

TRANSPORT

Briefing

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Budget cuts fuel duty and raises rail loans

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Fuel duty: planned September increase has been dropped

George Osborne has scrapped the fuel duty increase of 1.89p a litre that was scheduled to take effect in September 2013.

The Chancellor of the Exchequer announced the decision in his 2013 Budget on 20 March. "Petrol will now be 13 pence per litre cheaper than if we had not acted over these last two years to freeze fuel duty. For a Vauxhall Astra or a Ford Focus that's £7 less every time you fill up," he added.

There's no such reprieve for rail users but the Budget will at least make it easier for commuters to borrow money to pay for travel. The Chancellor said the government would double to £10,000 the size of the loans that employers can offer tax free to pay for items such as season tickets.



Among the other transport-related measures outlined in the Budget there will be new tax incentives to encourage the manufacture of ultra low emission vehicles. Legislation will be introduced as part of the Finance Bill to remove the general exclusion to first year capital allowances for expenditure incurred on railway assets and ships.

As announced in the 2012 Budget, air passenger duty will rise in line with the Retail Prices Index from 1 April 2013. This year's Budget confirms the same rise for next year. The government says it has no plans to vary APD rates by levels of airport congestion.

Vehicle Excise Duty will also rise in line with RPI on 1 April 2013. Despite previous suggestions that ministers have been considering a rethink of the way roads are funded in order to finance more road building, the government says it has no plans to make significant reforms to the structure of VED for cars and vans during this parliament.

The Chancellor said most government departments will be required to reduce resource spending limits by 1% both next year and the year after. With transport expected to spend £4.4bn in 2012-13, current plans are for resource spending to increase to £4.8bn in 2013-14 before dropping back down to £4.4bn the following year.

But capital spending on transport is expected to rise. The Budget documentation estimates the Department for Transport's capital spending this year at £7.8bn, rising to £8.7bn in 2013-14 and £8.9bn in 2014-15.

George Osborne said the traditional splurge of cash by departments at the end of the financial year, just to get money spent, has been curtailed. DfT resource spending for 2012-13 is expected to be £700m under budget with capital spend £200m under budget.

Responding to Wednesday's Budget announcement Edmund King, president of the AA, said: "A September fuel duty hike would have been the last straw likely to break UK drivers' budgets and would have led to a summer of discontent. Scrapping the fuel duty hike is a pragmatic move and will bring some relief at the pumps."

Stephen Joseph, chief executive of the Campaign for Better Transport, was less welcoming: "Freezing fuel duty does nothing to help the millions who rely on public transport. Bus services are seeing year on year cuts and government is still committed to above inflation rail fares rises. It's scandalous

that George Osborne has once again failed to support public transport."

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