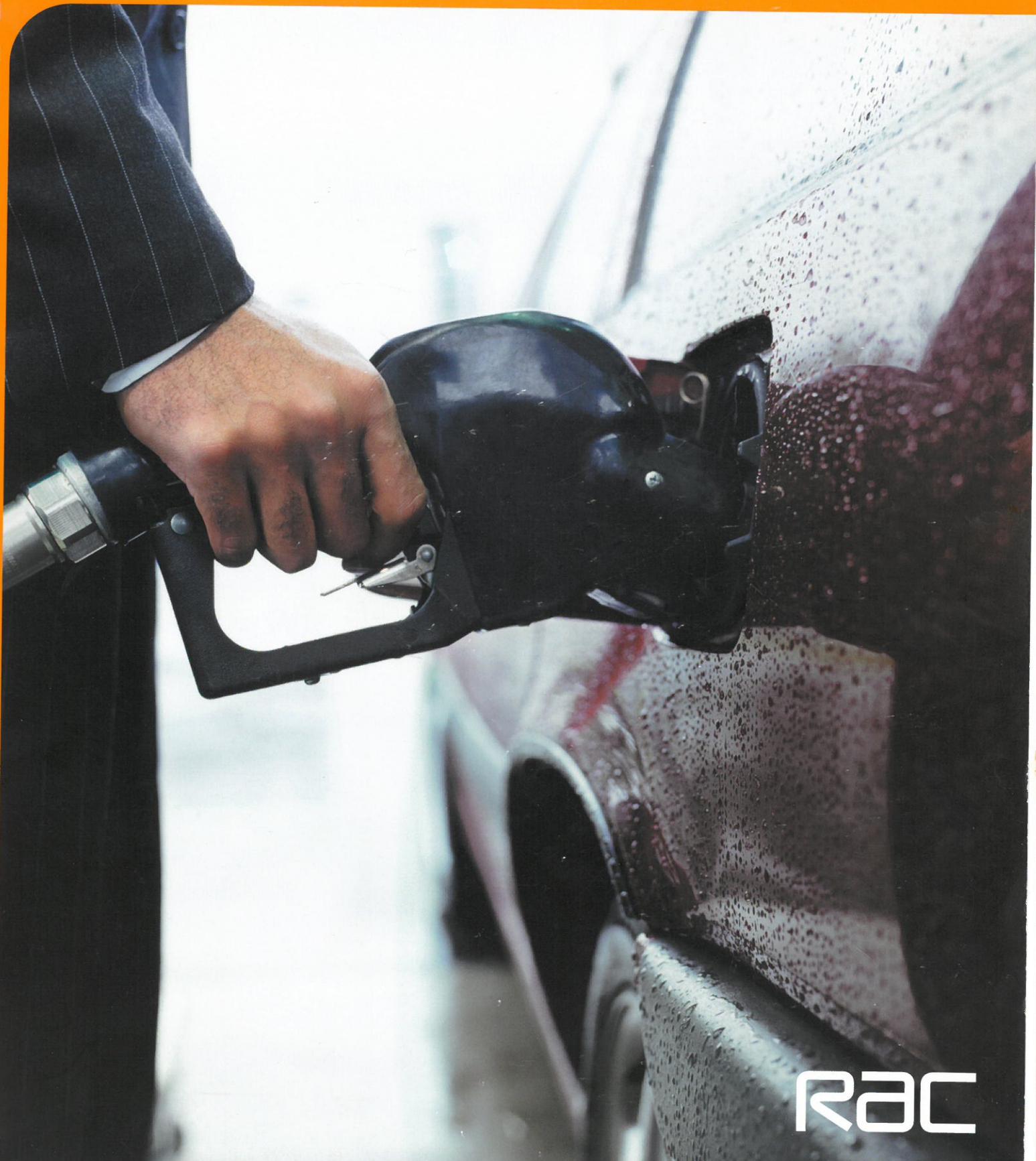


RAC Report on Motoring 2004

Counting the cost, cutting congestion



RAC

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Motoring organisation RAC supports its six and a half million individual and business customers with breakdown cover and a wide range of other individual motoring solutions. The RAC Foundation for Motoring is an independent body established to protect and promote the interests of UK motorists. The views of each organisation should not be attributed to the other.

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The RAC Report on Motoring 2004 Counting the cost, cutting congestion

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Foreword by Andrew Harrison, Chief Executive, RAC plc

On behalf of RAC plc, I am delighted to introduce the 2004 RAC Report on Motoring, the sixteenth of our annual series of reports into the condition of Britain's roads and the perceptions of those who use them.

This year, we investigate the costs of motoring and how various pricing elements may be used in future to help ease the increasing problems of congestion that we face every day on our roads.

The Report references the fact that transport on our small island is reaching something of a watershed. Car ownership has never been higher and people are increasingly choosing to make journeys by car rather than by public transport.

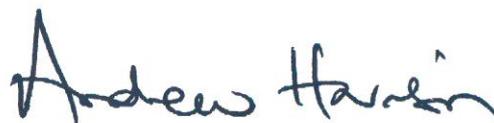
These factors are stretching our road systems to the limit, to the point where almost everyone has acknowledged the need to deal with congestion in a concerted way to deliver long-term improvements. Continued investment in the road network is important but it is not the only priority; we have to look at ways of maximising the road network that is already in place, developing the public transport system to provide viable alternatives to the car and at the same time discouraging people from using their cars for some non-essential journeys.

Conceiving schemes to tackle congestion can also provide a good opportunity to look at some of the ways of redistributing the costs of motoring. There are more than one million untaxed, uninsured vehicles on our roads, which contribute to increasing costs for law-abiding drivers, particularly the price of insurance premiums and tax discs. Some of the various suggested policies for controlling escalating car use might have the added benefit of tackling the problem of the uninsured motorist through better enforcement methods.

The 2004 RAC Report on Motoring puts the costs of motoring into context and investigates the perceptions that car owners have of road usage and congestion. Interestingly, although owning and running a car represents one quarter of an average family weekly income, few drivers are even aware of the total amount of money that they spend on their cars. This Report lays bare those costs identifying in particular some major cost elements that are regularly ignored by drivers.

We have also focused attention on developing the shape of some possible solutions to the congestion problem so that policy makers can see how road users might respond to several different scenarios. Within the primary research we encouraged drivers to 'play Chancellor' by interrogating various taxation methods to see what they might be prepared to consider in the future, providing a context for future policy decisions. We also tackle perceptions about road user charging via satellite tracking, something that the Commission for Integrated Transport has indicated will be a reality for British motorists within the next 10 to 15 years.

The intention of this year's Report is to involve regular drivers in discussions about future roads policy so that they can understand how and why decisions are made and to help inform the debate involving transport policy makers. My hope is that this Report will contribute to forward thinking around this complex and contentious topic, which of course affects us all every day.



Andrew Harrison, Chief Executive
RAC plc

Summary

Today's motorists are faced with difficult choices regarding their driving habits. While they regard the car as the most convenient way to travel, they meet with congested roads and uncertain journey times nearly every day. Paradoxically, while driving is for many people a negative experience – only one in four motorists actively enjoy driving, down from one in two in 1991 – motorists are not keen to leave their cars at home and also believe that they bear higher motoring-related costs today than ever before.

In fact, such costs have remained virtually constant in real terms over the last 25 years, although personal expenditure on motoring has risen. Although new car prices have continued to decrease dramatically, the perception of rising costs can be put down to spiralling running costs and the burden of taxation. Motorists are unable to accurately calculate the overall running costs of their cars, underestimating by as much as 50% the cost of buying and maintaining a car, as well as the depreciation of the value of the car itself.

The two factors that have seen significant price growth since 1992 are fuel and insurance. 45% of motorists put the rise in insurance premiums down to the problem of uninsured drivers and worry about the UK's poor record in regulating such drivers. Many drivers believe that the rise in fuel prices is down to government attempts to raise more revenue through taxation, although a significant proportion consider that the price is due to the government trying to change driver behaviour. As a lever for altering behaviour, fuel price increases to date have had little effect, with most motorists saying that they would try to drive in a more fuel-efficient manner rather than limit their mileage.

In terms of incentives to ditch the car, the majority of motorists would have to see a £500 rise in costs before deciding that they might switch to a different mode of transport. A fifth of all drivers would still keep their car even if faced with an additional bill for £1,500 worth of motoring-related costs per annum. Although the overall figure of drivers who say that they could not imagine life without their car has fallen since 2003, eight in 10 motorists still say they could not cope without their four-wheeled friend. The small number of people prepared to switch to an alternative mode of transport if forced by economic compulsion undoubtedly reflects the perception that there are few reliable options on offer in the UK. Unsurprisingly, drivers in city centres are most inclined to give up their cars rather than continue to do battle with congested roads.

One reason for motorists' reluctance to give up the car, even in the face of congestion and motoring costs, is the fact that there appear to be few available alternatives. Public transport fares in the UK now rank among the most expensive in Europe, although UK government investment in public transport is near the bottom of the rankings. However, investment has increased as a result of privatisation and public transport operators achieve the lowest operating costs per vehicle km. When asked which method of transport they might choose instead of the car for journeys including the daily commute, 30% of respondents simply did not know. The majority of those drivers who were keenest to retain their car cited a pressing need owing to the location of their home or work, with convenience the factor for 35% of motorists. The issue of unreliable public transport was cited by 18% of drivers as the reason why they needed to keep their car.

Even while the annual revenues generated by the Government from motorists total £42bn, the majority of motorists still say that they would not object to paying so much if the money raised was used to make driving easier. In addition, given the chance to allocate taxes raised from motoring to their chosen causes, most of the revenues would be directed to maintaining the existing infrastructure, with road safety and public transport investment coming second. Motorists are less keen than might be supposed to make building new roads a priority, with this ranking just above education as a desirable use of funds.

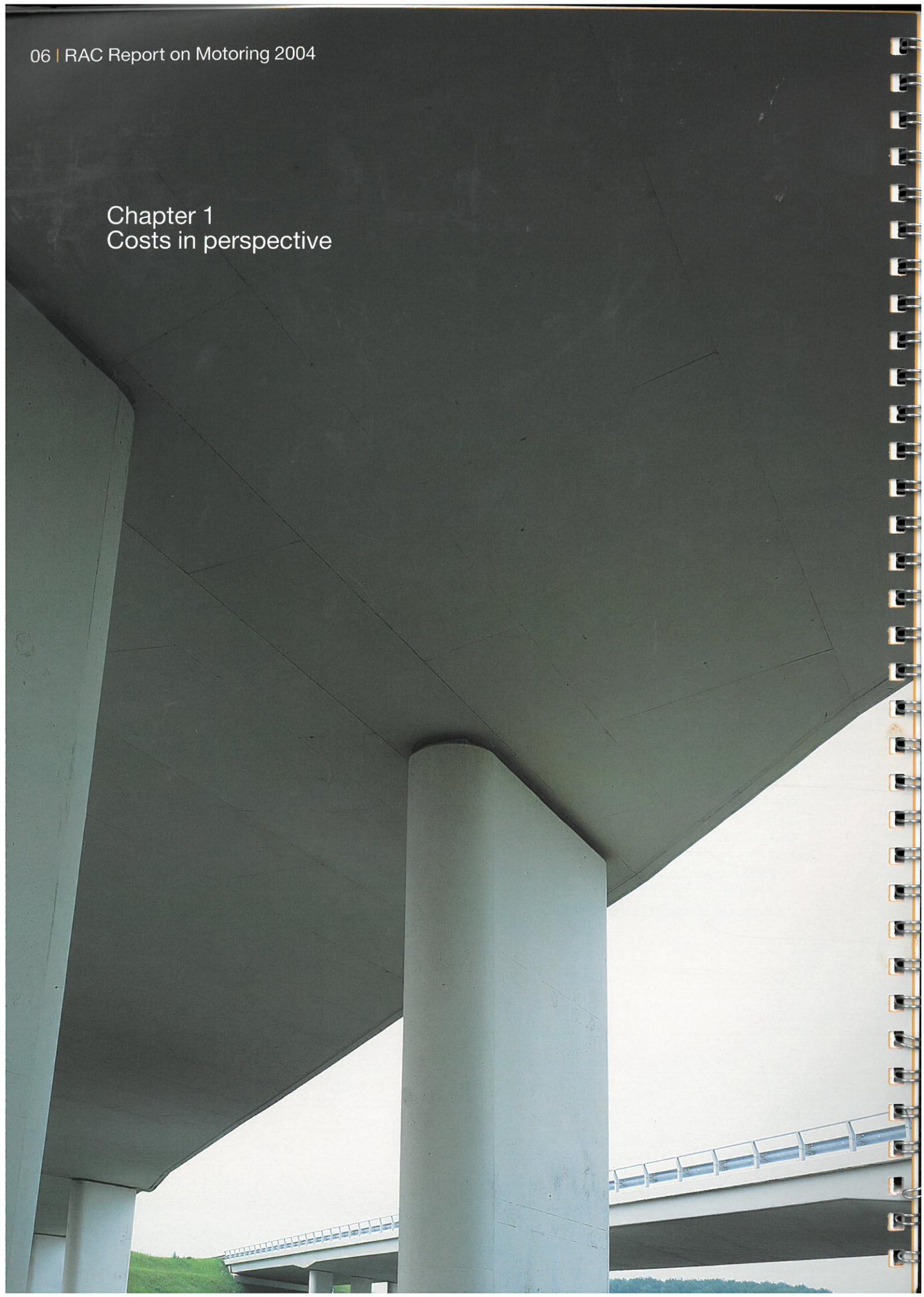
However, while there is undoubtedly some element of altruism in such decisions, drivers' views regarding their own behaviour lack consistency. Asked whether they thought they were a law-abiding driver, 92% answered positively, yet 46% of motorists admitted to exceeding the speed limit most days. At the same time 98% of motorists believe that driving uninsured is unacceptable, but 10% know someone who does. The number of motorists who believe that speed cameras are a good idea has also fallen. The issue of changing driver behaviour therefore seems like it will have to be resolved via economic forces rather than by a hope that individual attitudes can change in order to contribute to the greater good.

Given the choice of different charging systems, two thirds of motorists would opt for a system that increased the price of fuel while removing road tax and putting on hold widespread road user charging. The idea behind the scheme would be to rack up costs the more you drive, without being tracked or charged in a lump sum. This method would enable motorists to control more fully the costs incurred,

and was preferred to satellite charging, daily charging or flat rate charging via a tax disc mechanism. A fuel-based system would undoubtedly be successful at raising revenues, but its efficacy in tackling road use and congestion is doubtful. Drivers wish for better roads and less congestion, but are unprepared to make personal sacrifices by reducing the amount they use their car in order to achieve this outcome. Motorists are also opposed to satellite tracking; they would endorse it as a tool to fight motoring-related crime, but are unwilling to accept it personally, even with a guarantee of complete confidentiality.

The Report suggests that any future transport policy aimed at controlling car usage and reducing congestion must consider and balance two sets of factors. The first set comprises macro factors relating to the broader issues: the nature of the problem itself, alternative choices to deal with it and enforcement of resulting regulations. The second set comprises micro factors affecting the individual: their personal choices and behaviour, the price they will be prepared to pay and the method with which they will pay it. By understanding how these factors inter-relate, balancing their impacts and communicating options to the wider motoring public, we can look to achieve a transport policy fit for the future.

Chapter 1
Costs in perspective



1.1 Introduction

The RAC Report on Motoring 2004 takes as its theme the cost of motoring in Britain. At one level this theme is very straightforward, and we have structured our analysis and this report around a series of seemingly simple questions:

- What are the costs of motoring?
- How have costs changed over time?
- Why have costs changed?
- Why are Britain's motorists prepared to bear these costs?
- Are the costs associated with motoring fair to those who have to pay them?

However, during the course of our analysis we identified some more subtle and important issues than have typically hit the radar of either the transport policy maker or the motorist. As ever, these insights tend to emerge when we look at familiar issues and ask basic and even naïve questions about them. So, for example:

- Why have motorists been prepared to go on paying increased sums for key components that make up the costs of motoring, rather than change their driving habits and so pay less?
- What lies behind the high levels of tolerance of congestion and increased journey times that British motorists experience?
- What should the mechanisms of Government policy be in taxing motorists and how could these be used as a lever to help reduce congestion?

There are three key issues arising from our analysis that we believe to be absolutely central to the future of motoring in Britain. First, of course the car is an entrenched phenomenon and motorists find it hard to imagine life without their cars. However, like any entrenched habit, whilst it is hard to wean us off it we are sometimes surprisingly flexible and responsive when forced to change – witness the seeming success of the London congestion charge scheme, the impact of which has initially indicated that it might have been right to be cruel to be kind.

Second, it is worth considering for a moment the way that the psychology of different pricing models is widely understood and exploited in other types of market. 'Buy one get one free' works for a while although we all know that very little comes for free in this life. As that truth sinks into the consumer psyche so the savvy supplier adapts their approach to pricing, for example introducing a policy of 'Everyday Low Prices'. When it comes to paying taxes, the psychology of pricing seems to be little understood and even less acted upon. Until the London congestion charge and the M6 Toll were introduced, the means of raising revenue from the motorist were fuel duty, the tax disc, insurance tax, VAT on car purchases and fines levied for motoring offences.

Within this Report, we uncover evidence for the hypothesis that the British motorist has only a tenuous grip on the reality of these motoring costs, and they may even prefer not to know what such costs are – the pain of continually paying is less keenly felt if we can become anaesthetised to the payment mechanism.

Third, there is a basic choice for the Government so far as taxing and charging the British motorist is concerned: these can be structured either to maximise the raising of revenue from motorists or to discourage them from driving. Policy needs to be honest and transparent or it could attract the worst of all worlds.

Each of these and other issues are addressed in the chapters that follow, but before moving on to them, it is helpful to restate some of the basic facts of motoring life in Britain today to set the context in which drivers make their choices.

1.2 The car

The car is of course a fundamental component of our daily lives. The 2001 Census indicated that there are now more than 24 million private cars on UK roads, with 73% of households having regular use of at least one car, compared with 68% in 1992. The Department for Transport's analysis of trends in travel over the past 20 years has revealed that our increasing reliance on cars has been reflected in increasing expenditure on motoring (which currently comprises approximately 25% of the average total weekly household spend), as well as a decreasing use of public transport. This Report analyses why motorists continue to shun public transport whilst willingly spending more money on motoring.

Car travel comprises 63% of all the journeys we make¹, with this figure rising to 75% in rural areas. Unsurprisingly, the majority of the time we spend travelling is done in the car, and on the basis of distance, the car now accounts for 80% of total miles travelled in Britain². We are travelling further in our cars now, with the average length of a car trip increasing over the past decade from 8.2 miles to 8.7 miles – an increase of 6%.

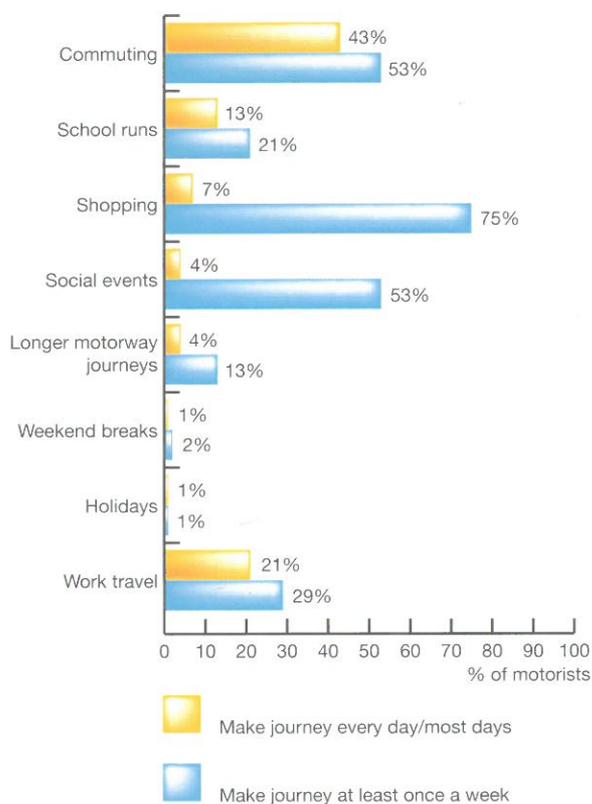
Public transport accounts for a tiny proportion of the number of journeys made – 6% are made by bus and 2% by train, although the past 20 years have seen increases in distances travelled by both car and rail. The mileage done by motorised public transport has dropped, particularly in the case of local buses, indicating that short journeys are more likely to be undertaken by car rather than by a local bus service. The fact that the average journey by car is 8.7 miles also indicates that we rely on our cars for short mileage trips.

Comparing British behaviour with our European counterparts, Britain has below average car ownership, although we make more use of our cars. The car accounts for 90% of all motorised journeys in Britain, against an EU average of just over 80%. This Report will later examine the differences in UK and EU public spending on transport in order to establish why it is that the British motorist relies to such an extent on the car.

1.3 Purpose of journeys

With the figures above indicating that British motorists use their cars most of the time, it is to be expected that they choose to drive on most types of journey. When questioned further three quarters of motorists say that they use their car every week to go shopping and around half drive to and from work and on social occasions.

Figure 1.3.1
Car journey frequencies



Source: RAC Report on Motoring 2004

Figure 1.3.2
Percentage of annual mileage each journey type represents

Commuting	29%
School runs	6%
Shopping	25%
Social events	18%
Longer motorway journeys	10%
Weekend breaks	5%
Holidays	5%

Source: RAC Report on Motoring 2004

Commuting is the most widely undertaken journey made. At present, commuting adds nearly five weeks a year to our working lives³. UK motorists face the longest commuting time in Europe, at 46 minutes per day, almost twice as long as is endured in Italy⁴.

Motorists perceive that more than half their annual mileage is clocked up through commuting and shopping alone, with commuting and work-related travel being the most frequent types of journey made.

Our research also uncovered that although the school run takes up only 6% of annual mileage, 13% of motorists undertake that journey every day, with a further 20% doing so at least once a week. It may be concluded that whilst the school run accounts for only a small proportion of mileage, such trips contribute significantly to the number of cars driven on our roads at some of the busiest times of the day. For women, the school run accounts for over 10% of annual mileage, although the average trip for education purposes is 3.2 miles⁵.

In the last 10 years, the proportion of primary-aged children walking to school has declined from 60% to 51%, with an increase from 29% to 41% in the numbers now being driven to school. For secondary school pupils there was a similar shift from walking to car use⁶.

Yet, taken as a whole, 'social' trips such as those undertaken for shopping, social events and the school run take up almost 50% of total miles travelled. What can be inferred from the dominance of such journeys? Whilst commuting has clear economic benefits for motorists, necessitating the endurance of congestion and delays in order to generate earnings, social trips would not at first glance attract the same level of importance. Yet motorists defend their right to drive cheaply and put up with the congestion our collective behaviour creates: why do motorists take all this pain for discretionary journeys?

In circumstances where business priorities and convenience do not play a part, what is preventing motorists from switching to alternative transport or changing their behaviour, and most intriguingly from escaping some of the cost burden attributed to motoring? Might motorists in fact change their behaviour if effectively forced to do so, in the way that the London congestion charge has made drivers reassess the need for their journeys? This Report will tackle these issues in subsequent chapters.

1.4 The road

Over the past 50 years, increases in road length have been vastly outstripped by increases in the number of cars on the road. Levels of car traffic have increased by 79% since 1980⁷. These factors, alongside persistent under-investment in both road and public transport, have exacerbated levels of congestion in the UK⁸.

