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AN COMHCHOISTE UM IOMPAR AGUS CHUMARSÁID

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JOINT COMMITTEE ON TRANPORT AND COMMUNICATIONS

Report on the

Road Haulage Industry in Ireland

31TC 003 **October 2012**

Chairman's Foreword

The road haulage industry in Ireland currently operates in an extremely difficult environment. This is a matter of major concern to the Members of the Joint Committee on Transport and Communications. Accordingly, the Committee agreed to continue the work initiated by the former Joint Committee on Environment, Transport, Culture and the Gaeltacht, and to prepare a report which would outline some of the issues involved and make recommendations for consideration by the Minister for Finance.

The former Joint Committee, with Deputy Ciarán Lynch as Chairman, prepared a Report on its consideration of fuel laundering, the attendant loss of revenue to the State, and its impact on the road haulage sector and retailers in the industry, for the Minister for Finance, in February 2012.

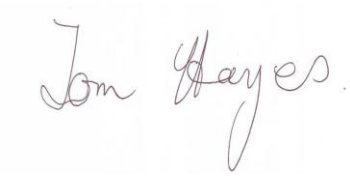
The Report to the Minister was made in anticipation of the then imminent publication of the Finance Bill. At that time the Joint Committee on Environment, Transport, Culture and the Gaeltacht decided to compile a further report on the wider issues which had arisen in the course of its deliberations on the issue of fuel laundering and the Road Haulage Industry in Ireland.

With the reconfiguration of Committees in June 2012, responsibility for matters relating to the transport sector came within the remit of the newly formed Joint Committee on Transport and Communications.

In January and February of 2012 the Joint Committee had met with a range of stakeholders who were either directly involved in the road haulage industry or had a particular interest in the topic.

This Report is largely based on the submissions made by those stakeholders and on the transcripts of the meetings held with the Committee. The Report focuses on a selection of issues primarily relating to fuel prices and an essential- user rebate. The Joint Committee is very cognisant of the huge pressures currently facing the road haulage industry and would hope that this Report will lead to improved conditions for the industry.

I would like to express my appreciation to the Members of the previous Joint Committee, under the Chairmanship of Deputy Ciarán Lynch, a number of whom are also Members of the Joint Committee on Transport and Communications. The commitment of the Members, particularly those on the Working Group, in producing this Report is very much appreciated.



Tom Hayes TD

Chairman

25 October 2012

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Executive summary

During early 2012, the Joint Committee on Environment, Transport, Culture and the Gaeltacht considered a number of issues regarding the Irish road haulage sector. In this context, it engaged with various stakeholders to hear their views on this policy area. Following a reconfiguration of Oireachtas Committees in June 2012, the Joint Committee on Transport & Communications assumed responsibility for completing this body of work.

Fuel laundering emerged as a central theme during much of the Joint Committee's hearings. This issue can be essentially summarised as follows – how to minimise the effects of fuel laundering on both the road haulage sector and State revenue from excise duty on fuels.

From a national perspective, the Joint Committee wishes to establish how to best ensure the **viability of the industry** in the long-term both from the industry and State perspectives. The conclusion it seems one could come to is that the sector is facing more challenging conditions and specific measures such as the introduction of an essential fuel user rebate could be considered with the aim of alleviating pressures on the sector.

Other issues the Joint Committee identified as being of importance were:

- fuel pricing;
- the levying of carbon tax; and
- the system of road tax.

This Report sets out some possible conclusions based on the research available to the Library & Research Service and based on the Joint Committee's hearings with areas for possible future action highlighted in purple text boxes. They are:

1. **Fuel laundering** is a significant problem in Ireland, with the estimated Exchequer loss put at €150 million a year. In addition, fuel laundering can cause other detrimental effects including undermining the competitiveness of legitimate businesses, damaging the environment, damaging consumers' vehicles, and helping to sustain organised criminal networks. As such, there is potentially much to be gained from addressing this problem.

   The Joint Committee was very interested in hearing the views of key stakeholders on this issue, and particularly possible solutions to the problem. For example, the Irish Petrol and Retail Association (IPRA) put forward a number of proposals for consideration to address the problem including equalisation of duty rates, a new fuel

marker, a rigorous audit scheme, Government support and consumer advice, a legitimate retail registration scheme/licence and increased penalties for offenders. The Irish Farmers' Association (IFA), however, submitted that the introduction of a robust, non-removable marker for agricultural diesel is necessary to tackle the problem of the illegal fuel trade. They believe that it does not make sense to target the excise rate that applies to agricultural diesel, arguing that it would have a negative impact on cash flow, putting pressure on the viability of small businesses.

Because of the extremely difficult situation in which the road haulage industry currently operates, the Joint Committee believes that it is vital that action is taken immediately to address the complex issues faced by the industry. The Joint Committee welcomes progress made to date on a single tender procedure for a marker for rebated diesel by authorities in Ireland and the UK and urges them to commence on a pilot as soon as is practicable as already recommended by the House of Commons Northern Ireland Affairs Committee.

The Joint Committee believes that all options should be carefully considered with a view to reducing the negative effects of fuel laundering. In particular, there appears to be merit in strengthening the current licensing regime for the selling of oil and the introduction of greater penalties for retailers who knowingly sell illegal fuel. In this context, the Joint Committee welcomes the provision in the Finance Act, 2012 that enhances the supervision and control of the mineral oils supply chain by requiring that, in future, any person dealing in marked mineral oils will have to be licensed by the Revenue Commissioners to do so.

Other jurisdictions have employed strategies such as an oils anti-fraud strategy and a proactive media approach. The applicability of measures such as these in an Irish context should be fully explored and considered as part of the fight against illegal fuel laundering.

2. There is currently no entitlement to **a rebate for tax paid on fuel** by road haulage operators in Ireland. In contrast, five EU Member States (Spain, France, Belgium, Hungary and Slovenia) currently use the possibility of having lower tax rates for 'commercial' diesel (which is diesel used by lorries over 7.5 tonnes as provided for in the EU energy tax directive).

   In its appearance before the Joint Committee, the Irish Road Haulage Association (IRHA) proposed the introduction of an Essential User Rebate similar to the repayment scheme of excise duty on fuel used in motor vehicles for the transport of drivers and passengers with disabilities. The issue of essential user rebates has also

been a topic of discussion in the United Kingdom, with road hauliers there advocating a similar scheme to that proposed by the IRHA.

In the first instance every effort should be made to add a reliable new fuel marker to diesel which cannot be laundered.

The Joint Committee feels that it would be prudent to consider the introduction of an Essential User Fuel Rebate for Irish road hauliers to assist in relieving the pressures on the industry.

3. The IRHA has proposed the introduction of **a pay-as-you-go road user charge for commercial vehicles** such as already operates in a number of other EU Member States in place of the current system. In the longer term it favours the introduction of a distance-based mechanism. It has also suggested that the system of toll roads and road taxation should be merged and a system such as the Eurovignette be introduced.

The Joint Committee believes the pros and cons of introducing such a system should be fully explored and considered by Government. In this context, the experiences of other EU Member States may prove helpful. Where possible any redesign of the system should incorporate existing technology which has health and safety amongst its key objectives, e.g. digital tachographs.

4. The IRHA has argued that the current system of **carbon taxation** fails to ensure that the carbon cost finds its way to the parties on whose behalf the emissions actually arise. It therefore argued for a change in the policy approach to carbon tax in respect of freight transportation to ensure that the tax is ultimately levied on those who are served by the industry rather than by the industry itself.

The Joint Committee believes that ways of redistributing this tax burden could be explored and considered in consultation with relevant stakeholders.

5. Issues such as **speed limits and road tolls** are of significance to the road haulage sector.

The Joint Committee believes that the pros and cons of changing current policy in relation to such issues should be explored and given due consideration.

1. Introduction

The Joint Committee on Environment, Transport, Culture and the Gaeltacht was established following Orders of Dáil Éireann on 8 June 2011 and of Seanad Éireann on 16 June 2011. Following a reconfiguration of Oireachtas Committees, the Joint Committee on Transport & Communications was established on 12 June 2012. It assumed relevant responsibilities from the Joint Committee on Communications, Natural Resources and Agriculture and the Joint Committees on Environment, Transport, Culture and the Gaeltacht including the subject matter of this Report. It should, therefore, be noted that references within this Report to the 'Joint Committee' relates to the Joint Committee on Environment, Transport, Culture and the Gaeltacht in cases up to 11 June 2012 but after that date the term relates to the Joint Committee on Transport & Communications.

Between January and February 2012, the Joint Committee met with a range of stakeholders involved with the road haulage industry as listed below.

- Irish Road Haulage Association (IRHA)
- Irish Farmers' Association (IFA)
- Professional Agricultural Contractors' Association (PAC Ireland)
- Irish Petrol and Retail Association (IPRA)
- Office of the Revenue Commissioners
- Department of the Environment, Community and Local Government (DECLG)
- Monaghan County Council

In this context, the Joint Committee submitted a report to the Minister for Finance in February 2012, prior to the enactment of the Finance Act 2012, on its consideration of fuel laundering and the loss of revenue to the State. The report dealt with the impact of laundering on the road haulage sector and retailers in the industry.[1] The Joint Committee also agreed to compile a further report, at a later date, on the wider issues arising from its deliberations. This Report responds to that commitment by the Joint Committee.

[1] That report is available online at http://www.oireachtas.ie/parliament/media/committees/environmenttransportcultureandthegaeltacht/Final-JCETCG-Report-to-Minister-for-Finance-on-Fuel-Laundering-Feb-2012.pdf

This Report is largely based on the submissions of these organisations / individuals, and the transcripts of their subsequent appearances before the Joint Committee.

While many important issues arise in relation to the road haulage industry it is beyond the scope of this Report to address all of these. This Report focuses on a selection of issues primarily related to fuel prices and an essential fuel user rebate. .

Following on from the above introduction, this report is structured as follows:

Introduction: setting out the context for this Report and also outlining its key conclusions.

Statistics relating to the road haulage industry: providing some key statistics on the road haulage sector in Ireland, both in terms of the performance of the sector and its contribution to the wider economy over recent years.

Licensing policy and taxation in Ireland: outlining an overview of the current policies.

Fuel prices and duty rates: setting out briefly the situation in Ireland and selected other EU Member States.

Fuel laundering: giving an overview of the nature and scale of the problem, in addition to suggested solutions to address the use of illegal fuel products.

Fuel rebates: examining the legal basis for fuel tax and rebates then outlining the situation in selected EU Member States including Ireland.

Road tax / road user charge for commercial vehicles: discussing the current system following on from the outline in a previous section and suggested changes to it.

Targeting of carbon tax: looking at the issue of carbon taxation and how it affects the road haulage industry.

2. Statistics on the road haulage industry in Ireland

This section sets out selected statistics on the road haulage industry in Ireland as such background information is pertinent to subsequent sections of this Report. These statistics provide an outline of the scale of activity within the sector and its importance to the overall economy. This data is sourced from the Central Statistics Office (CSO) and the Joint Committee's report to the Minister for Finance of February 2012.

2.1 Overview of the sector

The importance of the sector has been acknowledged by the IRHA which states:

> "As a country where economic prosperity is largely dependent on export demand, the Irish road haulage industry is of significant strategic importance in facilitating the export led economic recovery and ultimate growth" (Joint Committee on Environment, Transport, Culture and the Gaeltacht, 2012).

Statistics show that road freight activity peaked in 2007, both in terms of tonnes carried, tonnes-kilometres and vehicle kilometres, but has declined steeply since then (CSO, 2012). This is particularly noticeable for 2009 and figures for 2010 also represent a decrease on the previous year pointing to more challenging circumstances for the sector in recent times. Table 1 overleaf provides a summary of key statistics for road freight transport over the period 1998 to 2010.

Table 1: Road Freight Transport Statistics Summary, 1998 - 2010

Year	Tonne-kilometres (million)	Tonnes carried (thousand)	Vehicle kilometres (million)	Average number of vehicles	Laden journeys
1998	8,184	142,207	1,327	50,033	13,468
1999	10,228	162,355	1,416	56,090	14,014
2000	12,263	191,264	1,595	64,248	15,605
2001	12,291	199,829	1,585	70,825	15,770
2002	14,282	224,907	1,851	71,005	17,621
2003	15,679	251,791	1,966	71,459	19,709
2004	17,011	273,557	2,139	73,075	20,767
2005	17,819	291,883	2,312	79,916	22,425
2006	17,322	299,030	2,242	87,135	23,248
2007	18,707	299,307	2,332	97,752	23,646
2008	17,289	245,788	2,207	97,640	20,085
2009	12,071	148,328	1,585	87,616	12,659
2010	10,924	125,865	1,457	84,025	11,177

Source: CSO (2012), p. 129

The number of licensed road hauliers also declined in 2009 and 2010. Specifically, in 2009 there were 5,296 licensed hauliers in the State but this decreased to 4,783 in 2010.

