

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

FINANCE (NO. 3) BILL

(Except clauses 5, 6, 8, 9 and 10; clause 15 and schedule 3; clause 16 and schedule 4; clause 19; clause 20; clause 22 and schedule 7; clause 23 and schedule 8; clause 38 and schedule 15; clauses 39 and 40; clauses 41 and 42; clauses 46 and 47; clauses 61 and 62 and schedule 18; clauses 68 to 78; clause 83; clause 89; clause 90; any new clauses or new schedules relating to tax thresholds or reliefs, the subject matter of any of clauses 68 to 78, 89 and 90, gaming duty or remote gaming duty, or tax avoidance or evasion)

Seventh Sitting

Thursday 6 December 2018

(Morning)

CONTENTS

CLAUSES 57 TO 59 agreed to.
Adjourned till this day at Two o'clock.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Monday 10 December 2018

© Parliamentary Copyright House of Commons 2018

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chairs: Ms NADINE DORRIES, †Mr GEORGE HOWARTH

- | | |
|---|---|
| † Afolami, Bim (<i>Hitchin and Harpenden</i>) (Con) | † Lewis, Clive (<i>Norwich South</i>) (Lab) |
| † Badenoch, Mrs Kemi (<i>Saffron Walden</i>) (Con) | † Reynolds, Jonathan (<i>Stalybridge and Hyde</i>) (Lab/
Co-op) |
| † Black, Mhairi (<i>Paisley and Renfrewshire South</i>)
(SNP) | † Smith, Jeff (<i>Manchester, Withington</i>) (Lab) |
| † Blackman, Kirsty (<i>Aberdeen North</i>) (SNP) | † Sobel, Alex (<i>Leeds North West</i>) (Lab/Co-op) |
| † Charalambous, Bambos (<i>Enfield, Southgate</i>) (Lab) | † Stride, Mel (<i>Financial Secretary to the Treasury</i>) |
| † Dodds, Anneliese (<i>Oxford East</i>) (Lab/Co-op) | † Syms, Sir Robert (<i>Poole</i>) (Con) |
| Dowd, Peter (<i>Bootle</i>) (Lab) | † Whately, Helen (<i>Faversham and Mid Kent</i>) (Con) |
| Ford, Vicky (<i>Chelmsford</i>) (Con) | † Whittaker, Craig (<i>Lord Commissioner of Her
Majesty's Treasury</i>) |
| † Jenrick, Robert (<i>Exchequer Secretary to the
Treasury</i>) | Colin Lee, Gail Poulton, Joanna Dodd, <i>Committee Clerks</i> |
| † Keegan, Gillian (<i>Chichester</i>) (Con) | |
| † Lamont, John (<i>Berwickshire, Roxburgh and Selkirk</i>)
(Con) | † attended the Committee |

Public Bill Committee

Thursday 6 December 2018

(Morning)

[MR GEORGE HOWARTH *in the Chair*]

Finance (No. 3) Bill

(Except clauses 5, 6, 8, 9 and 10; clause 15 and schedule 3; clause 16 and schedule 4; clause 19; clause 20; clause 22 and schedule 7; clause 23 and schedule 8; clause 38 and schedule 15; clauses 39 and 40; clauses 41 and 42; clauses 46 and 47; clauses 61 and 62 and schedule 18; clauses 68 to 78; clause 83; clause 89; clause 90; any new clauses or new schedules relating to tax thresholds or reliefs, the subject matter of any clauses 68 to 78, 89 and 90, gaming duty or remote gaming duty, or tax avoidance or evasion)

Clause 57

VED: RATES FOR LIGHT PASSENGER VEHICLES, LIGHT GOODS VEHICLES, MOTORCYCLES ETC

11.30 am

Clive Lewis (Norwich South) (Lab): I beg to move amendment 108, in clause 57, page 40, line 12, at end insert—

“(10) The Chancellor of the Exchequer must review the revenue effects of the changes made to the Vehicle Excise and Registration Act 1994 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.”

This amendment would require the Chancellor of the Exchequer to review the revenue impact of Clause 57.

The Chair: With this it will be convenient to discuss the following:

Amendment 109, in clause 57, page 40, line 12, at end insert—

“(10) The Chancellor of the Exchequer must review the expected effects on levels of CO emissions and the UK’s ability to meet its fourth and fifth carbon budgets of the changes made to the Vehicle Excise and Registration Act 1994 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.”

This amendment would require the Chancellor of the Exchequer to review the impact of clause 57 on CO2 emissions and climate change targets.

Amendment 110, in clause 57, page 40, line 12, at end insert—

“(10) The Chancellor of the Exchequer must review the expected effects on the volume of traffic on the roads of the changes made to the Vehicle Excise and Registration Act 1994 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.”

This amendment would require the Chancellor of the Exchequer to review the impact of clause 57 on road congestion and traffic levels.

Amendment 111, in clause 57, page 40, line 12, at end insert—

“(10) The Chancellor of the Exchequer must review the expected effects on air quality standards of the changes made to the Vehicle Excise and Registration Act 1994 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.”

This amendment would require the Chancellor of the Exchequer to review the impact of clause 57 on air quality standards.

Clause stand part.

Clive Lewis: It is a pleasure to serve under your chairmanship, Mr Howarth. I am pleased to have the opportunity to speak to the clause and our amendments. As the Minister might outline shortly, the clause provides for changes to certain levels of vehicle excise duty, which I will refer to as VED, by amending the Vehicle Excise and Registration Act 1994, which will now be known as VERA—there are lots of acronyms in this.

Changes to the rates are due to take effect in relation to vehicle licences taken out on or after 1 April 2019. VED is chargeable on vehicles, dependent on various factors, such as vehicle type, engine size, date of first registration, carbon emissions data—indirectly—and other emissions’ impacts, such as air quality and public health. I will not go through all the changes to the various excise duty rates as they apply to the different types of vehicle covered by the clause. At this stage, I will simply note that they are relatively small.

The amendment would require the Chancellor to review the revenue impact of the clause and to publish the findings. That would allow the House, not to mention the drivers of those classes of vehicle and the public at large, to understand the impact on the public purse. Without such an assessment, neither the Government nor indeed Committee members would know how much additional money was available to redirect into measures to help drivers—in particular those on low incomes—to take up cleaner vehicles to the benefit of the natural environment and public health. Will the Minister tell us whether the Government have undertaken any such assessment? If so, will he commit to publish it? If they have not, will he undertake to do so?

The amendment would require the Chancellor to review the impact of the clause on carbon dioxide emissions and the UK’s climate change targets, and to publish that analysis. As the Minister might confirm, road transport accounts for 22% of total UK carbon dioxide emissions—a major contributor to climate change. The European Union has agreements with motor manufacturers that aim to reduce average CO₂ emissions from new cars. Colour-coded labels, similar to those used on washing machines and fridges, are now displayed in car showrooms, showing how much CO₂ new models emit per kilometre. However, as traffic levels are predicted to increase, road transport will continue to be a significant contributor to greenhouse gas emissions.

Given that light vehicles and other vehicles covered by the clause contribute substantially to carbon and greenhouse gas emissions, will the Minister explain why no such climate impact assessment has been carried out? How will the Government take a lead internationally in the fight to keep average atmospheric temperatures below 1.5° C in the absence of full monitoring and measurement of all greenhouse gas emissions from all sources? He will surely also need to apply “polluter pays” disincentives in the form of increased taxes, for example, including relevant changes to VED.

Finally, will the Minister give a commitment that any such planned or future increase in VED will be recycled into helping drivers to adopt low-emission fuel alternatives, such as electric vehicles or, in future, hydrogen-powered vehicles—that is particularly important to help drivers who must use their vehicles for work purposes as well as for leisure activities—or, where convenient, into helping public transport alternatives, which are rarely available in some parts of the country and many rural areas?