More than half of all car users regularly experience congestion in towns⁹; a third regularly experience congestion on motorways (which carry 20% of all traffic, despite accounting for less than 1% of the UK's road network¹⁰). 19% of commuters in the UK encounter traffic congestion on their drive to work, compared with 12% in Italy, 7% in France and 4% in Germany.

With higher motorway traffic flows, more heavily used roads and longer, more widespread delays, Britain has the worst congestion in Europe. The situation is forecast to deteriorate further as car ownership continues to grow rapidly, thanks to the fact that the relative cost of buying a car is becoming cheaper and the cost of public transport is continuing to rise; during the last 20 years, rail fares have increased by 37%, bus and coach fares have increased by 31%¹¹.

UK drivers have adapted to the growing problem of congestion by travelling on alternative roads or at different times, rather than switching to other modes of transport; only 2% of motorists would switch to public transport in order to avoid congestion. This paradox of dependency will be explored further in this Report, which examines the thresholds at which motorists would give up their cars for alternative transport, and the charging models that motorists would accept in return for less congestion.

1.5 The driver

In examining the reasons behind the current costs of motoring, and why motorists bear such costs, it is important to take into account the psyche of the driver. Another paradox is apparent here when behaviours are examined. The vast majority (93%) of motorists consider themselves to be law-abiding drivers, especially women and older motorists. However, when asked whether they would exceed the speed limit a little on most days, 46% of motorists agreed that they did, showing that at least a third of those who say they are 'law-abiding' do not think that keeping within the speed limit is necessary to fulfil this assertion.

Figure 1.5.1
Extent to which British motorists consider themselves to be law-abiding

	% of motorists who...		
	Disagree	Neither agree nor disagree	Agree
I consider myself to be a law abiding driver	2%	5%	93%
Most days I tend to exceed the speed limit a little	38%	13%	46%

Source: RAC Report on Motoring 2004

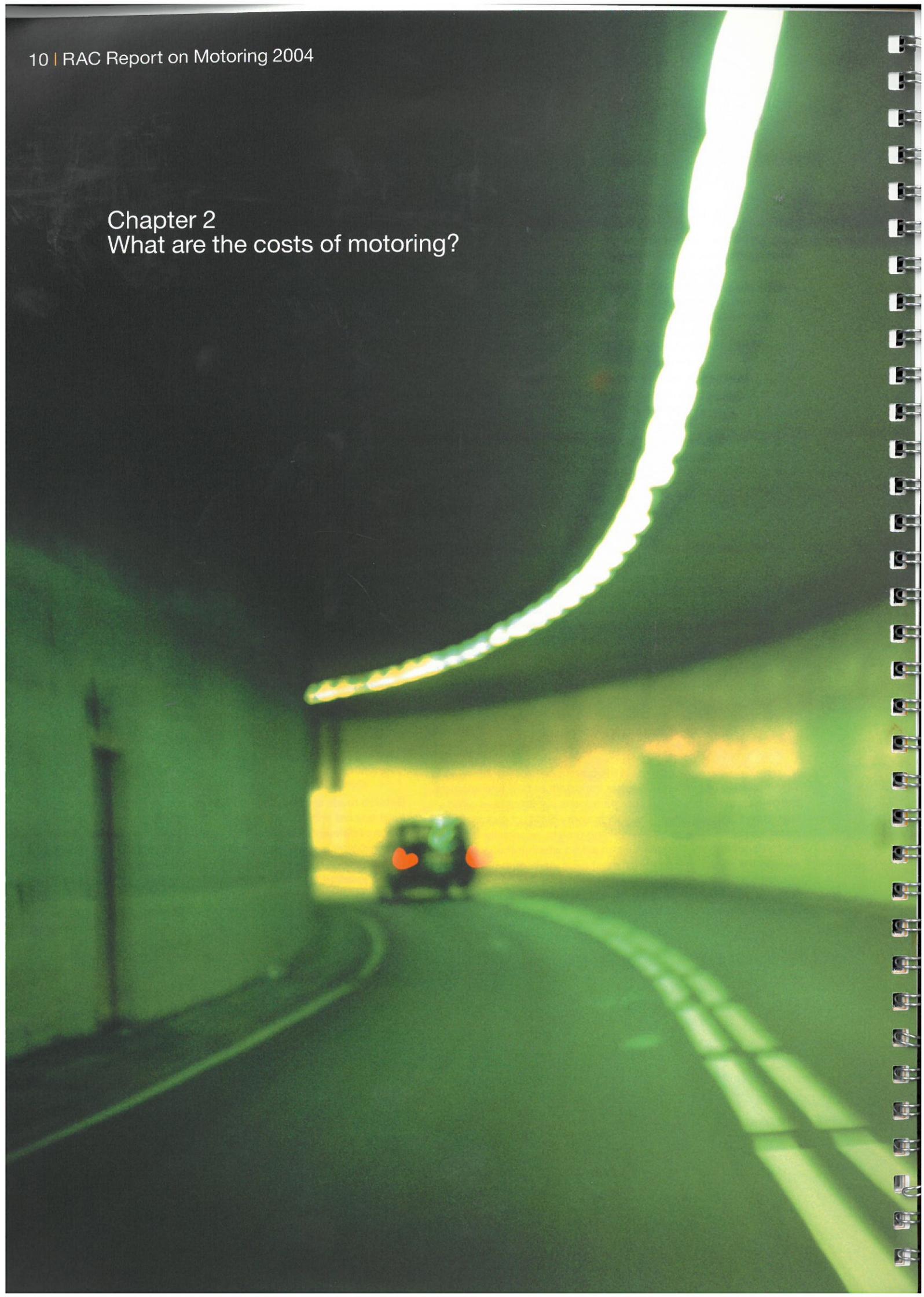
This reflects the RAC Report on Motoring 2003 – Mobile Phones, which found that whilst nine out of 10 drivers felt that using a hand held mobile phone whilst driving would adversely affect general driving behaviour to some degree, only four in 10 drivers admitted that their personal driving performance deteriorated when using a hand held phone behind the wheel. There is a degree to which an individual's own driving behaviour is considered less accurately or honestly than that of others!

It seems that motorists are somewhat unwilling to take account of their own behaviour in the context of driving. Such an attitude is also borne out in drivers' inability to focus on the costs of motoring, and this is explored later in this Report. The question of whether motorists will ever examine how their preferences contribute to the bigger picture of congestion and car-dependence is investigated in line with motorists' willingness to consider methods of road user charging, detailed in Chapter 6 of the Report.

1.6 Conclusion

Britain's roads are busy places. The majority of households own at least one car and choose to use it with growing regularity for a wide range of different purposes. At the same time, our small island's road network is creaking as its capacity is over-filled with vehicles. Despite the growing problem of chronic congestion, few people are willing to adapt their lives to consider using an alternative form of transport; ironically few motorists think of their own car usage as being part of the congestion problem. In the next chapter of this Report we take a look at the impact that exercising this personal right and choice to drive has on the motorist's pocket from a cost perspective. It is a picture of an astonishing lack of awareness.

Chapter 2
What are the costs of motoring?



2.1 Introduction

In this chapter we investigate how much it costs to own and run a car, focusing both on individual costs and on the total cost for different types of cars and for motorists living in different types of place.

Increases in disposable income have made the car a viable and affordable option for many people. Recent Department for Transport trend analysis has revealed that the real cost of motoring has remained at or below its 1980 level. This is because although certain types of cost – namely car insurance, servicing and petrol – have increased rapidly since 1980, the cost of buying a car, be it new or second hand, has dropped considerably. The low entry level cost of buying a car has allowed most British households to get one, but the more interesting factor is how much it costs to keep and run a car once the cost constituents are added together. Research from RAC Insure's Motoring Index (November 2003) has shown that the weekly expenditure caused by owning a car averages £100, equivalent to one quarter of the average weekly British disposable household income. It is perhaps this factor, not the original cost of buying the car in the first place, that makes many British motorists believe that the cost of motoring has risen over the years.

With some major costs coming down and others on the increase, it is difficult for the British motorist to identify and isolate the sums they spend on owning and running their cars. Some categories of cost seem to merge seamlessly into broader household costs; the Department for Transport's 1999/2001 National Travel Survey revealed that whilst fuel costs tend to be considered as part of the household budget, certain car-related costs remain separate, commanding specific and individual attention, for example, car insurance and tax discs. Other costs are almost completely hidden from view; the costs of finance and, in particular, depreciation are categories of cost that evade the motorist's mental grasp. The British motorist is not averse to a dose of post-rationalisation; the National Travel Survey highlights the perception that the more a car is used, the better value it is considered to be. After all, once the initial purchase has been made, it is easy to forget that it costs money all the time to run and maintain.

The greatest proportion of motoring expenditure is devoted to fixed costs, such as purchase price and road tax, rather than running expenses. The RAC Insure Motoring Index shows that depreciation, at just under £2,000 per year, is the single greatest annual cost of motoring. Fuel comes in second, at a cost of almost £1,000 per year whilst tax levels for private cars range from £155 to £165, depending on fuel type and levels of CO₂ emissions. Apart from the Netherlands, the UK has the most expensive and most highly taxed petrol and diesel in Europe¹². More than 73% of the current pump price is tax, despite the fact that oil prices have fallen over the past couple of years.

2.2 Motorists' perceptions of costs

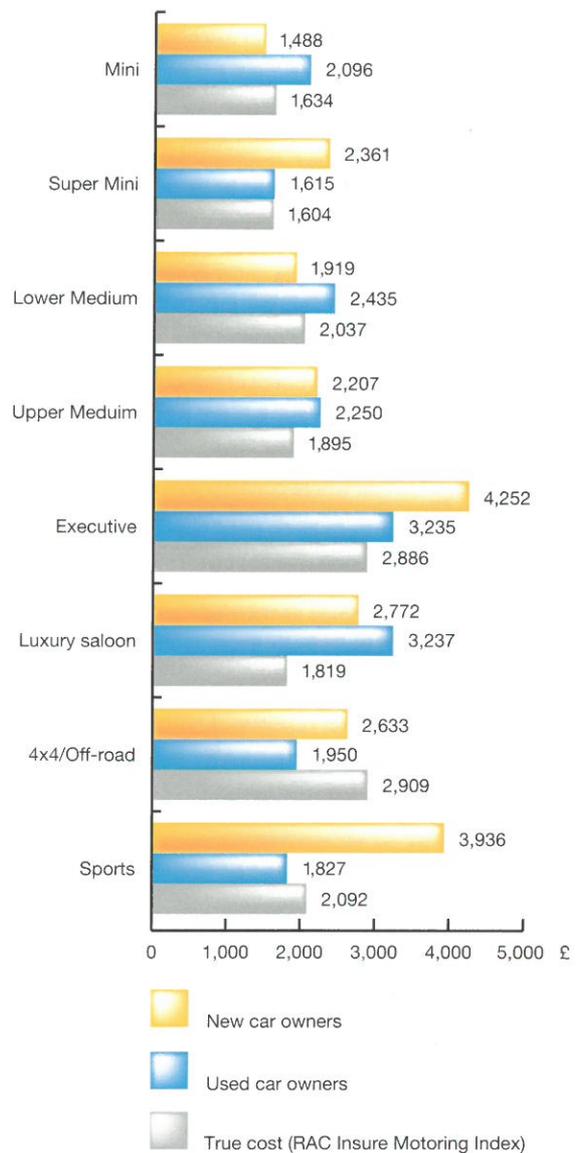
A comparison between November 2003's RAC Insure Motoring Index and the British motorists' perceptions of what they think they spend on owning and using their cars reveals some major disparities. Irrespective of their journeys to work, shopping and school runs, it would appear that the majority of British motorists never move too far away from the state of blissful ignorance.

Asked outright, the average British motorist will tell you that their motoring and car ownership habit costs them £2,149 per annum. In fact RAC Insure's Motoring Index puts the average weekly cost of owning and running a car at £100, pushing the annual cost to around £5,200, more than double the perceived cost.

This demonstrates an immediate under-estimation of the cost of motoring. If motorists were aware that such a high proportion of their income was being spent on something they use to sit in traffic jams, would they consider making different choices when it comes to buying or driving their cars?

A major factor in calculating one's motoring costs is the type of car and how old it is. The chart below shows the variations in cost estimates by type of vehicle and whether the owner acquired it new or second hand.

Figure 2.2.1
Spontaneous estimates of total annual motoring costs



Source: RAC Report on Motoring 2004

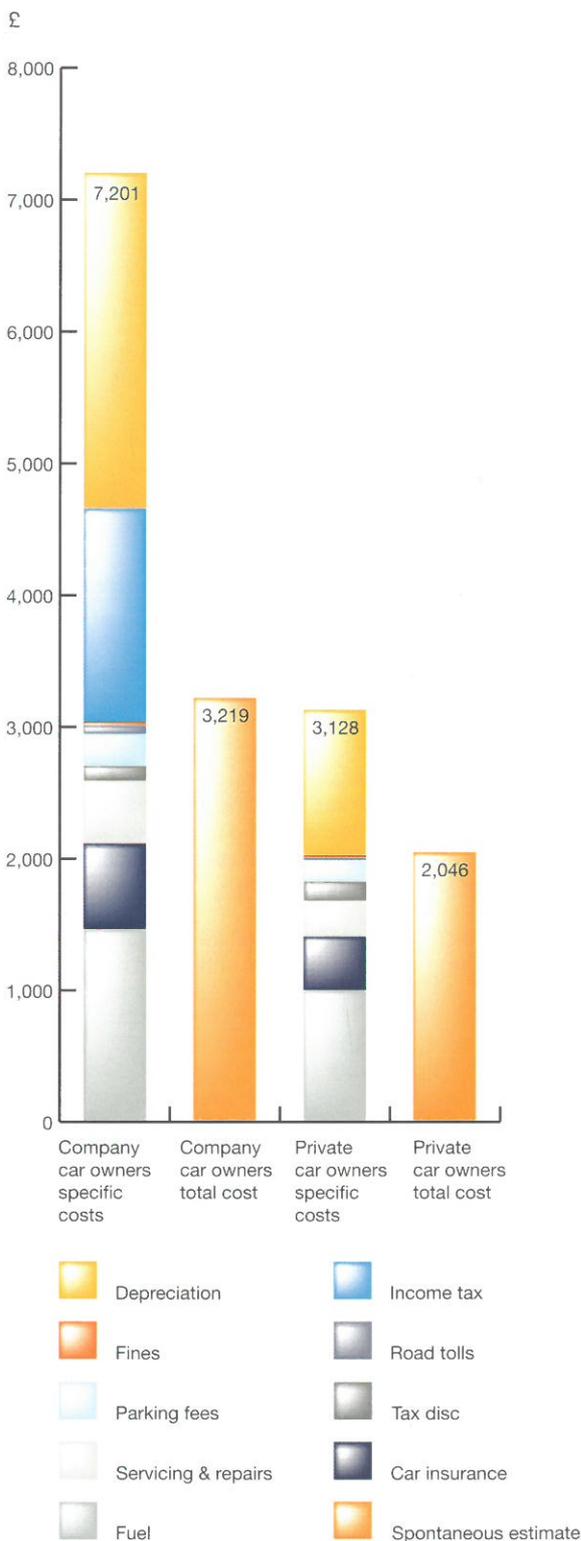
As might be reasonably expected, drivers of executive and sports cars perceive that they incur the highest motoring related costs. In many categories of car, the proximity of the estimates between new and second hand buyers suggests that they only focus on running costs. Car owners potentially lose sight of the considerable cost that depreciation represents for them and that income tax represents for company car drivers.

It is to be expected that as rational human beings, the more we stop and think about a complex or 'latent' issue, the more accurate our personal assessment of it will be. This rule would seem to apply to motorists' assessments of their car costs. When 'caught cold' and asked how much car ownership costs them in a year, the British motorist tends to give a much lower total estimate of cost than when they consider each of the categories of cost in turn.

We compared private and company car drivers' initial, top of mind estimates with the sum of each of the categories we then invited them to consider. It is perhaps ironic that the two cost categories that hit the motorist's pocket in the biggest way are the ones that they either don't appear to be aware of or cannot calculate with any sense of accuracy. In contrast, the costs relating to actually running the car are on the whole calculated quite accurately as they are very similar to the top of mind overall estimate.

Of course, the company car driver does not have to suffer the cost of depreciation – his or her business bears this, however, as a taxable benefit the company car costs its driver in income tax, generally as a deduction from his or her salary. Although this represents what would be an emotionally significant sum that few people could afford to disregard in their personal or family budgeting, it is probable that the full impact of this cost does not weigh heavily on the driver's mind because of the almost invisible manner in which the sum is paid. By removing the tax before the pay packet is actually received, it represents money the driver has never really had. It is also possible that where considerable costs are incurred up-front in the form of a tax, or a high purchase price, the motorist might consider driving the car as much as possible to get value for money.

Figure 2.2.2
 Prompted estimates of specific motoring costs versus spontaneous estimates of total annual cost



Source: RAC Report on Motoring 2004

Figure 2.2.3 shows that levels of motorists' confidence in the estimates they make of the components of the costs of motoring differ widely but are also generally quite low. For example, fewer than 50% of motorists are confident in the estimates they make of their fuel costs. What this indicates is that despite the high cost of motoring many of us are indifferent to or may even prefer not to know what we are spending. This highlights the challenge Government faces in using price mechanisms as deterrents to driving: if motorists are unable to quantify costs or see them as intangible (like tax, depreciation or even insurance), how can they be encouraged or taught to reduce them?

Figure 2.2.3
Perceptions of accuracy of estimated motoring costs

	Perceived costs	% who believe this perceived value to be accurate
Depreciation	£1,267	14%
Fuel	£1,035	46%
Car insurance	£417	62%
Servicing/repairs	£304	34%
Tax disc	£149	56%
Company car tax	£1,843	39%
Parking fees	£218	29%
Road tolls/charges	£51	36%
Fines	£24	66%

Source: RAC Report on Motoring 2004

It is clear that despite the fact that British motorists perceive themselves to be spending significant sums in most of the cost categories, there is also an implicit admission of a lack of accuracy.

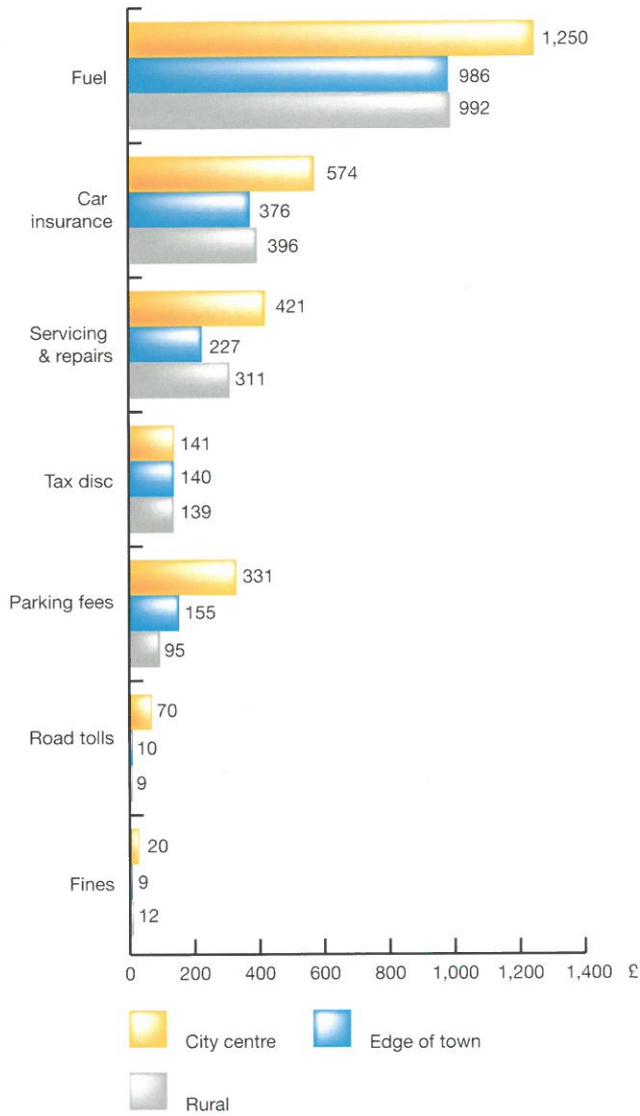
This indicates that motorists are unaware of what they spend, a fact that only comes home to them upon questioning. It is difficult to tell whether motorists choose to ignore the costs, or are simply unable to keep track of all the monetary factors involved in driving. In addition, they may not keep a mental record of each cost because they feel they have no proper alternative to using the car and therefore debate about the costs involved is simply redundant.

From the perspective of creating a conscious awareness of how much is being spent, it is significant that the highest levels of accurate estimation are attributed to tax discs and insurance. Although these categories of cost only present themselves once or twice a year, the sums involved are emotionally significant enough to lodge in the consciousness of the motorist. In Chapter 6 of this Report we look at different charging tactics that potentially might be used to change the behaviour of the habit-driven motorist.

The key issue here is that the British motorist is at least partially de-sensitised to some true costs of car ownership and usage. If the motorist is oblivious to some significant costs, then there is every possibility that they are behaving less thriftily in their car usage than they might do when faced with a similar cost in the context of a different type of household expenditure.

It is hard to think of another possession besides the car which requires constant maintenance and expenditure but which also has fixed costs that are difficult to track. Most costs in modern life tend to be fixed, such as rent or mortgages, easily estimated and regularly sent such as utility bills, or flexible but accountable such as food consumption and leisure spending. Owning a car costs money even when the car is sitting on the driveway; as we have seen, depreciation is one of the most significant costs that car owners have to bear. The car incurs not insignificant expenditure each time it is taken out in terms of fuel consumption (unlike other depreciable items such as white goods which use energy each time they are switched on, but at a relatively low cost). In addition, owning a car brings responsibilities such as compulsory insurance cover and servicing. It is, after all, every consumer's choice whether they decide to take out additional manufacturer guarantees on their dishwasher or television, and these are unlikely to be serviced on an annual basis, rather only being repaired when necessary.

Figure 2.2.4
 Variations in specific motoring costs
 by location



Source: RAC Report on Motoring 2004

There are many precedents for the motorist's behaviour to be governed by cost, but only when the consequences of alternative behaviours are made apparent. For example, the comparatively low level of duty that was applied to diesel compared to petrol through the mid-1990s sought to and succeeded in increasing the take-up of diesel-powered cars. The inference is therefore, that in order to finesse a desired behaviour from the British motorist, real costs need to be clearly communicated directly into their conscious minds.

Perhaps the best indication of a current situation where obvious costs may be having an impact on car usage behaviour is a comparison between motorists resident in city centre, out of town and rural locations. It is worth bearing in mind that motorists resident in city centres are more prepared to do without their car than any other group.

Figure 2.2.4 suggests that motorists resident in city centres appear to get the worst of all worlds when it comes to incurring motoring costs. Higher fuel costs are perhaps understandable when we take into account that cheaper to run diesel engines have a higher penetration amongst motorists located in rural areas and that the city dweller's journey is more likely to include the more clutch-pumping stop-start driving that is far less fuel efficient than journeys travelled at a constant speed. This can be balanced in some way by the cost of petrol in urban locations; clusters of petrol stations in towns and cities tend to make pricing more competitive than might be found in rural areas where a wide choice of outlets is rare.

The chart also highlights the very significant differences in the cost of motor insurance by location. It can be seen that motorists in city centres appear to pay, on average, almost 50% more than people resident in edge of town or rural locations. This relates to the fact that fewer motorists living in towns and cities can park in a garage or even on a driveway; on-street parking is common, which increases the vulnerability of a car to collision, vandalism or break-in.