Table 2: Number of licensed road hauliers, 2006 - 2010

	2006	2007	2008	2009	2010
Total	5,153	5,173	5,453	5,296	4,783

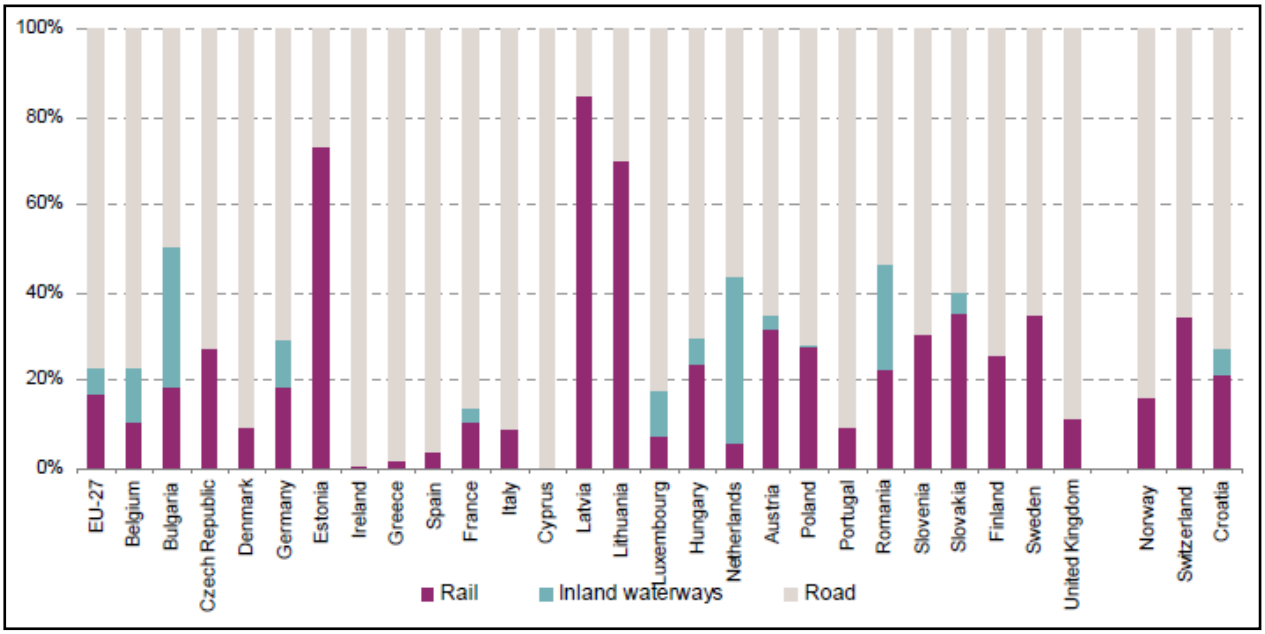
Source: CSO (2012), p. 136

CSO (2012) also highlights that in both 2009 and 2010, the principal goods carried in terms of tonnes-kilometres were foodstuffs and in terms of tonnes carried were quarry products, metal ores and peat.

2.2 Proportion of freight moved by road

At present, 95% of Irish freight is moved by road (Deloitte & Touche, 2011). Statistics at EU level also suggest that the vast majority of the modal split of freight transport is accounted for by road in the case of Ireland (see figure 1 below).

Figure 1: Modal split of inland transport modes in 2009, adjusted for territoriality (%)



Source: Eurostat (2012), p. 1

2.3 Value to the Exchequer

Deloitte & Touche (2011) states that "the Irish road haulage industry is a large contributor to the exchequer's finances and the IRHA estimates that the sector contributes over €1bn to the general exchequer each year via fuel duty, road tax, PAYE and PRSI".

Further details on taxation of the sector are provided in section 3 of this Report.

2.4 Employment

According to Deloitte & Touche (2011), the IHRA estimates that the Irish road haulage employs an estimated 50,000 people (inclusive of ancillary jobs).

Conclusions: The road haulage sector makes an important contribution to the Irish economy through employment, Exchequer receipts and by acting as the primary means by which goods are transported within the country and for export.

Statistics show that road freight activity has declined steeply in recent years, suggesting that the road haulage sector is operating under more challenging circumstances than previously.

3. Licensing policy and taxation in Ireland

This section looks at both the licensing policy for the road haulage sector in Ireland and the taxation regime applicable to the sector, i.e. excise duty on diesel etc.

3.1 Licensing policy[2]

In Ireland, hauliers operate under road haulage operator licenses issued by the Department of Transport. In general, a Road Haulage Operator's Licence is required if goods are carried for hire or reward[3] in a vehicle or combination of vehicles the maximum authorised weight of which is in excess of 3.5 (metric) tonnes. Operators may require a national or an international licence depending on the nature of their business activity.

A National Road Haulage Operator's Licence entitles the holder to carry on a road haulage operator business within this State only. It is valid for five years. If the Transport Manager (Certificate of Professional Competence holder) has only a national CPC, or if there is no possibility whatever of the driver transporting goods to or from places outside this State, then the operator should apply for a National Licence.

An International Road Haulage Operator's Licence is issued with a Community Authorisation and a certified copy of the Community Authorisation for each vehicle authorised on the licence. It entitles the holder to operate in this State, Northern Ireland, Great Britain and both within and between all the Member States of the European Union. International Licences and Community Authorisations are valid for five years. In order to obtain an International Licence and Community Authorisation, your Transport Manager must have an international Certificate of Professional Competence.

Exemptions

If you propose to carry any of the following commodities in this State a Road Haulage Operator's Licence is not required:

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[2] This section draws heavily on *A Guide to Road Haulage Operator Licencing* available on the Department of Transport's website at http://www.transport.ie/upload/general/11648-2__RHOL_GUIDELINES_JUNE_2009-1.PDF

[3] "Hire or Reward" haulage arises when you are paid for carrying someone else's goods.

[4] See the Revenue Commissioners' *Notes for Guidance – Taxes Consolidation Act 1997 – Finance*

- cattle, sheep, pigs, turf; livestock by farmers for neighbours locally;
- milk to a creamery or a cream separating station;
- separated milk from a creamery or cream separating station;
- milk containers to or from a creamery or a cream separating station; and
- newly harvested wheat, oats or barley during the period 1 August to 30 November each year from a farm to a place of storage, assembly or processing.

You must hold an International Road Haulage Operator's Licence and Community Authorisation if you wish to carry any of these commodities outside this State.

Requirements in order to obtain a road haulage operator's licence

Applicants must:

- be of good repute;
- satisfy professional competence; and
- be of appropriate financial standing.

These are EU requirements and they must continue to be satisfied at all times for the 5 year duration of the Road Haulage Operator's Licence. Failure to satisfy any or all of them can lead to the revocation or suspension of your Road Haulage Operator's Licence.

3.2 Tax regime

During its meetings, the Joint Committee was informed that €1.1 billion is collected annually in excise duty from road diesel. In addition the sector also contributes to the Exchequer via payments of motor tax and carbon tax. The latter are addressed below whereas excise duty on fuels is discussed in Section 4 of this Report.

Motor tax

Motor tax (or road tax) is an annual duty payable on motor vehicles (subject to exemptions) in Ireland for use in public places. The current system for private cars is a two-tier one based on either engine size or CO_2 emissions depending on the date of first registration in an EU Member State. For goods vehicles, commercial vehicles and Public Service Vehicles (PSVs), however, motor tax is based on weight (as in the case of goods vehicles) or is a standardised fee (as in the case of trade licenses). The rates of duty on so-called "other vehicles" are available on the Department's website at

http://www.environ.ie/en/LocalGovernment/MotorTax/MotorTaxRates/RateofDutyonOtherVehicles/ and are also reproduced in Appendix 1.

Carbon taxation

A carbon tax on fossil fuels was introduced in Budget 2010 at a rate of €15 per tonne. It was applied to petrol and auto diesel from 9 December 2009 (the date the 2010 Budget was announced). From 1 May 2010, it was applied to Kerosene, Marked Gas Oil, Liquid Petroleum Gas (LPG), Fuel Oil and Natural Gas.

In Budget 2012 (announced on 6 December 2011) the Minister for Finance announced that the carbon tax was to be increased to a rate of €20 per tonne. The increase applies to petrol and auto diesel from midnight 6 December 2011. The increase applied from 1 May 2012 to kerosene, Marked Gas Oil, Liquid Petroleum Gas (LPG), fuel oil and natural gas. (This is to take account of the effect the increase would have on home heating costs over the winter months.) The carbon tax will not apply to solid fuels.

Prior to the introduction of carbon taxation Ireland also applied other excise duties on mineral oils; including petrol, auto-diesel, natural gas, kerosene and fuel oil. These remain in place but have not changed since the introduction of the carbon tax, other than to reflect the changes to the carbon tax. VAT is also applied to fossil fuels.

In the Finance Act 2012, the Minister for Finance a deduction in respect of the carbon charge component of the Mineral Oil Tax on marked diesel used by farmers in the course of their farming trade. It allows farmers:

> "an income tax deduction in computing the profits of their farming trade for the increased costs of farm diesel used in that trade which are attributable to the increase in the rate of carbon tax on such diesel from 1 May 2012.
>
> Farm diesel used by a farmer in the course of a farming trade is a deductible cost and, as carbon tax is included in the cost of that diesel, a farmer obtains a deduction for the amount of the carbon tax incurred on the purchase of farm diesel. As the deduction provided for in this section is in addition to the deduction for the cost of farm diesel,farmers are entitled to a double deduction for the increased carbon tax they incur on farm diesel purchased on or after 1 May 2012".[4]

[4] See the Revenue Commissioners' *Notes for Guidance – Taxes Consolidation Act 1997 – Finance Act 2012 Edition - Part 23* available at http://www.revenue.ie/en/practitioner/law/notes-for-guidance/tca/index.html

Excise duty / Mineral Oil Tax (MOT)

The rates for petrol and auto diesel are increased with effect from midnight on 6 December 2011. These increases, when VAT is included, amount to just under 1.5 cent on a litre of petrol and just over 1.5 cent on a litre of auto diesel.

The new MOT rates are €587.71 per 1,000 litres for petrol and €479.02 per 1,000 litres for auto-diesel.

[5]EU Directive 2003/96, which lays down requirements for the taxation of energy products and electricity, permits diesel used for certain industrial and commercial purposes to be subjected to a lower rate of energy tax than that applied to auto-diesel. Those purposes include agricultural and where diesel is released for consumption subject to a lower rate of energy tax, or is exempted from that tax, the fuel concerned may not be used as auto-diesel and must be marked, in accordance with EU Directive 95/60 and its associated Decisions, to distinguish it from auto-diesel. The corresponding provisions of Irish law are contained in the Mineral Oil Tax Regulations 2001: a specified substance and a blue dye must be added to the fuel, and result in a green colouring.

Conclusions: In Ireland, hauliers operate under road haulage operator licenses issued by the Department of Transport. Operators may require a national or an international licence depending on the nature of their business activity.

The sector contributes to the Exchequer via payments of excise duty from road diesel, motor tax and carbon tax.

Diesel used for certain purposes including agricultural may be subjected to a lower rate of energy tax than that applied to auto-diesel. In such cases, the fuel concerned may not be used as auto-diesel and must be marked. In Ireland, there is a deduction for Mineral Oil Tax included in the cost of marked diesel used in the course of the farming trade.

[5] Information in this paragraph is extracted from PQ [22595/12] on the topic of motor fuels available at http://debates.oireachtas.ie/dail/2012/05/08/00081.asp

4. Fuel prices and duty rates

As noted by the IRHA, whilst diesel is a huge source of Government revenue, it is a huge cost for hauliers, typically accounting for approximately 35% - 40% of turnover with fuel price increases of 60% amplifying the overall cost base of hauliers by up to 20%.[6] This section provides information on fuel prices in Ireland in addition to comparing these to prices found in other EU Member States.

4.1 Diesel and petrol prices

According to www.pumps.ie the average price of diesel at service stations is 159.9c per litre today (19 September 2012). The same source puts the average price of petrol at service stations at 169.9c per litre today (19 September 2012).

In May 2012, AA Ireland[7] data has the average price of diesel at 157.5c per litre and the average price of unleaded petrol at 165.9c per litre.

Appendix 2 provides details of historical fuel prices in Ireland over the period 1991 to 2012.

Other statistics allow for comparisons of Ireland's taxes and pump prices vis-à-vis other EU Member States. Table 3 overleaf compares diesel and petrol prices and taxes for all EU Member States including Ireland for mid-May 2012.

