

INTRODUCTION

This response has been prepared by MCIA, the UK trade association for the supply side of the L-Category industry. L-Category vehicles are also known as Powered Light Vehicles (PLVs), a sector that includes Powered Two Wheelers (PTWs). The L-Category/PLV industry contributes over £7billion to the UK economy annually.

The industry welcomes this consultation as PTWs, along with other vehicle types within the L-Category, will play a large part in the future transport mix, but given their reduced size (track), weight and the energy consumed to manufacture such products, L-Category vehicles should be treated differently. Low and zero emission PTWs are already playing a part, with over 60% of all PTW use being for commuting or practical utility transport. MCIA believes that changes to PTW VED should reflect this contribution and disproportionate VED charges should not be levied on this sector as part of VED reform.

Although the largest proportion of the lowest polluting motorcycles and scooters are used for regular commuting, the leisure sector of the market often comprises occasionally used vehicles, covering under 4,000 miles per annum, so contributing little to overall pollution levels. The Department for Transport's 'National Travel Survey' states that the average number of trips per person per year for motorcycles in 2018 was 2, whereas car/van driver was 395. For all motorcycles, the vehicle dimensions mean they are extremely efficient in terms of how they travel and users are able to significantly cut journey times when compared with a car.

Finally, as a point of general principle, VED should not be exclusively an environmental tool, it should generate income for the treasury for infrastructure investment and maintenance. This means vehicles of high use, large in size and weight and high polluting should of course pay more. Environmental impact goes way beyond air quality. The environment and climate change are both affected in broader terms and therefore the approach should be more than one dimensional.

After discussions with HMT on this subject (Teams meeting 17 July 2020 with MCIA), we understand that there is no initial intent to copy and paste the proposed car and van granular VED formula. This has resulted in changes to our original response to the call for evidence. However, following the virtual meeting and this call for evidence, MCIA looks forward to exploring potential options for PTW VED with HMT officials.

1. Why are first licence VED rates currently failing to discourage many car buyers from making higher emitting choices?

A very high portion of new car purchases are either via company leasing schemes (company cars) or purchased via personal lease or Personal Contract Plan (PCP). In such cases, the cost of first registration VED is not met as a single expense, but instead is amortised into the monthly payments. Therefore, the buyer / user is not fully exposed to the higher first licence VED.



2. What are your views on higher first licence VED rates for more polluting vehicles?

MCIA supports the principle that VED should be aligned to vehicle emissions. However, we are of the opinion that this approach is too binary and believe that any approach to VED should consider other important factors that will assist Government in improving air quality, reducing congestion and influencing modal change of use towards more efficient forms of personal mobility, especially for shorter journeys. MCIA would like to see a system that takes into account various in-use and energy use factors. The Government has set a number of Grand Challenges which require a co-ordinated approach to achieve success.

3. How would this impact the vehicles that manufacturers sell in the UK?

The objectives of the Government's strategy to both decarbonise transport and drive modal shift away from car use, determine that any change to VED should influence consumer behaviour in this direction. This is an opportunity to persuade consumers that a more efficient, lower polluting and less space hungry vehicle would satisfy their transport needs. MCIA refers to this as The Right Vehicle for the Right Journey.

4. What are your views on the potential ways of enhancing the impact of first licence VED outlined above?

Referring back to both questions and answers above, First Licence VED should have a broader consideration (not just CO2) as mentioned. That said, the proposed granular system would be effective in more fairly charging for CO2 emissions but in our view (for reasons already stated) will not change buyer habits. If it were decided to push ahead with the granular system, the government would need to change the way first VED is presented in the sales process and more aggressively highlighted at point of sale.

5. For new vehicles, do you think that government should base ongoing VED liabilities on carbon emissions, rather than just at first registration?

It is likely that buyers' decisions would be influenced more firmly if ongoing VED was reflective of emissions. However, such action would have a significant impact on vehicle future values and the potential for causing the early scrappage of younger, usable vehicles. This would have an environmental cost linked to the energy and emissions associated with vehicle production and an economical cost for owners.

6. Do you think the government should reform VED rates for vehicles registered from 1 April 2017 so their liabilities reflect their carbon emissions?

No, it would be unfair to penalise the user who made a decision based on the rules at the time.

7. Are you aware of any unintentional perverse environmental incentives that have developed over time relating to VED on vehicles first registered prior to April 2017? Do you think government should take any action relating to this?

MCIA has nothing to add.

8. Do you think motorcycles should be taxed based on carbon emissions?

Motorcycles and other forms of light mobility are an important part of the future of personal mobility and will play a key role in the decarbonisation of transport. MCIA are of the opinion that motorcycle VED needs reform, but should not be approached in the same way as cars and vans. MCIA's report (The Route to Tomorrow's Journeys) clearly illustrates the benefits that can be achieved if consumers were to be encouraged to purchase smaller, lighter more energy efficient vehicles and therefore, any one dimensional approach will not support this objective.

MCIA will commit to support Government in developing a review for motorcycle VED that addresses the objectives within the Government strategy. Motorcycles in use fall into two main areas, leisure and commuting / Last Mile. In terms of leisure use, from data available from our Insurance members, the average annual mileage is between 2,000 and 4,000, and generally at weekends in a rural setting. Consequently, the CO2 impacts from this user group is minimal, given the relatively low number of such vehicles on the road (estimated at a circulating parc of 600,000). In terms of motorcycles utilised for commuting and last mile, these are more often low engine capacity (125cc – 500cc) with an estimated annual mileage of 4,000 to 8,000. This relatively low mileage, when compared with cars and vans, is coupled with low emissions (an average of 40g/Km) and minimal resulting congestion. As mentioned above, MCIA felt that initial discussions with HMT officials revealed opportunities to discuss motorcycle VED options going forward and we look forward to continuing these talks.

9. What impact would this have on the behaviour of those looking to purchase a new motorcycle?

If it were decided to apply a copy paste of the car granular system, the MCIA are of the opinion the impact on the market would be catastrophic. If, however an alternative to the granular system tailored for motorcycles was introduced, it may have an impact on users in the commuter and Last Mile delivery segment, but less effect on the low use leisure market. The motorcycle sector is not a significant contributor to CO2 and other emissions and therefore any changes to VED should be developed to encourage use of these vehicles, not discourage.

10. Should the government continue to take account of NOx emissions if it reforms the VED system?

YES

11. Is the signal to purchase RDE2 compliant diesel cars strong enough?

The MCIA has nothing to add.