Predictably, city centre dwellers are also more prone to parking charges. On the occasions where they do not park legally, they are also victim to a slightly higher level of fines.

2.3 Fuel costs

Although fuel costs are perceived to be by far the highest contributor to running costs, it is perhaps surprising to note that only 46% of British motorists are confident that their estimate of cost is accurate. A further 49% consider their assessments to be a reasonable estimate. It does not necessarily follow that because a motorist believes their estimate is accurate, that the actual figure is a true one. In the next series of charts we split our sample of motorists into groups who perceive their assessment of costs to be 'an accurate value', 'a reasonable estimate' and 'a bit of a guess' and look at the amounts of money each of these groups believe they spend on the various categories of cost.

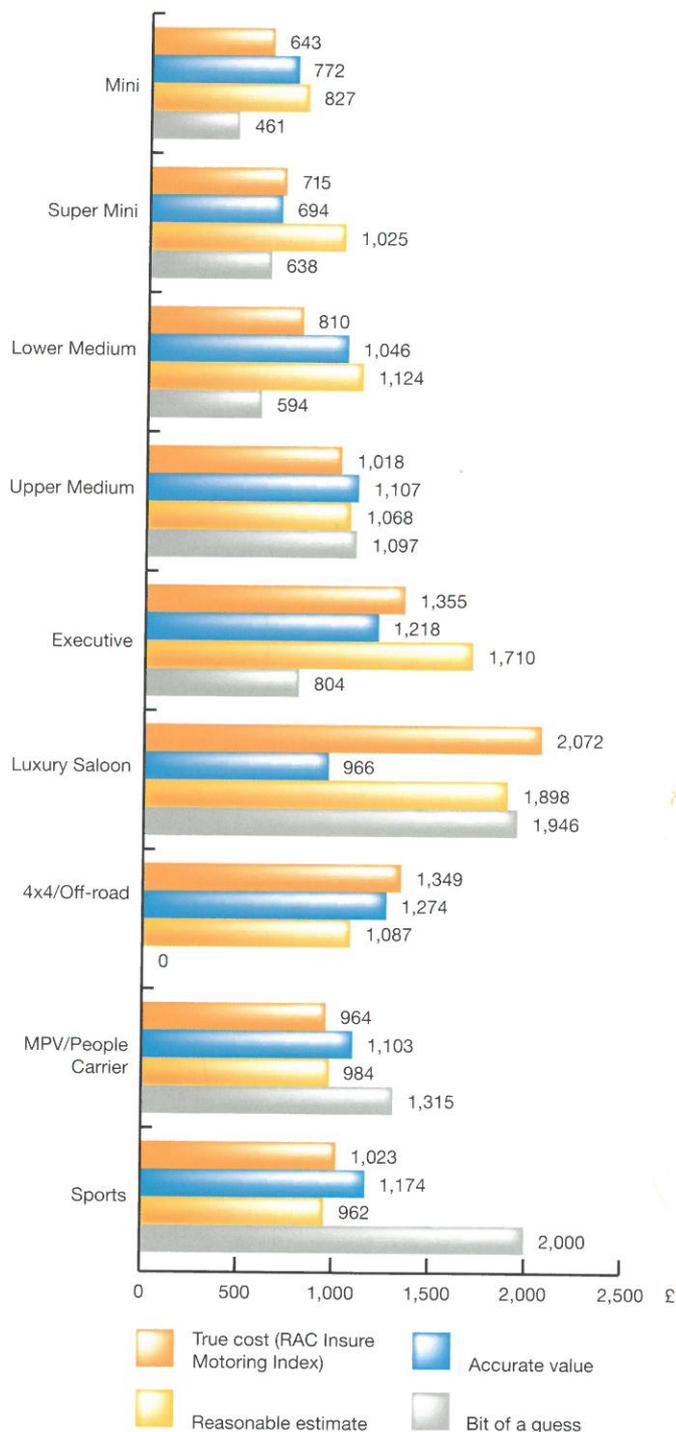
In Figure 2.3.1 we compare the fuel costs calculated by RAC Insure's Motoring Index (November 2003) within each car segment with the perceptions of drivers of different car models. It can be seen that perceived accuracy can be both pessimistic and hopelessly optimistic! Ironically, luxury saloon owners (53%) are amongst the most confident of their own accuracy although it would appear that such self confidence is a little misplaced as their estimates are mostly wrong.

This is perhaps because a good proportion of these drivers are doing the miles on company business, and are probably charging the cost of some of their petrol back. Conversely, drivers of cars in the lower medium bracket are inclined to overestimate the amount that they spend on fuel.

When we consider that the costs of fuel are amongst the most hotly debated and disputed taxes in Britain, with every rise in fuel duty provoking public reaction ranging from gloom to outrage, we see another paradox; motorists feel unable to estimate accurately their own expenditure on fuel. Again, the nature of the cost may make it difficult to recall – filling up the car may be an irregular occurrence, it may be done by different members of the family, and it does not rate as a memorable occasion as might eating in a restaurant, or such a frequent task as shopping for food and groceries. In addition, motorists may not know the capacity of their engine, fuel consumption, the size of their fuel tank or indeed the effect of their tyre pressures, driving style or maintenance record on their car's fuel economy. Making an estimate based on knowledge of the price of a litre of petrol is clearly an extremely difficult task.

Does this mean that setting fuel costs much higher to price motorists off the road would be ineffective? So few motorists admit to changing their driving behaviour on the back of fuel price rises, it seems that this cost is absorbed rather than cut by the motorist each time it is raised. This lack of awareness about personal expenditure on fuel indicates that raising fuel prices as a congestion-busting measure would need to assume radical proportions before it would start to bite.

Figure 2.3.1
Variations in depreciation costs by vehicle type and perception of accuracy of cost



Source: RAC Report on Motoring 2004

2.4 Depreciation

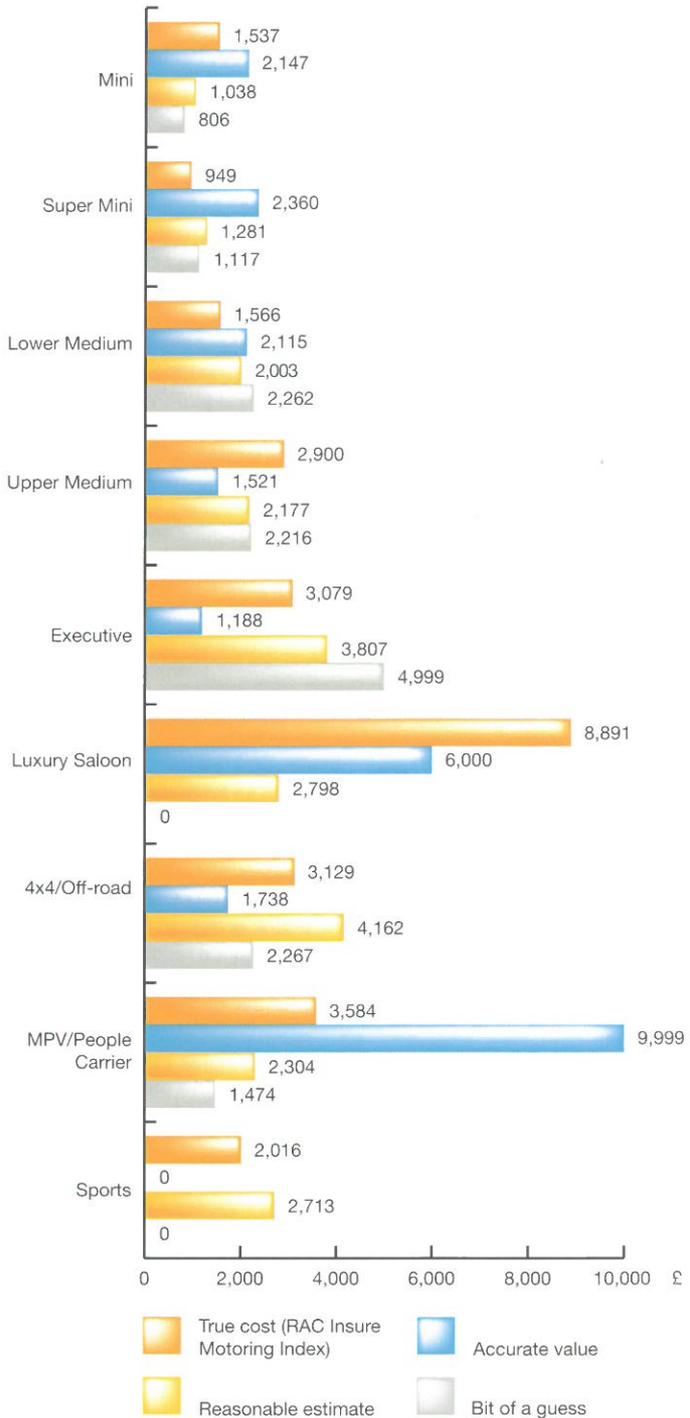
Depreciation is one of the hardest categories of cost for the average motorist to factor in to their overall assessment of motoring cost. Only 15% of all British motorists considered their assessments to be accurate, although 52% considered that they were reasonably accurate. A further 33% admitted to complete guesswork where depreciation is concerned. 41% of women and 41% of 17-34 year old motorists were likely to admit to guesswork.

Figure 2.4.1 indicates that perceived accuracy of the cost of depreciation is no guarantee of real precision, especially amongst cars from niche segments such as luxury saloons and MPVs. Again, we take as our real figure data from the RAC Insure Motoring Index (November 2003) and compare this against the depreciation estimates of respondents driving a range of vehicles. In almost all of the smaller vehicle categories, drivers were inclined to over-estimate the real cost of depreciation. This could be because they have heard the warnings about new cars losing much of their value as soon as they are driven off the garage forecourt where in reality, lower cost and smaller cars tend to hold proportionally more of their value than executive or luxury vehicles.

Despite a car being the second most expensive purchase most consumers make, the knowledge of what that purchase will cost them each year, the likely resale value and the fact that it will lose value so quickly seem to be mentally buried or neglected by most motorists. If motorists were aware of the costs incurred by their car, would they act so quickly to buy, and would they alter their buying choices? Conversely, once the purchase is made, given the costs of depreciation, would it not be logical for motorists to strive for best value for money from the car? Offsetting fuel, maintenance and wear and tear costs, the motorist may still feel that if their car costs them £2,000 per annum even if it never leaves their garage, they should get maximum use from it.

Given these attitudes, it seems that the Government has an uphill struggle on its hands if it wants to dissuade people from using cars, or indeed considering alternatives to the car as a viable option.

Figure 2.4.1
Variations in depreciation costs by vehicle type and perception of accuracy of cost



Source: RAC Report on Motoring 2004

2.5 Servicing and repairs

Of perhaps greatest surprise is the extent to which the British motorist seems to under-estimate the true cost of servicing and repairs on their cars. Only one third of British motorists have confidence in their ability to keep track of servicing and repair costs – a mindset that seems to tally precisely with the huge variance between perceived and actual costs.

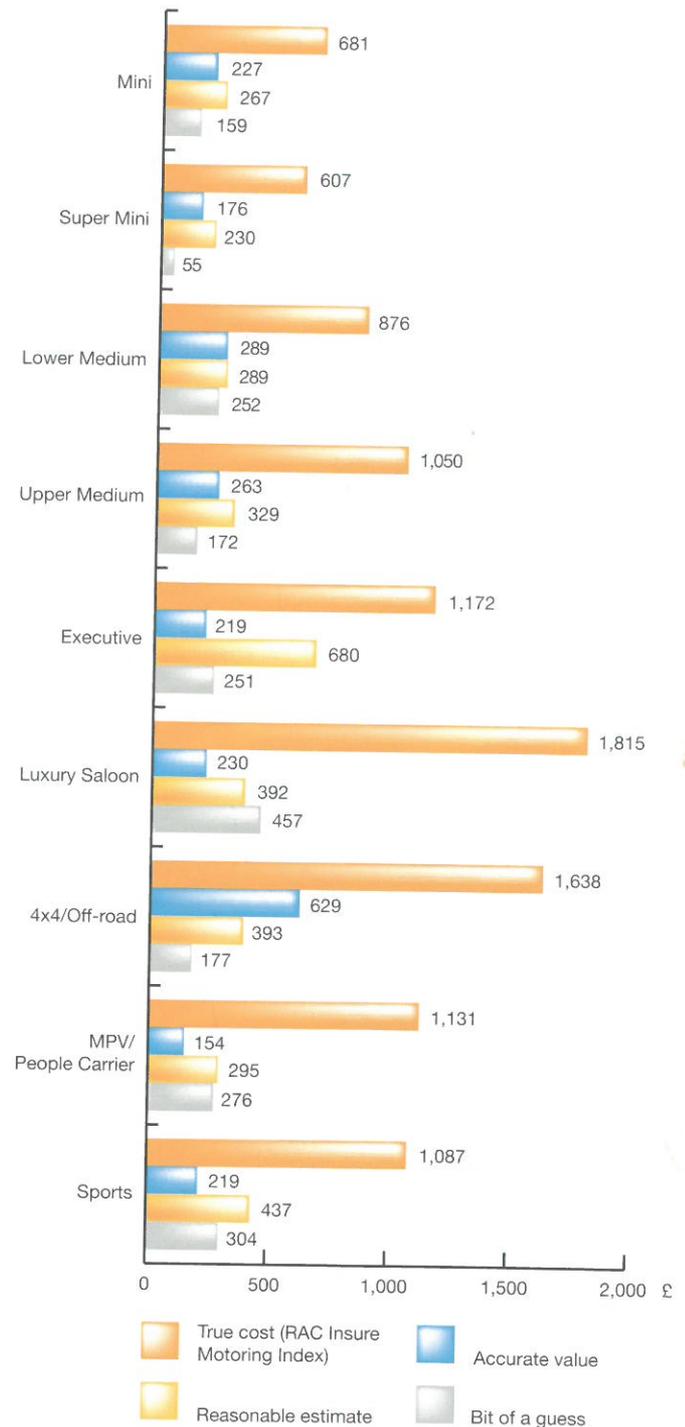
Figure 2.5.1 shows that unlike the other categories of costs, irrespective of the level of confidence that the British motorist has in his or her own estimates, the eventual figure is way below the true cost of servicing and repairing a car. Both new and second hand owners appear to under-estimate significantly the costs associated with servicing.

If we refer to one of the original questions posed in the opening chapter of this Report, motorists have been prepared to pay high and rising servicing costs for a number of reasons. First, these costs are rarely upper-most in a motorist's mind; their lack of accuracy when estimating costs confirms this fact. Second, if a car is considered important and convenient to a motorist, it would suit them not to think about the cost too much, certainly not to factor in servicing and repair to running costs on point of purchase. Third, drivers have little choice but to accept the servicing bill in order to keep their car on the road legally.

Christopher MacGowan, Chief Executive, Society of Motor Manufacturers and Traders

“It is human nature to underestimate the importance of car maintenance and depreciation, as with all costs we face in the future. However, with the time between car services increasing, ensuring proper maintenance is undertaken is becoming cheaper and cheaper – but it is a factor that needs to be built into the whole life cost of car ownership.”

Figure 2.5.1
Variations in servicing and repair costs by vehicle type and perception of accuracy of cost



Source: RAC Report on Motoring 2004

2.6 Fines

The vast majority (82%) of British motorists have not experienced a speeding or parking fine in the past 12 months, although the Commission for Integrated Transport estimates three million parking or speeding fines will be issued during 2004. Speed cameras are recognised as a commonplace feature of British highways. Contrasted with the number of drivers who admit to speeding a little every day (46%), many speeding motorists are clearly never caught. However, the 4,500 speed cameras currently in Britain still lead to prosecutions generating approximately £180 million a year in fines revenue.

The high percentage of motorists who have not experienced a speeding fine contrasts strongly with the recent adverse public and media reaction to speed cameras and the suggestion by some that Safety Camera Partnerships are using them to generate revenue rather than to reduce accidents at black spots or improve driver behaviour. The majority of motorists believe that speed cameras are there for the purpose of revenue generation, rather than safety. Almost three quarters of British motorists share this opinion, and not surprisingly, the company car driver is even more convinced (85%) of this alternative objective. This is perhaps why otherwise 'law-abiding' motorists are not in favour of cameras which catch motorists breaking the law, believing their purpose to be less than honourable, or reflecting the view that speeding is not really an offence.

Figure 2.6.1
The purpose of speed cameras

	% of motorists who...		
	Disagree	Neither agree nor disagree	Agree
Speed cameras are more about raising money than improving road safety	15%	12%	72%

Source: RAC Report on Motoring 2004

Irrespective of whether it is down to good behaviour or good fortune, not all categories of British motorists can claim the same levels of avoidance of such penalties. Motorists located in London and the South East (29%) and others resident in city centres (33%) are more likely to fall foul of speeding or parking fines. Given that the average speed of traffic in Central London was estimated (pre congestion charge) at 3mph, it can be assumed that the vast majority of such fines in the capital are incurred through illegal parking or use of bus lanes rather than speeding.

Not surprisingly, the longer the motorist seems to spend in the car, the more likely he or she is to be prosecuted for such offences – 29% of the motorists driving in excess of 13,000 miles per annum and 31% of all company car drivers admit to getting caught for speeding and parking offences.

Fines of up to £50 have been accumulated by 6% of British motorists while a further 7% have totted up penalties of between £51-£100 in the year. Fines in excess of £100 have been incurred by another 4% of British motorists. Given that 18% of motorists provide £180 million per annum in fines revenue, many motorists might be seen to be burying their heads in the sand as this is revenue raised directly from drivers who are breaking the law, rather than the majority of 'law-abiding' drivers. However, the way in which this revenue is raised creates deep resentment amongst many motorists. The issue of raising additional revenue is particularly sensitive. Would motorists approve of such schemes if revenues were hypothecated back into road improvements?

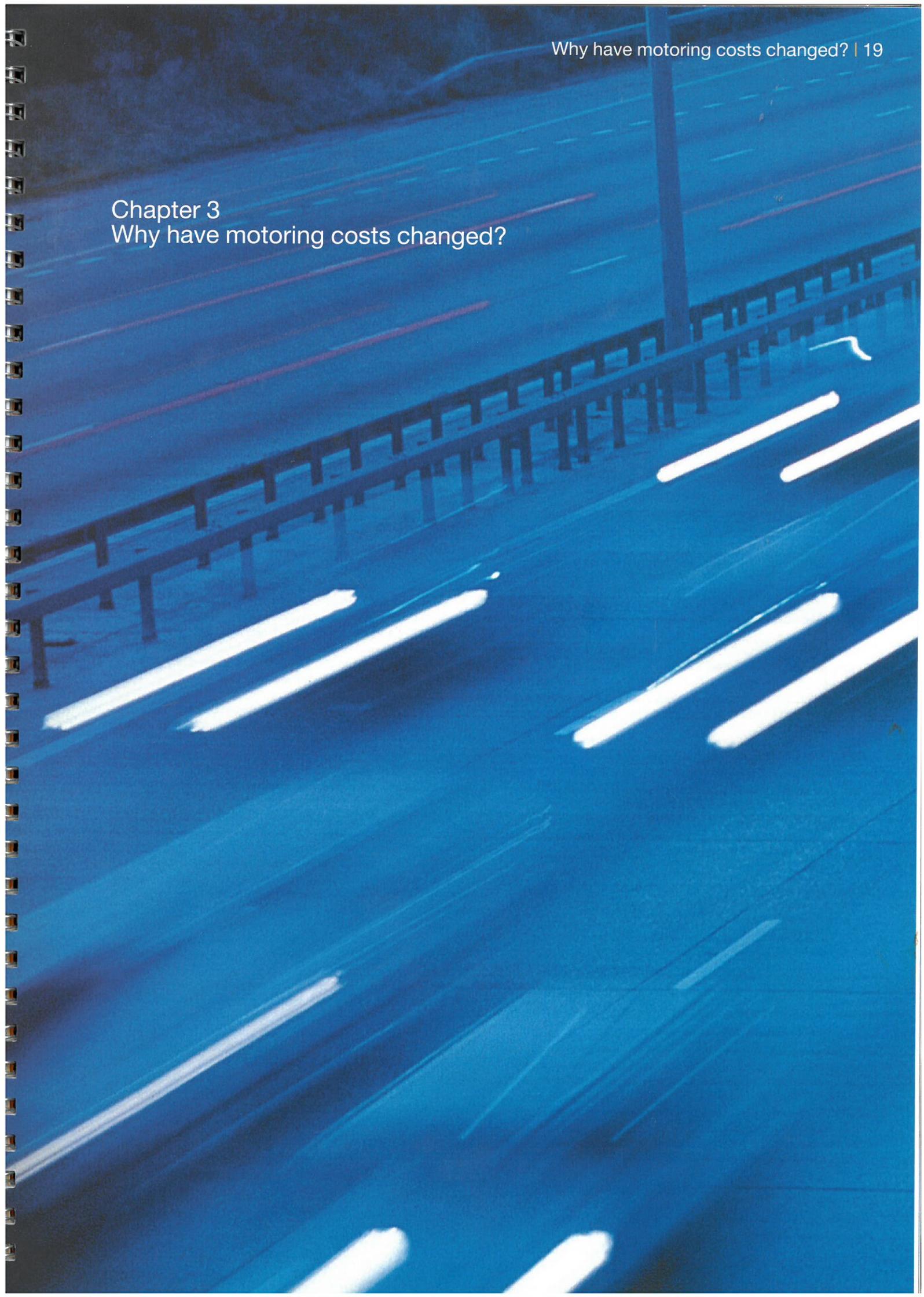
2.7 Conclusion

This chapter indicates a widespread lack of awareness amongst motorists of the costs that they incur as a result of owning and running their cars. In general, motorists vastly underestimate rather than overstate the costs, particularly the total amount. Given that research from the RAC Insure Motoring Index demonstrates that motoring related costs equal one quarter of the average family's weekly expendable income, and given public perceptions about the current cost burden on the motorist, this lack of awareness is surprising.

If motorists are to cut the amount they spend on their cars, drive less and therefore contribute to an overall reduction in congestion, they need to develop a broader awareness of how much various motoring components cost. Developing knowledge and awareness in other areas might also start to bring about changes in driving behaviour to reduce motoring costs. For example, at least 10 police forces have so far introduced driver improvement courses, which some speeding motorists may choose to sign up to in lieu of fines and points on their licence. Such programmes aim to re-educate rather than penalise the driver, which should be a welcome move both to improve road safety in the long-term and to reduce the pressure on the individual's wallet.

In general, the Government has a tricky dilemma to resolve regarding future motoring tax revenues. These must be balanced against the need to support alternative, sustainable modes of transport throughout the country and reducing road casualties. If we successfully reduce car usage by a significant amount, will a hole emerge in the Exchequer's balance sheet? If we require motorists to switch to public transport, can enough funding be made available to accommodate the switch in the long-term? In the next chapter we investigate how and why motoring costs have changed in recent times to help shed some light on this dilemma.

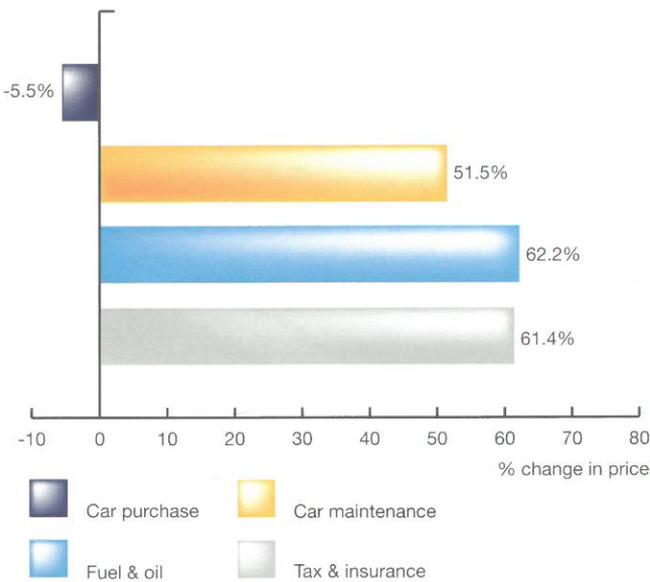
Chapter 3
Why have motoring costs changed?



