

**Opening statement by Irish Road Haulage Association to the Budgetary
Oversight Committee on the Commission of Taxation Report**

Dublin 08 March 2023

Chairperson, Members of the Committee,

Thank you for the invitation to the Committee today to discuss our perspective on the Commission on Taxation Report and in particular Chapters 13 and 15.

I am Eugene Drennan President of the Irish Road Haulage Association, and I am joined today by my colleagues, Paul Jackman, and John Nolan.

Before commenting on the relevant sections of the Report it might be helpful if I set some context to the Irish Road Haulage Association, our members, and our sector. This will provide an important backdrop to the issues that are of direct relevance to us in the Commission for Taxation Report.



The Irish Road Haulage Association is the representative body for the licensed haulage sector in Ireland. Our members play a critical role in keeping the Irish economy moving and ensuring that that our homes, shops, businesses and key services are supplied with the essential goods that we need each day.

Our members operate within Ireland and all over Europe and also play a key role in keeping Ireland's mercantile trade going, bringing goods to and from Ireland on international routes. The 24,000 HGVs in Ireland do 87% of the heavy goods transit covering over 1.8 billion kilometres per year.

As a sector we have faced a number of specific challenges over the last 4 years;

Covid – 19 provided a specific challenge for the sector but also imposed a particular duty and obligation on our members to keep important supply lines going, despite the significant public health challenges. These challenges impacted on members delivering within Ireland, but in particular for members operating across Europe. The sector responded positively to the challenges presented by Covid 19 and we worked hard to play our role as an essential service during an unprecedented difficult period.

Brexit – the impact of Brexit has been really significant for the licensed haulage sector. The key impact has been the additional costs, delays and responsibilities that Brexit has introduced. This has led to a seismic shift in the trade patterns between Ireland, Britain and Continental Europe. Hauliers have been to the fore of bearing the additional impacts of the new rules, regulations and routes. At least now we can see the long-term impact of Brexit and hope that the State Authorities, can adjust their practices to ensure that the facilitation of trade is

supported rather than obstructed by excessive checks and stops. We must now try to work with the unfair competition of the Windsor agreement.

Fuel prices – the increase in fuel prices following the Russian invasion of Ukraine has been a major issue of concern to members. Given that our sector is almost entirely dependent on diesel fuel, any increase in the cost of this fuel goes straight to the bottom line. We are grateful to the Government for the various relief and support schemes to help defray the high cost of fuel and have argued for the continuation of these schemes until fuel price levels decline to more manageable levels. However, again in spite of all our reasoned Lobbying the government has sneaked back in the Nora Levy.

Driver shortage – there is a real difficulty in sourcing drivers for HGVs and this is presenting a major constraint for the sector. We have brought forward various ideas and initiatives to seek to support the training and recruitment of drivers, as well as streamlining the approvals processes by the RSA. There is still much that needs to be done in this regard.

Operating costs and competitiveness – in addition to fuel costs, our sector has also had to deal with other high operating costs, including the exorbitant rate of insurance, which continues to blight many business sectors. For some reason, which I am sure Committee members can figure out, the reforms that have been introduced to reduce the cost of insurance, have not translated to cheaper premiums. Insurance companies are seeing profits increase, but our members are not seeing premiums come down. Currently there is an attempt to introduce measures on behalf of a private company the Motor Insurance Bureau of Ireland with the only one getting a fine or sanction being the haulier.

Our sector is also intensely competitive with members operating on very tight and volatile margins. The slightest increase in costs or charges can turn a marginal business into a loss making position very quickly.

Turning to the Commission on Taxation Report, and in particular Chapter 13, the issues raised in that Chapter that apply to our sector highlight issues of extreme frustration to licensed hauliers. There is a really strong sense among many of our members that there is a stubborn and unreasonable resistance by certain think tanks, including the Commission, to a basic reality that is central to the operation of our sector.