[6] IRHA Cover Note. Available at http://www.oireachtas.ie/parliament/media/committees/environmenttransportcultureandthegaeltacht/IRHA-Cover-Note_170112.-pdf.pdf

[7] See http://www.aaireland.ie/AA/Motoring-advice/Petrol-Prices.aspx

Table 3: Average petrol and diesel prices and taxes in the EU, May 2012

Average Petrol[(a)] and Diesel Prices and Taxes in EU member states
14 May 2012

	Petrol				Diesel			
	Pump price	Taxes and duties		Pre-tax price	Pump price	Taxes and duties		Pre-tax price
	per litre	per litre	% of pump price	per litre	per litre	per litre	% of pump price	per litre
BEL	£1.36	£0.73	53%	£0.63	£1.19	£0.55	46%	£0.64
BGR	£0.99	£0.46	46%	£0.53	£0.98	£0.42	43%	£0.56
CYP	£1.09	£0.45	42%	£0.63	£1.08	£0.43	40%	£0.65
CZE	£1.18	£0.60	51%	£0.58	£1.15	£0.54	47%	£0.62
DNK	£1.34	£0.73	55%	£0.61	£1.17	£0.55	47%	£0.62
DEU	£1.30	£0.73	56%	£0.57	£1.16	£0.56	48%	£0.60
GRC	£1.41	£0.81	58%	£0.60	£1.25	£0.57	46%	£0.67
ESP	£1.13	£0.54	47%	£0.59	£1.08	£0.45	42%	£0.63
EST	£1.09	£0.52	48%	£0.57	£1.07	£0.49	46%	£0.58
FRA	£1.27	£0.70	55%	£0.57	£1.12	£0.54	48%	£0.59
HUN	£1.18	£0.59	50%	£0.59	£1.19	£0.56	47%	£0.62
IRL	£1.33	£0.74	55%	£0.60	£1.28	£0.64	50%	£0.64
ITA	£1.43	£0.81	57%	£0.62	£1.36	£0.71	52%	£0.65
LVA	£1.14	£0.55	48%	£0.59	£1.09	£0.48	44%	£0.62
LTU	£1.15	£0.55	48%	£0.60	£1.08	£0.43	40%	£0.65
LUX	£1.11	£0.51	46%	£0.60	£0.99	£0.39	40%	£0.60
MLT	£1.20	£0.56	47%	£0.64	£1.12	£0.48	43%	£0.64
NLD	£1.40	£0.81	58%	£0.59	£1.14	£0.53	47%	£0.61
AUT	£1.16	£0.61	53%	£0.55	£1.12	£0.54	48%	£0.58
POL	£1.08	£0.51	47%	£0.57	£1.06	£0.47	44%	£0.59
PRT	£1.32	£0.71	54%	£0.61	£1.16	£0.51	44%	£0.65
ROU	£1.03	£0.48	46%	£0.55	£1.06	£0.45	43%	£0.61
SVK	£1.26	£0.67	53%	£0.60	£1.16	£0.52	45%	£0.64
SVN	£1.19	£0.59	50%	£0.60	£1.07	£0.47	44%	£0.60
FIN	£1.34	£0.75	56%	£0.59	£1.22	£0.60	49%	£0.70
SWE	£1.32	£0.77	58%	£0.56	£1.28	£0.67	52%	£0.67
GBR	£1.38	£0.81	59%	£0.57	£1.45	£0.82	57%	£0.64

Source: EU Oil Bulletin quoted in Library of House of Commons (2012)

Notes: Prices converted to sterling on basis of exchange rates on date listed. Comparisons between countries require care because of differences in product quality, marketing practices, market structure sales of other types of fuel.
(a) Super unleaded petrol (Euro super 95)

Table 4 overleaf provides a more recent price comparison of fuel taxes for EU Member States in euros.

Table 4: Fuel taxes in the EU, September 2012

Sept. 19, 2012	Unleaded (Superbleifrei, Euro sans plomb, Euro 95)					Diesel (Gazole, Gasóleo)				
Country	Crude	Margin	Excise duties	VAT	Retail price	Crude	Margin	Excise duties	VAT	Retail price
Austria	€ 0.552	€ 0.179	€ 0.482	€ 0.243	€ 1.456	€ 0.552	€ 0.236	€ 0.397	€ 0.237	€ 1.422
Belgium	€ 0.552	€ 0.289	€ 0.614	€ 0.305	€ 1.760	€ 0.552	€ 0.314	€ 0.428	€ 0.272	€ 1.565
Bulgaria	€ 0.552	€ 0.268	€ 0.363	€ 0.237	€ 1.420	€ 0.552	€ 0.284	€ 0.322	€ 0.232	€ 1.389
Cyprus	€ 0.552	€ 0.274	€ 0.359	€ 0.201	€ 1.386	€ 0.552	€ 0.313	€ 0.330	€ 0.203	€ 1.398
Czech Republic	€ 0.552	€ 0.225	€ 0.516	€ 0.259	€ 1.551	€ 0.552	€ 0.270	€ 0.440	€ 0.252	€ 1.514
Denmark	€ 0.552	€ 0.319	€ 0.587	€ 0.364	€ 1.822	€ 0.552	€ 0.323	€ 0.444	€ 0.330	€ 1.648
Estonia	€ 0.552	€ 0.168	€ 0.423	€ 0.229	€ 1.372	€ 0.552	€ 0.184	€ 0.393	€ 0.226	€ 1.355
Finland	€ 0.552	€ 0.205	€ 0.650	€ 0.324	€ 1.731	€ 0.552	€ 0.249	€ 0.470	€ 0.292	€ 1.563
France	€ 0.552	€ 0.217	€ 0.607	€ 0.270	€ 1.646	€ 0.552	€ 0.274	€ 0.428	€ 0.246	€ 1.500
Germany	€ 0.552	€ 0.256	€ 0.654	€ 0.278	€ 1.740	€ 0.552	€ 0.310	€ 0.470	€ 0.253	€ 1.585
Greece	€ 0.552	€ 0.256	€ 0.670	€ 0.340	€ 1.818	€ 0.552	€ 0.334	€ 0.412	€ 0.299	€ 1.597
Hungary	€ 0.552	€ 0.266	€ 0.419	€ 0.334	€ 1.571	€ 0.552	€ 0.302	€ 0.386	€ 0.335	€ 1.575
Ireland	€ 0.552	€ 0.235	€ 0.588	€ 0.316	€ 1.691	€ 0.552	€ 0.267	€ 0.479	€ 0.299	€ 1.597
Italy	€ 0.552	€ 0.315	€ 0.704	€ 0.330	€ 1.901	€ 0.552	€ 0.310	€ 0.593	€ 0.306	€ 1.761
Latvia	€ 0.552	€ 0.224	€ 0.408	€ 0.249	€ 1.432	€ 0.552	€ 0.254	€ 0.330	€ 0.238	€ 1.374
Lithuania	€ 0.552	€ 0.222	€ 0.434	€ 0.254	€ 1.462	€ 0.552	€ 0.276	€ 0.302	€ 0.237	€ 1.367
Luxembourg	€ 0.552	€ 0.255	€ 0.462	€ 0.190	€ 1.459	€ 0.552	€ 0.252	€ 0.330	€ 0.170	€ 1.304
Malta	€ 0.552	€ 0.284	€ 0.469	€ 0.235	€ 1.540	€ 0.552	€ 0.219	€ 0.382	€ 0.207	€ 1.360
Netherlands	€ 0.552	€ 0.303	€ 0.730	€ 0.301	€ 1.886	€ 0.552	€ 0.301	€ 0.431	€ 0.244	€ 1.528
Poland	€ 0.552	€ 0.219	€ 0.380	€ 0.265	€ 1.415	€ 0.552	€ 0.251	€ 0.330	€ 0.260	€ 1.393
Portugal	€ 0.552	€ 0.336	€ 0.584	€ 0.338	€ 1.810	€ 0.552	€ 0.370	€ 0.366	€ 0.296	€ 1.584
Romania	€ 0.552	€ 0.200	€ 0.360	€ 0.267	€ 1.379	€ 0.552	€ 0.243	€ 0.316	€ 0.267	€ 1.377
Slovakia	€ 0.552	€ 0.253	€ 0.515	€ 0.264	€ 1.583	€ 0.552	€ 0.290	€ 0.386	€ 0.246	€ 1.474
Slovenia	€ 0.552	€ 0.270	€ 0.491	€ 0.263	€ 1.576	€ 0.552	€ 0.277	€ 0.361	€ 0.238	€ 1.428
Spain	€ 0.552	€ 0.273	€ 0.425	€ 0.225	€ 1.475	€ 0.552	€ 0.316	€ 0.331	€ 0.216	€ 1.415
Sweden	€ 0.552	€ 0.235	€ 0.620	€ 0.352	€ 1.758	€ 0.552	€ 0.278	€ 0.554	€ 0.346	€ 1.730
United Kingdom	€ 0.552	€ 0.222	€ 0.674	€ 0.290	€ 1.738	€ 0.552	€ 0.265	€ 0.674	€ 0.298	€ 1.789

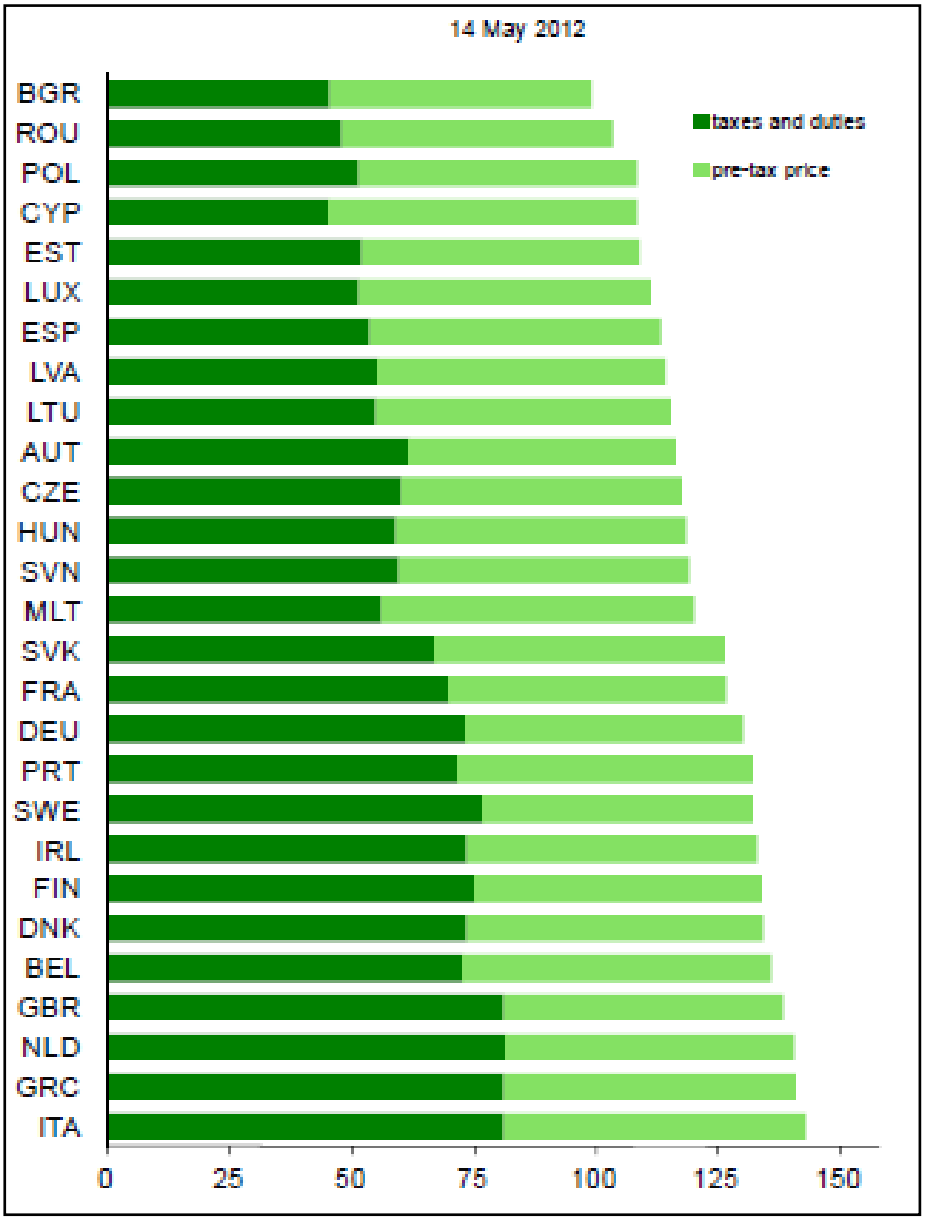
Source: Europe's Energy Portal available at http://energy.eu/

Notes: The price components that make up the retail price for **one liter** of fuel.
Crude - Purchase price of one litre of crude.
Margin - Refining, transportation, insurance, stockpiling, distribution and sale to consumers.
Excise duties and VAT - Taxes levied by local governments. May include environment related taxes.

Ireland's unleaded petrol price in May 2012 was the 8th highest in the EU (see figure 2 overleaf which illustrates this information for mid-May 2012). Italy has the highest petrol

price in the EU. Figure 2 also shows how much taxes and duties contribute to the overall price of unleaded petrol, and how this varies between countries.