3.1 Introduction

This chapter looks at the overall cost related trends that have been evident to the motorist in recent years. It is apparent that many categories of motoring cost have increased well in advance of the national rate of inflation. Since 1992, the Retail Price Index has risen by 27.3 points. The graph below demonstrates that although the cost of buying a car has never been lower in real terms, it is the running costs that have spiralled most dramatically – notably fuel and oil prices.

Figure 3.1.1
Percentage change of motoring costs since 1992



Source: Retail Price Index

The Exchequer raises £42 billion a year from British motorists¹³. Of this sum, £22.5 billion comes from fuel duty while a further £4.5 billion is raised from Vehicle Excise Duty. The main balance of the revenue is supplied by VAT on car and servicing-related purchases. It is interesting to note that this element of motoring revenue seldom excites much comment from motorists – it is the obvious and specific taxation which drivers dislike.

3.2 Perceptions of cost increases

The British motorist is very aware of the increases in fuel prices, with 75% perceiving that they have witnessed either a small or a large increase in the past two years. Motorists' sensitivity to fuel price increases could relate to the importance placed on this type of tax by the media as a measure of the weight of the burden on the motorist. For example, the increase in fuel duty by 5p per litre of petrol that was introduced in October 2003 will make quite a small hole in the wallet of the average motorist on an annual basis, so its significance is perhaps more symbolic than economic.

Figure 3.2.1 takes the two categories of cost that have increased the most in the past 10 years – petrol and insurance. The majority of motorists perceive that these items have both increased in cost either a little or a lot.

Figure 3.2.1
Perceptions of cost increases in the past two years for fuel and insurance

	% of motorists who believe prices have	
	Fuel	Insurance
Gone up a lot	37%	18%
Gone up a little	38%	36%
Gone down a little	2%	10%
Gone down a lot	<1%	3%
Fluctuated	12%	3%
Shown no change	6%	21%
Don't know	5%	9%

Source: RAC Report on Motoring 2004

3.2.2 Fuel prices

Increases in fuel prices are attributed largely to the actions of government (68%), rather than commercial reasons (as determined by oil companies and petrol retailers) or circumstantial reasons (such as the recent war in Iraq). Company car drivers (71%), owners of executive (71%) and luxury cars (81%), and high mileage drivers (73%) are most adamant that the price increases are a product of government action. The oil companies are considered the 'guilty party' by only 21% of British motorists.

The fuel price protests of 2000 provide something of an object lesson on how the motorist's psychology works in relation to both price and the role of the car in his or her life. A combination of increases in crude oil prices and in fuel duty led to a 36% year-on-year rise in petrol prices at the pump, with diesel rising by 38%. The result as we all know was mass public protest, particularly from the hauliers whose commercial futures were threatened by these increases.

What this episode demonstrates is that there is clearly a rate of increase of motoring costs that do impinge very strongly on motorists' consciousness. But, because of the sacred status of motoring many preferred civil disobedience and were prepared to change their political allegiance rather than accept the increased price and seek economies in their driving behaviour. This illustrates the dilemmas that suffuse our findings: for the motorist, it is better for chunks of disposable income to be removed under the anaesthetic of habitual payment mechanisms and unnoticed price rises rather than conscious consideration that we should change our driving behaviour; for the government, it is an issue of how to get the true costs of motoring recognised and driving behaviour changed.

On top of all this are practical and immediate issues such as the difference between fuel prices in the UK versus mainland Europe. This is such that continental haulage companies currently have an unfair advantage over their British competitors. The introduction of lorry road user charging in 2006 is being designed to level the playing field; at the same time as charging lorries per mile to use Britain's roads, a rebate will be given on fuel duty for domestic trucks to ensure that they can remain competitive.

David Smith, Managing Director,
Lex Transfleet

“The UK freight business has to face many commercial and operational problems that are not of its own making. As Britain’s roads become increasingly congested, we suffer the dual impact of longer journey times, reducing productivity and adding to costs, while at the same time being made a convenient scapegoat for the problem itself.

Additionally, the levels of taxation levied on British-owned freight vehicles by the Government make it almost impossible to be cost competitive with foreign vehicles operating in the UK.

Historically, high levels of taxation have led to the British freight industry appearing to oppose new, incremental forms of financial regulation. In order to find solutions to the profound transport problems within the UK, the freight industry needs to work with a greater sense of partnership in the development of charging systems such as Electronic Vehicle Identification. It is important to recognise that such systems could potentially change driving behaviour amongst the 25 million car owners while at the same time operating as a fair and equitable means of charging for both British and foreign trucks.

The most effective means of relieving congestion is to give the owners of the 25 million cars in Britain a public transport system that they can recognise as being a more desirable way to travel. For this to happen, the vast majority of revenues raised through motoring taxation need to be invested in a fully integrated public transport system that offers seamless end-to-end journeys throughout the country.”

Despite recognising price increases, the vast majority of British motorists (72%) claimed that this did not change their driving or fuel buying behaviour at all. Of the small number of motorists who did claim to change their behaviour, 8% chose to alter their buying patterns by searching out cheaper fuel while a further 11% modified their driving habits by either reducing miles driven or adopting a more economical driving style.

3.2.3 Insurance

Just over half of all British motorists have detected an increase in their insurance premiums in the past year. It is clear that there is significant awareness of the problem of the uninsured driver with 45% of British motorists citing this as the main reason for an increase in premiums. Owners of bigger, more expensive cars tend to suspect this as the reason with 51% of executive car drivers putting this explanation forward.

A further 24% of British motorists perceived that the increases in insurance were attributable solely to the effects of inflation – hence more motorists thinking that costs had increased ‘a little’ rather than ‘a lot.’

In real terms, insurance premiums have risen sharply in recent years. This trend is unlikely to be reversed in the foreseeable future whilst the number of claims continues to rise, profit margins remain slim, and honest motorists compensate more and more for uninsured drivers, most of whom are under 25 and unable to afford the soaring premiums. At present, one in 20 UK motorists (1.25 million people) drive without insurance, compared with just one in 500 motorists in Germany. Whilst 98% of motorists believe driving uninsured is unacceptable in today’s society, 10% of them know someone who does¹⁴.

Death, injury and damage caused by uninsured drivers currently costs UK motorists over £600 million per year; if the current trend continues the total cost could reach £1 billion by 2005¹⁵. The Motor Insurance Bureau, set up to reimburse consumers left out of pocket by incidents involving uninsured drivers, last year paid out some £250 million in response to more than 50,000 claims. At present this epidemic is pushing up average premiums by around £30 per year; by 2005, this additional cost could have reached £60 per year. Hopefully advances in technology and detection methods will check this trend.

Individual insurance premiums may be further increased as a result of being caught speeding; it has been calculated that having two speeding offences on their licence can cost drivers more than £1,000 in increased premiums. Around 1.5 million motorists’ driving licences will be endorsed with penalty points over the next 12 months; traffic cameras will provide evidence for roughly two thirds of these.

The British motorist tends to believe that to a great extent, the uninsured driver is to blame for the cost increases. Motorists are sufficiently concerned about these uninsured drivers to be willing to demonstrate visual compliance, so long as there is a ‘payback’.

Figure 3.2.4
Attitudes of motorists towards
uninsured drivers

	% of motorists who...		
	Disagree	Neither agree nor disagree	Agree
Law abiding drivers should not have to subsidise those who break the law	1%	4%	94%
I would support having to display an insurance tax disc if it means a reduction in premiums	4%	8%	87%
I am really concerned about the number of people on the road without insurance	8%	11%	81%
People who drive without insurance should receive a custodial sentence	13%	12%	72%

Source: RAC Report on Motoring 2004

Previous research has shown that the penalties for driving uninsured are not considered severe enough to discourage offenders. More than one in four motorists believe the fine for driving without insurance should be increased¹⁶; the current average fine is £150. Almost one in two believe it should be greater than £500¹⁷. This Report shows that nearly three quarters of all motorists are in favour of custodial sentences for offenders.

3.2.5 Servicing and repairs

Overall, 80% of all British motorists had their cars serviced at least once in the past 12 months. Owners of cars aged six years or older (representing 24% of the RAC sample) were more likely to have had more than one repair trip to the garage in the 12 month period. Franchised Dealers were the single most frequent (38%) location for servicing work while 31% elected to have the work carried out at an independently owned garage.

Approximately half of all British motorists have had their car repaired in the past 12 months. Not surprisingly, this activity is strongly related to the age of the car – 70% of all cars over six years old had at least one repair carried out and almost 25% of such cars made two such visits.

Amongst the 20% of British motorists who did not get their car serviced in the past 12 months, the main reason was the belief that the car had not travelled sufficient mileage in the period to warrant such work. This may be one reason why some motorists are unaware of the real cost of having their car repaired or serviced; it may be a while since they have paid for such a service. Only 10% of this group cited the aim of saving money as a rationale for not getting the car serviced, although once again, this reason was most prominent amongst owners of older cars.

Simon Machell, Claims Director,
Norwich Union

“Our challenge is how we can make driving without insurance carry the same social stigma as drink driving.

At the centre of the issue of uninsured driving is the size of the penalty; the average fine for not having insurance is considerably less than the average premium so – if you are that way inclined – you can make a rational calculation that the chances of getting caught are fairly low, and even if you are caught, the fine is small.

The argument that uninsured drivers are principally responsible for increasing premiums holds less weight than a few years ago; uninsured driving is on the wane, as the chance of detection is now higher.

An ANPR (Automatic Number Plate Recognition) system, with camera images checked against a database of insured vehicles seems one of the possible ways of tackling uninsured driving. The technology and databases are almost there – introduction is now a matter of whether the political will exists.

People would be alarmed if they were aware of the true cost-per-mile of motoring; while the figures remain unclear to motorists and can be simply accommodated into general expenditure, changing behaviour will be very difficult. The more explicit you make the cost of motoring to the public, the more buy-in you will get for policies aimed at changing behaviour.

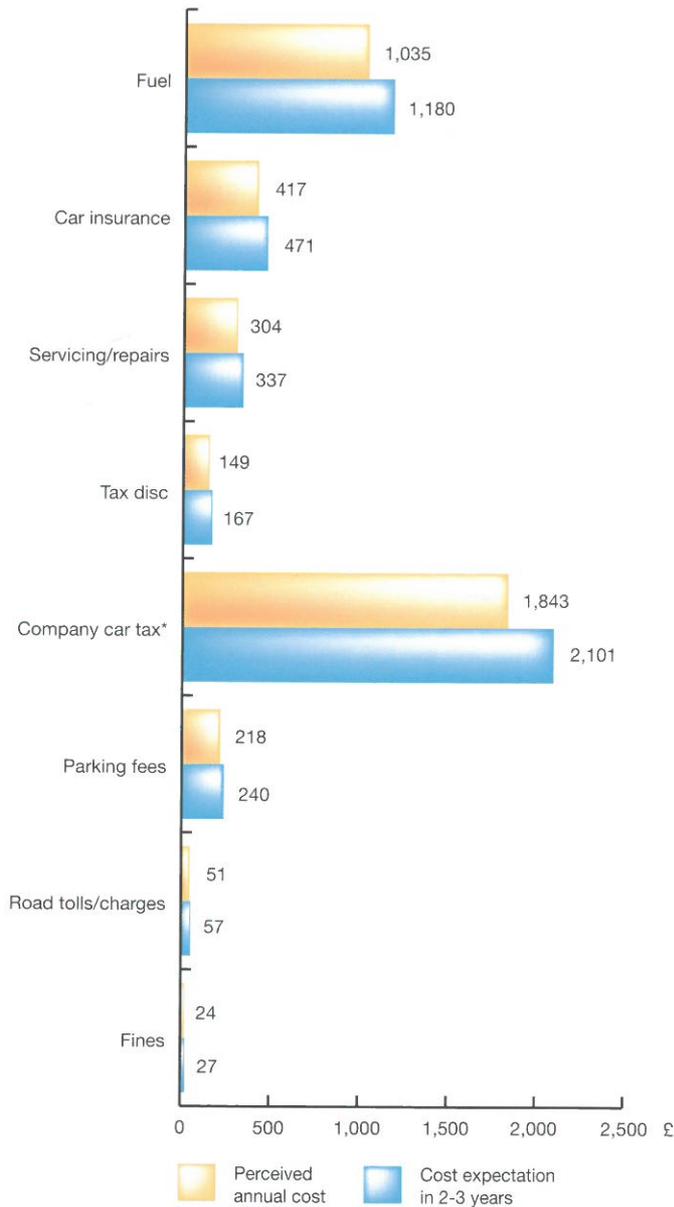
I suspect we are a long way from a cultural shift where the car becomes less socially acceptable – and I think such a shift would be very difficult to engineer.”

3.3 Future cost increases

Our representative sample of motorists was invited to gaze into the crystal ball and project how much more they expect to be paying for each category of motoring cost in two to three years from now. In responding to such questions, the British motorist is less likely to use their latent econometric abilities and more inclined to reflect on the categories of cost they see coming under the scrutiny of government and the attention of pressure groups.

Figure 3.3.1 details what the average motorist perceives he or she pays now, and the resultant sum they might expect to be paying two to three years down the line.

Figure 3.3.1
Expectations of increases in specific motoring costs



* Company car drivers only
Source: RAC Report on Motoring 2004

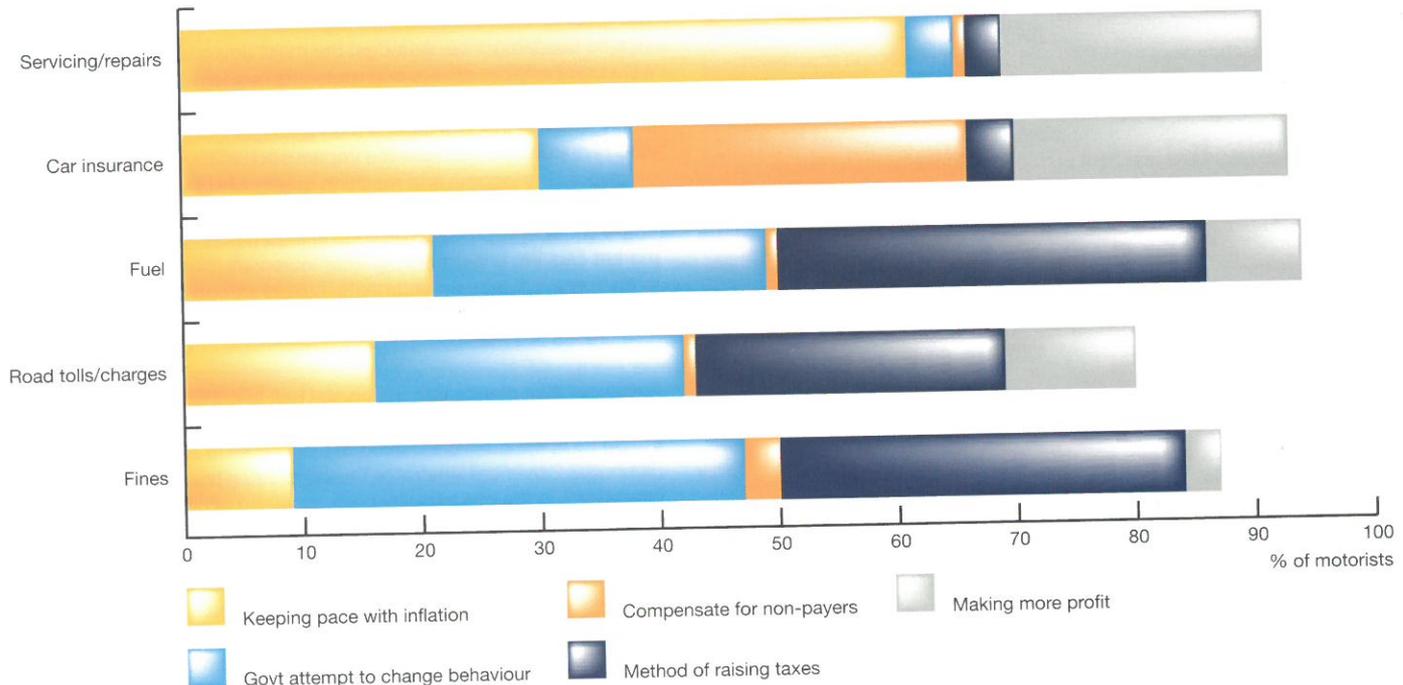
The chart shows the British motorist to be rather pessimistic about cost increases across the board in the coming years. Given current rates of inflation at 2.5%, each category of cost is estimated to rise by between 30% and 75% above the expected rate of inflation.

The greatest cost increases are expected to be in the fuel and income tax categories. Amongst the most downcast over fuel costs were company car drivers and motorists resident in city centres who expect an increase of just over 16%. Pessimism was also greater amongst lower income groups than amongst those with higher incomes, perhaps because the impact such increases would have on disposable income and resulting quality of life would be greater.

When considering the likely trends in income tax, drivers of up-market cars are anticipating greater increases than those motorists in the more mainstream segments. Luxury saloon owners anticipate an increase of 23% while other executive segment owners project an increase of 17%.

Following their glance into the crystal ball to anticipate the effect, the sample of British motorists was invited to consider who the prime suspects were behind the increases in each category. Figure 3.3.2 overleaf illustrates the candidates that the motorist would cast in the role of guilty party or willing accomplice.

Figure 3.3.2
Perceived reasons for expected increases
in costs



Source: RAC Report on Motoring 2004

In general, there is a large degree of pessimism and suspicion from motorists relating to their expectations of why costs may increase. Overall, the only category of cost where the levy is perceived to be aimed at changing behaviour i.e. encouraging safer driving or a reduction in road use in favour of other modes of transport is the obviously punitive category of speeding or parking fines. It can be seen that even the relatively insignificant costs of parking fees and road tolls are not readily associated with achieving behavioural change linked to a reduction in car usage. In the case of road tolls, as many British motorists suspect the motive to be revenue raising as they do encouraging a reduction in road traffic. This is both interesting and discouraging for the Government, because it underlines the strength of the paradox to which we have already alluded: motorists do not want to believe that there is a need to change their driving behaviour, and signals by the Government that such a change is necessary (such as introducing more toll roads) will be met by a sceptical response.

Increases in fuel prices are most likely to be seen as just a method for raising tax revenues rather than the potentially more altruistic intent of attempting to change driving behaviour.

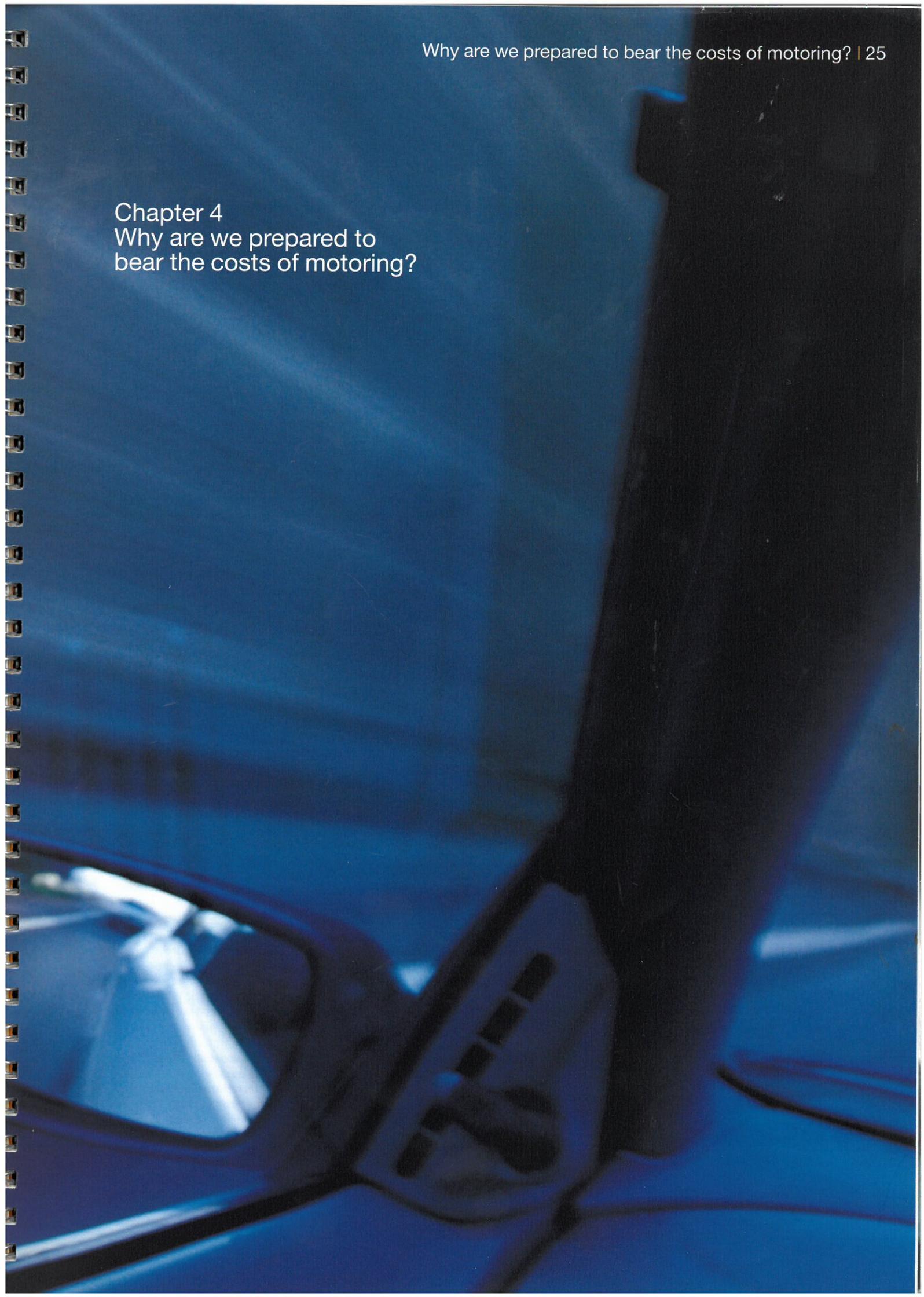
In addition, increases in the value of the tax disc and income tax were also seen primarily as revenue generators for the Exchequer rather than attempts to finesse alternative behaviour. For income tax in particular, the relatively low level of people (11%) perceiving such increases as being in line with inflation suggests that both devices are seen purely as tax revenue accelerators.

Although the single largest group (30%) of respondents attribute likely increases in insurance to keeping pace with inflation, it is clear that a similar proportion of British motorists suspect that there will be an element of subsidy for uninsured drivers creeping into their premiums.

3.4 Conclusion

In this chapter we have seen that most costs relating to motoring are now perceived to be on the increase, although the price of new cars is likely to at least stay at current levels or reduce further. Given the fact that motorists' perceptions are dominated by the belief that most costs are due to rise above the rate of inflation in the coming years with such rises linked firmly to filling the Exchequer's coffers through taxation, why are motorists prepared to take these costs without changing their driving behaviour? This is the theme we investigate in the next chapter.