Amendment 110 would require the Chancellor to review the impact of the clause on road congestion and traffic levels and to publish the results. Vehicle use affects our whole quality of local life: traffic can be dangerous and intimidating, dividing communities and making street life unpleasant, while air pollution and traffic noise can make urban living uncomfortable. As the Institute for Fiscal Studies points out, taxing only fuel consumption and car ownership, no matter how the taxes are differentiated by emissions and engine size, cannot result in anything approaching an optimal tax, because neither is a good proxy for the impact of car use on congestion.

Many journeys occur on relatively empty roads. Those journeys are overtaxed because the congestion cost imposed on other road users is minimal. Rural road users are overtaxed relative to those who regularly drive in towns during busy periods. The result is too much driving in towns relative to the amount of driving in less congested areas, and the build-up of noxious fumes and climate-changing pollution. Those adverse impacts are in addition to the disruption for all drivers, who are less able to move freely and go about their business or other driving activities efficiently and without wasting so much time stuck in their vehicles. Not only is that personally frustrating and a contributor to so-called road rage, but the impact on economic and social productivity should be minimised. Will the Minister therefore explain why there has been no assessment of the impact of the clause on road congestion and traffic levels, or publish any that has been carried out?

Amendment 111 is similar, requiring the Government to assess the impact of the clause on air quality standards. As the Minister must be aware, air pollutants in transport include nitrogen oxide, particles, carbon monoxide and hydrocarbons, all of which have a damaging impact locally on the health of people, animals and vegetation. Air quality in the UK might be slowly improving, but many areas still fail to meet the health-based national air quality objectives and European limit values, particularly for particles and nitrogen dioxide.

In town centres and along busy roads, vehicles are responsible for most local pollution. Vehicles of all types tend to emit more pollution during the first few miles of a journey, when their engines are warming up. Although new technology and cleaner fuel formulations will continue to cut emissions of pollutants, these benefits are being eroded by the increasing number of vehicles on the road, including motorcycles, and the number of miles driven. Can the Minister please explain why he does not believe that any such assessment, as set out in our amendment, is necessary to understand the impact of the clause on such a critical aspect of road use?

Amendments 108 and 111 also allow us to address a particular aspect of the total revenue impact and the impact of the measure on air quality: the specific amount raised from VED in London and the extra amount that would be raised as a consequence of the clause, and the consequent impact on air quality.

Alex Sobel (Leeds North West) (Lab/Co-op): Are our amendments not particularly important in the light of fact that the Government have been taken to court three times by ClientEarth for failing European air quality standards and have lost three times?

Clive Lewis: My hon. Friend makes a very valid point. The point has not been lost on many people, including in my own city of Norwich, where some people are part of a court case against the Government on this issue and on others relating to climate change. It is something that many people are concerned about, especially given the impact on very young children, who are often lower to the ground and closer to the fumes. I welcome the point my hon. Friend has raised.

This issue is directly relevant, because an element of VED revenue take, including the extra amount raised by the clause, is ring-fenced to provide a fund of about £500 million for air quality. Londoners are contributing to this, in common with the rest of the country. The Government have allocated about £255 million of that funding for clean air zone implementation and another £220 million for the clean air fund, including supporting measures to soften the impacts of clean air zones on the poorest and on small businesses. They also allocated an extra £20 million to £25 million in the Budget for city air quality measures.

London, however, is excluded from all that funding. The Government previously said that this is because London received a generous air quality settlement in 2015 under the then Mayor, who is now better known as the failed former Foreign Secretary. Frankly, that is an absurd claim, and I hope the Minister will not stretch his credibility by repeating it to the Committee today. In reality, the Government reduced the revenue grant by a far greater amount than any extra funding for air quality, reducing it from £700 million to nothing in this financial year. The Mayor's office received no air quality funding from the Government as part of the last comprehensive spending review. Unlike other cities, London is not getting help to implement the ultra low emission zone, and nor can the Greater London Authority access the mitigation funding to help small businesses and low-income people in other cities to meet new vehicle emission standards. That is perverse.

In addition, that predates the changes to VED, which Londoners are contributing to, and ignores the fact that, quite frankly, the current London Mayor has far greater ambition on air quality than his predecessor did. London is introducing the first, biggest and most ambitious clean air zone—the ultra low emission zone—on 8 April 2019. This is an essential part of the national air quality plan to achieve compliance with our legal obligations.

Anneliese Dodds (Oxford East) (Lab/Co-op): Is my hon. Friend aware that my city, Oxford, is due potentially to be the first city in Europe with a zero emissions zone? We need more support for such initiatives from the Government—more than has been forthcoming up to this point.

Clive Lewis: Yes, I was aware of that. Labour local authorities in Oxford and across the country do fantastic work on the issue, but they often do so in isolation and with limited support from central Government. The Government should really be getting behind them, given the severe impact that poor air quality can have, not just on children, but on all of us—it is now believed to be connected to the onset of Alzheimer's and other degenerative diseases.

[Clive Lewis]

The London Mayor has proposed a targeted scrappage scheme that uses camera data to ensure that only vehicles that are regularly in the ultra low emission zone receive scrappage funding. The proposal meets the criteria set out in the five-case model in the Treasury's Green Book and has a positive business case ratio.

Will the Minister confirm that none of the general VED revenue will be spent in London, because the Treasury plans to give it to Highways England to maintain strategically important roads outside London? Strategically important roads in London are maintained by Transport for London without any Government support or a share of VED income. Frankly, I suspect that any assessment made under our amendments would reveal that money is available from the proceeds of VED, which of course will rise under the new rates proposed in clause 57. I am also confident that any assessment under amendment 111 would show that reducing harmful emissions in London is vital to our national effort on climate change and air quality, let alone the fact that it would address the suffering of ordinary people in our most congested city.

It is fair to say that there is a strong suspicion that the Government's political refusal to support Londoners owes more to Londoners' refusal to support them at the ballot box than to the best interests of the city or the country as a whole. If the Minister wants to dispel that impression, will he clarify what share of VED revenue comes from London now and what share he expects to come from London after the passage of the Bill?

Bambos Charalambous (Enfield, Southgate) (Lab): I am a London MP and my constituency borders the North Circular road. The Mayor has introduced a low emission zone for part of the road, but more is needed to reduce emissions. Does my hon. Friend agree that funding from this measure should go towards introducing low emission zones in other parts of London as well?

Clive Lewis: Yes, I do. I do not think that there is a lack of ambition from the Mayor of London or from local authorities around the country; ultimately what holds them back is a lack of resources. Will the Minister commit to using the revenue to offer London the same air quality funding that is being made available to other parts of the country, to ensure that ultra low emission zones are a success?

The Exchequer Secretary to the Treasury (Robert Jenrick): It is good to be back, Mr Howarth. As we have heard, clause 57 will make changes to vehicle excise duty rates for cars, vans and motorcycles with effect from 1 April 2019. As announced in the Budget, those rates will increase in line with the retail prices index from that date. As a result, they will have remained unchanged in real terms since 2010, with additional significant incentives for ultra low and zero emission cars. That comes on top of the Government's decision to freeze fuel duty rates for the ninth successive year, which by April 2020 will have saved the average car driver £1,000 compared with the pre-2010 escalator.

Cars first registered on or after March 2001 pay VED based on their carbon dioxide emissions; 87% of those cars will pay no more than £5 extra in 2019-20. From April 2017, a reformed VED system was introduced

that strengthens the environmental incentives when cars are first purchased, with all cars paying a standard rate in subsequent years. The standard rate will increase by £5 only. Expensive cars with a list price of more than £40,000 pay an additional supplement for five years of paying the standard rate. That will increase from £310 to £320, so it is only a modest increase, and it will affect about 7% of new car purchases. Finally, the flat rate for vans will increase by £10, and for motorcyclists there will be no more than a £3 increase in rates. We believe that those are modest, incremental changes, which protect the public finances but also pay careful attention to the cost of living for motorists.