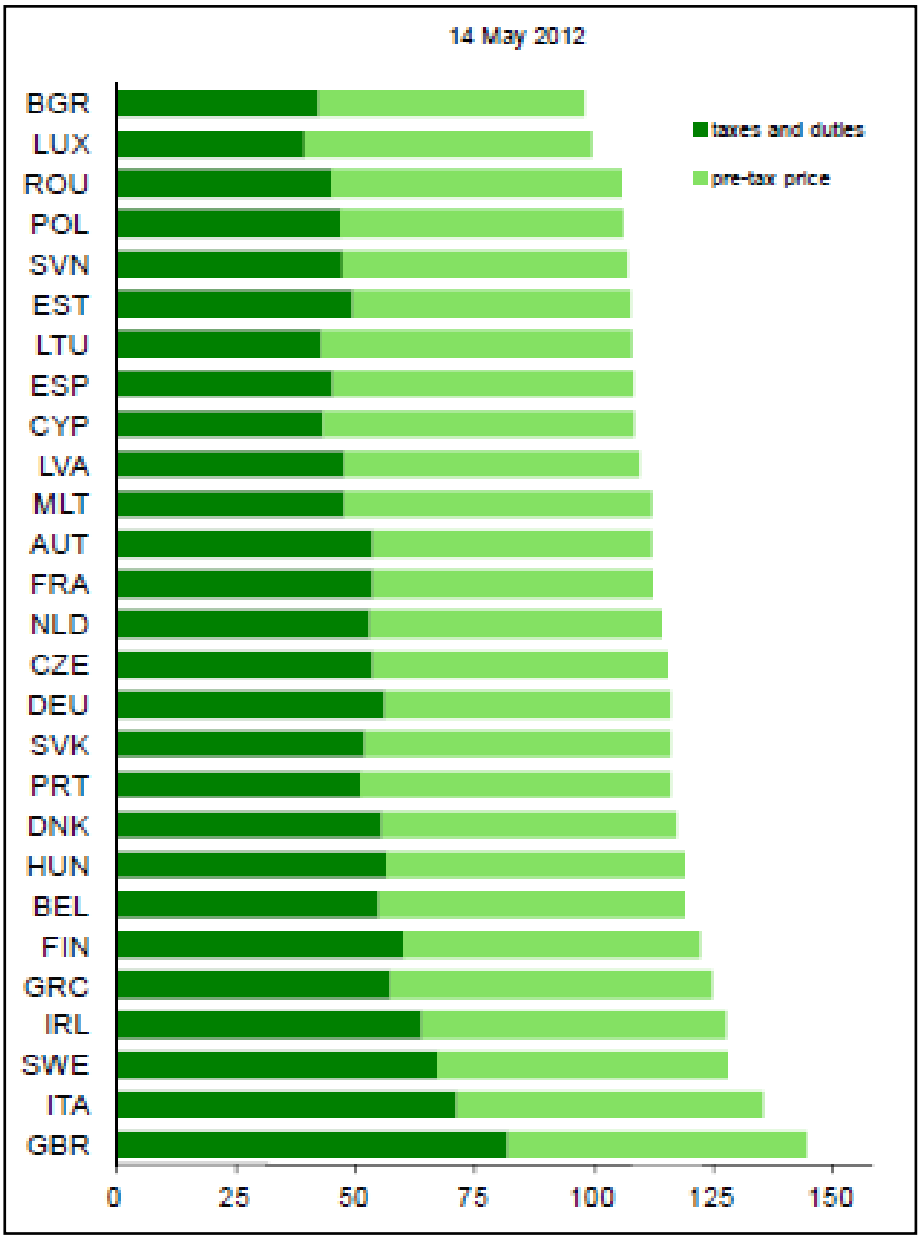
Figure 2: Unleaded petrol pump prices in the EU, May 2012



Source: EU Oil Bulletin quoted in Library of House of Commons (2012)

Ireland has the 4th highest diesel prices in the EU in May 2012 (see figure 3 overleaf). The UK had the highest diesel prices in the EU despite relatively low pre-tax prices.

Figure 3: Diesel petrol pump prices in the EU, May 2012

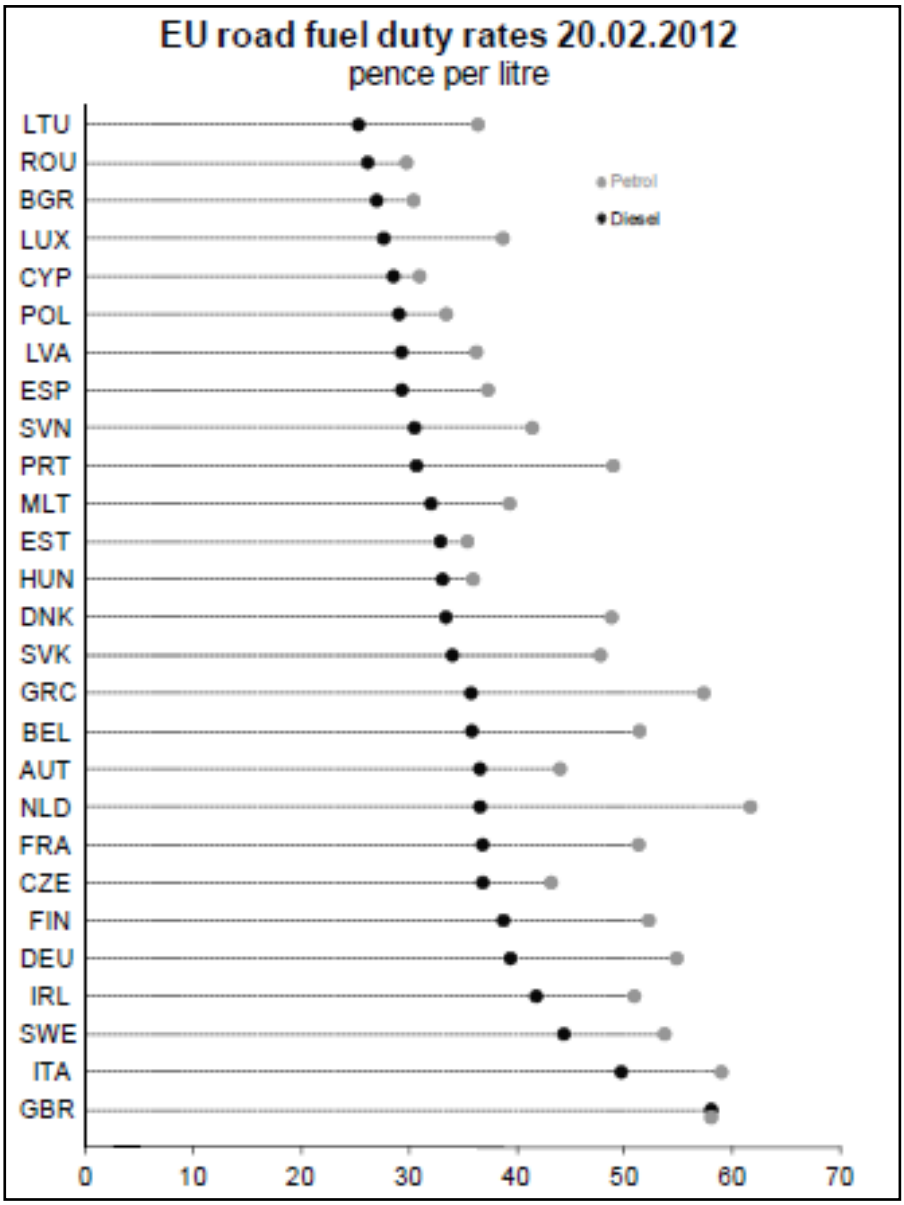


Source: EU Oil Bulletin quoted in Library of House of Commons (2012)

4.2 Road fuel duty rates

Fuel duty can be considered as a tax on use. Figure 4 overleaf gives the duty rates for the EU-27 at mid-February 2012. It shows that Ireland had the 4th highest road fuel duty rate in the EU.

Figure 4: EU road fuel duty rates, February 2012



Source: EU Oil Bulletin quoted in Library of House of Commons (2012)

4.3 Comparing road diesel and agri diesel

Fuel for off road use is taxed at a discounted rate and is applicable to farmers using tractors and stationery vehicles/grain dryers off road. As this type of fuel is for an agricultural use and not road use the excise tax is lower. There is substantial differential in excise duty

between the fuel used for road transport and the fuel used for agricultural use. The table below shows that the price differential between road diesel and agri diesel is currently about 51.6 cents with a loss to Revenue of almost €20,000 per tanker load.

Table 5: Differential between road diesel and agri diesel

Annual Market Data	Unleaded	Diesel	Gas 10ppm		Diesel V Gas
Total Market size '000	1,950,636	2,559,753	1,124,223		
Carbon	3.44	4.00	4.13		
Duty	54.18	42.57	4.74		
Nora	2.00	2.00	2.00		
Vat	21.0%	21.0%	13.5%		
Average Cost April	58.05	62.60	61.27		
Retailer Margin	4.00	4.00	4.00		
April Cost	121.67	115.17	76.14		39.03
Vat	25.55	24.19	10.28		13.91
Total Cost	147.22	139.36	86.41		52.94
Total Tax Take	85.17	72.76	21.14		51.61
38000 Litres	€ 32,366	€ 27,647	€ 8,035		€ 19,612

Source: Joint Committee on Environment, Transport, Culture and the Gaeltacht (2012), p. 50

Conclusions: Whilst diesel is a significant source of Government revenue, it also represents a significant cost for Irish hauliers.

Statistics for May 2012 show that Ireland had relatively high prices for both petrol and diesel by EU standards (Ireland's unleaded petrol price was the 8th highest and its diesel price was the 4th highest in the EU.

Statistics also show that Ireland had the 4th highest road fuel duty rate in the EU in February 2012.

There is also a significant differential between road diesel and agri diesel (see table 5).

5. Fuel laundering

According to the Irish Petrol Retailers Association (IPRA), fuel laundering is estimated to result in a loss of €150 million a year to the Exchequer. This estimate is based on the following calculations presented in table 6 below.

Table 6: Estimated loss to the Exchequer

Current situation	
Number of alleged locations selling questionable fuel	120
Average total sales per location - million litres	2.5
Total Volume of questionable fuel sold (million litres)	300
Total tax lost per litre (cent per litre)	51.61
Total Tax Loss	€ 154,830,000

Source: Joint Committee on Environment, Transport, Culture and the Gaeltacht (2012), p. 52

In addition, this practice has other negative effects including undermining the competitiveness of legitimate businesses and potential damage to consumers' vehicles (see text box 1).

During its meeting with the IRHA in January of this year, the road transport representative body outlined its views on fuel laundering and a possible rebate:

> "Another issue to be considered in the rising cost of fuel concerns green diesel[8], while everyone is aware of the practice of fuel laundering. The effect of the use of green or washed diesel on the competitiveness of the haulage industry is a major issue for our

[8] This type of fuel is also referred to as washed or agricultural diesel. In Ireland, agricultural diesel carries low rates of tax and duty. To indicate the difference, a dye is added, once red but now green. This fuel is meant for agricultural and industrial use, not for everyday vehicles.

> members and is grossly distorting the market. It also constitutes a significant drain on the Exchequer. There certainly is merit in considering a rebate system in which there would only be one excise charge for all diesel products but which would include an agricultural rebate system in which registered tax compliant farmers could reclaim the cost of diesel on a monthly basis. Both the AA and Retail Excellence Ireland believe in the necessity for a change in the system. A number of potential methods are available for consideration and being used in other European countries. The Irish Road Haulage Association would be glad to work with the relevant Departments in taking a sensible approach to resolving this matter. As everyone is aware, the impact on the environment in recent weeks of such fuel laundering has been considerable and as the price of diesel at the pump increases, so will the increase in the use of illegal fuel. This issue must be tackled straightaway as, apart from the environmental impact, it costs the taxpayer €600 million to colour the fuel. Our point is that a rebate should be given to farmers and fishermen. I note that, in addition to the repayment scheme in respect of disabilities, a scheme is also in place for fishermen, under which a rebate is given at the point of sale and that the scheme is working positively. A fisherman can register with his or her oil companies and has the pick of five or six such companies. When the trawler comes in, he or she takes the best price and is given the fuel, minus VAT and whatever rebate is available. There is no administration involved and it tightens the tax net for the Exchequer".

