody>
<tr>
<td>Having the odometer in the vehicle checked regularly - monthly, quarterly or at the annual MOT</td>
<td>47%</td>
<td>25%</td>
<td>8%</td>
<td>20%</td>
</tr>
<tr>
<td>GPS that is already built into new cars and accurately calculates location and mileage</td>
<td>46%</td>
<td>26%</td>
<td>8%</td>
<td>20%</td>
</tr>
<tr>
<td>A device installed in your car to track your mileage only for the purposes of road pricing</td>
<td>44%</td>
<td>22%</td>
<td>8%</td>
<td>26%</td>
</tr>
<tr>
<td>Smartphone apps that can identify the cheapest and fastest routes to travel and automatically collect the charge</td>
<td>35%</td>
<td>26%</td>
<td>8%</td>
<td>29%</td>
</tr>
<tr>
<td>Roadside cameras, based on number plate recognition, work out how far people travel (like on toll roads)</td>
<td>28%</td>
<td>25%</td>
<td>9%</td>
<td>39%</td>
</tr>
<tr>
<td>Insurance black boxes detect mileage and the charge is added to your insurance bill</td>
<td>28%</td>
<td>26%</td>
<td>8%</td>
<td>38%</td>
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The most suitable mitigations should be chosen

- 69% would be more supportive if public transport was made cheaper with improved connectivity as a way to make the system cheaper and fairer for drivers
- Pay-as-you-drive can give policy-makers the option to offer targeted ‘tax cuts’ to specific groups
- Mitigations can take the form of:
  - Complete exemptions (permanent or for a limited period)
  - Lower per-mile rates
  - A specific tax-free mileage allowance

Which do you agree with more?

- 51%: there need to be exemptions for people who have no choice but to drive or who cannot afford to pay the charge
- 49%: if exemptions were introduced, too many people would try to use them to get around paying the charge

Pay-as-you-drive
There is a preference for a single system with local top-ups.

Which do you agree with more?

- Some money raised should be given to local authorities to spend in the local area: 62%
- Money raised should stay with Government to spend across the country: 20%

Which option do you prefer?

- Single national scheme with local top-ups for congestion and pollution: 42%
- Separate national and local schemes handled by different systems: 24%
Recommendations

● National pay-as-you-drive could progress between the three options (although some could be skipped or combined)

● The priorities for vehicle tax reform should be:
  - The need to keep up with the transition to zero-emission vehicles as the main rationale
  - A focus on ‘drive less – pay less’ and helping to tackle the cost of living
  - Commitment to raise no more than fuel duty and VED do now
  - Ring-fencing a proportion of revenue for road maintenance and public transport
  - A tax-free mileage allowance with rural drivers receiving more
  - Suitable mitigations for disabled drivers, sole traders and businesses
  - An arm’s length body to set emission standards and charging rates

● Establish a commission of MPs and Peers to help broker cross-party agreement on the need to reform vehicle taxation to keep pace with the transition to net zero, reporting after the next general election

● Consult on the preferred way forward so a scheme is ready for implementation around 2025
Thank you for listening!

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