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**Friends of  
the Earth**

# Briefing

# The long term starts now

## Friends of the Earth's fifth blueprint for a green Budget

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## **Introduction**

Waiting for the Chancellor to deliver the Government's long promised environmental tax reforms is like waiting for Godot: something significant seems always just about to happen, but it never does. Maybe this Budget will be different.

The Treasury's inaction is making many serious environmental and related social problems, such as climate change emissions and fuel-poverty, worse. Government policy-making is increasingly uncoordinated, and the efforts of the Department of the Environment, Transport and the Regions, the Department of Trade and Industry and the Ministry of Health to realise important policy objectives are increasingly undermined. And the Government is spurning significant opportunities to modernise the economy, increase industrial competitiveness, stimulate employment, relieve poverty and tackle social exclusion - all of which are top drawer New Labour priorities.

Friends of the Earth's proposals to help resolve these problems, and make the most of the many economic and social opportunities on offer, are detailed below in this our *Fifth blueprint for a green Budget*. We summarise the gains from implementing our proposals as follows:

### **1) Environmental advantages:**

- increasing efficient energy use in homes and industry, and cutting carbon and other health threatening emissions
- reducing pesticide and fertiliser use in agriculture, and residues on foods
- protecting greenbelt land, open countryside and wildlife habitats
- reducing domestic and industrial waste
- reducing quarrying and the use of non-renewable primary aggregates
- cleaner air, water and land.

### **2) Economic advantages:**

- improving industrial competitiveness through increased resource use efficiency and cutting costs
- increasing employment by creating over 250,000 new jobs, through recycling environmental tax revenues as investment funding for public transport infrastructure and nationwide energy conservation programmes, and by reducing employers' National Insurance Contributions
- encouraging the rapid development of 'sunrise' environmental technology companies capable of competing in the world-wide £170 billion annual market for such products
- cutting public sector costs of the NHS by at least £1 billion annually
- improving the overall efficiency of the economy by substantially reducing congestion and developing rail freight services
- wiser public expenditure by cutting unsustainable company car subsidies (a loss of over £600 million annually to the Treasury) and energy subsidies (a loss of some £1 billion annually), and from investing in public service infrastructure

- fairer taxes, based on making the polluter pay and reducing employer's NIC.

**3) Social advantages:**

- eradicating the scandal of fuel poverty, which affects 8 million households and prematurely kills 30,000 vulnerable people every year, and makes hundreds of thousands of others sick, from a variety of cold/damp related illnesses
- reducing the estimated 12-24,000 premature deaths caused by traffic pollution
- reducing poverty by creating large numbers of skilled, semi-skilled and manual jobs in urban areas where they are badly needed
- reducing social inequalities by improving public transport networks and services for the one third of UK households that have no access to a car
- raising the quality of life for all by improving environmental quality.

There are many myths about environmental taxes, and greening the tax system and public expenditure programmes: they are bad for the economy, and make firms uncompetitive; they cause unemployment; they discriminate against the poor; they do not work; they are unpopular with voters. A properly integrated package of carefully targeted environmental taxes to make those who pollute and waste pay, with revenues reinvested in improving vital public services, encouraging environmental technology industries and reducing employers' NIC contributions, can demolish all these myths. For example, Friends of the Earth research has shown that investing in the energy efficiency, renewable energy technologies and public transport improvements necessary to meet the UK's 20% carbon dioxide reduction target can create over 230,000 net gain new jobs in these sectors.

The problem is that the Chancellor and the Prime Minister act as if they were gospel truths. Neither Gordon Brown nor Tony Blair have prioritised environmental action, and have frequently frustrated the efforts of the Deputy Prime Minister and others who try to ensure that Labour delivers on its many manifesto commitments, and other policy pledges, on the environment.