The IHRA clarified the €600 million figure given for the cost of dyeing fuel later in its meeting with the Joint Committee. This relates to the loss of revenue between white and green diesel for the State:

> "The Deputy's first question related to the figure of €600 million. At present, some 1.25 billion litres of fuel are being dyed by the State each year. This results in a loss of revenue - between white and green diesel - of €600 million. That is what the State is giving away without any checks or balances being in place. We recognise that those involved in agriculture and construction and fishermen do not use their vehicles - or vessels - on the roads and are entitled to cheaper fuel as a result. Traditionally, they have had access to this fuel. A system could be put in place overnight, through the co-ops and the oil companies to counteract the loss of €600 million to which I refer. The Irish Road Haulage Association, Retail Ireland and IBEC are strongly of the view that there is no way of putting in place a rebate system which would give rise to a cost of €600 million. At present, retailers are losing out to the tune of more than €150 million as a result of the availability of illegal fuel. Their loss is twofold, namely, in the context of fuel sales and the fact that people are not visiting the shops on their forecourts. People are not frequenting certain petrol stations because it is more expensive for them to do so.
>
> Those involved in the road haulage industry are the biggest users of fuel in the country. We use up to 700 million litres of fuel each year. The cost has not been quantified. This is because the illicit fuel is available on the black market and people will not indicate if they have bought it. As a result, it is not possible to identify the overall loss. There is no doubt that an illicit trade exists and everyone will have seen reports regarding the finding of sludge at a particular site last week. If the figure for

> retail in respect of the use of this type of fuel is 30%, then the same figure must apply in respect of commercial industry. This is giving rise to a cost of €600 million in the context of the differential between white and green diesel. That is being given out in the absence of any checks or balances."

The example of the fishing industry arose during the Joint Committee's meeting with the IHRA. The Revenue Commissioners is the body responsible for the collection of mineral oil tax and for tackling the illicit trade in mineral oil products. It also deals with relief available from MOT in certain circumstances.

A full relief from MOT, including its carbon charge component, applies to oil used for sea navigation including sea fishing. [9]According to the Revenue Commissioners, mineral oil tax on marine diesel may be reclaimed by both VAT-registered and unregistered fishermen. Claims for repayment of VAT and mineral oil tax should be made on claim Form C & E No. 1131/VAT 5813, which may be obtained from the local Revenue District or Central Repayments Office. Applications for repayment should be made to the Central Repayments Office, M: TEK II Building, Armagh Road, Monaghan (Telephone: +353 47 62100). Claims for repayment of mineral oil tax are to be made in respect of mineral oil used within a period of not less than one and not more than six calendar months. The time limit for mineral oil tax claims is four months following the end of the claim period. Claims lodged outside the prescribed time limit may not be paid except in exceptional circumstances.

The text box below summaries key elements of the debate around fuel laundering in Ireland based on appearances of stakeholders before the Joint Committee.

Text box 1: Extract from the Joint Committee report, February 2012

8. The Irish Petrol Retail Association (IPRA) represents the Irish retail forecourt industry and works in partnership with major fuel companies in response to the growing problem of fuel smuggling and laundering. The IPRA advised that adulterated fuel product is normally sold through unbranded sites but they believe the product is now being sold through numerous branded sites as well. The IRPA put forward a number of proposals for consideration to address the problem including equalisation of duty rates, a new fuel

[9] The following information in this paragraph is sourced from the Revenue Commissioners website available at http://www.revenue.ie/en/tax/vat/refunds/repayments-unregistered-persons.html#section5

marker, a rigorous audit scheme, Government support and consumer advice, a legitimate retail registration scheme/licence and increased penalties for offenders.

9. The Revenue Commissioners advised that while oil laundering has always been a problem, it has escalated in the past year, when low-sulphur marked oil became widely available. The Committee heard that €1.1 billion is collected annually in excise duty from road diesel, so the scope for loss of revenue to the State is very significant. If laundered fuel captured 5% of the market, the cost to the exchequer would be around €48 million annually in excise alone. It has to be recognised that these costs alone do not tell the full story. Fuel laundering also undermines the competitiveness of legitimate businesses, damages the environment, can damage consumers' vehicles, and helps to sustain organised criminal networks. The Revenue Commissioners maintained to the Joint Committee that they are tackling the problem on a number of fronts, including robust and sustained enforcement action, implementing more effective controls in relation to oil distribution, and pursuing the development of a more effective marker in conjunction with Revenue and Customs in the UK.

10. The Department of the Environment, Community and Local Government and Monaghan County Council advised of their role as competent authorities under waste legislation to safely dispose of the residues which are generated by the illegal activity of fuel laundering. Their role is to ensure that any waste generated from this illegal activity is managed without endangering human health and without harming the environment. Since 2003, the Department has provided funding of €4.677m for such disposal costs to a number of county councils. In addition, the Department directly assists waste enforcement by funding local authority waste enforcement staff and some €7.5m is provided annual for this purpose. The Department continues to cooperate with the various authorities, on both sides of the border, from both a revenue and waste management perspective to seek to identify more effective enforcement solutions.

Source: Joint Committee on Environment, Transport, Culture and the Gaeltacht (2012), pp. 4-5

Fuel laundering is also a problem in Northern Ireland where it is estimated to have lost £70 million in 2009 – 1010 in fuel fraud costs (House of Commons Northern Ireland Affairs Committee, 2012). The issues of fuel laundering and smuggling in Northern Ireland are investigated in a House of Commons report, which was published in March 2012. In relation to marker technology, the report states:

> "We are disappointed that, even at this late stage, the move by authorities in both the UK and the Republic of Ireland to have a single tender procedure for a marker for rebated diesel is still no further forward. We strongly recommend that HMRC [Her Majesty's Revenue and Customs], in continued liaison with its counterparts in the Republic of Ireland, commences a pilot as soon as is practicable, and informs this Committee of the deadlines for the proposed new tender process.
>
> […]

> We will invite HMRC and HM Treasury to appear before this Committee before the House rises for the Summer Adjournment on 17 July 2012 in order to update us on progress on a joint fuel marker pilot with the authorities in the Republic of Ireland" (House of Commons Northern Ireland Affairs Committee, 2012, pp. 26-27).

In a follow up report outlining the UK government's response to the Committee report, it was noted that the issue of a marker for rebated diesel has been somewhat advanced:

> "The project has now been given even greater priority. In particular the Committee may wish to note that a Memorandum of Understanding between the UK and Ireland has been signed and a copy is attached. This covers the joint work with the Revenue Commissioners on a new improved marker. A joint "Invitation to Make Submissions" which will invite proposals from marker producers is also being prepared" (House of Commons Northern Ireland Affairs Committee, 2012b, pp. 26-27).

Progress on this issue has also been outlined in a recent Parliamentary Question on the issue of fuel rebate scheme:

> "Action is being taken also to obtain an improved fuel marker. The Irish and UK revenue authorities published a joint 'Invitation to Make Submissions' (IMS) on 28th June for a new fuel marker. The IMS was also published in the Official Journal of the European Union on 4 July 2012".[10]

In addition to further developing marker technology, there are a number of other options that could be pursed with the aim of tackling fuel laundering. For example, an oils anti-fraud strategy has proved relatively successful in other jurisdictions. In the UK, the oils anti-fraud strategy was launched in 2001, and has driven down the estimated illicit market considerably in both Great Britain and Northern Ireland (House of Commons Northern Ireland Affairs Committee, 2012b). In 2009/10 the estimated non-UK duty paid market share for NI diesel was 12%, down from 39% in 2006/07, showing a clear downward trend (House of Commons Northern Ireland Affairs Committee, 2012b).

The media can also be utilised in the fight against fuel laundering. In the UK, HMRC has adopted a proactive media approach and there have been a number of initiatives including contribution to a Panorama programme, a Crimestoppers campaign, and publicity through

[10] See Parliamentary Question, Microenterprise Loan Fund Bill 2012: Report Stage - Fuel Rebate Scheme, Tuesday, 10 July 2012. Available at http://debates.oireachtas.ie/dail/2012/07/10/00109.asp

the Organised Crime Task Force (OCTF) to highlight the effect of fuel fraud and the impact on public finances to the detriment of the Northern Ireland community (House of Commons Northern Ireland Affairs Committee, 2012b). HMRC is also working to educate the local community on the damaging environmental effect of fuel laundering in addition to the fiscal loss (House of Commons Northern Ireland Affairs Committee, 2012b).

In February 2012, the Minister for Finance announced plans to strengthen the regulation of persons dealing in marked diesel:

> "The Finance Bill 2012 proposes to enhance the supervision and control of the mineral oils supply chain by requiring that, in future, any person dealing in marked mineral oils will have to be licensed by the Revenue Commissioners to do so. It is envisaged that this important change will be complemented by amendments to the Mineral Oil Tax Regulations that will lay down new requirements for the recording and reporting of transactions by mineral oil traders".

Any such moves to strengthen regulation in this area would be welcomed by the Joint Committee.

Conclusions: Fuel laundering is a significant problem in Ireland, with the estimated Exchequer loss put at €150 million a year. In addition, fuel laundering can other detrimental effects including undermining the competitiveness of legitimate businesses, damaging the environment, damaging consumers' vehicles, and helping to sustain organised criminal networks. As such, there is potentially much to be gained from addressing this problem.

The Joint Committee was very interested in hearing the views of key stakeholders on this issue, and particularly possible solutions to the problem. For example, the IRPA put forward a number of proposals for consideration to address the problem including equalisation of duty rates, a new fuel marker, a rigorous audit scheme, Government support and consumer advice, a legitimate retail registration scheme/licence and increased penalties for offenders.

The Joint Committee welcomes progress made to date a single tender procedure for a marker for rebated diesel by authorities in Ireland and the UK and urges them to commence on a pilot as soon as is practicable as already recommended by the House of Commons Northern Ireland Affairs Committee.

The Joint Committee believes that all options should be carefully considered with a view to reducing the negative effects of fuel laundering. In particular, there appears to be merit in strengthening the current licensing regime for the selling of oil and the introduction of greater penalties for retailers who knowingly sell illegal fuel. In this context, the Joint Committee welcomes the provision in the *Finance Act, 2012* that enhances the supervision and control of the mineral oils supply chain by requiring that, in future, any person dealing in marked mineral oils will have to be licensed by the Revenue Commissioners to do so.

Other jurisdictions have employed strategies such as an oils anti-fraud strategy and a proactive media approach. The applicability of measures should as these to an Irish context should be fully explored and considered as part of the fight against illegal fuel laundering

6. Fuel rebates

This section briefly addresses the issue of rebates on diesel fuel for road hauliers in Ireland. There is currently no such scheme in place in this country. It firstly looks at the legal basis for the imposition of fuel tax, and associated rebates at EU level. Section 5.2 looks at attempts to introduce such a scheme in the UK. Finally, it looks at both similar schemes introduced in other EU Member States and the current debate on the issue in Ireland.

6.1 Legal basis for fuel tax and rebates

There is currently no entitlement to a rebate for tax paid on fuel by road haulage operators in Ireland. The Irish Road Haulage Association has been lobbying for the introduction of an 'essential user rebate' scheme in this jurisdiction, based on escalating fuel prices.[11]

The taxation of motor fuel is regulated at EU level, with Directive 2003/96 setting minimum rates. One of the principal objectives of the directive is the protection of the environment. The Directive allows EU countries to differentiate between commercial and non-commercial use of gas-oil used as propellant, provided that the EU minimum levels are observed and the rate for commercial gas-oil used as propellant[12] does not fall below the national level of taxation in force on 1 January 2003, notwithstanding any derogations for this use laid down in the directive. Five Member States currently avail of this provision by giving fuel rebates to road hauliers: France, Spain, Belgium, Hungary and Slovenia.

The Directive also allow for differentiated rates of taxation in the following circumstances:

- when the differentiated rates are directly linked to product quality;
- when the differentiated rates depend on quantitative consumption levels for electricity and energy products used for heating purposes;
- for the following uses: local public passenger transport (including taxis), waste collection, armed forces and public administration, disabled people, ambulances;

[11] See press release *Hauliers Vow to Make Rising Fuel Costs Election Issue*, 26 January 2011. Available at http://www.irha.ie/index.php?option=com_content&task=view&id=130&Itemid=176

[12] Commercial gas-oil used as propellant: gas-oil used as propellant for the carriage of goods for hire or reward, or on own account, by motor vehicles or articulated vehicle combinations intended exclusively for the carriage of goods by road and with a maximum permissible gross laden weight of not less than 7.5 tonnes and for the carriage of passengers, whether by regular or occasional service, by a motor vehicle of category M2 or category M3, as defined in Council Directive 70/156/EEC of 6 February 1970 on the approximation of the laws of the EU countries relating to the type-approval of motor vehicles and their trailers.

- between business and non-business use, for the energy products and electricity referred to [in the Directive].

Some derogations from the minimum rates are allowed by the Directive, including:

- energy products used under fiscal control in the field of pilot projects for the technological development of more environmentally-friendly products or in relation to fuels from renewable sources;
- biofuels;
- forms of energy which are of solar, wind, tidal or geothermal origin, or from biomass or waste;
- energy products and electricity used for the carriage of goods and passengers by rail, metro, tram and trolley bus;
- energy products supplied for use as fuel for navigation on inland waterways (including fishing) other than in private pleasure craft, and electricity produced on board a craft;
- natural gas and LPG used as propellants.

