

The Rt. Hon Philip Hammond MP  
Chancellor of the Exchequer  
HM Treasury  
Horse Guards Road  
London  
SW1A 2HQ



22<sup>nd</sup> February 2017

Dear Chancellor

### **Changes to first year VED rate to tackle air pollution**

As you will be aware the UK has lost another court case because of the illegal and harmful levels of air pollution. The High Court has ordered the government to draw up improved plans to meet legal limits in the shortest time possible and we would like to offer a suggestion. Our illegal levels of air pollution are contributing to 40,000 early deaths annually, with annual societal costs of £27.5 billion. These levels increase all our risk of lung cancer and cardiovascular disease. For the 12 million people who live with a lung condition in the UK, air pollution poses a daily risk to their health and may force them into hospital. Air pollution has also been shown to stunt children's lung growth, which could leave them with health problems in later life. We all deserve to breathe clean air.

We know diesel vehicles, in particular diesel cars, are a major source of pollution in towns and cities and the World Health Organisation has classified diesel as a class 1 carcinogen. Yet Vehicle Excise Duty (VED) not only fails to recognise this but is still incentivising them. We are therefore asking for a revision of the VED first year rate in your upcoming budget statement.

If we want to have clean, safe air and the government is to meet its legal obligations on air quality, then VED will have to change. An over reliance on diesel vehicles is not only harmful for our health, it will also slow the UK's uptake of hybrid and electric vehicles putting us at an economic disadvantage as the global car market transitions to ultra low emission vehicles.

Diesel cars now make up almost 45% of new car sales compared to 18% in 2001 and people have largely been incentivised to buy them through VED. Car manufacturers have failed to control nitrogen oxides (NOx) emissions, which includes the harmful gas nitrogen dioxide, from diesel cars and vans. Even modern diesel cars have been found to, on average, emit more than six times more NOx on the road than the laboratory test limits for the latest Euro 6 standard, according to the government's own report.

The government have a moral and legal obligation to protect people from harmful levels of air pollution. It is only fair that VED should reflect the extra financial and health impact that diesel cars have on society. The Government should use all the levers it has to encourage a shift from diesel to cleaner alternatives. A change to the VED first year rate would avoid penalising drivers for past choices made in good faith and it would also send a vital signal to the market about the direction of travel towards a cleaner future.

A study by Policy Exchange proposed an additional £800 additional charge for all new diesel cars on their VED first year rate, which could generate £500 million a year to fund measures to tackle air pollution. This captures the damage cost of the extra nitrogen dioxide diesel cars emit compared to their petrol counterparts. This is a conservative figure, however, and could be higher if the more recent findings of the Department for Transport's investigation into diesel car emissions were

applied. Money raised should be used for to help fund measures to tackle air pollution, such as a targeted scrappage scheme for lower income drivers and small businesses. This scheme should offer a vehicle exchange in return for help with the cost of a less polluting hybrid vehicle, a zero-emission vehicle such as electric or subsidised car club membership, free public transport season tickets or e-bike purchase loan.

We urge you to back this proposed change to VED to protect people's health and ensure the UK does not miss out on the economic opportunities offered by embracing ultra-low emission vehicles.

Yours sincerely,



Dr Penny Woods, Chief Executive,  
British Lung Foundation



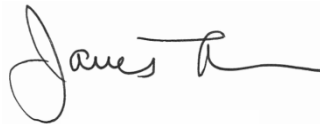
Stephen Joseph, Chief Executive,  
Campaign for Better Transport



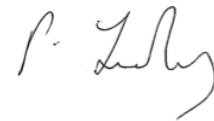
Tony Lewis, Head of Policy, Chartered  
Institute of Environmental Health



Terry Fuller, Chief Executive, The  
Chartered Institution of Water and  
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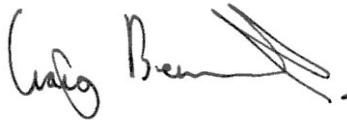
James Thornton, Chief Executive  
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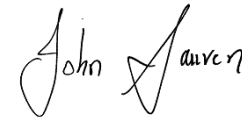
Paul Tuohy, Chief Executive Officer,  
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