Chapter 4
Why are we prepared to
bear the costs of motoring?



4.1 Introduction

On the rare occasion that the British motorist takes time out to consider their firmly entrenched 'car-based habit', their assessment of the possible alternatives does not take very long. Even though this assessment may be subjective and self-fulfilling, RAC's research shows that there is actually very little factual evidence that could be used to invite the motorist to reconsider his or her addiction to the car, and take action to change their behaviour. Indeed, the motorist's myopia may be a good thing should he or she choose to take a look at the cost of motoring in Europe's major countries.

Given the current levels of congestion, and the perceived lack of appealing alternative public transport options, it will probably remain acceptable for even the more far-sighted British driver to conclude that:

"Driving is merely the lesser of two evils"

In fairness, even if public transport was improved, there is a sizeable minority who will resolutely cling to their car. Impervious to financial pressures and unconvinced by functional reasoning, it is likely that this group might address its habit only when – and if – it becomes socially unacceptable to drive.

4.2 The appeal of the car

Combined RAC and Department for Transport data shows that one in five trips made by car drivers are for the purpose of commuting, with 69% of commuters using their car to get to work. They find it quicker (55%), more comfortable (26%) and more convenient (21%) than alternative forms of transport. In addition, one in four motorists even admit to enjoying driving.

The perceived indispensability of the car becomes apparent when RAC invited a representative sample of motorists to express the extent to which they could live without their car.

Figure 4.2.1

"It would be very difficult to adjust to being without a car":

	% of motorists who...		
	Disagree	Neither agree nor disagree	Agree
Total	10%	7%	83%
City centre	9%	18%	74%
Edge of town	11%	6%	83%
Rural	6%	4%	89%
Company cars	3%	2%	94%
Full time workers	6%	8%	86%

Source: RAC Report on Motoring 2004

It can be seen that around eight out of 10 British motorists agree with this sentiment, interestingly a drop of some 8% from the findings of RAC's research last year. The intensity of agreement with the statement varies significantly depending on the environment or circumstances in which the British motorist lives. Almost nine out of 10 British motorists living in rural locations consider their car as indispensable. From a functional rather than geographic perspective, it is also not surprising that company car drivers and people working full time also see themselves as particularly dependent on their cars.

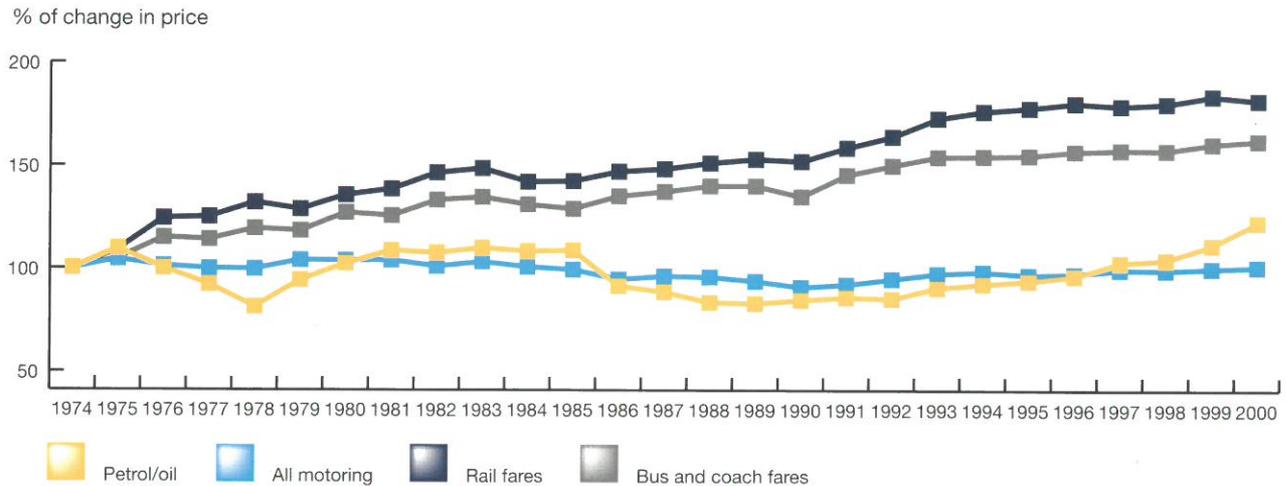
The 8% decline recorded on this year's over last year's result can mainly be attributed to the softening in car dependence that is shown by city dwellers. Perhaps the increasing problems of congestion and the planned introduction of charging schemes are starting to have an impact? This is evidenced by the findings described in Chapter 2 of this Report, which show city centre dwellers to be most pessimistic about the costs of motoring amongst the wider driving population. Interestingly, the reduction in their perceived reliance upon the car has come about despite the fact that there has been no significant concurrent increase in confidence or consideration of alternatives modes of transport.

In general though, the British motorist remains incredibly reliant on the car, a trend that has been clear in the 16 years that RAC has been producing the Report on Motoring.

4.3 Public transport – a viable alternative?

Data from the Office for National Statistics indicates that the rates of increase in prices for rail and bus or coach fares have escalated massively ahead of motoring costs – both for purchase and running. There is evidence to suggest that the British motorist can be led by the pocket to better behaviour, (for example the uptake of diesel engines in the 1990s) but it would be difficult to interpret such a strategy from the trends indicated in Figure 4.3.1. Even if we make a broader comparison, relating the trends in rail fares with disposable income, only since 1998 has income risen at a greater rate than fares.

Figure 4.3.1
Trends in real changes in the cost of transport



Source: Office of National Statistics

4.4 The extent to which motorists would bear cost increases

A study carried out in 2000 by Imperial College London researchers ascertained that whilst increasing the price of fuel reduces its consumption, rising incomes and falls in other motoring costs are presently increasing the demand for petrol and so boosting the amount of traffic on UK roads. An increase in petrol prices is more effective at reducing fuel consumption than it is at reducing traffic volume – i.e. although the driver might be a little more conservative in the way he or she uses the accelerator pedal, the same journeys still take place; to hold traffic growth constant at its current levels, the price to the consumer would have to be increased by 10% every year.

Other econometric studies of price and income elasticities and previous survey-based research from RAC have tended to support these findings: the income elasticity of demand for private motoring tends to be high relative to many other goods and services, that is for every 1% increase in income our demand rises considerably more than 1%. Similarly, price elasticity tends to be low, so that for every 1% increase in prices demand reduces by less than 1%. Sophisticated studies have factored in so-called ‘cross-price’ elasticities that allow for the simultaneous effect of other prices, for example, the cost of public transport. When these results are taken alongside what has been happening to car-related costs it is no surprise that private motoring is now the dominant transport mode.

Making these historic studies more projective, RAC’s research indicates that drivers are prepared to endure considerably more financial pain in order to maintain their dependency on the car. The British motorist indicates that on average, even if his or her motoring costs increased by £1,100 per annum they would simply ‘grin and bear it,’ and carry on using their cars in precisely the same manner. To put this sum in perspective, an increase of £1,100 would serve to double the amount of money the average British motorist perceives they currently spend on fuel each year.

In order to effect a change in the decisions made about whether to take the car or opt for a different mode of transport, governments need to realise that the British motorist is likely to consider two factors before making a choice: first, how attractive or feasible is the alternative? Second, can the financial implication of not following the alternative behaviour be tolerated personally?

The results of this survey indicate that the behaviour of the British motorist is deeply entrenched and is likely to be dislodged only if stung by some very sizeable financial penalties.

4.4.1 Car choices

When faced with two unattractive options, we tend to choose what we perceive to be the lesser of two evils. We presented our representative sample of motorists with a number of alternative car buying scenarios:

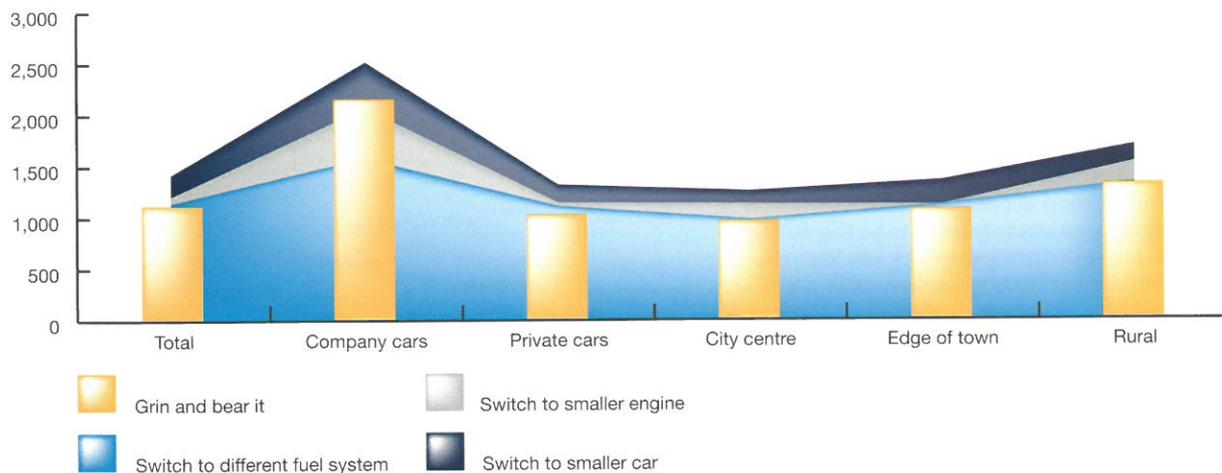
- Switch to a different fuel system
- Switch to a car with a smaller engine
- Switch to a physically smaller car

We then invited them to tell us how much additional motoring cost they would be prepared to incur before, effectively, 'giving in' to each option. Psychologically, the less attractive the alternative option, the larger the amount one would expect the motorist to 'offer' in order to avoid it.

We also asked our sample to state what would be the largest increase in motoring costs they would simply 'grin and bear' – not changing their current behaviour in any way. These amounts are represented by the height of the columns in the chart below. The fact that the 'grin and bear it' figure sometimes exceeds the thresholds that they had set for 'giving in' to one of the less desirable actions indicates that there is no absolute guarantee that a desired behaviour could be finessed solely by an increase in costs.

For a number of different types of motorists, the lines on the chart below show the amounts of extra motoring costs they would incur before 'giving in' to each option.

Figure 4.4.2
Additional annual cost motorists would endure before switching to an alternative option



Source: RAC Report on Motoring 2004

In preferring to incur over £1,400 of extra annual motoring costs rather than downsize to a smaller car, it can be seen that this is considered to be the least attractive of all of the options presented. Drivers would choose first to opt for a smaller engine rather than actually move to a different type of fuel.

Circumstantial, functional and emotional factors contribute to determining what level of cost can be tolerated before an individual motorist feels compelled to take an action that is otherwise unattractive. Such calculations are very personal 'equations' and from the chart it can be seen that different types of motorists react in very different ways. If reluctance to change can be measured by the amount of extra cost that someone is willing to bear, then it can be seen that the company car driver appears most reluctant – apparently willing to sacrifice an additional £2,500 before they would switch to a smaller car.

The desire by company car drivers not to switch to a smaller car is not surprising given the mileage undertaken by this group, and the likelihood of being caught up in congestion. Comfort and space are clearly key parts of the motoring experience. It is interesting to note however that this option was favoured by all groups, pointing to the fact that emotional and personal choices are being made in preference to concern for the environment, or fuel consumption costs.

Although wealthier and more upwardly mobile motorists can afford to absorb more cost before being forced into alternative behaviours, it is evident that their underlying resolve is also the strongest. While the amount of extra costs that those on lower incomes would tolerate before switching to a smaller car is 88% of what they believe to be spending on fuel, the £1,900 that those on higher incomes would tolerate is 182% of their perceived annual fuel spend. In similar fashion, the level of costs that motorists located in rural areas would bear before switching to a smaller car is 172% of their perceived annual fuel spend – this compares with 100% for city dwellers.

4.4.3 Alternative transport methods

If changing just some of the characteristics of the average motorist's car appears to be radical then what about exchanging the mode of transport for a category of journey?

At present, 59% of the population is more than a 27-minute walk away from a train station (92% in rural areas), whilst 23% is more than a six-minute walk away from a bus stop.

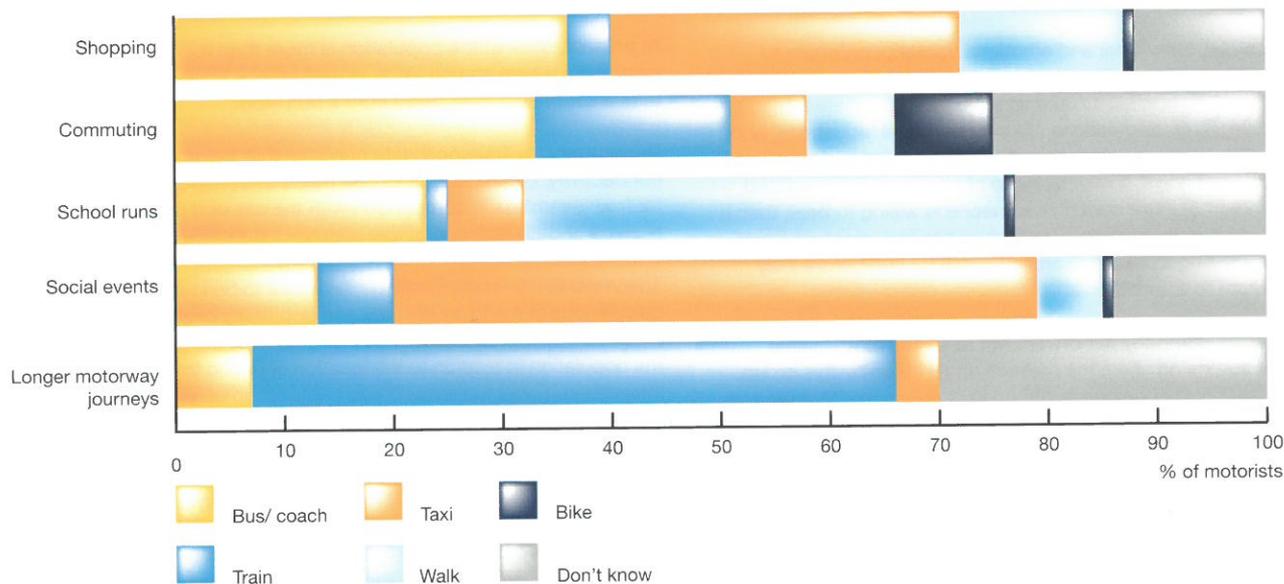
Department for Transport data confirms that trains have low connectivity, i.e. transfer from one mode of transport to another is far from seamless in comparison with the car, and that buses are seen as undesirable and of low status.

These are critical considerations that need to be in any government's calculations of the likely efficacy and popularity of attempts to switch people's transport modes. The combination of the geography of the population in relation to the location of public transport infrastructure and the widespread expectation of 'easy everything' and convenience in what we do leads many to simply leave public transport off their mobility agenda.

In addition, the level of 'Don't know' responses in answer to the question shown in the next chart (4.4.4) demonstrates that many drivers simply could not say how else they might travel if they did not have a car. Many drivers have simply become unfamiliar with public transport in general, and how to go about using it. In addition, the comfort factor of the car far outweighs the desire to travel with other passengers in the public domain. The desire to remain within the cocoon of the car presents for many the final and most powerful of the non-price barriers to switching modes.

If the British motorist is to be 'persuaded' to leave his or her car at home, their evaluation of that proposition will, quite naturally, focus heavily on the journeys they take most frequently and the alternative methods of transport available. Our representative sample of motorists was asked to consider the next best alternative means of transport for their most frequent journeys.

Figure 4.4.4
The next best alternative means of transport
for different types of journey



Source: RAC Report on Motoring 2004

The most favoured alternatives to using the car are, on the whole, the bus for more local journeys such as shopping and commuting and the train for longer journeys. Trains tend to be a more popular alternative for motorists living in city centres, especially in London and the South – particularly in relation to commuting, social events and longer motorway journeys. Scottish motorists would be more likely to switch to the bus or coach than other UK drivers, particularly for commuting and shopping. These answers clearly reflect the most effective public transport options on offer within regions. Generally speaking, company car owners are more likely to take taxis and, to a lesser extent, trains; private car owners are more likely to go by bus or coach.

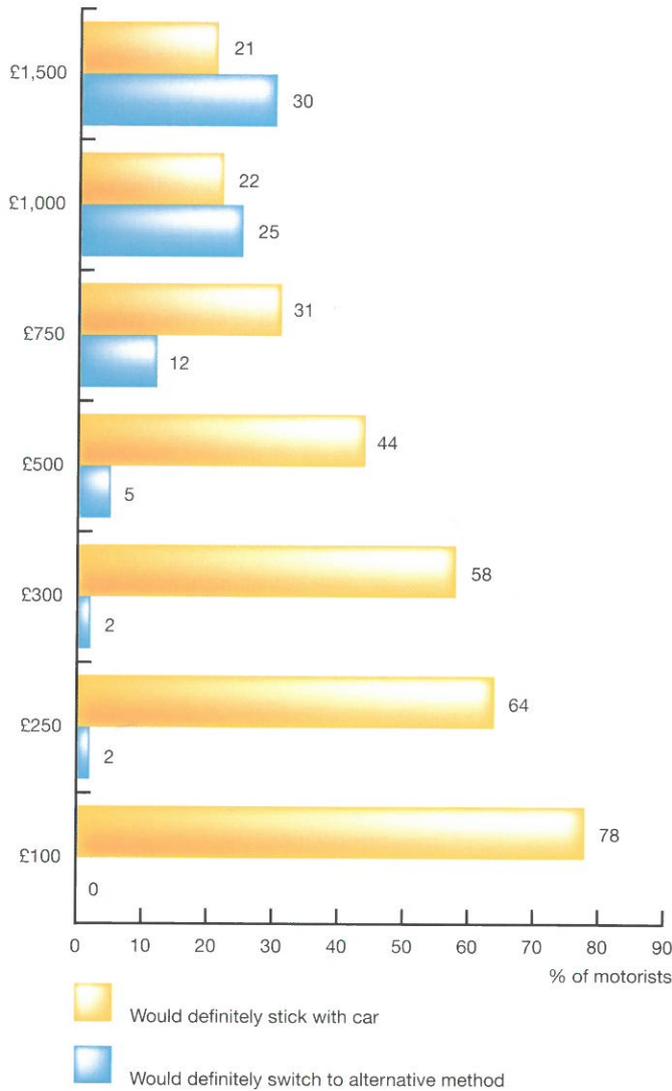
Past RAC research revealed that 85% of motorists never use buses or coaches, and 75% never use trains. According to the Commission for Integrated Transport, 26% of car users would be more likely to travel by bus if bus journey times were cut by half, although whether motorists could confidently estimate the times of bus travel given their lack of awareness about the alternatives available is unclear. Taxis are a popular alternative for social events and shopping, with walking a popular alternative for school runs, again demonstrating that many school run journeys are of a sufficiently short nature to warrant going on foot, although most are done by car. With the exception of commuting, going by bicycle is a wholly unpopular alternative means of transport.

Earlier in the Report we asked why so many discretionary trips were taken in the car. Noting that the taxi is the favourite substitute for social trips, and takes a third of the vote for shopping trips, we can see that the 'door-to-door' convenience of the car, and the security which it affords, unsurprisingly play a vital part when it comes to making transport choices.

Our Report also looked at how much motorists would be prepared to pay in extra car-related costs before they would consider switching to an alternative mode of transport. It is clear that for the British motorist's most frequent trips, even the best public transport option will rarely be considered as an attractive alternative.

Once again, drivers would have to witness significant increases in cost before they would leave the car at home. Figure 4.4.5 indicates that even if motoring costs to the individual were to increase by £1,500 per annum, only 30% of Britain's drivers would, at this stage, definitely see themselves switching to whatever they regard as the best public transport alternative. A further 20% see themselves definitely sticking to their beloved car, despite a cost increase of this magnitude.

Figure 4.4.5
Additional annual cost motorists would endure before switching to an alternative means of transport



Source: RAC Report on Motoring 2004

Although it is entirely predictable that faced with the prospect of a £1,500 increase in motoring costs, motorists located in cities would be more likely to definitely switch (36%) to public transport than their rural counterparts (24%), given the often poor levels of public transport provision in rural areas it is perhaps surprising that the gap between them is not greater.

It seems that views about public transport and the car are so entrenched that even very different transport circumstances cannot engender significantly contrasting reactions.

The main reason for sticking to the car was that it is needed due to nature of work or location of home. Previous RAC research has shown that 36% of commuters drive to work because they need to use their car at work. A third of motorists also stated that they found the car convenient; 20% would not switch due to unreliability of public transport. Again it is difficult to tell whether the motorist's knowledge of the unreliability of public transport is due to experience or perception.

As a cautionary point, it is worth noting that whilst improving public transport will not result in a mass migration of British motorists from the car to a coach bus or train, with a third of motorists unable to cut down on car use, the percentage of drivers agreeing that they would make the leap is at its highest point ever at 50%. This has increased from 36% agreeing in the 1992 RAC Report.

Figure 4.4.6
"I would use my car less if public transport was better":

	% of motorists who...		
	Disagree	Neither agree nor disagree	Agree
Total	33%	14%	50%
City centre	19%	24%	56%
Edge of town	36%	12%	49%
Rural	38%	12%	48%
Company cars	45%	18%	37%
Full time workers	33%	16%	49%

Source: RAC Report on Motoring 2004

Those more likely to switch include women, city dwellers and private car owners. The company car driver would appear to be a harder nut to crack with almost one third of this group disagreeing strongly with this assertion, presumably because of work commitments and the need for flexibility. Also of interest is the indication that those less likely to switch include 4x4 or off-road owners, MPV owners and motorists who live in Scotland. It is likely that MPV owners have higher occupancy of their vehicles so that swapping to public transport would not only be less manageable but also significantly more costly.

In response to an increase in motoring costs of over £1,000, approximately one third of all British motorists would still not be inclined to switch to the best alternative method of transport.

The 'reluctant switchers' were asked why they would prefer to part with over £1,000 rather than take an alternative method of transport. In addition to intransigent 'car-addiction', the main reason the British motorist would rather take additional financial pain is simply that he or she is not confident that alternative methods of transport would be anywhere near as convenient as their car.

Figure 4.4.7
Motorists' reasons for retaining the car

	% of motorists within...			
	Total sample	City centre	Edge of town	Rural
Need the car due to nature of work/location of home	43%	37%	40%	50%
Convenience of car	35%	41%	34%	32%
Unreliability of public transport	18%	12%	19%	18%

Source: RAC Report on Motoring 2004

Interestingly, rural motorists seem to rate the necessity of having a car far above the convenience that it affords. Perhaps this is because rural dwellers have lower expectations about the speed, regularity or reliability of public transport systems than their urban counterparts and work to less hectic schedules than those living in or near towns and cities?

4.5 Company cars and business use

The results of RAC's research indicate that amongst the most passionate relationship on Britain's roads is that between the company car and its driver. Under current circumstances, there is little to indicate that even a trial separation is on the cards.

Amongst our sample of British motorists 10% drive company-owned cars. Predictably, the cars themselves tend to be up-scale – 17% of the executive cars included in our research are company-owned while 10% of the upper medium class cars come into the same category. It is evident that today's company car has to work both economically and productively – 16% of all diesel cars and 24% of all the cars doing in excess of 13,000 miles per annum were company cars.

The vast majority (80%) of company car owners were in possession of the car because it was essential for their work while a further 11% considered the car as 'just useful' to have. The remaining 9% acknowledged that the car was purely a 'perk'.

