

## Red Diesel

Diesel destined for marine use is currently chemically coloured red and the price per litre is kept at a lower level than diesel used on the roads, due to a reduced rate of duty. Marine diesel presently costs about 40p per litre. The Council of the European Union specifies minimum levels of duty for mineral fuels. Diesel fuel used for commercial purposes currently enjoys reduced rates, and the UK is among countries that have a derogation to extend this saving to pleasure craft. This exemption is due to cease on 31st December 2006. Without the exemption, diesel used for private leisure craft in the UK would be charged at the same rate of duty as that used in road vehicles, which could lead to an estimated price of 98p per litre - an increase of about 60p per litre.

IWA, together with The Royal Yachting Association, The British Marine Federation and The Federation of Petroleum Suppliers, and supported by other waterway organisations, has campaigned to retain the exemption. The British Marine Federation is the national trade association for the leisure marine industry. The Royal Yachting Association is the national governing body for all forms of recreational and competitive boating. The Federation of Petroleum Suppliers is the trade association for almost all of the oil distribution industry in the UK and Ireland.

Many members of all the organisations have lobbied their MPs. The campaign explained to Government that recent research indicates that such a dramatic increase in the costs of boating would probably lead to a decline in participation. This would have a detrimental impact on the industry that serves the boating and water sports markets, and would give rise to concerns about safety through making the use of petrol more economic. There would be an impact on jobs and tourism, with little or no gain in duty revenue for the Government as the potential for any increase would be negated by the loss of other taxes if participation in boating and related discretionary spend reduced and marine businesses faced a downturn.

IWA welcomed the statement in Gordon Brown's November 2005 pre-budget speech that the Government was minded to apply for an extension of the derogations for fuel used in craft for navigation.

Since the Chancellor's assurance in the pre-budget review, officials visited the Commission in January, to identify with Commission staff how best they could present the UK case for continuation of the derogation, and to mark up that it was an issue on which the UK Government would press strongly. Commission officials were receptive and identified the sort of case they would expect to see in a Regulatory Impact Assessment, which the Commission requires the UK Government to submit. The Commission officials have since written to the UK Government outlining what they require and giving UK officials one month to submit the Assessment.

UK officials are liaising with their counterparts in Ireland, Belgium and Malta, who all have confirmed that they also are fighting to retain the derogation and they are all sharing their case evidence.

The chairman of IWA's Navigation Committee recently attended a meeting with H.M. Revenue & Customs and Department of Trade & Industry officials and other interested organisations to discuss the detail of the draft Assessment on the effects of ending the derogation for private pleasure craft. UK officials had prepared a first draft, which The Royal Yachting Association, The British Marine Federation, The Federation of Petroleum Suppliers and IWA were invited to discuss. The officials identified various factual gaps that needed filling before the end of February. These covered environmental impacts, social effects, technical problems and especially implementation costs, together with the cost and other issues for the fuel suppliers themselves. The organisations concerned are now working to fill in those gaps and make sure the Assessment is as robust as possible.

The next stage is for the Commission to review the Assessment, during March and April. Commission officials have indicated that they expect to give their preliminary response, on

how they value the UK case, in the early summer. If it is refused, the UK has the right of appeal, which would require the UK to provide further evidence.

The matter is now with officials and will be so for the next six months. Waterway supporters are therefore advised that there is no benefit from writing further letters to members of Parliament at the moment as the officials in the UK are 'on our side' and are working hard to get the best case ready. This is then submitted to the Commission officials and the Commissioners. It is only if the UK is forced to the appeal stage that IWA may need to call for additional evidence from members.

A document entitled 'Seeing Red' produced by the four national bodies, explains the issues, presents arguments for the retention of the derogation, and provides details of research undertaken to quantify the situation. The document is available on IWA's website.

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