11.45 am

Amendments 108 to 111, which the hon. Member for Norwich South has spoken about, would require the Government to review the impact of the clauses on various grounds: revenue, carbon dioxide emissions, carbon budgets, traffic volumes and air quality standards. I shall come on to his wider comment about the granularity of the available data in relation to understanding the impact on London, and his important points about air quality more generally—in all parts of the country, but particularly London. I hope to give him some reassurance on those points.

As I have said, the clause increases VED rates only by RPI. It maintains VED revenue in real terms for 2019-20, ensuring that motorists continue to pay a fair contribution to the public finances. As VED is increased only by RPI, the clause has no revenue impacts, as the Office for Budget Responsibility forecast assumes that rates will rise by RPI already. The impact is already in the public domain, and there is of course no revenue impact other than the increase by RPI. I am therefore not sure whether there would be any benefit from further information in that regard.

In relation to statistics and data in the public domain, the Driver and Vehicle Licensing Agency publishes VED revenues on an annual basis as part of its annual report and accounts. In 2017-18 VED raised about £6 billion, making an important contribution to the public finances. We announced previously, and reconfirmed at the Budget, that VED revenues will be hypothecated towards the roads fund, which will fund strategic road investment across the country. I shall come in a moment to the point made by the hon. Member for Norwich South about London; but it is important to note that from 2020 the roads fund will, at £25 billion, be the largest we have had. It will make a major contribution to the improvement of strategic roads across the country, and it will invest in tackling productivity, by reducing congestion and helping people get more quickly to work and elsewhere.

As VED is a tax on car ownership, it is unrelated to congestion or traffic volumes. The changes will not, therefore, have an impact on the volume of traffic on the roads, air quality or our ability to meet CO₂ emissions targets, as, I think, the amendments suggest.

The hon. Gentleman raised a distinction between supporting drivers in rural areas, who may well drive longer distances, and supporting those in urban areas, who might drive shorter distances. That is why, in addition to keeping VED low, and in this case increasing it only by RPI, our primary intervention has been the freezing of fuel duty—for eight successive years. That

particularly helps those on lower incomes who must drive considerable distances to work or to the other appointments and engagements of daily life, particularly in rural areas.

I am pleased to report that the Government's most recent projections on climate change, for the fourth and fifth carbon budgets, suggest that we could deliver 97% and 95% respectively of our required performance against 1990 levels. Of course there is always more that we would like to do, as I am sure the hon. Gentleman would agree. However, the VED system continues to incentivise motorists to choose cars with low CO₂ emissions to help in meeting our legally binding targets. On first registration, zero emission cars pay no VED, while the most polluting models pay more than £2,000, so we are taking action in that regard.

On improving air quality, as the hon. Gentleman mentioned, the Government announced in the Budget an additional £20 million to help more local authorities meet their air quality obligations. That is in addition to the £255 million implementation fund and the £220 million clean air fund announced last year. Those were introduced alongside the diesel supplement, which incentivises manufacturers to bring cleaner diesels to the market. Many are doing so, but we appreciate that important British manufacturers have not yet done so, and we are in regular consultation and engagement with them. They are clearly all working on this, and we want to support them to get to the point that they can bring such vehicles to the market and improve their position accordingly. Those measures are unaffected by the changes made by the clause.

The Department for Environment, Food and Rural Affairs will shortly publish the clean air strategy, which I hope will answer some of the hon. Gentleman's perfectly legitimate questions about the long-term scale of our ambition to support communities. All of us who live part of the time in cities or bring up our children in cities want a significant improvement in air quality, and that strategy will be ambitious.

Kirsty Blackman (Aberdeen North) (SNP): I appreciate that the Minister is providing all this information in answer to issues raised by the amendments. Given that he has all the information, it would be great if he just put it into a review, as the amendments would require, so that we could see it written down in six months' time.

Robert Jenrick: I take the hon. Lady's point, but the information is mostly already in the public domain. It is not clear to me what information is not available. With respect to air quality, the Government will very shortly publish our ambitious clean air strategy. I encourage her and other hon. Members who, perfectly understandably, want to scrutinise our clean air commitments to pay attention to that document and scrutinise the Environment Secretary at that point. No doubt he will come to the House to make an announcement on the strategy.

The hon. Member for Norwich South also mentioned London. London already has a separate comprehensive funding settlement from the Department for Transport, which includes measures to deliver compliance with legal air quality limits. The Mayor has significant powers to take additional measures. Londoners also receive further funding for ultra low emission vehicles such as

taxis. Indeed, measures in the Bill support the uptake of ultra low emission taxis. We took those measures a year early, as we will discuss later, and they have had a significant impact on the number of taxis on the streets of London. There are now between 500 and 600 electric or ultra low emission taxis that did not exist at the beginning of the year, incentivised by the measures taken by the Treasury. We are also supporting low emission buses and charging infrastructure. The Committee has already discussed the £200 million public investment in charging infrastructure, which we hope will spur at least a further £200 million of private investment. That will support charging infrastructure in all parts of the United Kingdom.

I hope hon. Members respect the fact that we consider the funding settlement for London's roads as separate from that for the rest of the United Kingdom. That is a long-standing convention. We occasionally provide additional money. For instance, in the Budget the Chancellor provided more than £400 million for potholes. He included London in that, so London boroughs are able to take advantage of that money, but in general the funding settlement for London's roads is separate from the negotiation with respect to Highways England.

I urge the Committee to reject the amendments, as I believe the reports they would require are unnecessary. The changes outlined in the clause will ensure that the Government continue to support motorists with the cost of living while ensuring that they continue to make a fair contribution to the public finances. As a result of our decision to hypothecate VED revenues, we will see a major increase in investment in our strategic roads, which I hope will benefit everyone in all parts of the United Kingdom. I therefore commend the clause to the Committee.

Clive Lewis: I thank the Minister for trying to answer some of our questions, but I still find myself with questions. It seems that there is a basic issue of transparency here. If, as he is saying, the Department for Transport has given certain funding to London—I am sure that is true—it would do no harm to make transparent what other funding is going to other parts of the country, so that the figures can be compared and contrasted to ensure that London is getting its fair share. The Mayor of London clearly does not believe that it is getting its fair share. It is the capital city—it has a large population, many vehicles on the road and a high population density—and all that is being asked for here is transparency.

On the issue of there being no assessment of the impact of the clause on road congestion on traffic levels, the Minister said that VED has a limited impact on that, but that is quite an arbitrary statement. Taxes have two effects: they can raise revenue and they can change behaviour. It is normally one or the other, but there are variations and it is sometimes a bit of both. I do not think it is beyond the ken of the Government to assess the potential impact of the VED increases on congestion levels, given that we have all agreed that air quality in this country is in a pretty poor state. Tens of thousands of people are dying prematurely or are adversely affected every single year.

To echo the sentiment of the hon. Member for Aberdeen North, it would not be too much trouble to write a report along the lines that we have asked for and make it available to Parliament. So go on, please.

Robert Jenrick: The hon. Gentleman tempts me, but on this occasion I will resist his request. On the two issues he raises, the clause is not increasing VED; it is simply allowing it to rise with RPI, so the clause has no revenue impact; the public finances assume that VED and many other duties will rise with RPI, so its impact will be negligible. This is not a substantial or material increase in VED. I really do not think there would be any value in having a review.

On the wider question of roads funding, all this information is in the public domain. The settlement with respect to roads for London is in the public domain, as is the settlement for the roads fund. Which roads will then be funded through the roads investment strategy, which will be set out in the middle of next year, will be in the public domain. All these investments are highly transparent, as one would expect. That information is available to all hon. Members, should they wish to view it.