A fuel rebate had previously been in place for public buses, though this expired in 2008. The Minister for Finance recently explained this step in a written answer:

> "In relation to the fuel rebate scheme, a derogation under EU Directive 2003/96 on Energy Taxation allowed the application of a reduced rate of Mineral Oil Tax to fuel used for the purposes of certain road passenger services. Arising from an EU Commission decision, that derogation has expired and the arrangement was, therefore, terminated by the Finance Act 2008. It would not be possible, having regard to the relevant provisions of EU law, to re-introduce a scheme of that nature for those services."[13]

In addition, the Directive provides separate minimum rates for 'industrial and commercial use'. Such uses are defined as follows:

- agricultural, horticultural or piscicultural works, and forestry;
- stationary motors;
- plant and machinery used in construction, civil engineering and public works;
- vehicles intended for use off the public roadway.

[13] Written Answer to Parliamentary Question, No. 52, 4th May 2011. Available at http://debates.oireachtas.ie/dail/2011/05/04/00058.asp

6.2 Essential user rebates discussion in the United Kingdom

The issue of essential user rebates has also been a topic of discussion in the United Kingdom, with road hauliers there advocating a similar scheme to that proposed by the IRHA. Lorry drivers in Britain blockaded motorways around London in 2008 demanding such a rebate (Thornhill and Tait, 2008). The issue was examined by a task group in 2005, which found that operating costs would be too high. None has been introduced to date.

The Financial Times noted that an energy spokesperson from the European Commission noted:

> "that, when oil prices had been discussed on a previous occasion, the commission had taken the view that changing taxation levels on fuel would only encourage oil-producing countries to hike prices. "That's really the wrong message," he said" (Thornhill and Tait, 2008).

The following is an extract from a House of Commons Library Standard Note, published in April 2011, on the taxation of road fuels in the United Kingdom. Amongst other issues it discusses the possibility of introducing an 'essential user rebate' for road haulage companies as reproduced in the text box below.

Text box 2: Extract from House of Commons Research Note

C. Hauliers & an 'essential user rebate'

The haulage sector has been particularly concerned about the impact of high oil prices, and lobbied for compensation for UK hauliers competing against their Continental rivals.[14] In 2005 the Freight Transport Association & Road Haulage Association commissioned a report on the taxes paid by hauliers which considered a number of options to mitigate the impact of fuel prices, including a substantial cut in fuel duty to match the EU average, offset by an increase in VAT, and the introduction of an 'essential user rebate'. The authors noted that the first of these would be illegal under VAT law:

> [A fuel duty/VAT switch envisages] a reduction in fuel duty to the EU average but offset by a proportionate increase in VAT on diesel fuel, to levels such that the overall rate of tax remained the same. As most operators are VAT registered and most private motorists are not, then this element of tax can be recovered by registered operators through their normal VAT transactions. However, Article 12 of the Sixth Council Directive of the EC (77/388/EEC) requires member states to impose a standard rate of VAT (which must not be less than 15 per cent and in the UK is currently 17.5 per cent), and only permits reduced rates of VAT for specific

[14] The wider concerns of the industry are discussed in *The Road Haulage Industry: costs & taxes*, Library Research paper 08/68, 31 July 2008.

> products. The directive does not allow a specific higher rate for one product. This would prohibit the increase of VAT above the current 17.5 per cent for fuel.[15]

The authors were more positive about the operation of an essential users rebate:

> The scheme is similar in essence to the Fuel Duty Rebate (FDR) which is already in operation for bus services … In addition, a number of EU states – including France – have introduced such schemes albeit with lower rates of rebate than would be necessary in the UK. Essential users (ie owners of O licences within the haulage industry) would be able to claim a rebate on their fuel used for all valid journeys equivalent to the difference between the UK current fuel price and the average EU price. Mileages could be relatively simply verified using the well-tried tachograph system. In order to make the scheme more palatable to the Government, alternative methods of funding the rebate were investigated and a report commissioned from the Centre for Economics & Business Research (CEBR) … A select committee had the opportunity to question Professor Douglas McWilliams, key author of the report in July 1999. The committee's findings were that the calculations were validated, but they believed it would be too difficult to administer and would cost the Exchequer too much.

It noted that the scheme could be operated by some form of smart card, or a paper-based claims system, but that there were serious difficulties with any scheme:

> However, all the … rebate schemes [mentioned here] are being scrutinised by the European Commission in respect of their legality under EU state aid rules. Member states wishing to offer such rebates are required to renew their permissions every two years. These schemes are also vulnerable to fraud and are accordingly limited to small amounts of money – 2p or 3p a litre.[16]

In late 2005 the Government responded to these concerns by setting up the Haulage Industry Task Group, to look at the operating costs faced by UK and EU hauliers. In its final report published in December 2006 the Group did not find compelling evidence that the haulage sector faced greater difficulties than other sectors from trends in competition, or that there was a pressing case for it being subject to special treatment by the tax system:

> 3.3 Margins in the haulage industry have tightened, and survey measures of confidence are markedly lower than in other service sectors. However, the current margins in the sector do not stand out as being particularly weak compared with a range of other manufacturing and service sectors. The average profit margin in the road haulage sector was 2.2 per cent according to data from Plimsoll Publishing (2005). Other sectors reliant on commodity inputs exhibited similar figures. For example the average margin in the courier sector was 2.1 per cent, in construction 2.4 per cent, and in metal fabrication 2.2 per cent. As the price of raw materials

[15] The Burns Freight Taxes Inquiry, *The Burns Report*, December 2005 p.45. This remains the case though these provisions are now recast in a new principal VAT directive (Council Directive 2006/112/EC of 28 November 2006).

[16] *The Burns Report*, December 2005 pp. 47-49. There does not appear to be any consolidated data on the use of this type of rebate in other countries; for example, no mention is made in the summary of oil taxes across Member States provided by European Commission's Oil Bulletin.

> such as building aggregates, metals and fuels has risen in recent years (partly due to stronger demand in faster growing economies) all sectors dependant on such inputs have seen margins reduced.
>
> 3.4 Other sectors open to international competition face large input cost differentials between countries as well. For example, the Department for Trade and Industry (DTI) estimated that operation costs for call centres in some countries are up to 40 per cent lower than in the UK.
>
> 3.5 The Task Group has also considered the UK tax treatment of some other sectors: filmmaking, spirits, aviation and shipping. In some respects, these sectors are comparable to road haulage, as they are open to foreign competition. However the decision to implement specific tax regimes for these sectors reflects other factors too – including the international mobility of firms operating in these sectors, and the scope for policy action to bring about a significant increase in UK output in these sectors.[17]

Nevertheless hauliers organisations have continued to lobby for duty cuts. As oil prices rose strongly in the first half of 2008, the Freight Transport Association argued that diesel duty should be cut in half because "due to lower fuel and labour costs, foreign lorries working in the UK are able to do so at between 10 and 15 per cent lower cost than UK operators working in the UK."[18] These concerns were debated at the report stage of the *Finance Bill* on 2 July 2008, when the then Exchequer Secretary, Angela Eagle, argued against any scheme for helping the haulage sector through the duty regime:

> I have spoken to many hauliers and their representatives, and I am not unsympathetic, but why should the provision apply to hauliers and not to other equally deserving essential road users? Who would be in the scheme and how would we decide? The Government recognise the road haulage industry's concerns, and those of other businesses, over the current cost of fuel, and we continue to examine the position. Requests for reduced duty rates for road haulage operators are often associated with the relative competitiveness of the industry compared with foreign operators. Studies have shown that European duty differentials are in many cases offset by other costs such as lower labour rates and other employer costs. Furthermore, a scheme would require the introduction of an administrative mechanism, with potentially high costs. Also any system would create significant compliance and fraud risks"[19]

Source: House of Commons (2011), pp. 4-6

6.3 Other EU Member States[20]

The Energy Tax Directive allows Member States to have lower tax rates for 'commercial' diesel which is diesel used by lorries over 7.5 tonnes. Currently five Member States use this

[17] HM Treasury, *Haulage Industry Task Force: summary of evidence*, 6 December 2006 p.7
[18] FTA press release, *Fuel duty - 2p increase now unthinkable - 25p cut required*, 28 May 2008. See also, Road Haulage Association, *Open letter to the Exchequer Secretary*, 23 May 2008.
[19] HC Deb 2 July 2008 cc 951-2. See also, HC Deb 10 June 2009 c905W.
[20] Much of this section draws heavily on European Federation for Transport and Environment (2011).

possibility: Spain, France, Belgium, Hungary and Slovenia. Rates differ – Spain offers 2.9 cents, France 3.6 and Hungary 2.5 cents. Belgium and Slovenia offer variable rates that in the Belgian case amounted to roughly 3.5 cents in 2010, and in the Slovenian case a staggering 10 cents a litre and guarantees commercial diesel at minimum E tax rates.

Spain is in an anomalous situation – for a number of years part of its fuel tax was levied in a way deemed illegal by the European Court of Justice in 2009. That means Spain has to reimburse the tax to those that request it, which in turn means Spain's actual tax rate for professional diesel, in retrospect, has been below its legal minimum for some years. Meanwhile Spain has rectified this situation by increasing its regular diesel tax (European Federation for Transport and Environment, 2011).

What it is the impact of diesel rebates?

The overall impact of the tax rebates offered by the countries mentioned in 2010 was roughly 1.2 cents per litre of commercial diesel for the EU as a whole. While private diesel is taxed on average in the EU27 at a bit over €0.43 per litre, commercial diesel is taxed at €0.42 per litre on average.

The share of commercial diesel sales in overall diesel sales is not exactly known because there is no separate registration of commercial and non-commercial diesel sales. Model estimates suggest that some 40% of diesel sold in Europe is consumed by lorries. Therefore commercial diesel tax rebate schemes reduce average diesel tax by roughly 0.5 cents a litre.

6.4 Ireland

There is currently no fuel rebate in place for road haulage companies in Ireland. The permitted derogations under Directive 2003/96 to minimum fuel rates, and differentiated rates, focus primarily on encouraging the use of energy efficient fuels and services required in the public interest. Nevertheless, five Member States do avail of fuel rebates for road hauliers.

In its appearance before the Joint Committee, the IRHA proposed the introduction of an Essential User Rebate similar to the repayment scheme of excise duty on fuel used in motor vehicles for the transport of drivers and passengers with disabilities:

> "In addition to the current administrative requirement pertaining to the rebate for transporting people with disabilities, the Irish Road Haulage Association believes the following additional requirement should be met to apply successfully for an essential user of fuel rebate for hauliers: the ability to produce an up-to-date haulage licence and a tax clearance certificate, as well as fuel invoices and a certified claim by an accountant to prevent abuse".[21]

The text box below summaries key elements of the debate around a rebate system for Ireland based on appearances of stakeholders before the Joint Committee.

Text box 3: Extract from the Joint Committee report, February 2012

5. The IRHA suggested considering a system where there is only one excise charge for all diesel with an agricultural rebate system introduced whereby registered, tax compliant farmers can reclaim the cost of diesel on a monthly basis. They view this proposal as a means of reducing the fuel laundering trade.

6. However, the Irish Farmers' Association (IFA) believes that it does not make sense to target the excise rate that applies to agricultural diesel. The IFA argued that it would have a negative impact on cash flow, putting pressure on the viability of small businesses. It would also, they contend, impose significant additional regulatory costs on farmers and the proposal does not take into account the costs of policing and administering a rebate system. The IFA believes the costs of such a measure are unsustainable and would undermine competitiveness. Therefore, the IFA submitted that the introduction of a robust, non-removable marker for agricultural diesel is necessary to tackle the problem of the illegal fuel trade. A verifiable 'track and trace' system of marked gas oil from port to end user was also suggested. In addition, it is suggested that substantial penalties, including loss of license, should be imposed on retailers of illegally laundered diesel.

7. The Professional Agricultural Contractors' Association (PAC Ireland) suggested two options; (1) the removal of marked diesel from the marketplace effectively eliminating the market for laundered diesel, ensuring that the exchequer benefited from the sale of every litre of diesel sold in Ireland or (2) retaining marked diesel and the introduction of a strict protocol for its purchase. PAC Ireland also recommended that a Working Party of stakeholders be established to engage with the relevant Government Departments to develop a practical solution to this issue.

Source: Joint Committee on Environment, Transport, Culture and the Gaeltacht (2012), p. 4

In response to a Parliamentary Question in May 2012, the Minister for Finance noted that the application of a fuel rebate scheme to Irish licensed hauliers only would conflict with EU law:

> "The Deputy may be aware that a working group was set up between officials of my Department, the IRHA and members of the Oireachtas. This working group is

[21] Meeting of the Joint Committee, 17 January 2012. Available at http://debates.oireachtas.ie/TRJ/2012/01/17/00003.asp

> discussing a number of issues of concern to the haulage industry. Among the issues examined by the group is an essential user's rebate system. I should point out that a fuel rebate system, as sought by the IRHA, could not under EU law be restricted to Irish licensed hauliers but would have to be extended to all vehicles intended exclusively for the carriage of goods by road with a maximum permissible gross laden weight of not less than 7.5 tonnes. In addition, the rebate would have to include the carriage of passengers by a motor vehicle of category M2 or category M3 as defined in Council Directive 70/156/EEC".