Only 1% of the sample had actually relinquished a company car in the past two years. Albeit representing a very small sub-group of the overall research sample, these people most commonly relinquished their company car because of a change of job rather than a desire to take benefit in another form of remuneration.

The results indicate that company car drivers continue to be very attached to their vehicles with very little obvious inclination to sacrifice them. The single largest group (30%) stated that there was nothing that could be done to part them from their company car. Indeed, there is an indication that it would be more difficult to prise female company car owners from their vehicles than men – 38% of women stated that nothing would separate them from their car.

The company car driver perceives that he or she is paying £1,843 a year in income tax for the use of their vehicle. They anticipate that over the next two to three years, the amount of tax they pay will increase by 14.4% and they do not anticipate any other category of motoring cost to increase by a higher amount. It would appear that this particular group of motorists is less likely than almost any other to change their car driving or ownership behaviour – with a 'grin and bear it' cost increase threshold of £2,109, the sum is almost twice as high as the level at which the typical British motorist would take alternative actions.

Of the circumstances that potentially might separate the company car driver from his or her car, a change of job (28%) is most likely to be successful. Of the financial devices that might have influence, the incidence of an increase in incoming cash seems to be more persuasive than the prospect of more out-going tax – 24% claimed that a cash alternative could influence them while a further 10% might be influenced by increased tax.

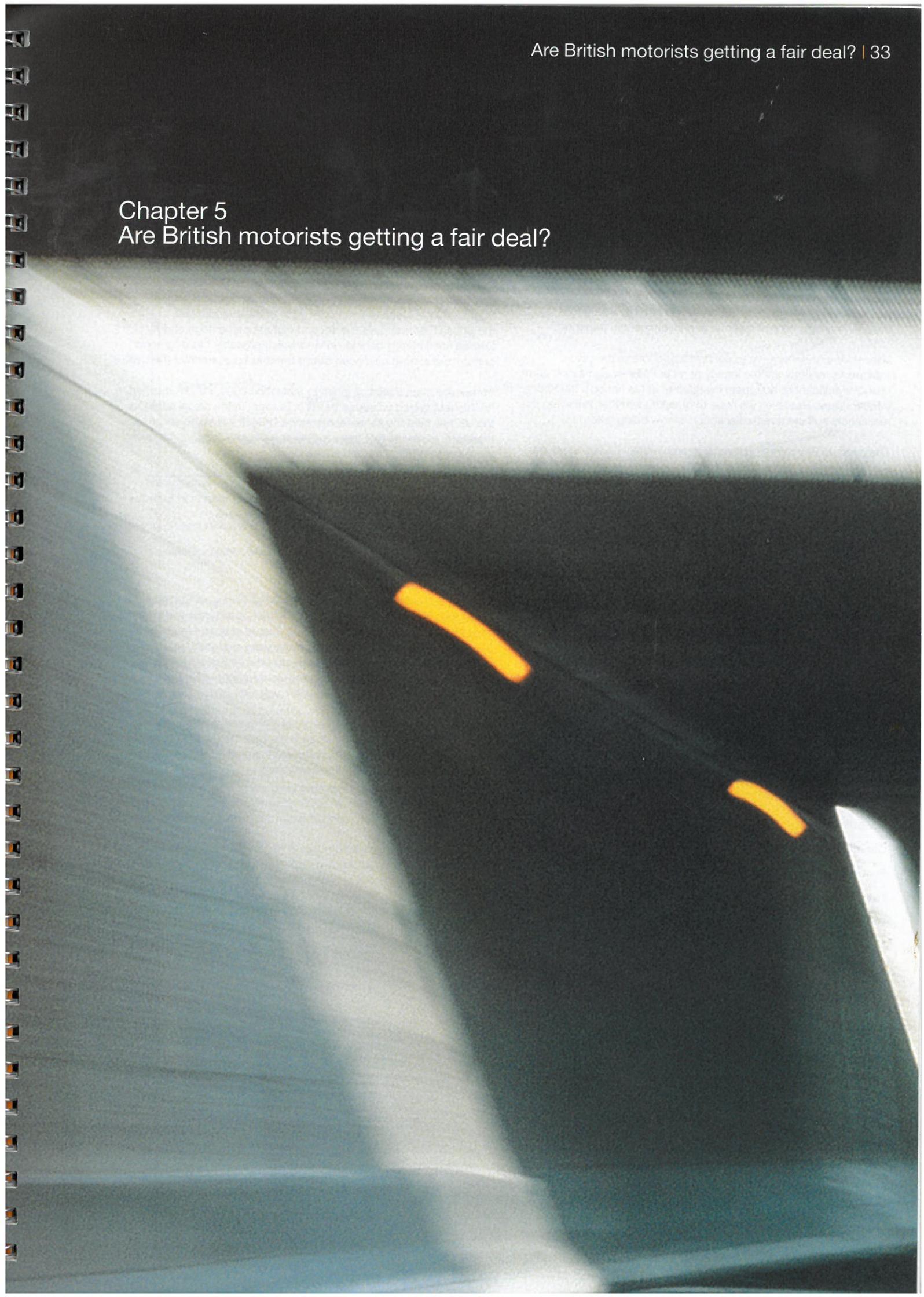
4.6 Conclusion

In conclusion, motorists have demonstrated that costs would have to bite very hard indeed for them to change their driving behaviour, although given the findings earlier in the Report regarding motorists' perceptions of costs, such a sum would have to be made very obvious to them rather than being hidden in incremental sums. Public transport still needs a radical image overhaul not only to persuade people of its merits and reliability, but also to educate drivers about its existence and format for usage.

It must also be understood that some motorists will simply never leave their cars at home, but clearly transport policy is striving for a balance, rather than an 'all or nothing' approach. However, raising revenues to the extent that many people are priced off the roads brings with it the problem of social exclusion and a two-tier motoring society.

Finally, in planning for use of the car, it becomes clear from drivers' attitudes that the car is seen as virtually essential for certain types of journey, and to get to particular places, such as out of town shopping centres or meetings. It is highly unlikely that we will choose not to have the option of a car open to us in the future, rather that we should be encouraged to cherry-pick our method of transport depending on its suitability for a journey.

Chapter 5
Are British motorists getting a fair deal?



5.1 Introduction

In assessing the 'fairness' of individual motoring cost structures, it is meaningful to consider motoring costs in a broader context. In this section of the Report on Motoring we start by putting motoring costs into a UK economic framework. We also make some comparisons between the UK and its leading European partners in order to identify the prudence or otherwise of our broader management of revenue and investment in transport.

These comparisons serve to confirm that some of the UK's transport problems are the legacy of recent history and a long-term lack of significant or adequate investment in the nation's transport infrastructure. However, we have to question whether, following this realisation, sufficient remedial action is now being taken.

The average British motorist pays approximately £1,000 in tax per annum through the medium of car usage. If drivers were alerted to this level of taxation, would they be more interested in knowing whether the Government is effectively investing the majority of this revenue directly back into the transport infrastructure, and whether such expenditure was achieving value for money?

5.2 Revenue generation

It is apparent that many categories of UK motoring cost have increased at well in advance of the national rate of inflation. Since 1992, the Retail Price Index has risen by 27.3 points (comprising both consumer prices and inflation). The table below was shown in Chapter Three, but now also includes price rises in bus and rail fares in the UK since 1992.

Figure 5.2.1
Percentage price change of transport costs since 1992

Car purchase	-5.5%
Car maintenance	+51.5%
Fuel and oil	+62.2%
Tax and insurance	+61.4%
Rail fares	+44.5%
Bus fares	+42.8%

Source: RPI

Although the rate of increase for rail and bus fares trails car-related costs, it could be argued that these public transport options have not been priced to attract the car driver who may consider changing modes of transport.

Between 1990 and 2001 the Family Expenditure Survey indicates that household expenditure on fuel has almost doubled, increasing from £7.80 per week to £15.80. At 73% of the overall price, the British motorist pays the second highest percentage of duty in Europe (trailing only behind Holland which arguably has a 'greener' culture and a more advanced public transport system than the UK).

European Union statistics indicate that since 2000, the UK has had the highest priced unleaded petrol in Europe. In the diesel category the UK has held the same record since 1994. It will be no surprise, therefore, to realise that there is only one country, Italy, which raises more tax in total from fuel than the UK.

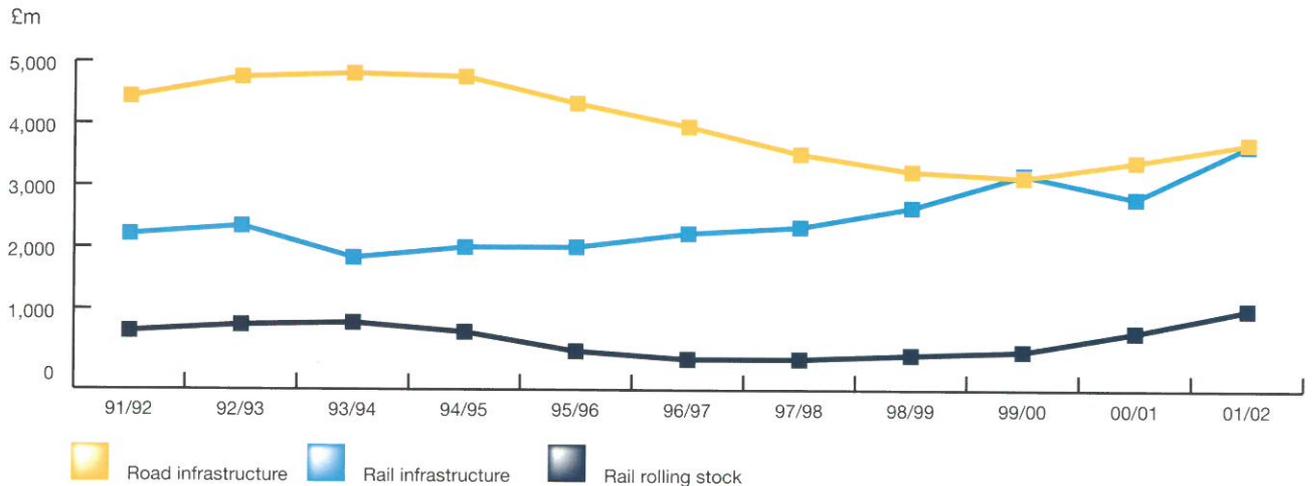
According to Commission for Integrated Transport statistics for 2001, the UK motorist is the fifth highest taxed motorist in Europe behind Netherlands, Finland, Denmark and Ireland.

5.3 Investment

Figure 5.3.1 illustrates figures from the 2003 Transport Statistics for Great Britain. Of the £42 billion-worth of tax raised from the motorist, over £3.7 billion per year is currently invested in road infrastructure (about a third of which is spent on motorways and trunk roads, the remainder on local roads). Many motorists consider this to be an unfair burden upon them, with the Government being seen to subsidise the rest of the economy through ever-increasing car taxes.

Whilst levels of public road investment increased in 2001-2002, they are still some 25% lower than in the mid-1980s. Private road investments have continued to represent a relatively small proportion (around 1%) of total investment.

Figure 5.3.1
UK road and rail investment since 1991



Source: Transport Statistics for Great Britain

£3.7 billion per year is spent on railway infrastructure. Investments in both rail infrastructure and rail rolling stock have increased steadily since the early 1990s, mainly due to privatisation, with current levels of spend now some 60% higher. Given this increase it is ironic that privatisation should have attracted such a hostile press. The UK government also subsidises 32% of the running costs of the nation's bus services. That said, the UK has the lowest subsidies for bus users of any European country, with people in other EU countries receiving as much as 70% in subsidies for their bus services.

Furthermore, although public transport operators in the UK achieve the lowest operating costs per vehicle km, they charge the highest fares in Europe. A typical trip by any mode of transport in Britain costs 15% more than in Germany, 60% more than in France and nearly three times as much as in the Netherlands.

The FIA Foundation's figures tell a slightly different story: they estimated that government investment in UK roads is equal to roughly 20% of the amount of total motoring taxes collected. Spend on all modes of transport equals approximately 25% of this total amount, corresponding to around 0.6% of the nation's GDP; in France, Germany, Italy and Spain, at least 1.1% of GDP is invested in transport.

Figure 5.3.2
EU comparisons of levels of investment in transport

	FIA Foundation figures		CfIT figures	
	% of motoring tax amount spent on roads	% of motoring tax amount spent on all transport modes	Investment as % of GDP	Approx. annual investment – euros per capita*
UK	20%	25%	0.6%	161
Spain	25%	50%	1.2%	175
France	50%	100%	1.1%	237
Germany	<50%	<100% after 1990	1.2%	272
Italy	–	–	1.3%	147

(* Denotes average investment over six-year period from 1990-1995)
Source: FIA Foundation / CfIT

Transport investment in the UK is lower in terms of percentage of GDP, and in absolute terms of euros per capita. Commission for Integrated Transport figures show that whilst the UK government invested an average of 161 euros/per capita/per year between 1990-1995 (with similar sums spent in both Spain and Italy), the French government spent almost half as much again and the German government some two-thirds more. In the same way, between 1975-1995, the UK spent £30 billion less than the EU average on transport infrastructure, and £60 billion less than either France or Germany. Conversely, as we have already seen, the UK's bus service receives the lowest government subsidies of any European country, at 32% of the running costs; in other EU countries this figure is as high as 70%.

5.4 How UK motorists would allocate taxation

There is a clear indication from the British motorist that they expect motoring taxes to be used to solve our transport problems. The table below illustrates that this opinion is held more fervently by drivers who pay the most motoring-related tax.

Figure 5.4.1
 “I wouldn’t mind paying so much in car taxes if the money raised made driving easier”:

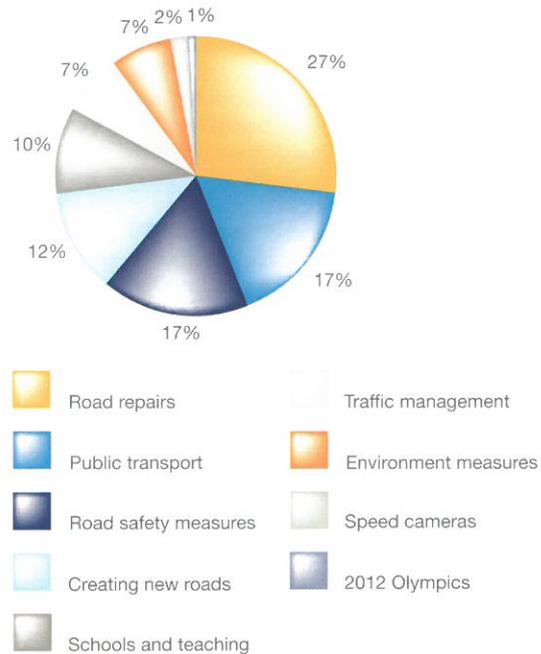
	% of motorists who...		
	Disagree	Neither agree nor disagree	Agree
Total	17%	24%	57%
Company car drivers	13%	23%	63%
Private car drivers	18%	25%	55%
Up to 6000 miles	16%	21%	59%
6000 – 9999 miles	23%	29%	48%
10000 – 12999 miles	20%	22%	57%
13000 miles or more	10%	25%	64%

Source: RAC Report on Motoring 2004

In order to get a sense of how British motorists would like to see their taxes deployed, our respondents were invited to allocate an imaginary £100 of their motoring taxes to a varied assortment of causes.

Figure 5.4.2 reveals the way in which the British motorist would distribute taxes in order to feel that the use of motoring tax revenues was equitable.

Figure 5.4.2
 Motorists’ preferred allocation of motoring-derived taxes



Source: RAC Report on Motoring 2004

Christopher MacGowan, Chief Executive, Society of Motor Manufacturers and Traders

“Motorists recognise and accept that action to tackle congestion needs to be discussed now, not in five or 10 years’ time. In the very short-term improved traffic management and information systems that focus on maximising the use of the existing system must be the priority.

Charging systems may have a role to play in the future, but to be accepted, it is essential that the revenue generated is dedicated to transport solutions; motorists need to recognise that the funds they pay are being effectively used to improve the transport network.”

In the mind of the British motorist, it is clear that by far the highest priority should be the maintenance of the existing road and highway infrastructure. The results indicate that road maintenance appears to be an issue of particular significance in Scotland. Respondents in this region allocated 35% of their imaginary 'tax funds' to this application while across Britain as a whole, motorists earmarked 27% for this purpose.

It can also be seen that city dwellers are relatively less sensitised to the need for road repairs although they display the greatest interest in investment in traffic management systems to ease congestion.

Across the country as a whole, investment in road safety measures and public transport occupy joint second place in the priority ranking although various regions appear to display slight preferences in one or other direction. Scotland is the only region where investment in public transport would appear to be a minor issue in comparison to other options. It is interesting to see that motorists would like to see more investment in public transport rather than creating new roads, demonstrating that drivers do take a holistic approach to transport solutions.

In terms of investment in new roads, Scotland is once again the only region that deviates significantly from the national pattern. While across the country as a whole the British motorist would like to see 12% of their taxes spent on new road creation, Scottish motorists would like to see 17% of their fund allocated to this activity.

It is clear that all British motorists are uniformly of the opinion that the spread of speed cameras requires little or no further encouragement. An allocation of just 2% could reflect either a sense that the penetration and influence of speed cameras is close to its acceptable limit, or simply that each of the other applications were seen to be more deserving causes than speed enforcement.

RAC included non-transport related applications of funds in order to detect the extent to which the British motorist felt that motoring taxes should be used exclusively for providing transport solutions.

In choosing to allocate 10% of their funds to schools and teaching there is an inherent acceptance by the British motorist that taxes raised through the car can and should be used to develop other important aspects of our social structure.

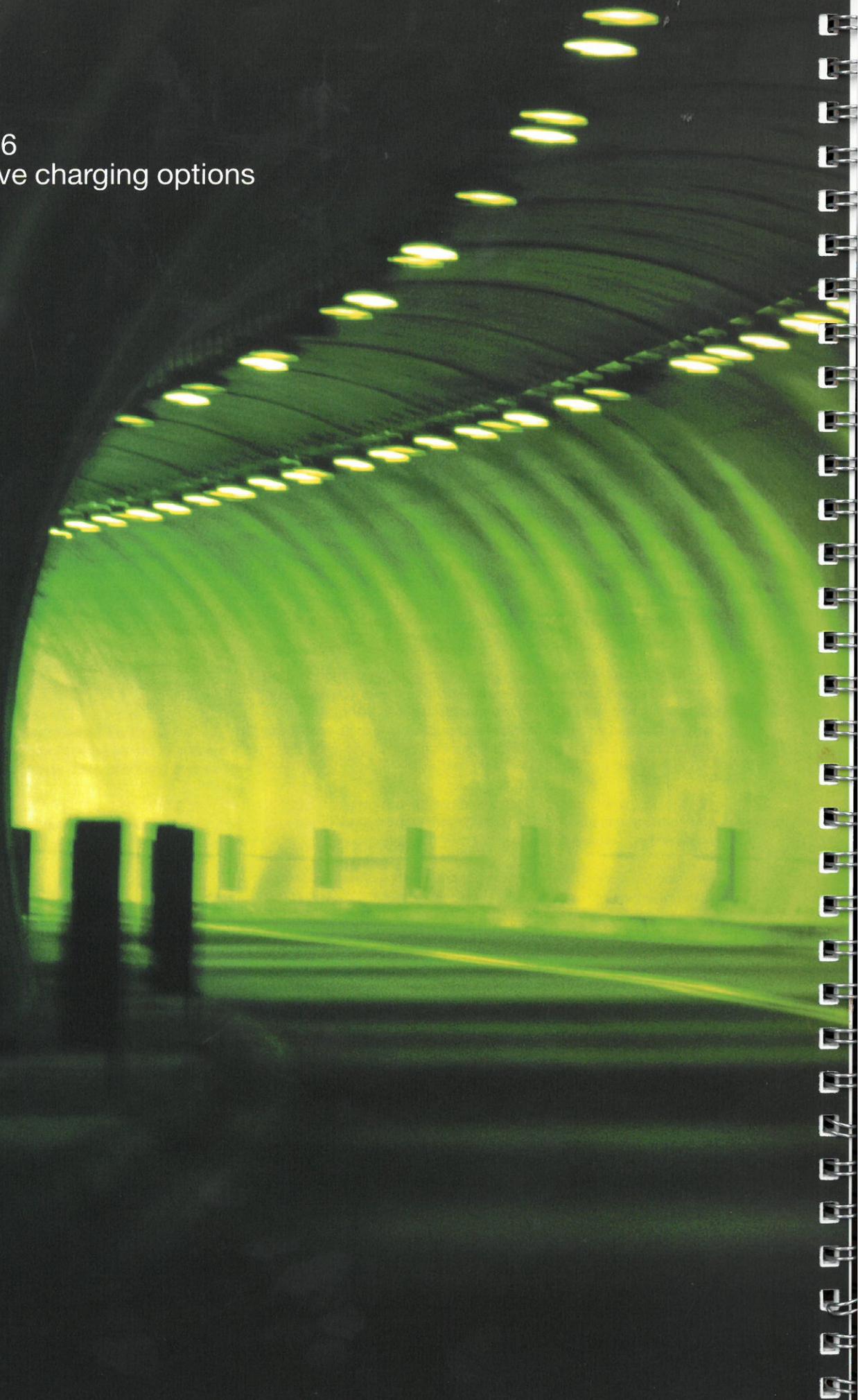
When considered on a percentage basis, the allocation of 1% of funds to the London Olympic bid would indicate that there is limited tolerance of motoring taxes being applied to activities that may not be widely considered as critical to the well-being of the country. However, 1% of all motoring revenue would amount to £420m, enough in fact to fund one fifth of the costs of a 2012 Olympic Games hosted by London.

It is reasonable to conclude from this hypothetical allocation of motoring taxes that the motorist expects the vast majority (90%) of money raised to be kept in the transport environment. Indeed, a literal interpretation suggests that the British motorist expects almost 75% of those funds to be spent specifically on road and traffic-related measures.

5.5 Conclusion

As in previous Reports, RAC's research highlights the personalised opinions of the British motorist. Drivers would pay more in taxes if their driving conditions were improved, and would ideally like to see their revenues going on improving the roads. But we do not get a sense that drivers see themselves and their own behaviour as part of the problem, nor that they are currently inclined to consider alternative methods of transport. It is difficult to see how we can maintain the road network and improve traffic flows with the current demand from car drivers, without putting in place some type of mechanism to deter some motorists from driving some of the time. The next chapter investigates various charging options and motorists' reactions to several concepts.

Chapter 6
Alternative charging options



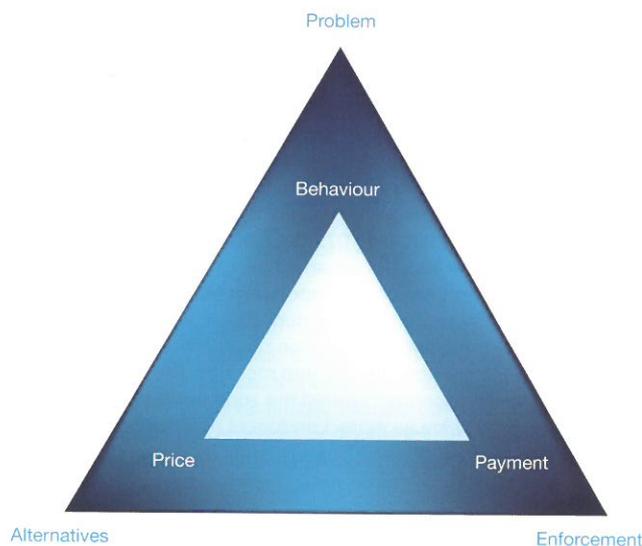
6.1 Introduction

We have seen that motorists are generally unaware of the full costs of motoring. We have also seen that the real cost of motoring overall has remained fairly constant, notwithstanding the fact that running costs have spiralled. At the same time, public transport in the UK is amongst the most expensive in Europe and has increased in cost in recent years. So, we are faced with the problem of how to design and implement a motoring taxation system that is both fair and actually brings about a change in behaviour. If the solution was simple, then clearly it would have been implemented many years ago.