Sir Robert Syms (Poole) (Con): My observation is that an awful lot of money is spent in London, compared with the regions of this country, whether the north-west or south-west. There may be a very good reason for that—London is a very important city for our nation—but I would not be inclined to vote even more money to London, bearing in mind that it has the biggest infrastructure project in Crossrail, to which the Government have already given £300 million extra. If there is any special pleading, it really ought to be for the shires and counties of this country, which probably need a bit more money for potholes, rather than clean air.

Robert Jenrick: My hon. Friend makes a very important point. It is certainly important to me, as a midlands and northern MP. The Government have made a significant effort both to increase the levels of public investment in infrastructure over the course of this Parliament to the highest levels in my lifetime—the highest level since the 1970s—and to redress the regional imbalance. Over the course of this Parliament, for example, investment in transport will be highest in the north-west of England, and London and the south-west will be among the lowest. There is a great deal more to do, not least because London has the ability to raise significant amounts of money from local government, which has co-funded projects such as Crossrail. My hon. Friend makes an extremely valid point.

Clive Lewis: I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 57 ordered to stand part of the Bill.

Clause 58

VED: TAXIS CAPABLE OF ZERO EMISSIONS

12 noon

Clive Lewis: I beg to move amendment 112, in clause 58, page 41, line 16, at end insert—

‘(6) The Chancellor of the Exchequer must review the revenue effects of the changes made to the Vehicle Excise and Registration Act 1994 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.’

This amendment would require the Chancellor of the Exchequer to review the revenue impact of Clause 58.

The Chair: With this it will be convenient to discuss the following:

Amendment 113, in clause 58, page 41, line 16, at end insert—

‘(6) The Chancellor of the Exchequer must review the effects on the taxi and private vehicle hire sectors of the changes made to the Vehicle Excise and Registration Act 1994 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.’

This amendment would require the Chancellor of the Exchequer to review the impact of Clause 58 on the taxi and private car rental industry.

Amendment 114, in clause 58, page 41, line 16, at end insert—

‘(6) The Chancellor of the Exchequer must review the effects on levels of CO emissions and the UK’s ability to meet its fourth and fifth carbon budgets of the changes made to the Vehicle Excise and Registration Act 1994 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.’

This amendment would require the Chancellor of the Exchequer to review the impact of this measure on CO2 emissions and climate change targets.

Clive Lewis: I am pleased to be speaking—again—to our amendments relating to clause 58, on vehicle excise duty and taxis capable of zero emissions. The clause seems to rectify an obvious mistake made by the Treasury during the 2017 Budget, which saw electric vehicles fall into the luxury vehicle segment of the new VED regime for cars costing over £40,000.

VED rates are based on carbon emissions, and zero-emissions vehicles below £40,000 have a zero standard rate and a first year rate. Standard rate on zero-emissions vehicles above £40,000 is currently £310 a year for the first five years. To include electric vehicles in that policy was clearly a major oversight by the Treasury in last year’s Budget. The correction, although somewhat late in the day, is none the less welcome and, indeed, essential if we are to seriously encourage the uptake of electric vehicles, specifically taxis.

Anneliese Dodds: I am sure that my hon. Friend is aware that back then, Opposition Members warned about the potential unintended consequences of those measures, including for the private hire and taxi industries. Those warnings were not heeded at the time. It is rather frustrating that they have only now been dealt with.

Clive Lewis: My hon. Friend makes a very good point; that is one lost year of support.

To include electric vehicles—ah, I have already said that. I will recap, though. *[Laughter.]* To include electric vehicles in that policy was clearly a major oversight by the Treasury in last year’s Budget. The correction, although somewhat late in the day, is none the less welcome and, indeed, essential if we are to seriously encourage the uptake of electric vehicles, specifically taxis.

That is particularly pertinent as local regulations are tightening around clean air and greenhouse gas emissions, as we have seen with the implementation of the ultra low emissions zone in London. Amendments 112 to 114 require the Government to undertake a review that we believe is essential to understand the consequences of the clause, which range over the impact that it is likely to have on the Exchequer, on the taxi and private car

rental industry, and on CO₂ emissions and climate change targets. Amendments 112 and 113 focus on the economic impact of the clause, both on the Exchequer and on taxi and private car rental companies. Can the Minister provide an assessment of the revenue implications of the measure?

Similarly, while we understand from the published documents relating to the clause that industry response to the Government consultation was supportive, will the Treasury do further analysis of the potential economic impact on taxi companies and the private car rental industry, should the change come into effect? The Minister may wish to resist the amendments, but regardless of any legal obligation, will he commit to conducting such an analysis and presenting it to the House in due course?

Amendment 114 refers to carbonisation and improving air quality. It would seem, in that respect, that taxis are low-hanging fruit. They are used frequently, often in urban areas with poor air quality. Similarly, according to the Mayor of London, drivers stand to benefit from lower fuel costs—by around £2,800 a year—and from avoiding present and future congestion and air quality charges. We believe, however, that the Government have failed to put in place necessary fiscal incentives to encourage the transition to the electric vehicles needed to ensure a reduction in CO₂ emissions. Simply removing the excess tax for luxury vehicles, as the clause would do, does not go far enough to encourage the uptake of zero-emission vehicles.

The primary driving forces behind the reluctance to take up electric vehicles are cost and an anxiety about range. The costs of electric vehicles are explained by high manufacturing costs, specifically of their batteries. The anxiety about range affects taxi drivers far more than private vehicle owners or private car hire companies, as they do not have access to the range in the ultra-low emissions vehicle segment of the market for mid-range to luxury. That is due to licensing conditions, as they need to fulfil accessibility requirements. In London, for example, that means that many drivers are mandated to buy a London-style hackney taxi in many districts. Will the Minister agree to assess the impact of clause 58 on CO₂ emissions and the UK's climate change targets, and whether that policy goes far enough in encouraging the purchase of zero-emissions taxis?

I have a few questions on the clause. At present, a grant of £7,500 is available for new zero-emissions taxis. We believe that the Government should be looking to increase available grants and encourage the transition to electric vehicles, specifically taxis, in areas outside Greater London. There are currently only a few limited pots of funding, not all of which are available for taxis, and they are largely skewed towards Greater London.

Similarly, the Government have yet to invest a penny of the £400 million charging fund announced in the 2017 Budget, half of which should be public money, with the other half contributed by the private sector, as we have already heard. Will the Minister tell us whether the issue that the clause seeks to rectify will aid the Government in finally setting up the charging fund that they promised to deliver to encourage the use of zero-emissions vehicles? Will he give us a clear timetable of when that fund will be operational? Will he commit that he or another relevant Minister will come back to the House with more detail when it is due to launch?

Available charging infrastructure is a requirement of accelerating the transition. Outside London and a few select places, availability is poor. Drivers face a postcode lottery that is a barrier to electric vehicle growth. For example, there are more chargers available in the Orkney Islands than in Blackpool, Grimsby and Hull combined. Even if grants are available, drivers in some areas will be unable to perform their work using EVs, due to the unavailability of charging infrastructure. It could therefore be argued that even if the Government increased grants and ensured that availability, poverty of EV infrastructure would mean that a majority of taxis would not be in a position to benefit from the change suggested in clause 58. Will the Minister comment on that? What assessment has been undertaken of the availability and adequacy of the infrastructure, and what steps are being taken to ensure that it does not undermine the good intentions behind the clause? Although the current situation is a mistake, it should not have happened in the first place. The measure is important in seeking to undo the bias created by classing zero-emissions taxis as luxury vehicles, and in encouraging the uptake of zero-emissions vehicles.

We will support the clause—we ask only that the Government assure us that the right analysis will be done to assess the impact of the measure on the Exchequer, the companies that will be affected, and the environment. We urge the Government to take such matters into consideration. I hope the Minister can give us some assurance on those points.