It is an incontrovertible reality that no matter what we might wish, the vehicles we use to transport the nations goods will remain powered by diesel into the medium term.

Despite promises of evolving technologies, whether from gas, hydrogen or electrically powered vehicles, any real progress in rolling out these technologies is a long way off. Most are still at design or concept stage and lack the practical application to be effective substitutes for diesel. None of the major HGV tractor manufacturers are close to rolling out viable alternatives to diesel at present and while we might wish this to be different there is very little that we can do to magic up alternatives that don't exist.

This does not mean that the State is powerless in terms of advancing measures that can support the reduction in emissions from HGVs and I am happy to spell out some suggestions in this regard.

However it does mean that there is nothing to be gained from taxing or penalising diesel use by HGVs in circumstances where there are no realistic and substitutable alternatives.

As I said, we would all love to be embracing some new transmission source, but none is realistically available. Consequently, we need to work with existing technologies and try to ensure that where diesel is used, taxes and subsidies reflect the amount of carbon emitted.

Bearing in mind the absence of any commercially available or viable alternative to diesel, we need to be clear that any new measures designed to modify behaviour or force a move away from diesel, will merely be punitive and counterproductive where no such alternative exists.

We would also point out the complete inconsistency between the treatment of fuel powering HGVs and that powering airlines. Zero rates of VAT, Excise and Carbon Tax apply to Aviation Fuel – how can two industries, both essential to the effective and efficient operation of our economic and social activities, be treated so differently.

It would appear that the Commission has no difficulty accepting that the airline sector has no alternative to kerosene, but cannot accept that HGVs have no choice but to use diesel. To put the different taxation treatment for both sectors

in context – the truck delivering kerosene from Dublin Port to Dublin Airport pays more tax on the diesel used to make the delivery than will be paid on the consumption of the full 30 tonne load by the planes it will be filling.

Consequently, the Irish Road Haulage Association believes that many of the Commission’s recommendations in Chapter 13 should be refined when it comes to looking at the use of diesel for commercial vehicles. This refinement could come in the form of seeking to hone any adjustments to Excise, Motor Tax and VRT and so called fossil fuel subsidies to take account of the following positive initiatives which can help to reduce carbon and other emissions;

- Provide a recognition that “Clean Diesel” is appropriate until such time as new transmission sources are available.
- Provide Clean Diesel rebates to diesel use which achieves the lowest emissions targets possible and which are readily achievable through Euro 6 & Euro 7 diesel HGVs.
- Provide an incentive/scrappage scheme to support the transition to Euro 6 & Euro 7 HGVs – at present uncertainty around future State taxation treatment on new HGVs is limiting take up of new vehicles and unnecessarily keeping older HGVs on the road.
- Provide incentives for the operation of Clean Diesel vehicles through toll roads, fuel rebates, and relevant city permits.
- Provide encouragement for the use of HVO over diesel.
- Ensure support for night-time deliveries.

- Take adjustments to ferry timetables and container terminal operations to reduce the HGV impact on areas adjacent to ports.
- Facilitate eco driving.
- Review an increase in vehicle weights and dimensions to reduce road trips by smaller less efficient vehicles.
- Adjust traffic light sequencing in towns to reduce dwell time at lights to a minimum.
- Provide barrier free tolls for HGV vehicles on all toll bridges to reduce dwell time at barriers to a minimum.

There is much that can be done to achieve a low carbon economy and our taxation system has an important role to play in this regard.

However, taxation measures must reflect the realities as they apply today and for the foreseeable future and not seek to change behaviour which cannot be altered due to the absence of alternatives.

In that sense we hope that this Committee will look at the Commission of Taxation Report through a lens of reality, taking account of the challenges on the ground of giving effect to recommendations that do not take account of practical and real difficulties in migrating from diesel to yet unproven and unavailable technologies.

We would be happy to take any questions from the Committee and thank you for your attention.

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