In considering much of the available published data, and taking account of how British motorists behave in their cars and relate to their costs, it is possible to identify six key effectiveness measures that warrant careful consideration when devising charging mechanisms.

These six measures operate at two levels. The outer pyramid has at each point 'macro' or external factors that relate to broader issues within which any mechanism needs to operate. The inner pyramid contains 'micro' or individualised factors that relate specifically to the charging mechanism and the behaviour it is trying to achieve from motorists.

Figure 6.1.1
Key effectiveness measures



Source: RAC

6.1.2 External factors

These factors are ones which governments must seek to change or influence – they are too large for individual motorists to react to or believe that he or she is making a positive difference towards.

Both politically and morally it is important to apply a solution that is proportionate to the **problem**. Although the London congestion charge may not have been greeted by all Londoners with a welcoming cheer, there was a recognition that the same streets had gradually ground to a halt, requiring urgent action. This, and congestion in general, is not a problem that individuals think can be solved by their own action alone. It presents the so-called 'free-rider' paradox: it is not worth any single motorist stopping their drive into London because this would make no discernible difference to the problem. Where free-rider problems are present, individual actions are not necessarily any guide to public preferences; as the London congestion charge experience may suggest, if we are all forced to change behaviour we get the result that no one driver would undertake individually, even if strongly incentivised by price or similar mechanisms to do so.

From political and practical perspectives, the introduction of any road or congestion charging mechanism must be accompanied by the provision of an **alternative** means of transport for motorists that is both credible and effective. Without a suitable alternative transport system, traveller frustration is increased but the size of the problem is not reduced.

Unless a charging or taxing mechanism is both **enforced** and seen to be enforced, there is a danger that it cultivates in the mind of the motorist a contagious lack of confidence in the whole system. Tax discs are recognised as a method of taxation that is currently easy to avoid while even photo-based systems such as London's congestion charge scheme are open to abuse by those intent on registration plate 'cloning', or simple non-payment of the charge.

6.1.3 Individual factors

These factors are determined by the approach of individual motorists to the problem based on their own preferences, personal circumstances and **behaviours**. The factors are highly inter-dependent and, when price and payment methods are blended subtly and creatively, they are capable of achieving either revenue raising or behavioural objectives depending on what the true agenda of the regulating authority might be.

The British motorist presents an interesting dilemma to those charged with managing our country and our roads. It is very clear that the motorist is, currently, wedded to his or her car, with little or no sign of a cooling in the relationship. It is equally clear that the average motorist would be prepared to pay the **price** and sacrifice considerably more of their cash in order to keep themselves and their automotive partner in the style to which they have become accustomed.

The psyche of the motorist seems to tolerate significant increases in motoring costs as long as the financial pain is delivered under the 'anaesthesia' of a simple and easy method of **payment**. As long as drivers do not have to dwell for too long on the sums involved and the transfer of funds is easy, they can choose to consign the actual cost to their deep subconscious.

Professor David Begg, Chairman,
Commission for Integrated Transport

“The cornerstone of a good congestion control mechanism is a combination of integrated land use and transport planning, complementary parking policies, road pricing and good public transport alternatives. Roads are the only public utility that are free at the point of use. You do not see the same gridlock at ports, airports or train stations. The reason is the flexible pricing mechanisms, which encourage people to stagger their journey times or look at other alternatives.

CfIT's research into national road pricing showed congestion could be cut by up to 44% without giving a single extra penny to the Treasury. The revenue raised from charging would go to cut fuel duty and eliminate Vehicle Excise Duty.

On any national road charging scheme, it will be important that drivers are charged either through a prepayment mechanism or are invoiced over a given period. The alternative would be to cause more of the very congestion we are seeking to reduce. However, it will be important for drivers to know the cost and time of a journey, by road and the alternative modes, before making a choice about how and when to travel. Easy access to real-time information, before someone sets off from home and on the journey, will be essential for charging to be effective.

At the same time, technology is helping to restore confidence in public transport. For the public to accept alternative charging mechanisms, there has to be transparency and independent management, sufficient for motorists to know that the charges are fair and are set to manage congestion, not just to raise revenue.”

6.2 Tackling congestion

It is a truth increasingly acknowledged that we cannot simply build our way out of congestion. Whilst congestion may be eased as a result of road infrastructure improvements – such as building bypasses, making junction improvements and creating climbing lanes – other measures may include making more effective use of existing roads – by using, for example, variable speed limits on motorways, high occupancy vehicle lanes and narrow lanes to increase the use of existing road widths – reducing car dependency, providing better public transport services and controlling access through road-user charging.

Historically, motorists have displayed reluctance and hostility to road-user charging, but as congestion worsens there are signs that they are becoming more amenable to change. Although they are complex to design and implement, road-user charging schemes are feasible and inevitable, and are already being used extensively across Europe (for example tolled ring roads around Oslo and Trondheim in Norway, and tolled motorways in France, Spain and Italy). Levels of public acceptance are dependent upon a variety of factors including the purpose of the system, how beneficial it is perceived to be, the amount and collection method of the tolls, the burden placed on lower income groups¹⁸, how the revenue generated is invested and current levels of taxation.

6.2.1 The London congestion charge: a case study

With traffic levels expected to grow at 4.5% per annum for the next 20 years¹⁹ and roads in London already travelling at the woeful average of 3mph, the Mayor of London, Ken Livingstone, announced an unprecedented scheme in 2001. The London congestion charge was conceived in order to deal with what most Londoners considered to be a desperate situation. On 17 February 2003, the scheme was finally introduced. In an effort to ease the capital's severe congestion problems vehicles are charged £5 to enter the charging zone between 07.00–18.30, Monday to Friday. Nearly a year down the line, the scheme has, overall, proved to be a success. Transport for London has reported a 16% reduction in the number of vehicles entering the zone during charging hours and a 30% reduction in traffic delays inside the zone. Journeys to, from and within the zone are now quicker and more reliable, and no significant traffic displacement around the zone has been observed. Furthermore, nearly twice as many Londoners now support the scheme as oppose it (50% vs. 30%).

Ironically, the scheme has been far more effective and has removed far more cars from the road than was predicted – the upshot of which is that net revenues are lower than envisaged. Nonetheless, the scheme is still expected to generate around £80 to £100 million per year which will be spent on transport improvements – buses (65%), road safety (33%) and CCTV cameras (3%). Additionally, whilst Transport for London anticipated that 75% of transport ‘switchers’ would make use of the newly improved bus services (with more buses, new routes and lower fares), the majority have actually changed to the Underground.

An unforeseen consequence of the scheme’s introduction is a negative impact being felt by some parts of London’s economy. Many retailers within the zone have complained of reductions in trading since February 2003, though the war in Iraq has led to fewer tourists and visitors coming to London, and a general economic downturn has also meant that some businesses have suffered leaner times. The complexity of building and running the scheme is also something that has been viewed with suspicion by many commentators. Many major towns and cities have been watching the roll-out and maintenance of the scheme in order to consider options for similar charging mechanisms in the future.

In summary then, although it is still early days since the introduction of the congestion charge in London, it seems to have had the desired effect of reducing traffic volumes and congestion in the capital. However, long term patterns of public transport usage and the overall impact on the economy are yet to be determined.

6.3 Opinions of ‘familiar’ taxation mechanisms

In order to understand how the British motorist relates to the various methods of motoring taxation, we invited our representative sample of respondents to characterise the views they have of tax discs, fuel duty and road tolls. Their reactions reveal much about what influences their behaviour. At one extreme, low value taxes with convenient payment methods will not affect motoring behaviour or encourage drivers to leave their cars at home.

The most effective answer to encourage motorists to make alternative transport consideration does not come from a steady increase in taxes. If the desired outcome is to reduce traffic rather than solely increase tax revenues, then the optimum solution seems to lie in combining an emotionally significant sum with a payment task that requires both time and thought by the driver.

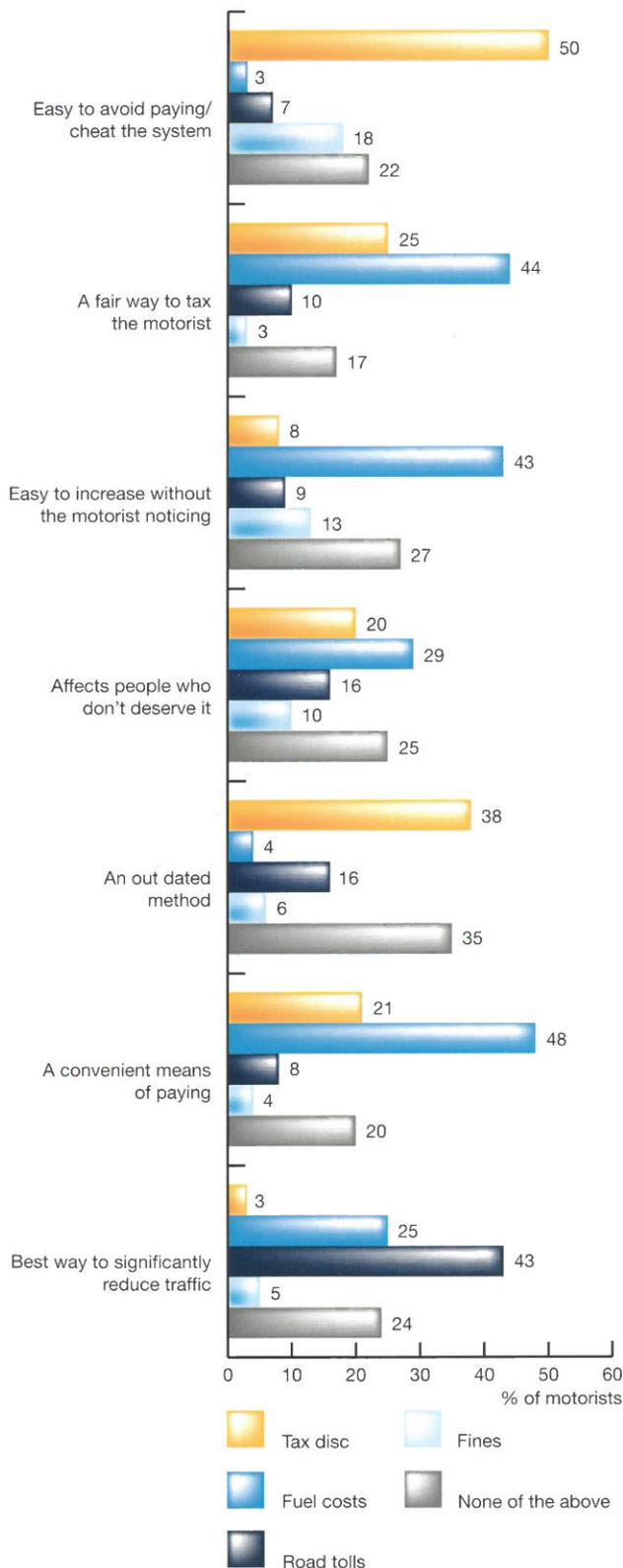
Lynne Featherstone, Chair, Greater London Authority Transport Committee

“Once upon a time, no one thought anything of drinking and driving. Now it is completely unacceptable and irresponsible to do so. The real change to irresponsible car usage can only come from social change where it is no longer acceptable to use your car whenever or wherever you want. It is a tough challenge and there have to be viable public transport alternatives available – but it is the only way forward for future generations. Such change is only achievable by leadership and policies which insist on this direction.

As to extending congestion charging, my own view is that it needs to grow up and become a far more sophisticated tool for managing traffic hot spots wherever and whenever they occur in London. The use of Global Positioning Satellite technology has to be the way forward so that different locations which suffer real problems can be tackled by targeted pricing of demand to shape our traffic flows in terms of location, time of day or day of the week.

With a policy that charges for car usage at critical points and times, people will begin to consider their use of the car – and the social change that is needed will then begin.”

Figure 6.3.1
Motorists' opinions of familiar
taxation mechanisms



Source: DfT

6.3.2 The tax disc

Is the good old tax disc a quaint but ineffective device? The reactions of British motorists serve to question the relevance and effectiveness of such a taxation method in the 21st century. The majority of the RAC sample considers the tax disc to be a tax obligation that is easy to avoid. Although having to bring proof of insurance and road-worthiness at the time of purchase may be an effective enforcement for the majority of law abiding drivers, it is a completely ineffective means of regulating the costly body of drivers driving around in uninsured cars that are often in an unsafe state of repair. Current data shows that there are one million cars on our roads that are untaxed, uninsured and without an MOT. A sizeable 41% of respondents now consider the tax disc to be out-dated. Although the cost of even a six month tax disc represents an emotionally significant sum in the context of, say, a tank of petrol, the 'pain' is soon forgotten. It is entirely understandable, therefore, that the tax disc is also considered to be least effective at having any impact on reducing traffic. However, new measures introduced by the DVLA in 2004 are intended to use technology to combat the problem more effectively.

6.3.3 Fuel duty

In the eyes of the British motorist, fuel duty may be evocative but it is also seen as the most equitable method of taxation. After all, fuel tax is paid at the point of use by all motorists and the more you drive, the more you pay. There is no easy way that the 'uninsured problem motorist' can dodge this duty if buying fuel in the UK.

There is, however, an apparent paradox that fuel duty is capable of administering more financial 'pain' in the course of a year than other forms of taxation but in a manner that effectively 'anaesthetises' the sensation for most motorists. This is perhaps indicated by the fact that 43% of respondents recognise that it is the easiest way to increase tax funds by 'stealth' while only 26% consider fuel duty to be an effective means of reducing traffic. We have also seen earlier in the Report that motorists find it difficult to estimate how much they spend on fuel on an annual basis.

6.3.4 Road tolls

Road tolls and congestion charging seem to be recognised as the most invasive method of motoring taxation. If there is a desire to hold the attention of the motorist, then this seems to be an effective mechanism! Road tolls are not considered easy to avoid and very few see the mechanism as 'fair' or convenient to pay. However, as this taxation method is seen to be by far the most likely to reduce traffic congestion, it is clear that the mechanism is capable of getting directly in front of motorists and perhaps influencing behaviour. The example of the successful reduction in traffic in London since the introduction of the congestion charge is evidence of that fact.

In short, the successful management of Britain's transport infrastructure depends on optimising the balance between imposing financially 'efficient' fuel duty and the 'invasive' but politically risky mechanism of road user charging. Government must tread carefully as road user charging is clearly an emotive issue and one that in effect erodes motorists' freedom to drive.

6.4 Views on taxation principles

Predictably, the British motorist uses some detached logic when cast in the role of 'motoring taxation architect'. In his or her eyes the blunt, imprecise tool that is the tax disc has had its day – although the DVLA's new measures of automatic fines for cars without an up to date disc had not been introduced when these responses were given – but there is not a great deal of enthusiasm for going completely to the other end of the spectrum and adopting an electronic system capable of measuring accurately and equitably the amount an individual drives, and taxing them accordingly.

Putting the precise taxation device to one side, it is also clear that when invited to think more conceptually about taxation principles, around half of motorists specifically agree that the environmental impact of their car should form a core criterion in determining taxation tariffs.

Drivers are, however, slightly more assertive in their agreement that essential workers – such as teachers, nurses and the emergency services – should get some relief from taxation measures that are put in place for the country's motorists as a whole.

Issues of privacy also create problems for a charging regime, as the majority of motorists would not like to have their vehicles tracked, although a similar proportion would accept road user charging. Charging without the use of satellite tracking would make the payment mechanism more obvious to the motorist and perhaps would therefore be more effective at reducing the number of cars on the roads.

Figure 6.4.1
Attitudes towards a variety of taxation and road charging principles

	% of motorists who...		
	Disagree	Neither agree nor disagree	Agree
I think car taxes based on the effect the vehicle has on the environment are the best idea	21%	28%	49%
The tax disc should be abolished in favour of charging by how much you use the roads	26%	16%	56%
I oppose any technology that allows anyone to monitor the movements of my vehicle	25%	16%	57%
I think that essential workers who need to drive (e.g. nurses) should receive significant discounts off motoring taxes	27%	18%	53%

Source: RAC Report on Motoring 2004

6.5 Some hypothetical mechanisms

In order to invite the British motorist to confront and consider some more radical options than they have been exposed to so far, RAC formulated some hypothetical taxation mechanisms. These were created partly by emulating taxation tactics that are used elsewhere in the world and with a view to concentrating revenue generation through a single or reduced number of sources – potentially releasing monies spent on tax collection for investment elsewhere. The characteristics and rationale behind each of the four mechanisms are described below.

All tax put on the tax disc

- £1,000-£3,000 fee based on size of car
- Payable monthly by direct debit
- No road charging anywhere
- All duty removed from fuel

This is a mechanism that presents upfront an emotionally very significant sum but in a form that is easy to pay and that does not directly impact on driving behaviour.

Tax levied via electronic road charging

- Automatic remote detection of road usage
- £2 to drive on motorways, £4 to drive on A roads, £6 to drive on town ring roads
- 50% discount for charges at off-peak times
- Charges billed monthly
- No tax disc
- All duty removed from fuel

This is an easy to pay mechanism, entirely oriented towards charging on the point of use, that uses variable pricing to finesse driving behaviour.

All tax levied on fuel

- Add 10%-20% to today's fuel charges
- No road charging
- No tax disc

This is a more punitive version of a familiar mechanism that obviates the need for revenue generation through the tax disc while arguably being the device that is linked most sensitively to vehicle usage.

A daily usage charge

- A flat charge is levied for each day the car is used
- The charge will be £5-£10 a day dependent on car size
- No tax disc
- No fuel duty

This is a blunt device based on incidence of usage rather than extent of usage.

It can be seen from Figure 6.5.1 that the British motorist has a decisive preference for fuel-based charging. Indeed, the balance of opinion for each of the other three mechanisms is strongly negative.

It is perhaps no great surprise that motorists opt for the fuel-based mechanism although their reactions are probably motivated less by tradition and more by emotional comfort.

Figure 6.5.1
Attractiveness of alternative
taxation mechanisms

	The tax disc	Electronic road charging	Fuel-based charging	Daily usage charge
Support	25%	24%	64%	14%
Oppose	61%	64%	26%	71%
Unable to say	13%	12%	10%	15%

Source: RAC Report on Motoring 2004

6.5.2 The tax disc

Although no major sub-groups within the British motoring public come out in favour of this mechanism, it can be seen that higher mileage drivers and owners of cars with large engines appear slightly more favourable to the concept, doubtless suspecting that this fixed-cost approach might provide some relief from current usage based charging schemes.

At 41% by far the most common reason cited for rejecting the tax disc mechanism was that it appeared 'too expensive.' When presented as a single 'large' sum, it is clear that the British motorist's mental processing of such a proposition results in a negative reaction. Psychologically, it is possible that the single large sum has more emotional impact than the tax constituents included in the perceived fuel spend of £1,000 a year and £149 on a tax disc. One route to catch the attention of the motorist, therefore, is to bring single large sums up front rather than have a number of almost inconsequential sums that might add up to the same value over time.

6.5.3 Electronic road charging

The level of negativity towards this mechanism is very uniform across all of the key sub groups within the British motoring public. Only luxury car owners demonstrated any enthusiasm (17% declaring strong support) while drivers over 55 years (41% strongly oppose) and MPV drivers (67% against the mechanism) communicated incremental concern.

Amongst the relatively small percentage of motorists who were positive towards the mechanism, the most frequent (15%) reaction was what they regarded as the fairness of the mechanism. Interestingly, it is groups spending most on motoring who are particularly likely to recognise the equitability of the mechanism – high mileage drivers (18%), luxury car owners (23%) and other larger engined car owners. In common perhaps with city centre dwellers (19%), it may be argued that such groups may consider themselves somewhat immune from the financial impact of such a system.

For those opposed to the idea, the most prevalent (29%) reason cited was once again the likely expense of such a mechanism. As British motorists reflect on the amount of commuting and shopping trips they undertake, there is clearly a fear that such tracking would have a significant impact on their motoring costs. While higher income motorists unsurprisingly appear the least concerned (23%) about the costs, the issue becomes more of a preoccupation with lower income groups.

There was also some concern at what some motorists saw as a loss of privacy. Interestingly, company car owners demonstrated greatest sensitivity to this issue – 22% of this group expressed concerns about privacy compared with 16% of the total sample. Motorists from rural locations also demonstrated slightly higher sensitivity to the privacy issue with 20% of this group perceiving this drawback.

6.5.4 Fuel-based charging

Almost two thirds of motorists support a fuel-based charging system, even with a potential increase of 10%-20% in costs. While 26% of our sample of motorists reacted negatively to the mechanism, the most negativity comes from predictable directions, namely luxury car owners (39%), 4x4 owners (33%) and company car drivers (39%). Given the fuel protests of 2000, the overall reaction is rather unexpected and suggests that if motorists were given clear explanations for fuel price increases, coupled with a greater understanding of the costs of motoring, they might not feel so hard done by when fuel prices go up. The outcry each time fuel prices are raised seems totally at odds with the rational approach taken by our representative sample of motorists. The most common reason given in support of the fuel-based charging system is its fairness, with 50% of proponents citing this reason. Interestingly, a further 10% of proponents, usually those doing a low annual mileage, considered that under this regime, motoring would work out cheaper for them.

We should note here however that the 'fuel' option was chosen from four scenarios which offered an alternative to the status quo. A key reason for the popularity of this option is that it fulfils both equity and environmental criteria without appearing to be as fiscally punishing. In addition fuel is a familiar mechanism and such taxation does not require overt enforcement. Once again, the 'anaesthetic' impact of the option is apparent.

The lesson for government is that a public education in the alternatives and a 'Big Conversation' with the motorist is in order. If the Government can simulate conditions similar to those applied in our survey they may get motorists to accept this option. However, such an approach would not take into account the Government's leanings towards road-user charging, which aims to tackle congestion, and which the fuel option would not achieve as effectively. Government may well not want to persuade motorists to accept a 'fuel-based' system given the clear paradox between the need to remove drivers from the roads and the need to raise revenue effectively. Indeed, this is not a route that RAC would recommend taking.

6.5.5 Daily usage charges

This mechanism achieves the lowest acceptance amongst motorists, with 71% expressing opposition to the mechanism. With a view to frequency rather than distance travelled, respondents in the 10,000-12,999 mileage bracket were more likely to react negatively to the mechanism with 77% opposing it to some degree. MPV owners were almost equally negative to this mechanism – 76% opposed the mechanism to some degree and only 8% of the same group expressed any support (against 14% of the total sample). Once again it would appear that focus around incidence of use rather than distances travelled attracts a negative reaction from motorists.

It is clear that when asked separately to state which of the four mechanisms would be the most effective means of dealing with Britain's congestion problems, personal interests loomed large in the mind of the motorist. On the face of it, personal preference would seem to be perfectly aligned with the needs of the country. Even though motorists come down clearly on the side of fuel-based charging, there is an indication that the company car owners, high mileage drivers and owners of top end cars exhibit more acceptance of an electronic system.