Text box 4 below draws together the interaction between EU law and fuel rebates both in the context of the existing legal framework and also how Ireland's EU law obligations would need to be considered if a fuel rebate were to be introduced in this country.

Text box 4: Interaction between EU law and fuel rebates

- The taxation of motor fuel is regulated at EU level, with Directive 2003/96 (the Energy Tax Directive) setting minimum rates.
- Five EU Member States currently avail of this provision giving fuel rebates to road hauliers: France, Spain, Belgium, Hungary and Slovenia.
- Some derogations from the minimum rates are allowed by the Directive including energy products supplied for use as fuel for navigation on inland waterways (including fishing) other than in private pleasure craft, and electricity produced on board a craft.
- The Directive also provides for separate minimum rates for 'industrial and commercial use' with the definition of such uses including agricultural, horticultural or piscicultural works, and forestry.
- In Ireland, the taxation and designation of marked gas oil for specific uses is in line with the EU Energy Tax Directive.
- Any fuel rebate system introduced in Ireland, could not under EU law be restricted to Irish licensed hauliers but would have to be extended to all vehicles intended exclusively for the carriage of goods by road with a maximum permissible gross laden weight of not less than 7.5 tonnes. In addition, the rebate would have to include the carriage of passengers by a motor vehicle of category M2 or category M3 as defined in Council Directive 70/156/EEC".

Source: Library & Research Service, PQ 25657/12

The Government has raised a number of specific concerns regarding the possible introduction of any rebate scheme:

> "The suggestion has been made that the present system of marking diesel for non-auto use should be replaced by one in which all diesel would be subject to the same rate of Mineral Oil Tax, with repayment arrangements for certain users. A system of that kind would, however, give rise to additional administrative work for the fuel users

> concerned, and for the Revenue Commissioners, who would have to deal with large numbers of claims from farmers, agricultural contractors, households which use marked fuel for heating and all other users of such fuel. It would also impose cash flow costs on users and could be open to fraud and abuse. The focus, therefore, is on strengthening the existing system for taxing diesel at differential rates, through enhanced supply chain controls, the acquisition of a more effective fuel marker, and continued robust enforcement action".[22]

Earlier this year, a working group was set up between officials from the Department of Finance, the IRHA and some members of the Oireachtas to discuss a number of issues of concern to the haulage industry. These included the issues of the introduction of an essential user's rebate and the supply of marked gas oil to certain users only.

Specifically, in this context the IRHA has proposed the introduction of an EUR and the creation of a registration system whereby only persons in possession of a smartcard could buy marked fuel (see text box below).

Text box 5: IRHA proposals regarding marked diesel

The IRHA proposed initially that auto-diesel and marked diesel would be released for consumption subject to the same rate of Mineral Oil Tax, and that suppliers of marked diesel would be able to seek repayment from Revenue of an amount corresponding to the difference between the current auto-diesel and marked diesel tax rates, in respect of marked diesel supplied to certain consumers. Following discussions, which addressed a range of factors including the cash flow costs and the administrative burden that would be associated with such an arrangement, the IRHA proposed instead an alternative system that would control access to supplies of marked fuel.

This alternative system would retain the current tax rates on auto-diesel and marked diesel but restrict the sale of marked diesel to those registered for its use through a smart card scheme designed to ensure full traceability of supply of that fuel. Ultimately, all users of green diesel would have to be registered, agree an estimated annual usage threshold and be in possession of a smart card to purchase the diesel. In recognition of the lead-in time required to register and issue smart cards to all users (farmers, households, etc.) – the IRHA propose as an interim measure that all purchasers of green diesel be obliged to send

[22] See Parliamentary Question on Motor Fuels, 8 May 2012 available at http://debates.oireachtas.ie/dail/2012/05/08/00081.asp

their receipts to the Revenue Commissioners. This would mean that, in their view, Revenue was in possession of information around the supply chain and could react to unusual or exceptional volume purchases. The IRHA accept that the measures in the Finance Act 2012 pertaining to MGO are welcome and progressive but say that they do not go far enough. The IRHA contend that traceability right down to the end user is critical to intelligence-led enforcement. This end-user traceability is only possible, they say, through the introduction of the 'Smartcard' application outlined above. In recognition of the large number of households using green diesel, the IRHA suggest that households must be encouraged / incentivised to utilise kerosene for home heating which is cheaper and far more environmentally friendly.

Source: IRHA Working Group Document (2012)

Whilst awaiting Ministerial decision on the working group's final submission, the IRHA has continued its representation for an EUR. This has included presenting what the IRHA views as the merits associated with its introduction, i.e. support of an industry which is of paramount importance to our economic recovery, maintaining the current high level of employment within the sector and the net gain which will accrue to the State by implementing an EUR.

Conclusions: There is currently no entitlement to a rebate for tax paid on fuel by road haulage operators in Ireland. In contrast, five EU Member States (Spain, France, Belgium, Hungary and Slovenia) currently use the possibility of having lower tax rates for 'commercial' diesel which is diesel used by lorries over 7.5 tonnes as provided for in the EU energy tax directive.

In its appearance before the Joint Committee, the IRHA proposed the introduction of an Essential User Rebate similar to the repayment scheme of excise duty on fuel used in motor vehicles for the transport of drivers and passengers with disabilities. The IFA, however, submitted that the introduction of a robust, non-removable marker for agricultural diesel is necessary to tackle the problem of the illegal fuel trade. They believe that it does not make sense to target the excise rate that applies to agricultural diesel, arguing that it would have a negative impact on cash flow, putting pressure on the viability of small businesses.

The issue of essential user rebates has also been a topic of discussion in the United Kingdom, with road hauliers there advocating a similar scheme to that proposed by the IRHA.

Based on information available to the Joint Committee at this stage, it would seem prudent for consideration to be given to the introduction of an Essential User Fuel Rebate for Irish road hauliers to assist in relieving the pressures on the industry.

7. Road tax / road user charge for commercial vehicles

This section looks at discussion surrounding the issue of road tax / road user charge for commercial vehicles.

The European framework for road user charges is reproduced from a House of Commons Library research note in the text box below.

Text box 6: Extract from House of Commons Research Note

Any lorry road charging scheme in the UK would have to operate within the broad parameters set down in the relevant European 'eurovignette' Directive.

Germany took the initiative in the mid 1990s over the introduction of a lorry road user charge - or the eurovignette as it is known - as a result of concern at the number of trucks using its roads. The eurovignette is an additional road user charge initially introduced in Germany, Denmark, and the Benelux countries on 1 January 1995 under Directive 93/89/EEC. Sweden joined in 1997. It applied, as did the whole Directive, to all trucks over 12 tonnes, whether they were registered in one of these countries, in the rest of the EU or outside the EU. The Directive allowed road user charges to be introduced in an individual Member State (Article 7) and also for Member States to act together (Article 8).

Directive 1999/62/EC replaced Directive 93/89/EEC after it was annulled by the European Court of Justice in 1995. The 1999 Directive came into force on 1 July 2000[23] and was subsequently amended by Directive 2006/38/EC.[24] The aims of the 1999 Directive were to reduce the differences in the levels and in the systems of tolls and user charges applicable within Member States; to provide for greater differentiation of tolls and charges in line with costs associated with the road use; and to further move towards the principle of territoriality.[25] The Directive also lay down certain rules to be followed by Member States should they wish to retain or introduce tolls and/or user charges. The most important of these framework conditions were:

- **Tolls** should be levied according to the distance travelled and the type of vehicle; **user charges** should be scaled according to the duration of the use made of the infrastructure and to vehicles emission classes;
- Tolls or user charges could only be imposed on vehicles weighing over 12 tonnes, using motorways or multi-lane roads similar to motorways as well as on users of bridges, tunnels and mountain passes;
- No State may impose a toll and a user charge at the same time;
- Member States are responsible for the collection and the monitoring of payments related to tolls and user charges; payments should not be discriminatory and should be set out in such a way to cause as little hindrance as possible to the free

[23] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:1999:187:0042:0050:EN:PDF
[24] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:157:0008:0023:EN:PDF
[25] 'territoriality' in this case means the ability of States to enforce financial sanctions on foreign nationals

flow of traffic; and

- Member States may co-operate for the purpose of introducing a common system of user charges.

The Directive also fixed a maximum level for user charges in accordance with the given period and the environmental performance of the vehicle and limited the daily charge to €8 for all vehicle categories.

The 2006 Directive made some changes to these arrangements. It introduced the possibility for individual Member States to integrate the 'external costs' of road transport into toll prices; these 'external costs' can include congestion costs, environmental pollution, noise, landscape damage, social costs such as health and indirect accident costs which are not covered by insurance. Also, from 2012 Eurovignette will apply to vehicles of 3.5 tonnes or more, a significantly lower threshold compared to the previous version of the Directive. It also provides extra flexibility on the levying of tolls or charges. In particular, these can now be raised on the entire road network, not just motorways. The main features are:

- toll revenue should be used for the maintenance of the road infrastructure concerned or to cross-finance the transport sector as a whole
- as of 2010, countries which already apply tolls or user charges will be obliged to vary their prices according to vehicle pollution standards (Euro standards series) in order to favour the cleanest ones
- authorities may decide to exempt isolated areas or economically weak regions from applying tolls or user charges
- an extra 15% 'mark-up' charge can be levied to finance new alternative transport infrastructure projects such as rail or inland waterways (the mark-up can be raised to 25% for cross-frontier projects in mountainous regions)
- urban areas are finally not included in these extra mark-up charges. However, local authorities can still be raise them under a provision taken from article 9 of the current Eurovignette directive (which for instance allowed the city of London to apply such charges)
- rebates will be possible for frequent users.[26]

[26] http://www.euractiv.com/en/transport/road-charging-eurovignette/article-117451

The maximum charges permitted were also amended by the 2006 Directive and are now as follows:

	Max. 3 axles	Min. 4 axles
Euro 0	€1,33	€2,23
Euro	€1,158	€1,93
Euro II	€1,008	€,681
Euro III	€76	€1,61
Euro IV and less polluting	€797	€1,329

The maximum daily charge was also raised to €11.

In July 2008 the Commission published a proposal to further amend the 1999 Directive to allow for the internalisation of the costs of air and noise pollution caused by traffic into toll charges. During peak periods it also allows tolls to be calculated on the basis of the cost of congestion imposed on other vehicles.[27]

Source: House of Commons Library (2008), pp. 27-29

In its appearance before the Joint Committee, the IRHA proposed the introduction of a pay-as-you-go road user charge for commercial vehicles such as already operates in a number of other EU Member States. According to the IHRA, this would replace the current road tax regime to the benefit of both the sector and the Government. In the longer term it favours the introduction of a distance based mechanism. The IRHA outlined its long and short term strategies to the Joint Committee as follows:

> "In the short term the association proposes that all commercial vehicles above 3.5 tonnes be taxed on their gross vehicle weight, not, as is currently the case, their unladen weight. Were gross vehicle weight to be the reference point, there would be a far more transparent and efficient system for all parties concerned.
>
> In the longer term the Irish Road Haulage Association would support the introduction of a distance-based mechanism over and above the outdated road tax system currently in place. The association urges the Government to implement a pay-as-you-go system of road taxation for commercial vehicles that already is in place in numerous countries throughout Europe".

[27] 2008/0147(COD), 15 July 2008, para 3.1: http://ec.europa.eu/transport/greening/doc/road/2008_07_greening_transport_road_proposal_en.pdf

The national representative body of the licenced road haulage industry in Ireland also called for the system of toll roads and road taxation to be integrated and the introduction of system such as the Eurovignette. In its appearance before the Joint Committee, the IRHA proposed:

> "The entire system of toll roads and road taxation could be merged. Vehicles from Northern Ireland, elsewhere in the United Kingdom and Europe, be they used by haulage operators or tourists, drive around the country on national routes free of charge. They use the M50 free of charge and pay the odd toll. However, we believe a system should be introduced such as the Eurovignette which has been in place in the Netherlands for the past 15 years. In such a system people are obliged to pay online or at a local petrol station per day or per three days and the scheme is enforced through the potential confiscation of a vehicle until a fine is paid. We have been working under these conditions for the past 20 years elsewhere in Europe which generate great revenue for the country concerned and which help cash flow in haulage operations".

According to the Road Safety Authority (RSA) (n.d.), digital tachographs are fitted on goods and passenger vehicles that are subject to tachograph rules and have been brought into service since 1 May 2006. These digital systems record information on a range of vehicle and driver activities including the distance travelled by the driver – it reads the vehicle odometer when the card is inserted and removed (RSA, n.d.). As such this technology could be integrated into any redesign of the road tax / road user charge for commercial vehicles owing to its important health and safety characteristics.