Robert Jenrick: I thank the hon. Gentleman for those questions. I hope that I can answer them all and reassure him. Clause 58, as we have heard, makes changes to ensure that purpose-built taxis that are capable of zero emissions do not have to pay the VED supplement applicable to expensive vehicles, which are those with a list price of more than £40,000. Having listened to representations on the issue, the Government announced in March that the exemption for such taxis would be brought forward a year earlier than planned.

We do not believe that the purchases of many vehicles, if any, were adversely affected. For example, the London Electric Vehicle Company, which manufactures these vehicles, had sold almost no vehicles by the time of the announcement and has subsequently sold more than 500 vehicles—I do not have the exact figures but I am happy to supply them to the hon. Gentleman—so from the time of our announcement in early March to the present day, the incentives have clearly made a significant difference in stimulating the market. We do not believe that many purchases, if any—I will confirm that point—were disadvantaged as a result of this matter, which was an unintended consequence of the earlier policy.

An exemption will encourage the transition to ultra-low and zero-emissions taxis. The figures show that, certainly in London, there has already been a significant take-up in vehicles, although it is less in other parts of the United Kingdom. I believe that the manufacturers are now targeting other cities, including Manchester and Nottingham—my nearest city—to improve their air quality. We want to see that rolled out as soon as possible in all part of the United Kingdom.

It will make the system fairer. The Government recognise that a number of technical requirements exist for purpose-built taxis, including, as the hon. Gentleman said, access for disabled passengers and turning circles, meaning

[Robert Jenrick]

that only a limited number of options are available. Most other motorists have a range of vehicles available to them, many costing less than £40,000, and can therefore choose not to pay the supplement.

In passing, the hon. Gentleman mentioned other private hire vehicles. Our argument—a valid one, I think—has always been that there are a range of other options available to drivers of private hire vehicles. They do not have to purchase a vehicle costing over £40,000. That would be a choice because they want to enter a particular segment of the market. Those driving a registered London taxi do not have that discretion. Therefore, it would not be right for drivers buying a taxi capable of zero emissions to pay the VED supplement targeted at cars at the luxury end of the market. As the supplement is only due from the second licence onwards, this means that almost all taxi drivers who have purchased an eligible taxi from April 2018 will never have to pay the supplement. This will save those drivers up to £1,600 in total.

The changes made by the clause will provide the power to exempt purpose-built zero-emissions taxis from the supplement for expensive cars, through regulations. This will enable the Government to apply the exemption to further models as they become available in the future.

I will turn briefly to the amendments tabled by the hon. Member for Norwich South. Amendment 112 would require the Government to review the revenue effects of the changes made by the clause. The Government have already published a tax information impact note, in line with normal practice, which sets out that the revenue impact of the changes will be negligible. Amendments 113 and 114 would require the Government to review the effect of the clause on the taxi and private hire sectors, and the impact on carbon dioxide emissions and our carbon budgets. The measure applies to purpose-built taxis only, enabling a quicker switch to greener models by saving drivers that £1,600. It is not expected to have an impact on the number of taxis on the roads, but it is intended to increase the proportion of those that are capable of zero emissions. By strengthening the incentive to purchase such taxis over conventionally fuelled alternatives, the measure is expected to have a small positive impact on our ability to meet our fourth and fifth carbon budgets, although isolating its impact would be challenging and uncertain. I am not sure what value, if any, that analysis would provide. Again, these impacts were covered in the published tax information and impact note. I respectfully urge the Committee to reject the amendments, on the grounds that they are unnecessary.

The hon. Gentleman asked important questions about electric vehicle charge points. Clearly it is important for taxi drivers in London, and indeed in any other part of the United Kingdom, to know that the relevant charge points are available to them. Range anxiety is just as valid, if not more so, for a taxi driver as it is for a private citizen. Significant investment is underway in London, particularly for fast charge points, which are critical for taxi drivers, so they do not have to spend hours waiting to recharge or top-up their vehicle. The Mayor of London is leading that effort and making good progress.

With regard to the charge point infrastructure fund, which I spoke about in relation to the previous clause, we are close to appointing a fund manager and expect it to be launched in January or February. I am happy to

write to him with more details and to inform him when it is launched, but I expect that to be at the very beginning of the new year.

12.15 pm

Clive Lewis: There is £200 million in public money and £200 million in private money. Will the Minister confirm whether the £200 million in private funding has actually arrived and is available for the Treasury to spend on EV infrastructure?

Robert Jenrick: The answer is that the fund has not actually been launched yet. We are committed to the £200 million, but we will not know until the fund is launched the amount of private capital we are able to crowd in as a result of that. I am happy to write to the hon. Gentleman with more detail about that. As I said, I expect in the first two months of the new year to be in a position to launch the fund and to inform hon. Members across the House of its detail, should they wish to direct businesses in their constituencies that are interested in this area to it. With that, I commend the clause to the Committee.

Clive Lewis: I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Amendment proposed: 114, in clause 58, page 41, line 16, at end insert—

“(6) The Chancellor of the Exchequer must review the effects on levels of CO₂ emissions and the UK’s ability to meet its fourth and fifth carbon budgets of the changes made to the Vehicle Excise and Registration Act 1994 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.”—(*Clive Lewis.*)

This amendment would require the Chancellor of the Exchequer to review the impact of this measure on CO₂ emissions and climate change targets.

Question put, That the amendment be made.

The Committee divided: Ayes 8, Noes 9.

Division No. 27]

AYES

Black, Mhairi	Lewis, Clive
Blackman, Kirsty	Reynolds, Jonathan
Charalambous, Bambos	Smith, Jeff
Dodds, Anneliese	Sobel, Alex

NOES

Afolami, Bim	Stride, rh Mel
Badenoch, Mrs Kemi	Syms, Sir Robert
Jenrick, Robert	Whately, Helen
Keegan, Gillian	Whittaker, Craig
Lamont, John	

Question accordingly negatived.

Clause 58 ordered to stand part of the Bill.

Clause 59

HGV ROAD USER LEVY

Clive Lewis: I beg to move amendment 115, in clause 59, page 44, line 9, at end insert—

“(11) The Chancellor of the Exchequer must review the revenue effects of the changes made to the HGV Road User Levy Act 2013 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.”

This amendment would require the Chancellor of the Exchequer to review the revenue impact of Clause 59.

The Chair: With this it will be convenient to discuss the following:

Amendment 116, in clause 59, page 44, line 9, at end insert—

“(11) The Chancellor of the Exchequer must review the effects on levels of CO₂ emissions and the UK’s ability to meet its fourth and fifth carbon budgets of the changes made to the HGV Road User Levy Act 2013 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.”

This amendment would require the Chancellor of the Exchequer to review the impact of Clause 59 on CO₂ emissions and climate change targets.

Amendment 117, in clause 59, page 44, line 9, at end insert—

“(11) The Chancellor of the Exchequer must review the expected effects on the volume of traffic on the roads of the changes made to the HGV Road User Levy Act 2013 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.”

This amendment would require the Chancellor of the Exchequer to review the impact of Clause 59 on road congestion and traffic levels.

Amendment 118, in clause 59, page 44, line 9, at end insert—

“(11) The Chancellor of the Exchequer must review the expected effects on air quality standards of the changes made to the HGV Road User Levy Act 2013 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.”

This amendment would require the Chancellor of the Exchequer to review the impact of Clause 59 on air quality standards.

Clause stand part.

Clive Lewis: I begin by welcoming the long overdue change to the heavy goods vehicle road user levy. As the Minister will no doubt lay out, the clause will differentiate the rates paid by efficiency, rewarding freight operators for using less polluting trucks on the UK’s roads.

