

Written evidence submitted by By Miles (EVP0073)

Background

[By Miles](#) is the UK's leading provider of pay-by-mile car insurance.

Our mission is to make driving fairer, and we contribute to that by charging our members for car insurance based on the miles they drive. Our unique pricing structure means that our members are rewarded for driving less and taking alternative transport, while not being penalised through paying for car insurance they are not able to use when they're not driving (for example, in times of Government-mandated national lockdown).

Road Pricing

We support the Government's aim to transition to zero emission vehicles and we believe that road pricing is the best alternative to support the need to replace tax revenue from Fuel Duty (we further point out that VAT is also paid at 20% on fuel), which would otherwise be lost. This revenue is vital to fund the maintenance and building of our road network, and could also be used to improve public transport infrastructure or support the transition to electric vehicles.

We believe that a tiered pay-by-mile road pricing system would be the most fair, because it means that tax is paid according to vehicle usage. This is something By Miles has previously petitioned for, as we passionately believe that it's fairer and makes most sense for UK drivers. In this proposal, we will for the first time outline in detail how a pay-by-mile taxation system is a sensible and scalable evolution of the current system, replacing VED and Fuel Tax.

We believe such a system would be better for our roads, better for public transport infrastructure, better for road safety and better for public health (due to a reduction in traffic, emissions from congestion, as well as incentivising more alternative methods of transport like walking or cycling).

A pay-by-mile system closely resembles the current tax system

Pay-by-mile road tax is a system that most closely resembles the current tax, because a person buying a tank of fuel pays a certain amount in tax and gets a certain number of miles in exchange. Our calculations for this are as follows:

According to the Department for Transport statistics ([Table ENV0103](#)), the average new petrol car travels 100km per 5.7 litres of fuel. Therefore, we can calculate the current effective per-mile fuel duty tax of 5.3 pence per mile (this does not include any VAT or Vehicle Excise Duty):

Litres per 100km: 5.7
Litres per mile: 0.0917
Fuel duty per litre: 57.95p

Therefore, the current new car “per-mile” fuel duty tax rate is approximately 5.3 pence per mile.

A pay-by-mile system is the fairest solution

A pay-by-mile road tax system means that people who drive less - and therefore use the roads less and emit less pollution - pay less.

Such a system would align incentives and encourage people to drive less, while making it easy for them (as well as businesses) to calculate the true cost of a journey.

By incentivising even electric cars to drive less, the Government is able to achieve less congestion on roads, minimise wear and tear of the roads, encourage increased car sharing or use of public transport, while also encouraging drivers to do more physical exercise as an alternative to short vehicle journeys.

The existing MOT system

By Miles has conducted extensive analysis on publicly available data from MOT results, the last analysis of which is available here: <https://www.bymiles.co.uk/insure/magazine/mot-data-research-and-analysis/>

Every car older than three years needs to obtain an MOT annually whereby the mileage of the car is recorded.

A proposal for a simple, tiered pay-by-mile road pricing system

Such a system could work as follows, and would replace Fuel Duty, VED and VAT revenue:

At each MOT, the pay-by-mile road tax is calculated as:

$[(\text{Odometer at this MOT, measured in Miles}) - (\text{Odometer at previous MOT, measured in Miles})] * [\text{Per Mile Tax Rate}]$

The Per Mile Tax Rate is set for each car based on its tax band, which is calculated by taking into account its weight, carbon monoxide and the nitrogen oxide emissions of the car.

For example, a heavy car (more likely to cause damage to roads) that emits significant carbon monoxide would have a higher “Per Mile Tax Rate” than a heavy electric car, which in turn would have a higher “Per Mile Tax Rate” than a smaller electric car.

Because cars do not require an MOT for the first three years, the tax payment when a vehicle is first registered should be equal to three years at the UK’s average mileage of 7,500 years, i.e. 22,500 miles total.

Practicalities of such a scheme

Below we consider some considerations of such a scheme:

Transfer of a vehicle before MOT date

By selling a car with several thousand miles before the MOT date, the current owner could avoid paying tax which would be payable by the new owner.

The impact of this can be mitigated through consumer education - in the same way that a new owner checks that a car has an MOT and Tax, they would need to check for a tax liability.

Impact on people who have no alternative but to drive

Some people are required (due to lack of public transportation in their area, or due to their job) to drive to and from work or school.

Although a pay-by-mile tax would impact such people more than people who don’t drive, the tax still fairly reflects their road use. Furthermore, people in this situation who currently drive a petrol or diesel car are already paying a hidden pay-by-mile tax through fuel duty.

By making the costs more explicit, it is easier for such people or their employer to understand the cost of their driving.

February 2021