



**An Roinn Iompair  
Turasóireachta agus Spóirt**

**Department of Transport,  
Tourism and Sport**

## **Investing In Our Transport Future: A Strategic Framework for Investment in Land Transport**

### **Background Paper Eleven**

#### **Transport Taxation Revenue and Allocations**

*Issued by:*

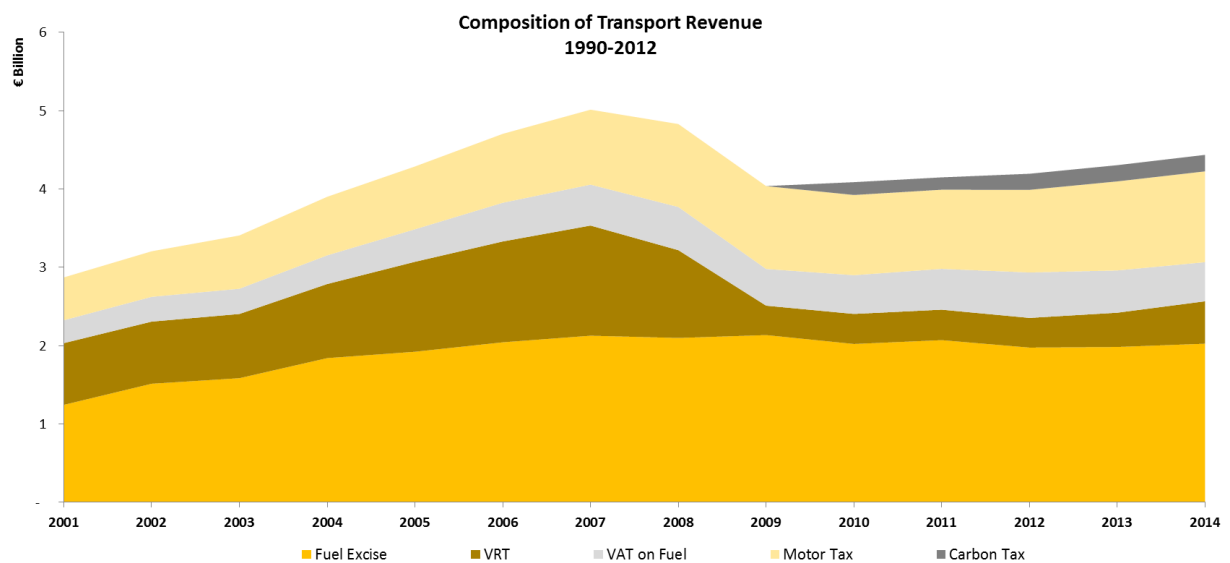
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## Profile of Major Transport Revenue Sources:

The graph and table below show the estimated taxation revenue raised from transport related sources from 2001 to 2014. The sources considered here relate to VRT and Motor Tax, and all fuel taxation including VAT on motor fuels. VAT on motor sales was not included – and these are of a similar scale to VRT revenues. Tolls are also not considered in terms of taxation revenue. The figures are estimates provided by the Department of Finance.

These transport taxation sources raised an estimated €2.9bn revenue in 2001, rising to €5bn in 2007. Since then cumulative taxes have reduced to €4.4bn.

The decline in revenues from 2008 to 2011 is entirely accounted for by a decline in VRT. Nonetheless, cumulative revenue in 2014 is €400 million higher than 2008. Motor taxation revenue was double 2001 levels in 2014 and combined fuel taxation revenue is 78% higher than in 2001.