Department for Transport statistics show that HGV traffic has grown on average by 2.3% per year since 2008, making it the second fastest growing type of traffic in that period. That has resulted in HGV traffic increasing, on motorways and rural A roads in particular, to an overall 17.1 billion vehicle miles. Inevitably, that has had an enormous impact on greenhouse gas emission and climate change targets, road congestion and traffic levels, road safety, and air quality—the key issues on which our amendments are based.

Amendment 115 would require the Chancellor to review the revenue impact of the clause. We believe that there is an urgent need for a financial assessment of the measure, as the freight sector has been left in the dark about the overall impact of these tax reforms. The Department has failed to publish any conclusions from its call for evidence, which closed in January. We therefore argue that it is the Treasury’s responsibility either to produce the evidence and conclusions or to undertake any new research that is needed.

We believe the analysis should focus on the costs and benefits of remaining on a time-based charging system rather than one based on distance. Will the Minister tell us what comparative analysis has been undertaken to date by Government, and agree either to publish it or to commission the relevant work and publish it in due course?

The analysis should also assess how well the HGV road user levy reflects the costs imposed by road freight on other road users, the road network itself and society at large. Metropolitan Transport Research Unit research, issued in April 2017 and sponsored by the DFT, suggests

“that a very significant amount of the real marginal costs imposed by the largest HGVs is not being met.”

That has led to poor economic efficiency and a misallocation of scarce resources. Will the Minister undertake a review of the real marginal costs imposed by the latest HGVs so that we may assess their relative economic efficiency?

Similarly, when considering the overall revenue effect of differing levels of road user levy for different categories of heavy goods vehicles, we believe it is important to factor in the huge disparity between the costs of wear and tear on road surfaces caused by HGVs and those caused by cars and lighter vehicles. The Campaign for Better Transport estimates that the standard 44-tonne HGV does 100,000 times more damage to road surfaces than a Ford Focus.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): One hundred thousand times!

Clive Lewis: Yes. An update of the DFT’s mode shift benefit values technical report in 2015 doubled previous estimates of the cost per HGV mile to road infrastructure. Campaign for Better Transport research suggests that HGVs are paying for only 11% of their UK road infrastructure costs, predicting a shortfall of about £6 billion.

Will the Minister tell us whether the Government have made their own such estimate during the development or passage of the Bill, or does our amendment give them the opportunity to assess it for the first time? Will he produce a fresh assessment of the cost shortfall that the new HGV road user levy rates will leave for other road users and taxpayers in general to pick up? In any case, will he give us the Government’s view of whether the total revenue raised will reflect a fair share of the total tax take from road users, as compared with that of those who drive smaller vehicles? In the Chamber, many MPs complain about potholes and funding for them. The statistics give a clue as to where in part the responsibility lies for so many potholes on our roads.

Bambos Charalambous: As the driver of a Ford Focus, I want to clarify something. Does my hon. Friend agree that yes, a greater proportion of the money ought to go towards repairing potholes, because that will leave more money available for schools and other resources?

Clive Lewis: My hon. Friend makes an interesting point from his Ford Focus. The issue is that there is a massive externality that those HGVs are causing on our roads. No one wants to see HGV businesses go out of business, but everyone in Committee would agree that it is right for people to pay the appropriate level of tax for

[Clive Lewis]

the damage that they cause to our road infrastructure. If they are to be subsidised, that subsidy ought to be transparent, so that we can appreciate and make a proper assessment of the value that HGV companies contribute to our economy, while taking into account the externalities that they create as well, because there are impacts on other tax areas where the Government would need to spend—he mentioned schools, and there are hospitals and so on and so forth.

Amendment 116 would require the Chancellor to review the impact of the clause on CO₂ emissions and climate change targets. As I have described, the use of HGVs has increased hugely in recent years. Inevitably, that has had an adverse effect on the UK's greenhouse gas emissions. Studies from the Government's own 2017 freight carbon review proved that HGVs are also disproportionately responsible for pollution when compared with other road vehicles. In 2014, HGVs were estimated to account for about 17% of UK greenhouse gas emissions from road transport, and about 21% of road transport nitrogen oxide emissions, while making up only 5% of vehicle miles. Will the Minister confirm those figures?

Clearly, if we are to stay in line with EU emissions targets, which have themselves been agreed at the necessary level to ensure that we meet our Paris climate agreement targets, CO₂ emissions from HGVs must drop by at least 15% by 2025, and be at least 30% lower by 2030. Will the Minister agree to conduct an analysis of just how far the changes in the clause go towards the country's ability to meet our climate targets? Will he also consider addressing the generality of the need to meet those targets with either taxation of the sector, or other measures that the Government might put in place to meet our obligations and to safeguard our shared environment?

Amendment 117 would introduce a similar requirement to review the impact of clause 59 on the overall volume of traffic on roads, which is fairly self-evidently a major contributory factor to road traffic congestion. The Centre for Economics and Business Research estimates that congestion will cost the economy as much as £307 billion by 2030. Similarly, the latest INRIX figures show that the UK currently ranks as the fourth most congested developed country, and the third most congested in Europe.

Will the Minister tell us what assessment the Government have made of the economic—not to mention environmental—impact of traffic congestion? I hope he will agree that it is undeniable that the increase in HGV traffic is contributing to the problem. Is he willing to undertake a formal assessment of the impact of HGVs on overall road congestion and traffic, which in turn clearly has a significant impact on the economy? If he intends to resist the amendment, perhaps he will tell us what assessment the Government have made to date and how it informed their choice of the relative levels of taxation that the clause sets for more or less polluting vehicles.

The amendment also addresses the important issue of road safety. The volume of traffic is clearly relevant to road safety outcomes. The Campaign for Better Transport's analysis of Department for Transport road safety statistics shows that HGVs are twice as likely to be involved in a fatal collision on minor roads as they were 10 years ago. In 2016, HGVs were almost seven

times more likely than cars to be involved in fatal collisions on minor roads, despite making up just 5% of overall traffic miles. There has been little or no improvement in recent years in the rates of fatal collisions involving HGVs either on motorways or on A-roads. In 2014, HGVs were involved in almost half of all fatal collisions on motorways, although they accounted for only 11.6% of the miles driven on them. Will the Minister tell us whether, in the course of considering the relative levels of taxation for different types of HGV, the Government have made any assessment of the impact on road safety of HGVs on motorways and A-roads across the UK? In developing the clause, did they consider whether the tax system for vehicles might in any way be used to improve the safety record of HGVs?

Amendment 118 would make equivalent provision in relation to air quality standards. In launching its call for evidence about the HGV road user levy, the DfT conceded the importance of working

“with industry to update the Levy so that it rewards hauliers that plan their routes efficiently, to incentivise the efficient use of roads and improve air quality.”

As the results of the consultation are yet to be published, I ask the Minister whether the Treasury is able to review whether the changes proposed in clause 59 will succeed in encouraging an improvement in air quality standards.

If the Minister does not intend to accept the amendment, perhaps he will tell the Committee whether, and when, the Government intend to publish the evidence they have gathered, and their formal response to it, for scrutiny by the House and the public. Perhaps he will also confirm that the evidence that they have gathered to date shows that, nationally, 20% of lorries are now driving around completely empty and only 36% are full by volume. Not only is that a highly inefficient use of scarce road space, but it exacerbates the existing problem that more than 40 towns and cities in the UK have already exceeded air pollution limits set by the World Health Organisation. Can he confirm that air quality standards will be assessed when looking at the important impacts of the HGV road user levy? Can he give us any timetable or detail?

The Committee will note that our amendments have a similar theme. Perhaps I can ask the Minister to outline in general terms what assessment or review of the success of these measures the Government have planned, what impacts they will consider, how they will measure them and how they will publish their results. I also reiterate my point about the Government's various calls for evidence that relate to the measure in clause 59. Will he commit to publishing the evidence received and giving a formal response from the Government? We often hear about evidence-based policy making, but as legislators we, too, need to hear that evidence if we are to agree to the legislation that implements that policy.