Conclusions: The IRHA has proposed the introduction of a pay-as-you-go road user charge for commercial vehicles such as already operates in a number of other EU Member States in place of the current system. In the longer term it favours the introduction of a distance based mechanism. It has also suggested that the system of toll roads and road taxation should be merged and a system such as the Eurovignette be introduced.

The Joint Committee believes the pros and cons of introducing such a system should be fully explored and considered. In this context, the experiences of other EU Member States may prove helpful. Where possible any redesign of the system should incorporate existing technology which has health and safety amongst its key objectives, e.g. digital tachographs.

8. Targeting of carbon tax

The IRHA argues that carbon tax currently fails to ultimately levy those who are served by the industry. During its presentation to the Joint Committee, the IRHA argued for a change in the current policy approach to carbon tax in respect of freight transportation to ensure that the tax is ultimately levied on those who are served by the industry.

In its appearance before the Joint Committee, the IRHA stated its position on carbon tax as follows:

> "The Irish Road Haulage Association believes the current policy approach to carbon tax in respect of freight transportation is failing to ensure carbon credit costs find their way to the parties on whose behalf emissions actually arise. The burden of carbon taxes is met by the transport industry. However, as merely a facilitator of demand from manufacturers, traders, distributors and consumers, it often must bear the cost as opposed to being in a position to pass it on to the end-user. The method of taxing carbon should be re-examined to ensure it ultimately is levied on those served by the industry. In the meantime, it is vital this tax is not increased. The plastic bag levy is a prime example in this regard. Plastic bags were got rid of because the tax was levied on the person who used the plastic bag. The current carbon tax is levied on the fuel. Consequently, hauliers bear the brunt because they are tied into contracts and in a competitive environment against illegal fuel. Were the end-user obliged to pay carbon tax, for example, on a movement from China to Kildare, the carbon footprint thereon would encourage greater efficiencies in the transport sector. It would stop someone from sending a truck to Dublin from Cork loaded with four pallets as such a person would now fill the truck in the belief the carbon footprint would be reduced. Under the current system, the small businesses which comprise our industry will be obliged to absorb these carbon taxes each time they are in increased in future budgets. Consequently, having a mechanism such as the plastic bag tax would earn additional revenue and change the thinking of persons who hire our services".

The IRHA has specific ideas on how the carbon tax levy could be passed on so that the road haulage sector would not shoulder the burden:

> "How does one pass on the carbon tax levy? It is quite simple. As business people we are a collector of tax for the Revenue Commissioners. We charge VAT and return same to Revenue. For example, if we are invoicing for the movement of the goods from A to B, the VAT rate is 23%, plus 1% carbon tax - that is returned to Government. We do not pay it - the user pays. That is a simple mechanism. The principle we want to get to is that we could become the collector of the tax, not the payer. This is not difficult. Given that within the sector there are about 4,500 licensed hauliers in the sector, it is not difficult to administer or manage".

Conclusions: The IRHA has argued that carbon tax currently fails to ultimately levy this tax on those who are served by the industry. It therefore argued for a change in the policy

approach to carbon tax in respect of freight transportation to ensure that the tax is ultimately levied on those who are served by the industry.

The Joint Committee believes that ways of redistributing this tax burden could be explored and considered in consultation with relevant stakeholders.

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Appendix 1: Rates of Duty on Other Vehicles

GOODS VEHICLES (effective 1 January 2012)

Unladen Weight (kg)	Annual €	Half-year €*	Quarterly €!	Arrears Monthly €#
Not over 3,000	310	172	87	31.00
3,001 to 4,000	391	217	110	39.10
4,001 to 5,000	505	280	142	50.50
5,001 to 6,000	700	388	197	70.00
6,001 to 7,000	948	526	267	94.80
7,001 to 8,000	1,193	662	337	119.30
8,001 to 9,000	1,474	818	416	147.40
9,001 to 10,000	1,755	974	495	175.50
10,001 to 11,000	2,036	1,129	575	203.60
11,001 to 12,000	2,317	1,285	654	231.70
12,001 to 13,000	2,598	1,441	733	259.80
13,001 to 14,000	2,879	1,597	813	287.90
14,001 to 15,000	3,160	1,753	892	316.00
15,001 to 16,000	3,441	1,909	972	344.10
16,001 to 17,000	3,722	2,065	1,051	372.20
17,001 to 18,000	4,003	2,221	1,130	400.30
18,001 to 19,000	4,284	2,377	1,210	428.40
19,001 to 20,000	4,565	2,533	1,289	256.50
20,001 or more	4,833	2,682	1,365	483.30

		* 55.5% of annual rate (disregard cent)	! 28.25% of annual rate (disregard cent)	# 1/10 of annual rate (disregard cent after multiplication)
Electrical (not over 1,500 kg)	86	-	-	8.60

For vehicles with an unladen weight between 8,001 kg and 20,000 kg, the rate is 1,193 euro plus 281 euro per 1,000kg or part thereof over 8,000kg.

Example: Vehicle 9,540kg unladen weight
The annual duty is 1,755 euro (ie 1,193 euro + 562 euro)

An articulated vehicle (i.e. vehicle and semi-trailer) is regarded as a single vehicle and motor tax is payable on the basis of the unladen weight of the tractor unit plus the unladen weight of the heaviest semi-trailer which will be used at any time during the period of the licence.

LARGE P.S.V. AND YOUTH/COMMUNITY BUS (effective 1 January 2012)

Seating Capacity	Annual €	Half-year €*	Quarterly €!	Arrears Monthly €#
9 to 20 seats	143	79	40	14.30
21 to 40 seats	188	104	53	18.80
41 to 60 seats	375	208	105	37.50
61 seats or more	375	208	105	37.50
-	-	* 55.5% of annual rate (disregard cent)	! 28.25% of annual rate (disregard cent)	# 1/10 of annual rate (disregard cent after multiplication)

TRADE LICENCES (effective 1 January 2012)

Category of Vehicle	Initial Trade Licence/Plate	Replacement Trade Licence/Plate
Motor Cycle only	55 euro (single plate)	35 euro (single plate)
All other vehicles	328 euro (pair of plates)	80 euro (pair of plates)

MISCELLANEOUS VEHICLES (effective 1 January 2012)

Type of Vehicle	Annual €	Half-year € *	Quarterly € !	Arrears Monthly € #
Off-road dumper	823	456	232	82.30
General Haulage tractor	310	172	87	31.00
Machine/workshop/contrivance (including “recovery vehicle”)	310	172	87	31.00
Island Vehicles	95	-	-	9.50
Agriculture tractor, trench digger and excavator	95	-	-	9.50
Motor Caravan	95	-	-	9.50
Hearse	95	-	-	9.50
Dumper and forklift truck	95	-	-	9.50
Taxi and hackney	88	-	-	8.80
Schoolbus	88	-	-	8.80

Cycles and Tricycles: Electrical Not over 75cc 76cc to 200cc 201cc or over Pedestrian-Controlled Vehicle	33 46 62 82 82	--	-	3.30 4.60 6.20 8.20 8.20
VETERAN AND VINTAGE				
Motorcycles	24	-	-	2.40
All other vehicles	52	-	-	5.20
-	-	* 55.5% of annual rate (disregard cent)	! 28.25% of annual rate (disregard cent)	# 1/10 of annual rate (disregard cent after multiplication)

Appendix 2: Historical fuel prices

AA Ireland Fuel price figures, 1991 – 2012 available online at

http://www.aaireland.ie/AA/Motoring-advice/~/media/Files/AA%20Ireland/Reports/Fuelprices%20history_July%202012.ashx

TERMS OF REFERENCE

a. Functions of the Committee – derived from Standing Orders [DSO 82A; SSO 70A]

(1) The Select Committee shall consider and report to the Dáil on—

(a) such aspects of the expenditure, administration and policy of the relevant Government Department or Departments and associated public bodies as the Committee may select, and

(b) European Union matters within the remit of the relevant Department or Departments.

(2) The Select Committee may be joined with a Select Committee appointed by Seanad Éireann to form a Joint Committee for the purposes of the functions set out below, other than at paragraph (3), and to report thereon to both Houses of the Oireachtas.

(3) Without prejudice to the generality of paragraph (1), the Select Committee shall consider, in respect of the relevant Department or Departments, such—

(a) Bills,

(b) proposals contained in any motion, including any motion within the meaning of Standing Order 164,

(c) Estimates for Public Services, and

(d) other matters

as shall be referred to the Select Committee by the Dáil, and

(e) Annual Output Statements, and

(f) such Value for Money and Policy Reviews as the Select Committee may select.

(4) The Joint Committee may consider the following matters in respect of the relevant Department or Departments and associated public bodies, and report thereon to both Houses of the Oireachtas:

(a) matters of policy for which the Minister is officially responsible,

(b) public affairs administered by the Department,

(c) policy issues arising from Value for Money and Policy Reviews conducted or commissioned by the Department,

(d) Government policy in respect of bodies under the aegis of the Department,

(e) policy issues concerning bodies which are partly or wholly funded by the State or which are established or appointed by a member of the Government or the Oireachtas,

(f) the general scheme or draft heads of any Bill published by the Minister,

(g) statutory instruments, including those laid or laid in draft before either House or both Houses and those made under the European Communities Acts 1972 to 2009,

(h) strategy statements laid before either or both Houses of the Oireachtas pursuant to the Public Service Management Act 1997,

(i) annual reports or annual reports and accounts, required by law, and laid before either or both Houses of the Oireachtas, of the Department or bodies referred to in paragraph (4)(*d*) and (*e*) and the overall operational results, statements of strategy and corporate plans of such bodies, and

(*j*) such other matters as may be referred to it by the Dáil and/or Seanad from time to time.

(5) Without prejudice to the generality of paragraph (1), the Joint Committee shall consider, in respect of the relevant Department or Departments—

(a) EU draft legislative acts standing referred to the Select Committee under Standing Order 105, including the compliance of such acts with the principle of subsidiarity,

(b) other proposals for EU legislation and related policy issues, including programmes and guidelines prepared by the European Commission as a basis of possible legislative action,

(c) non-legislative documents published by any EU institution in relation to EU policy matters, and

(d) matters listed for consideration on the agenda for meetings of the relevant EU Council of Ministers and the outcome of such meetings.

(6) A sub-Committee stands established in respect of each Department within the remit of the Select Committee to consider the matters outlined in paragraph (3), and the following arrangements apply to such sub-Committees:

(*a*) the matters outlined in paragraph (3) which require referral to the Select Committee by the Dáil may be referred directly to such sub-Committees, and

(*b*) each such sub-Committee has the powers defined in Standing Order 83(1) and (2) and may report directly to the Dáil, including by way of Message under Standing Order 87.

(7) The Chairman of the Joint Committee, who shall be a member of Dáil Éireann, shall also be the Chairman of the Select Committee and of any sub-Committee or Committees standing established in respect of the Select Committee.

(8) The following may attend meetings of the Select or Joint Committee, for the purposes of the functions set out in paragraph (5) and may take part in proceedings without having a right to vote or to move motions and amendments:

(*a*) Members of the European Parliament elected from constituencies in Ireland, including Northern Ireland,

(*b*) Members of the Irish delegation to the Parliamentary Assembly of the Council of Europe, and

(*c*) at the invitation of the Committee, other Members of the European Parliament.

b. Scope and Context of Activities of Committees (as derived from Standing Orders [DSO 82; SSO 70]

(1) The Joint Committee may only consider such matters, engage in such activities, exercise such powers and discharge such functions as are specifically authorised under its orders of reference and under Standing Orders.

(2) Such matters, activities, powers and functions shall be relevant to, and shall arise only in the context of, the preparation of a report to the Dáil and/or Seanad.

(3) It shall be an instruction to all Select Committees to which Bills are referred that they shall ensure that not more than two Select Committees shall meet to consider a Bill on any given day, unless the Dáil, after due notice given by the Chairman of the Select Committee, waives this instruction on motion made by the Taoiseach pursuant to Dáil Standing Order 26. The Chairmen of Select Committees shall have responsibility for compliance with this instruction.

(4) The Joint Committee shall not consider any matter which is being considered, or of which notice has been given of a proposal to consider, by the Committee of Public Accounts pursuant to Dáil Standing Order 163 and/or the Comptroller and Auditor General (Amendment) Act 1993.

(5) The Joint Committee shall refrain from inquiring into in public session or publishing confidential information regarding any matter if so requested, for stated reasons given in writing, by—

(a) a member of the Government or a Minister of State, or

(b) the principal office-holder of a body under the aegis of a Department or which is partly or wholly funded by the State or established or appointed by a member of the Government or by the Oireachtas:

Provided that the Chairman may appeal any such request made to the Ceann Comhairle / Cathaoirleach whose decision shall be final.