## Estimated Revenue Associated with Land Transport

Figures provided by Department of Finance

<b>Fund</b>	<b>Exchequer</b>	<b>Exchequer</b>	<b>Exchequer</b>	<b>Exchequer</b>	<b>Exchequer</b>	<b>LGF</b>	
<b>Tax Head</b>	<b>VRT*</b>	<b>Carbon Tax (Petrol, Diesel and Auto LPG)***</b>	<b>Excise on petrol, auto LPG and diesel***</b>	<b>VAT content of petrol, auto LPG and diesel**</b>	<b>Sub-total</b>	<b>Motor Tax****</b>	<b>Grand Total</b>
2001	€788.0m	€0.00	€1,244.7m	€291.7m	€2,324.4m	€547.0m	€2,871.4m
2002	€792.6m	€0.00	€1,514.4m	€316.3m	€2,623.4m	€581.3m	€3,204.7m
2003	€819.4m	€0.00	€1,585.2m	€322.2m	€2,726.9m	€680.0m	€3,406.9m
2004	€946.0m	€0.00	€1,841.4m	€365.7m	€3,153.1m	€747.0m	€3,900.1m
2005	€1,148.8m	€0.00	€1,922.4m	€414.3m	€3,485.5m	€802.0m	€4,287.5m
2006	€1,287.4m	€0.00	€2,043.1m	€493.8m	€3,824.3m	€879.7m	€4,704.0m
2007	€1,406.1m	€0.00	€2,127.5m	€522.2m	€4,055.7m	€956.7m	€5,012.4m
2008	€1,120.8m	€0.00	€2,098.6m	€550.4m	€3,769.8m	€1,059.0m	€4,828.8m
2009	€375.4m	€0.00	€2,135.3m	€468.4m	€2,979.1m	€1,057.8m	€4,036.9m
2010	€383.5m	€163.5m	€2,021.8m	€494.4m	€3,063.2m	€1,023.8m	€4,087.0m
2011	€388.4m	€157.7m	€2,070.9m	€521.0m	€3,137.9m	€1,010.4m	€4,148.3m
2012	€379.3m	€205.4m	€1,975.5m	€579.5m	€3,139.8m	€1,054.7m	€4,194.5m
2013	€437.3m	€206.9m	€1,983.8m	€538.9m	€3,166.9m	€1,137.1m	€4,304.0m
2014	€542.1m	€210.6m	€2,024.9m	€498.8m	€3,276.4m	€1,159.3m	€4,435.7m

\*Source: Exchequer Returns

\*\*Source: Estimated by Revenue Planning Division

\*\*\*Source: Exchequer Returns (2014 estimated)

\*\*\*\*Department of the Environment, Communities & Local Government

## Profile of Departmental Expenditure/Investment in Transport

The table below outlines expenditure/investment in transport by Department since 1997.

Year/€	PT Current	PT Capital	Road improvement / maintenance current	Road improvement capital	All other Land Transport expenditure	Total Land Transport expenditure
1997	133,666,597	17,298,912	93,531,446	466,464,948	3,534,951	714,496,854
1998	136,362,251	21,339,218	83,608,443	547,318,059	4,741,202	793,369,174
1999	143,771,173	197,606,798	377,927,381	508,682,469	4,480,906	1,232,468,726
2000	190,581,337	285,672,022	438,902,743	633,269,169	7,115,612	1,555,540,883
2001	224,269,000	378,317,000	418,026,000	947,644,000	15,754,000	1,984,010,000
2002	234,772,000	427,855,000	453,110,000	1,124,927,000	16,370,000	2,257,034,000
2003	246,679,000	479,851,000	454,985,000	1,211,870,000	12,407,000	2,405,792,000
2004	275,785,000	343,312,000	487,780,000	1,231,159,000	15,109,000	2,353,145,000
2005	281,684,000	425,991,000	502,922,000	1,278,200,000	17,310,000	2,506,107,000
2006	301,120,000	351,255,000	549,844,000	1,562,030,000	24,364,000	2,788,613,000
2007	326,687,000	640,783,000	199,968,000	2,166,331,000	53,716,000	3,387,485,000
2008	331,384,000	890,288,000	216,805,000	2,069,399,000	64,420,000	3,572,296,000
2009	327,823,000	633,236,000	194,086,000	1,731,900,000	57,284,000	2,944,329,000
2010	288,852,000	614,343,000	221,455,000	1,414,000,000	44,318,000	2,582,968,000
2011	277,764,000	377,210,000	253,666,000	1,017,000,000	30,621,000	1,956,261,000
2012	289,865,000	254,231,000	225,973,000	886,000,000	32,373,000	1,688,442,000
2013	238,054,000	261,835,000	207,430,000	543,500,000	26,464,000	1,277,283,000

The total land transport estimated 2013 allocation (€1.28bn) compares with a peak allocation of €3.57bn in 2008. The total expenditure in 2000 was €1.16bn, meaning in current prices the 2013 allocation is 17% higher than 2000.