I look forward to the Minister's response to our amendments, but I want to make one final argument about the clause itself. While it is to be expected that the reforms in clause 59 will lead to improvements in fuel efficiency and reductions in pollution from HGVs on Britain's roads, we believe that those reforms are incomplete and unsatisfactory because the HGV levy will continue to be charged according to time spent on UK road networks. It is widely acknowledged that the existing time-based charging system is inefficient and not cost-effective. As it stands, the current daily charge bears no

direct relationship to the amount of use of the network and therefore the system does not incentivise efficient use of the network. To improve economic efficiencies, there should be a direct relationship between taxes per mile travelled and the marginal cost that a distance-based charging system can provide.

12.30 pm

The DFT's recent review offered the opportunity to move to distance-based charging in the UK, which would be the single most effective change that would achieve all the Government's stated objectives of improving efficiency, reducing exposure to collisions and reducing air pollution and CO₂ emissions. Replacing time-based lorry charging with a distance-based system could relate charges paid to the real impact that HGVs have on other road users, the road network and society at large. Of course, it could also reward those HGV operators who have the least such impacts, as the clause intends to do in relation to emission standards.

The most troubling thing about all the measures of cost and harm—from the environment, to road safety and congestion, to the revenue impact on the Exchequer—is that the sector is showing little or no improvement across them. That is a clear illustration that the current framework of incentives, including the HGV road user levy, is not working. While we welcome these much-needed changes, we urge the Government to look at the bigger picture and assess the wider impacts of the HGV road user levy, as our amendments propose.

Sir Robert Syms: Apart from paying the levy, the road haulage industry pays considerable sums of tax on fuel; it therefore pays quite a lot into the Exchequer for the provision of roads. I would make another important point: almost every good that we have in this country travels at some point on a road haulage vehicle. Almost all of what someone buys in a supermarket for Sunday lunch travels in such a vehicle. There is no such thing as a painless tax. If we raise the cost of vehicles delivering goods in this country, the costs are raised for supermarkets and businesses and that is passed on in the form of higher prices and inflation. There is a balance to be struck.

The other point is that the British economy has been growing since 2009-10. As it grows, there are more vehicles on the road, and that is a difficulty. The real way to deal with climate change is probably to crash the economy, so that unemployment shoots up and vehicles come off the roads. It is a problem that, if we have the economy growing, there are more vehicles on the road. On the whole, the solution is technological, both in the development of the levy—the hon. Member for Norwich South made one or two suggestions for that—and also in the engines and the information that people get this days. There has been a big improvement. The biggest incentive that there ought to be for the industry is to replace vehicles more regularly because, in the end, that will probably have more impact on climate change.

I do not think that the solution to this problem is to increase costs. There are technological solutions that I am sure will come to help with all of our concerns about climate change.

Kirsty Blackman: If we are going to disincentivise people from using HGVs or charge them more for using HGVs, we need to make sure that we have a positive route with alternative methods of transport. There has

been a massive increase in the number of light goods vehicles, which is negative if we end up with older diesel models.

We could develop the rail freight network. I understand that it is pretty difficult for those who are looking to increase rail freight to get time on the lines because of the number of passenger trains. Solutions to assist that would be very helpful in ensuring that freight is moved around the UK in the least carbon-emitting way possible.

Subsection (6)(b) relates to Euro 6. It describes the definition of Euro 6, saying that it is as in the EC directive. I am keen for the Government to lay out what would happen about the development of new standards after Brexit and any transition period. Is it their intention that we would have our own standards on vehicle emissions? If so, how much does the Minister believe it will cost to assess vehicles? What would be the cost of UK-EU regulatory divergence, which will result in issues for car manufacturers?

Alternatively, do the Government intend that we should not diverge from using the European Commission directive standards? Obviously technology is developing and there will be new standards to which we should peg our decisions on tax rates. If the UK Government plan not to have their own assessment centre, with regulatory divergence, do they plan to continue to follow EC directives? What preparation are the Government making in that case to scrutinise or comment on the directives, given that we will not be in the room after Brexit, and will therefore not be able to influence the standards, either to support our car manufacturers or secure the best standards for the British public and get improved air quality?

I understand that the Minister may not have the answer at his fingertips, but I hope he can say something.

Robert Jenrick: I shall try to respond to the many points that have been raised. My hon. Friend the Member for Poole in part answered the challenge from the hon. Member for Norwich South as to whether hauliers pay their fair share. It is worth remembering that they pay a range of taxes, as my hon. Friend pointed out. They pay the levy that we are discussing and vehicle excise duties. They also pay tax on fuel. Taken as a package, hauliers pay a considerable amount of tax. British hauliers as an industry are highly taxed, going by European and international comparisons. The reforms mean that some hauliers will pay more. The VED system is based on both weight and axles, so to some extent it reflects wear and tear on the roads, although I appreciate the point made by the hon. Member for Norwich South that HGVs make a significant impact on the roads. I did not realise it was 100,000 times that of a Ford Focus, but that puts things in perspective.

The hon. Gentleman asked whether the HGV levy was specifically hypothecated to tackle such issues as potholes and strategic roads. It is not. However, as I have described, the VED system will be, which will significantly increase the amount of investment that the country makes in roads at every level: £28.8 billion is the spending envelope for roads investment announced by the Chancellor in the Budget, and £25 billion of it will be spent on strategic roads in the road investment strategy that will be announced later next year. That will be about 170% of the first road investment strategy,

[Robert Jenrick]

so there is almost double the amount of investment going into roads to tackle congestion and improve strategic roads in all parts of the country.

The hon. Member for Aberdeen North made a valid point about the European standards. It is our intention to remain closely aligned to those. That seems sensible and it is our intention in a number of respects, such as climate change, emissions and carbon budgets, as is indeed set out elsewhere in the Bill. For example, we have not yet made a final decision on carbon trading, but we shall monitor it and review the matter. If I can give the hon. Lady any further information I will write to her to set out the position of the Department for Transport.

On the broader question of why we are not using the VED system for HGVs to encourage greater take-up of zero-emission or ultra-low emission HGVs, it comes back to the point made by the hon. Lady: currently there are very few commercially available ultra-low emission alternatives for HGV drivers, which prevents the broad uptake of new vehicles. Clearly, we would like to do all we can to stimulate the market and see rapid progress, but we have to be mindful of that. Through the Road to Zero strategy that was published earlier this year, the Government have committed to working with the industry to reduce HGV greenhouse gas emissions significantly by 2025. The strategy sets out the Government's plans to use a variety of different tools to meet that commitment.

The hon. Member for Norwich South made a number of important points about HGVs and road safety. I will write to him on that and find out what information I can about DFT's work, because it is important that we take note and see what can be done to improve road safety, particularly as the number of vehicles going down smaller roads and country lanes as a result of online shopping is becoming more important. Through the Road to Zero strategy and other initiatives, DFT is paying attention to how we can improve the last mile of delivery to tackle air quality and reduce the number of vehicles on our roads.

The clause introduces a lower rate of HGV levy for vehicles that meet the latest emission standard, and a higher rate for vehicles that do not. As we have discussed, the change will incentivise hauliers to move to cleaner, less-polluting vehicles. It is only right that everyone plays their part in protecting our natural environment so that we leave a cleaner, greener Britain for our children. HGVs currently account for approximately 20% of harmful nitrogen oxide emissions from road transport but only 5% of total miles travelled, so they will play an important part in tackling the problem.

The changes made by the clause will reduce HGV levy rates by 10% for vehicles that meet the latest emission standards, reflecting the fact that they generate 80% less NOx emissions than the older HGVs. The clause will also increase rates by 20% for HGVs that do not meet those standards. Many hauliers will pay less as more companies move to cleaner lorries—we have introduced it to improve air quality and not to raise revenue.