6.6 Pay-as-you-go motoring

In April 2003, the European Commission proposed that all road-user charges should be being paid electronically by 2010. Fitted with a 'black box,' every vehicle will be tracked by satellites (making use of Galileo – Europe's global navigation system), enabling drivers to be charged according to distance travelled, class of roads travelled and the time at which the journey is made. It will be possible to locate a vehicle anywhere in the world to within a distance of one metre, something that more than half of all motorists see as an infringement of personal liberty.

Predictably, the majority of British motorists would be perfectly happy for the system to be used to regulate foreign lorries. It is clear that such enthusiasm erodes significantly when presented with the prospect of extending the system to British lorry drivers. When invited to consider a situation where the system embraces all passenger cars the majority of British drivers oppose the proposition. Interestingly, it is users of up market cars and high mileage drivers who demonstrate slightly higher levels of support for the system.

Figure 6.6.1
Attitudes towards introduction of satellite tracking and charging systems – vehicle applications

"I would support the introduction of a satellite tracking and charging scheme if..."	% of motorists who...		
	Oppose	Neither support nor oppose	Support
It was used for foreign trucks	11%	16%	67%
It was used for British trucks	29%	24%	41%
It was used for all passenger cars	54%	21%	19%

Source: RAC Report on Motoring 2004

In isolation, therefore, little support is apparent for the system if it were to embrace passenger cars. However, when some of the collateral benefits become evident, the negative attitude of the British motorists is tempered to a significant degree.

David Ward, Director General
FIA Foundation

"There is a good case for stating that a 'pay-as-you-drive' Electronic Vehicle Identification (EVI) system is intrinsically more fair, predictable and intelligent than current methods. An electronic system is universal and really can cope with the traffic conditions of different communities – but it would have to be introduced alongside reform of other motoring taxes.

The real issue is whether the public would trust that an EVI system would be primarily used to influence driving behaviour, and the funds be used to keep our transport system in a good or better state of repair. The fear would be that charges would be increased for the purposes of more general Government taxation; the political question is more difficult than introducing the technology.

Introducing additional local traffic management systems – such as tolls – could be a distraction from debating an EVI system. We risk ending up with a patchwork of different congestion charging schemes, and avoiding the more rational discussion about introducing EVI.

Fiscal measures are useful in providing signals as to what people should be doing, but they are not the universal answer. They need to be combined with sensible land use planning, integrated public transport systems, and other policies that encourage a more balanced view of mobility.

The idea of a cultural shift, where driving becomes socially unacceptable is fanciful – it is like trying to force water uphill. Cars have become incredibly attractive places to be, especially compared to public transport alternatives. Cars are becoming safer and more environmentally clean – so these negative arguments are diminishing."

Figure 6.6.2
Attitudes towards introduction of satellite tracking and charging systems – system specifications

“I would support the introduction of a satellite tracking and charging scheme if...”	% of motorists who...		
	Oppose	Neither support nor oppose	Support
The system detected and prosecuted instances of dangerous speeding	20%	13%	62%
All the money raised was spent on improving roads	22%	16%	58%
There was a permanent reduction in road tax or fuel duty	25%	14%	57%
All the money raised was spent on improving public transport	28%	19%	49%
The system detected and prosecuted parking on double yellow lines and bus lanes	30%	22%	43%
Complete confidentiality of information was guaranteed	41%	21%	32%

Source: RAC Report on Motoring 2004

These results suggest that reaction to a satellite tracking system would be considerably more positive if it was an effective means of prosecuting dangerous speeding. Perhaps predictably, this proposition found greater support amongst motorists of 55+ years (66%) than amongst 17-34 year olds (56%). Scottish motorists (67%) and lower mileage drivers (67%) also showed greater support for this benefit.

It is also clear that support for the system would be more forthcoming if the funds it generated were re-invested in the UK road and highway infrastructure.

Similar levels of support would be apparent if it was clear that the system was to replace other forms of motoring taxation rather than add to them. Once again, drivers of up-market cars demonstrate slightly more support for this proposition than the typical British motorist.

Enforcement of yellow line parking achieved what was, on balance, a positive reaction, although without a majority of respondents expressing favourable comment it would be difficult to claim that this was a particularly engaging justification of the system.

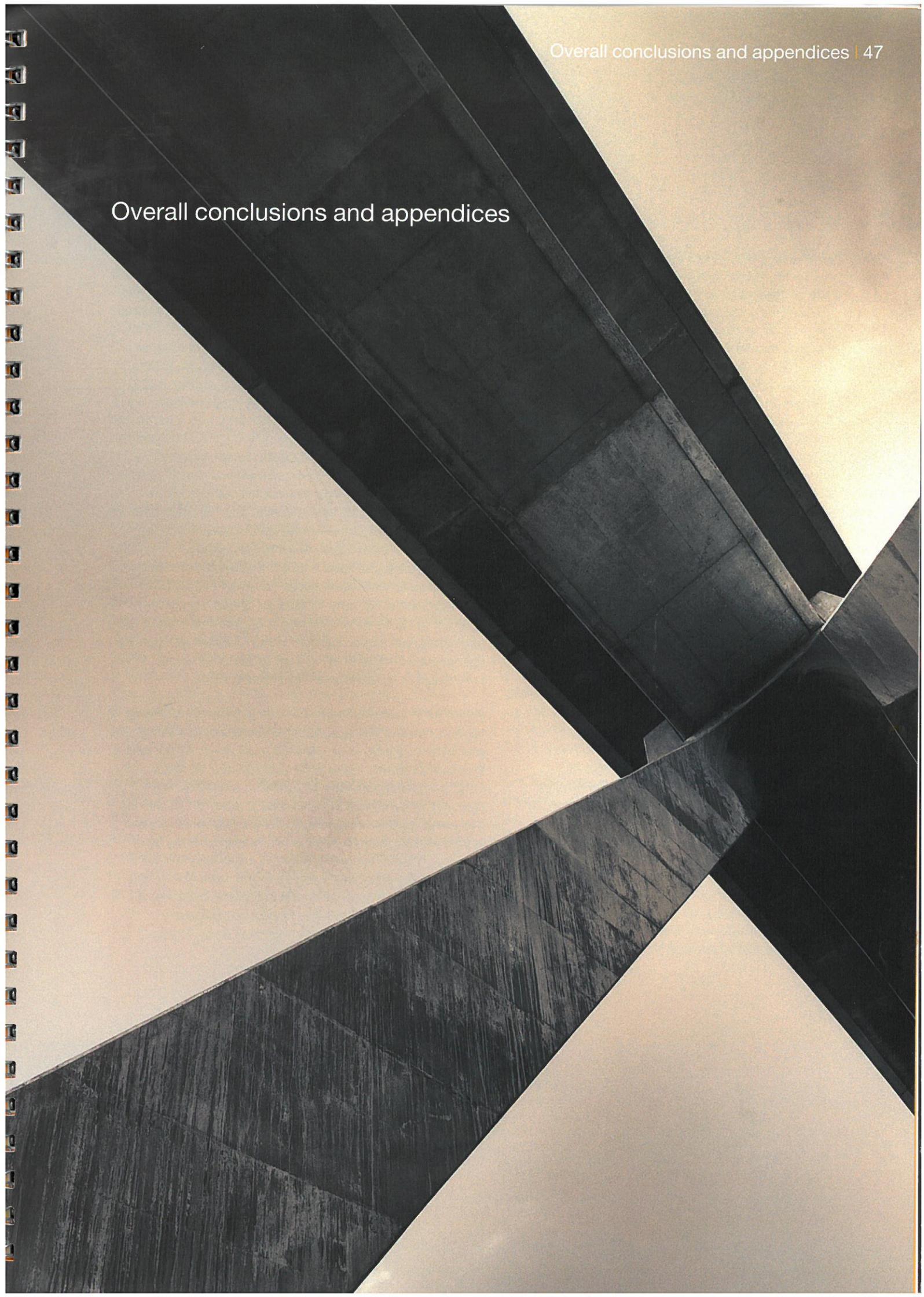
Assurances about confidentiality do little to engender positive reaction although it is probable that this would be a minimum expectation, in effect doing nothing to mitigate the enforcement characteristics of the system. The recent advances in technology, labelled Electronic Vehicle Identification (EVI) have so far met with scepticism by the public and media, who renamed it “the Spy in the Dashboard,” demonstrating that even if tracking were to be introduced for the purpose of road user charging or detecting criminal offences, most motorists would be worried about their civil liberties or that their own more minor transgressions would be instantly notified and punished.

6.7 Conclusion

That motorists are willing to debate and even support types of road-user charging shows an unexpected move toward a realisation amongst the public that changes will have to be made to the way in which we use our roads. Concerns are now not so much about whether charging will happen, but the way in which it will be implemented. It is clear that issues of privacy and liberty remain at the forefront of apprehensions about any type of charging, and also that motorists would be unhappy with large up-front payments, preferring to pay as they go. This underlines the findings in our Report which discovered that motorists are unaware of the true costs of motoring but are prepared to remain ignorant of the drain on their pocket rather than face up to reality.

The scenarios outlined in this chapter are all feasible options and within reach of today's technology. Winning hearts and minds may be more difficult given the entrenched attachment that motorists feel towards their cars and the convenience that they afford. Bearing in mind the fuel protests of recent memory, any government contemplating such charges should tread carefully in its approach and ensure that any new mechanism is adequately explained, and where possible the revenues hypothecated back into the transport infrastructure.

Overall conclusions and appendices



Overall conclusions

RAC believes that this year's Report on Motoring provides a unique and timely contribution to the debate about the future of driving in Britain.

The Report's theme intersects a range of principles relating to public policy and the preferences of Britain's 28 million regular drivers. In examining general costs we explored the motoring paradox of why people continue to stick with their cars even when faced with rising congestion and costs.

This Report has sought to combine a wealth of real world facts and data with their perception in the minds of the average motorist. A major issue to have emerged from our research is the gap between perception and reality. Motorists simply do not have a firm handle on the amount of money that they spend on owning and running their cars, either on an annual basis or as a proportion of their household income.

We have put forward a number of hypotheses to explain this phenomenon. Central to most of them is the unique complexity that characterises the process of paying costs associated with car ownership, compared to costs relating to most other areas of life. This may go some way to uncovering why it is that motorists continue to pay these costs – they are simply unaware of the extent of their expenditure. This even applies to fuel pricing, about which motorists are usually sensitive and vocal, although they still remain unaware of their own annual fuel bill. As a lever to changing behaviour, it seems that the current levels of additional cost are never enough to provoke a sea change in how most drivers act.

However, by asking motorists at what cost point they would consider switching from their car, the Report also shows that when faced with the reality of their current costs, most motorists feel that they could not endure

much more than an extra £500 per annum, although a fifth of them would endure three times this amount and still not switch from their car for key journeys. We also saw a reversal in one significant trend with the number of drivers who could now imagine life without their car increasing compared to previous years. As most of these live in or near cities, we could conclude that congestion in city centres has become unendurable, or that public transport alternatives may be more readily identifiable in urban areas.

These outcomes led us to question exactly what options are available to the motorist who decides to leave his or her car at home occasionally, or even relinquishes his or her vehicle entirely. It is clear that not only is Britain's public transport system lacking in investment when compared to European infrastructures, but also that education about public transport alternatives is deficient. With 30% of motorists being unable to give an answer regarding how they would travel without their car in a variety of scenarios, we conclude that either the alternatives are not understood, or that motorists are simply not interested in even examining their choices.

Whilst drivers are unaware not only of their motoring-related costs and the public transport alternatives available to them, they are also insensitive to certain types of payment mechanism, such as fuel duty, which are charged little and often. Given that the majority of drivers state that they would not object to the levels of motoring taxation if driving were made easier, we proposed various charging systems to drivers. Their reactions showed a clear preference for a fuel-based charging system, which was surprising considering the level of emotion usually displayed at fuel price rises. However, it was felt to be an equitable measure and one that was easy to pay.

Unfortunately, we do not believe that the solution is this simple. Sticking to familiar payment mechanisms and applying slow but steady real price increases through the fuel bill will probably work to maximise revenue because motorists will do their best not to notice and are likely to keep paying none the less. However, if the objective is to reduce congestion – which is clearly the desire of most motorists and governments – fuel pricing is not a sharp enough instrument to achieve significant change. The other evident problem in radically raising fuel prices would be the negative impact on UK haulage, businesses in general and lower income drivers.

According to the perceptions indicated by this research, more swingeing price levers, which motorists may consider ‘cruel to be kind’, could therefore be a more apposite policy platform. The Report indicates that motorists may be prepared to accept charging should the reasons for charging and the payment mechanisms be discussed openly and explained fully. Drivers also remain very suspicious of satellite-based charging systems – another paradox given that consumers will willingly allow companies to collect personal data through a variety of other means. The rise in the popularity of loyalty cards, whose use also provide consumers with perceived benefits, is some proof of this.

In revealing the many facets of the costs of motoring and the attitudes of motorists, this Report helps to illustrate the limited freedom of manoeuvre that transport authorities have in using price mechanisms to attempt to mitigate car use. Having said that, neither the challenges nor the dilemmas are so acute as to defy reason or solution. We hope that our

investigation of motorists’ reactions to alternative taxation scenarios is helpful to the overall debate and to future policy decisions. Coupled with the cost analysis that precedes it, we aspire to contribute some ideas to the subtlety and creativity now required to devise transport policies to meet future needs.

What is clear is that there are two sets of factors that must be considered and balanced when determining transport policy. The first set comprises macro factors: the nature of the problem itself, alternative choices to deal with it and enforcement of regulations. The second set comprises micro factors affecting the individual: their personal choices and behaviours, the price they will be prepared to pay and the method with which they will pay it.

Motorists are clearly aware that their costs are high, even if they are hazy on the exact figures. It is important to remember that more motorists than before would consider using public transport to a greater extent if only they knew more about it and could count on its reliability. Communicating clearly with the motoring public and involving them as active stakeholders in the debate about future choices will be important if they are to be brought along with the policy-making process. The Government’s ‘Big Conversation’ could provide an opportunity for this.

Our final plea is to remember that with prices, taxes, charges and providing public transport alternatives – as with most other things in life – it’s not just what you do, it’s the way that you do it, and that’s what gets results.

Appendix 1 Research methodology

Basis of the research

The RAC Report on Motoring 2004: Counting the cost, cutting congestion, presents the analysis of a quantitative survey conducted by Morpace International Limited on behalf of RAC Motoring Services.

Morpace International interviewed 1,000 regular drivers (defined as driving at least once a month) face to face at home during November 2003 in 100 constituency points in Great Britain. The sample included a boosted total of 250 company car drivers.

The data has been weighted to reflect the actual GB incidence of

- A company car drivers (whose car is provided by the company)
- B those who drive a car bought as a business expense and
- C drivers who bought their car privately

Interlocking weighting factors have also been applied to reflect gender and residential region of GB car drivers.

It should be noted that the title of this report is 'The RAC Report on Motoring 2004: Counting the cost, cutting congestion'. Up until 1999, the reports were 'The Lex Reports on Motoring' and from 2000 'The RAC Reports on Motoring'. Despite these name changes, consistent research methods were used throughout.

Statistical reliability

Any figure taken from a sample can never be taken as a precise indication of the actual figures for the total population being sampled. The figures shown give an estimate, within a small margin of error, of the actual figures.

The error margin varies with the sample size: the larger the sample is, the lower the error will be. It also varies with the actual proportion answering, so that the error is lower for a 90/10 result than it is for a 50/50 result. In order to illustrate the use of varying sample sizes and their effect on the statistical significance of results, the table below outlines the degree of statistical error broadly associated with different sample sizes from the car drivers' survey.

Sample size	Percentage error 90/10 result	50/50 result
1,000	+/-2	+/-3
800	+/-2	+/-3
600	+/-2	+/-4
400	+/-3	+/-5
200	+/-4	+/-7
100	+/-5	+/-10

For example, from a sample of 1,000, if 50% answered in a particular way, we would be 95% confident that the true range is between 47% and 53%.

Appendix 2 Sources

1. Department for Transport
2. 1999-2001 National Travel Survey
3. Met Office
4. Commission for Integrated Transport
5. National Travel Survey 2002
6. National Travel Survey 2003
7. Department for Transport
8. European Centre for Infrastructure Studies
9. Commission for Integrated Transport
10. Department for Transport
11. Department for Transport
12. Commission for Integrated Transport
13. Society of Motor Manufacturers and Traders
14. MORI
15. Direct Line
16. Direct Line
17. Admiral
18. Polis
19. Trafficflow (Adam Smith Institute)

Appendix 3 Acknowledgements

RAC is grateful to the following transport experts for their comment and contribution to this Report:

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RAC plc

RAC plc provides motoring and vehicle solutions to individual and business customers, ranging from teenagers who are learning to drive with BSM and families who enjoy peace of mind with RAC breakdown cover, to the Ministry of Defence which trusts us to supply and maintain its non-combatant vehicles.

RAC plc is made up of five business groupings, each serving a different type of customer:

RAC Consumer Services offers a comprehensive range of individual motoring solutions and provides an exceptional level of support to customers through their motoring lifetime. In addition to breakdown, our services include:

- RAC Legal Services, providing a range of legal services and advice on all motoring matters
- RAC Financial Services, which offers a range of products from credit cards and insurance to loans and personal leasing
- RAC Auto Windscreens, the UK's largest manufacturer and installer of vehicle windscreens
- BSM, the UK's leading driver-training experts

Other services include RAC Traffic and Travel, helping motorists reach their destination quickly and safely, RAC Hotels offering advice on the best places to stay, and RAC's expert vehicle examiners who provide an impartial opinion when you buy a used car.

RAC Business Solutions provides a full range of motoring services to corporate clients. Customers include some of the UK's leading passenger car, truck and motorcycle manufacturers, contract hire and leasing companies, vehicle fleets and insurance firms.

RAC offers its business customers far more than a breakdown and recovery service, with a product portfolio including risk management services and driver training, advanced journey management, vehicle inspections and accident management services.

We manage complex outsourcing bids for large organisations who would benefit from our businesses working together to provide a comprehensive service. An example is the Ministry of Defence – RAC's largest customer. We are uniquely placed to meet the MoD's vehicle, fleet and logistic requirements, combining a wealth of specialised skills and expertise from our businesses including Lex Vehicle Leasing, Lex Transfleet, Lex Defence White Fleet, Lex Multipart Defence, Lex Fleetserve, BSM, RAC Software Solutions and RAC Business Solutions.

Lex Vehicle Leasing is the UK's leading car and van contract hire company. It provides company car fleets for businesses of all sizes, together with personal leasing and employee car ownership schemes. LVL has won a number of industry awards for the quality of its products and services. The company leads the industry in environmental initiatives and plays an active role in helping customers manage the environmental impact of their fleets. Lex Vehicle Leasing is a joint venture with HBOS plc.

Lex Transfleet is the UK's leading independent supplier of commercial vehicle fleet support services, with over 40,000 commercial vehicles and plant under management. Its wide ranging customer base spans from owner-driver operators through to large corporate and Government fleets. Customers include the MoD, British Airways and Securicor.

Lex Auto Logistics provides purchasing, inventory management, warehousing and distribution services to automotive clients.

Hyundai (UK) Ltd is the official importer and distributor of Hyundai vehicles. Likewise, Isuzu Truck is the sole importer of Isuzu trucks to the UK.

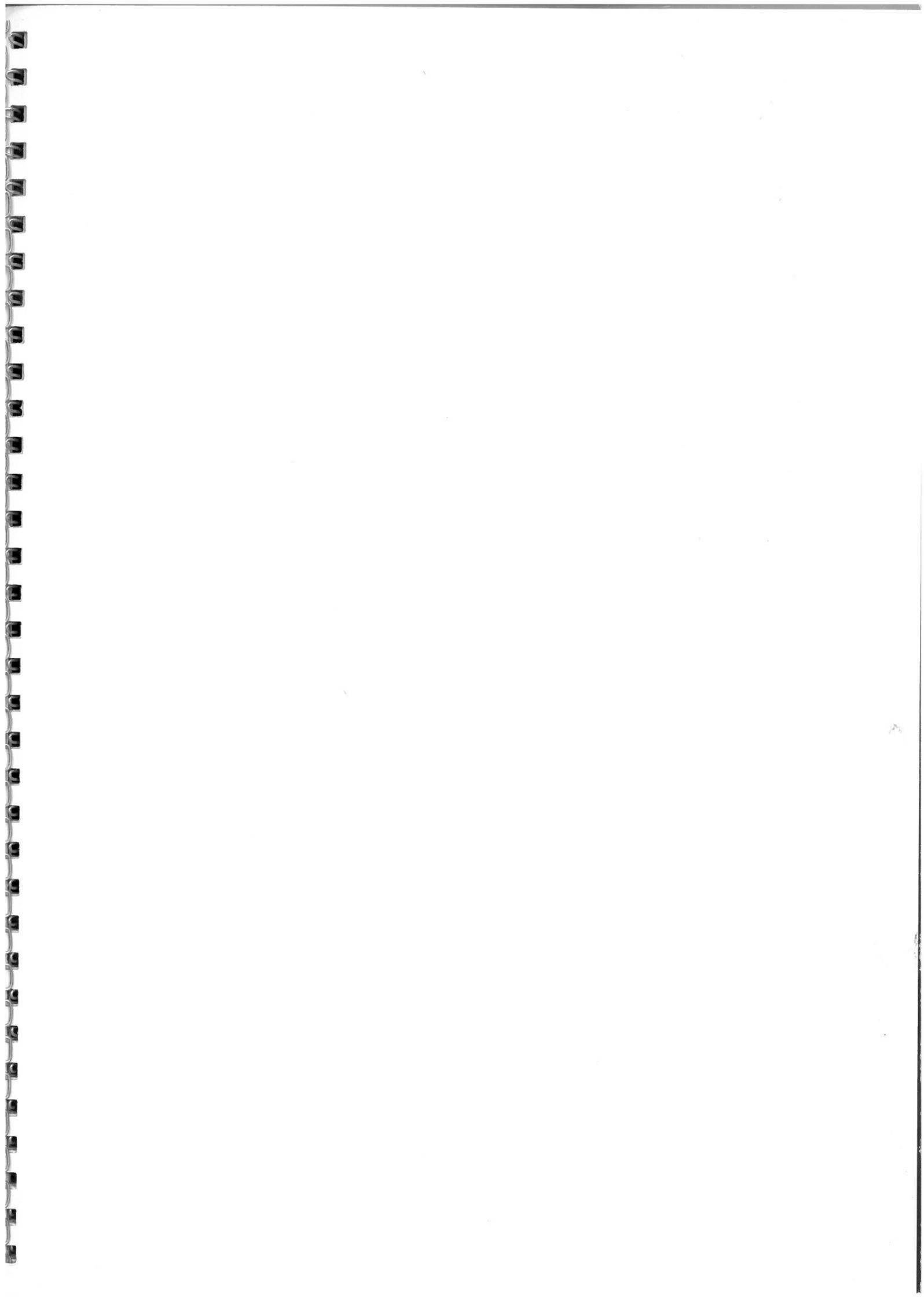
Lex Commercials has 23 truck and van dealerships making it the largest group in the UK. Lex Commercials also incorporates Lex Fleetserve, a specialist parts supplies organisation for fleets.

RAC Public Affairs leads policy campaigns on behalf of RAC plc and develops advice and guidance on responsible motoring for our members. Our corporate social responsibility projects include the hugely successful Grass Routes programme, which challenges students to develop safer ways of travelling to and from school, and the new Drive Alive road safety roadshow which takes road safety messages around the country to drivers and their families.

For more information about RAC Motoring Services visit www.rac.co.uk

For more information about RAC plc visit www.racplc.co.uk

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