- Public transport subvention stood at €184m in 2000, rising to €309m in 2008 before falling to €227m for 2013 (figures in table include other minor current public transport costs)
- Public transport capital investment stood at €286m in 2000, rising to €890m in 2008 before falling to €262m for 2013
- Road combined current and capital investment and maintenance stood at €1.07bn in 2000, rising to €2.37bn in 2007 before falling to €751m for 2013

Given relatively stable demand and increases in taxation, it is likely that future Revenue figures will be at least as much as 2011/2 figures.

The table below shows total land transport expenditure by Dept (and 2013 allocation) and the % of revenue raised from transport taxes in each year that this expenditure amounts to.

Year / Revenue from source	Total Land Transport expenditure	Estimated Revenue	Transport expenditure as % of revenue raised through transport taxes
1997	714,496,854	2,403,545,450	30
1998	793,369,174	2,761,365,151	29
1999	1,232,468,726	3,153,762,059	39
2000	1,555,540,883	3,527,746,204	44
2001	1,984,010,000	3,110,551,521	64
2002	2,257,034,000	3,529,541,229	64
2003	2,405,792,000	3,711,767,394	65
2004	2,353,145,000	4,335,225,136	54
2005	2,506,107,000	4,797,319,646	52
2006	2,788,613,000	5,132,549,374	54
2007	3,387,485,000	5,579,350,420	61
2008	3,572,296,000	5,341,618,975	67
2009	2,944,329,000	4,755,514,149	62
2010	2,582,968,000	4,668,798,102	55
2011	1,956,261,000	4,821,017,559	41
2012	1,688,442,000	4,816,465,343	35
2013	1,277,283,000	4,816,465,343	27

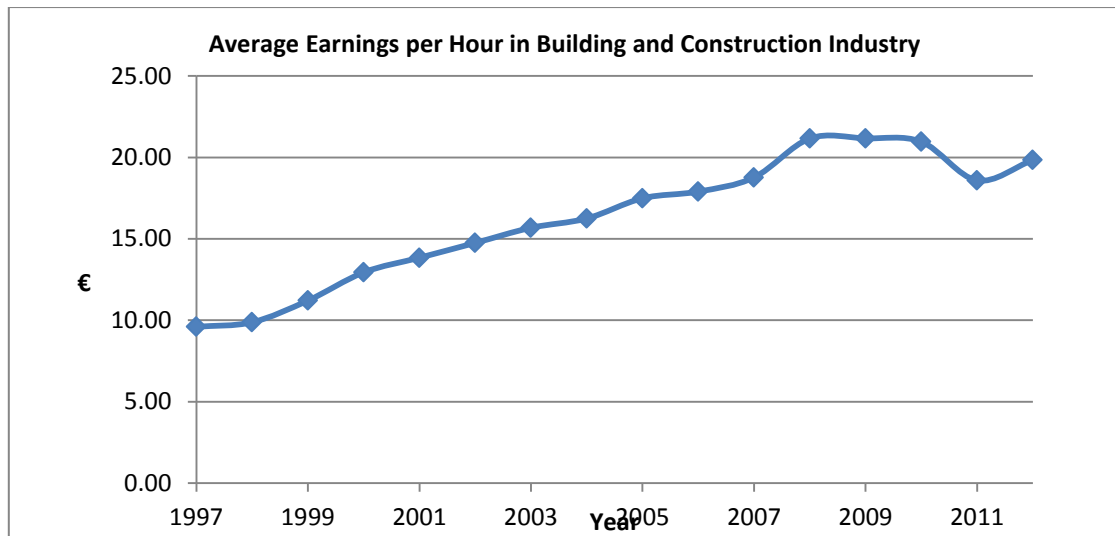
### **Impact of Price Changes and Wage Increases on Value of this Expenditure**

The above outlines funding levels in current prices. For example, 2013 subvention for public transport of €227m has essentially returned to 2001 levels (€226m). However, clearly the price/cost of providing services and delivering physical works will have changed substantially due to increases in labour costs, plant costs and materials costs.

### **Wage Levels**

Considering, firstly, wage levels. Average weekly earnings in “industry” stood at around €490 in 2000. This rose to around €700 in 2008. Any decline in weekly (gross) earnings has been marginal with 2012 average weekly earnings around €690. This represents a 40% increase in weekly gross earnings over the period.