On amendments 115 to 118, to which the hon. Member for Norwich South spoke, the Government have published a tax information impact note outlining the impact assessment of these reforms, including the forecasted

revenue effects, which have been certified by the Office for Budget Responsibility. I believe those amount to £25 million over the scorecard period. These reforms to the HGV levy are part of wider action by the Government to tackle challenges in the areas highlighted by the amendments. Isolating the impact of the HGV levy reforms would be extremely challenging and, I suspect, of limited use, as they cannot be separated from other actions the Government is taking in these areas.

The Government's draft clean air strategy sets out an annual reporting process for the monitoring of air pollution, which is the appropriate mechanism for assessing the effectiveness of those changes and others over time, rather than introducing a new method to review it, as proposed by the amendments. I therefore urge the Committee to reject the amendments. The changes outlined in the measure will ensure that both foreign and domestic HGVs play their part in meeting the Government's air quality targets.

Clive Lewis: I thank the Minister for his contribution. I note that he was unaware of the 100,000 figure between the damage caused by an HGV compared with the damage caused by a Ford Focus. Have the Government made any assessment of whether HGVs currently cover the cost of the impact they have on UK road infrastructure? It sounds like they have not, but the Treasury should be able to amend VED or the taxation system that it will use in order to better reflect that.

To pick up on some of the comments made by the hon. Member for Poole, we are talking about externalities. Everyone wants to see everybody pay their fair share, and I am aware that haulier companies pay not just the excise for HGVs, but road tax and fuel tax. So do drivers of Ford Focuses: they also pay their fair share of tax, including income tax and other taxes as well. We all pay our fair share of tax, but if HGVs are damaging the roads to that extent and having such an impact in terms of road traffic accidents, that calls into question whether they are paying excise duty appropriately, and whether that excise duty is a genuine reflection of the cost that those HGVs are exacting on society and on our road systems.

12.45 pm

The hon. Member for Poole also talked about technological fixes—so-called technological decoupling. Unfortunately, that has been around for some decades now, and there is no evidence that technological decoupling will work quickly enough or in a manner that will stop us from heading off a cliff edge on most of the nine planetary boundaries that scientists say we should be aware of. David Attenborough has said that the horizon for the end of civilisation is before us. It is no longer acceptable for political parties and Members of this place to decouple political rhetoric from political reality and the reality of climate change. That has to end.

HGVs are significant contributors to pollution and to greenhouse gas emissions, so I argue that the Treasury needs to accept the amendments. It needs to take on board the impact that HGVs have on our road networks, greenhouse gas emissions and noxious fumes, and the fact that the system in place is inefficient. Sixty-four per cent. of HGVs on the road are either empty or partially full, so the Opposition have suggested basing excise duty not on time on the road, but on distance travelled by HGVs. That would incentivise road hauliers to increase

efficiencies and invest in vehicles to ensure that they are as efficient as possible. It would also ensure that logistical runs are as efficient as possible, which they clearly are not currently. I look forward to the Minister writing to me on those issues, but we will be pressing both amendments to a vote.

Robert Jenrick: In my earlier remarks, I did not respond to the hon. Gentleman's questions on the calls for evidence. We did a call for evidence before we introduced the levy in 2014 and, at that point, the time-based levy was the preferred method among those who responded. That was the reason why we alighted on that methodology. The call for evidence on the reforms, which he also asked me about, will be published next month—further information that he may wish to scrutinise when it is published. As I said earlier in response to my hon. Friend the Member for Poole, we believe that HGV drivers pay their fair share through the levy, through VED and through fuel duty. However, we will of course keep the matter under review.

Sir Robert Syms: If a road haulier sends a vehicle with a load to a city in the north, the profit it makes is on the load back. If that vehicle runs empty, the haulier has higher costs. Therefore, if that vehicle is empty, the road haulier's manager is not doing his job properly—they have not been able to find a load—or the vehicle is going from one factory or depot to another to pick up a load. It is inevitable that there will be some empty vehicles, but that is not the fault of the road haulage industry. They would love their vehicles to be full.

Robert Jenrick: My hon. Friend makes an important point. Technology will improve that situation in time, as he said in his earlier remarks, but we will keep this matter under review. However, we respectfully ask that the amendments be rejected.

Question put, That the amendment be made.

The Committee divided: Ayes 8, Noes 9.

Division No. 28]

AYES

Black, Mhairi	Lewis, Clive
Blackman, Kirsty	Reynolds, Jonathan
Charalambous, Bambos	Smith, Jeff
Dodds, Anneliese	Sobel, Alex

NOES

Afolami, Bim	Stride, rh Mel
Badenoch, Mrs Kemi	Syms, Sir Robert
Jenrick, Robert	Whately, Helen
Keegan, Gillian	Whittaker, Craig
Lamont, John	

Question accordingly negated.

Amendment proposed: 116, in clause 59, page 44, line 9, at end insert—

“(11) The Chancellor of the Exchequer must review the effects on levels of CO₂ emissions and the UK's ability to meet its fourth and fifth carbon budgets of the changes made to the HGV Road User Levy Act 2013 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.”—(*Clive Lewis.*)

This amendment would require the Chancellor of the Exchequer to review the impact of Clause 59 on CO₂ emissions and climate change targets.

Question put, That the amendment be made.

The Committee divided: Ayes 8, Noes 9.

Division No. 29]

AYES

Black, Mhairi	Lewis, Clive
Blackman, Kirsty	Reynolds, Jonathan
Charalambous, Bambos	Smith, Jeff
Dodds, Anneliese	Sobel, Alex

NOES

Afolami, Bim	Stride, rh Mel
Badenoch, Mrs Kemi	Syms, Sir Robert
Jenrick, Robert	Whately, Helen
Keegan, Gillian	Whittaker, Craig
Lamont, John	

Question accordingly negated.

Amendment proposed: 117, in clause 59, page 44, line 9, at end insert—

“(11) The Chancellor of the Exchequer must review the expected effects on the volume of traffic on the roads of the changes made to the HGV Road User Levy Act 2013 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.”—(*Clive Lewis.*)

This amendment would require the Chancellor of the Exchequer to review the impact of Clause 59 on road congestion and traffic levels.

Question put, That the amendment be made.

The Committee divided: Ayes 8, Noes 9.

Division No. 30]

AYES

Black, Mhairi	Lewis, Clive
Blackman, Kirsty	Reynolds, Jonathan
Charalambous, Bambos	Smith, Jeff
Dodds, Anneliese	Sobel, Alex

NOES

Afolami, Bim	Stride, rh Mel
Badenoch, Mrs Kemi	Syms, Sir Robert
Jenrick, Robert	Whately, Helen
Keegan, Gillian	Whittaker, Craig
Lamont, John	

Question accordingly negated.

Amendment proposed: 118, in clause 59, page 44, line 9, at end insert—

“(11) The Chancellor of the Exchequer must review the expected effects on air quality standards of the changes made to the HGV Road User Levy Act 2013 by this section and lay a report of that review before the House of Commons within six months of the passing of this Act.”—(*Clive Lewis.*)

This amendment would require the Chancellor of the Exchequer to review the impact of Clause 59 on air quality standards.

Question put, That the amendment be made.

The Committee divided: Ayes 8, Noes 9.

Division No. 31]

AYES

Black, Mhairi	Lewis, Clive
Blackman, Kirsty	Reynolds, Jonathan
Charalambous, Bambos	Smith, Jeff
Dodds, Anneliese	Sobel, Alex

NOES

Afolami, Bim
Badenoch, Mrs Kemi
Jenrick, Robert
Keegan, Gillian
Lamont, John

Stride, rh Mel
Syms, Sir Robert
Whately, Helen
Whittaker, Craig

Question accordingly negated.

Clause 59 ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned.
—(Craig Whittaker.)

12.54 pm

Adjourned till this day at Two o'clock.