Construction is the most important sector in terms of capital labour costs. In 2000 hourly wage rates stood at around €12.90, climbing to €21.16 in 2008. Again, there has been minimal decline with the 2012 average hourly rate standing at €19.84. The 2012 average hourly rate is 50% above the 2000 hourly rate.



### Building and Construction Material Costs

In addition to wage costs, the price of materials necessary for capital investment in public transport and roads, and for current maintenance of roads, have increased substantially. The table below shows costs for building and construction materials from the wholesale price index from 2000 to 2012. 2012 prices are in the region of 60% higher than 2000 prices. Whilst prices did decrease by around 4% in 2009, since then prices have increased again by around 2.5% per annum, with prices now above 2009 levels.

Year	Wholesale Price index (building and construction materials) 1997=100
1997	100
1998	101
1999	102
2000	103
2001	108
2002	113
2003	117
2004	118
2005	128
2006	134
2007	145
2008	153
2009	159
2010	153
2011	157
2012	161

Some material specific to transport investment have seen marked price increases according to the CSO wholesale price index. For example Bituminous materials (macadam) has increased in price by 50% since 2007 and sand and gravel have increased in price by around 25%. Indeed, bituminous prices are up to 150% higher than in 2000. These prices are essentially driven by international demand – and oil prices – and are likely to increase further in the long term with increasing oil prices.

For current maintenance these significant price increases in materials greatly reduce the real value of funding. For larger capital projects, other costs such as land purchases, planning and design and archaeology are likely to have reduced in recent years, and could off-set some level of price increases.

### **Real Value of Expenditure in Transport**

Whilst in current prices the 2013 funding allocation for land transport is almost €1.3bn, if one assumes the combined impact of labour and material costs is a 50% increase in costs, then the €1.3bn funding in 2013 is in fact equivalent to a funding level of €866m in 2000.

Looking specifically at public transport subvention, the value of subvention in 2000 was €184m. This increased to €309m in 2008, but is now at a level of €227m for 2013. However, correcting for inflation using the CPI, the real value of the subvention in 2013 is in fact 8% less than it was in 2000. It could be argued that the level of subvention for 2013 has already been adjusted back to levels consistent with the cost of subvention in the late 1990's.

### **Key Points:**

Revenue raised from fuel taxation (including VAT on motor fuel) and motor tax and VRT equated to an estimated €4.8bn in 2011. This compares to a peak of €5.6bn in 2008, but is nonetheless 45% more revenue than the €3.3bn raised in 2000. The decline in revenue from 2008 is almost entirely due the sharp fall in VRT.

The analysis suggests that while as a funding source for the exchequer transport related taxation has remained relatively stable, mainly due to increases in taxation rates on fuel counteracting reduced vehicle purchases and somewhat reduced fuel demand.

Capital and current expenditure in transport rose from €1.58bn in 2000 to a peak of €3.58bn in 2008. The 2013 allocation is €1.44bn.

Wages in construction are 50% higher than they were in 2000. Material costs have also increased substantially since 2000. Construction and building material index shows that prices have increased by almost 60%. Prices for bituminous materials have in fact more than doubled since 2000. Assuming overall costs for a project in 2013 are 50% higher than in 2000 suggests that one will get 1/3 less delivery for the same allocation.

In terms of demand, car vehicle km have increased from 30.5bn km in 2000 to 42bn km in 2011. Despite recent declines, goods vehicles km stood 6.6bn in 2011 compared to a 4.7bn in 2000.

Given available funding back at 1997/8 levels, while demand is much greater, implies significant potential for underfunding of maintenance and public transport services.

A number of arguments are possible in relation to the taxation/expenditure issue:

- Transport taxation is being viewed as a reliable revenue source irrespective of impact of higher costs on people and the economy
- Potential negatives of over-taxing mobility not considered
- The total level of revenue raised implies people are willing (or compelled) to pay this amount, and in return likely expect infrastructure provision and maintenance in-keeping with the level of taxation raised
- Obviously hypothecation not feasible – but widening gap between revenue raised and maintenance and investment levels of concern in particular given funding levels may not be sufficient for basic upkeep.