Time is running out. Threats like climate change and sea level rise must be addressed today - the longer we wait, the more disruptive and expensive their effects will be. To tackle the deeply ingrained economic and industrial inefficiencies which cause environmental degradation requires long-term, strategic commitment and the managed transformation of much of the economy. This *Fifth blueprint for a green Budget* from Friends of the Earth points the way forward. It is within our grasp to create a society where environmental protection, economic prosperity and social justice go hand-in-hand. But only if the Chancellor starts delivering on March 9th 1999.

## **Friends of the Earth's priority recommendations to the Chancellor**

### **1. Immediate tax and public expenditure measures to develop a sustainable transport system that increases economic efficiency, reduces social exclusion, and cuts CO<sub>2</sub> and toxic pollutant emissions.**

The transport sector in the UK must be transformed. Transport is our fastest growing source of CO<sub>2</sub> emissions, with road transport alone responsible for 20% of the UK total. Health-threatening vehicle pollution prematurely kills between 12-24,000 people annually, and is the prime cause of poor air quality particularly in urban areas. Congestion reduces the efficiency of the economy, and the cost to the health service drains public finances. The present system is also deeply inequitable, and is unable to meet the needs of the one third of UK households who have no regular access to a car, particularly in rural areas.

The Government has recognised the need for action in the White Paper on Integrated Transport - while so far dodging the necessity to cut traffic levels - and in its commitment to reducing CO<sub>2</sub> emissions by 20% by 2010 and to improving air quality. Reforming transport taxes and public expenditure programmes, in order to penalise polluters, greatly increase the use of clean fuels, improve fuel-efficiency, discourage unnecessary driving and provide an integrated transport system nation-wide, are essential to fulfil these pledges. Revenues raised from transport taxes should be recycled - or hypothecated - to fund public transport improvements.

In his first two Budgets, the Chancellor began doing so by reducing duties on some cleaner gas fuels, providing some additional money for rural bus services, and by increasing road fuel duty by at least 6% per annum until 2002. But much more needs to be done. The innovative White Paper tax proposals to allow local authorities to introduce road charging and parking taxes, and use the revenues to spend on measures to increase public transport, cycling and walking facilities, have been blocked by the Prime Minister's Office.

It is crucial that the Chancellor now introduces further significant incentives to reduce traffic levels and, at the same time, to increase fuel efficiency and reduce toxic pollution from road vehicles. Measures to reduce traffic are of paramount importance because, as the Chancellor noted in his Pre-Budget Report, "*growth in road traffic offsets the reduction in emissions from individual vehicles*"<sup>iii</sup> and the Government predicts that traffic levels will continue to rise by 37% over 1990 levels over the medium-term - even after the White Paper policies have been implemented. This increase will make it virtually impossible for the Government to meet its carbon dioxide reduction target. Moreover, increasing fuel efficiency alone will not resolve problems such as congestion, noise and severance.

Friends of the Earth advocates the following measures to achieve these goals:

#### **To reduce road traffic**

- **Increase the road fuel price escalator by at least 6%** to reduce unnecessary journeys by car/lorry, provide an incentive to use other modes of transport and stimulate the production, purchase and use of more fuel efficient vehicles.
- **Consult on maintaining the escalator beyond 2002.**

- **Abolish mileage banding for company car allowances** to remove the perverse incentive to drive further.
- **Continue increasing fuel scale charges for company cars.**
- **Announce a substantial shift of funds from new trunk road construction to improving and extending rail infrastructure** through the Infrastructure Investment Fund and the Rail Passenger Partnership.
- **Increase funding for non-commercial rural bus services.**
- **Extend and improve the promotion of rail freight** within current budgets, and in particular, intermodal facilities such as 'piggyback' for container loads.

**To increase fuel efficiency and cut pollution from road vehicles**

- **Reform Vehicle Excise Duty by widening differentials** so that owners of new cars are charged according to CO<sub>2</sub> and other polluting emission levels; and owners of existing cars are charged according to engine capacity and existing emission standards.
- **Consult on the case for a 'scrapage allowance' for older cars**, as partial compensation for higher rates of VED and to encourage the removal of the dirtiest and most fuel inefficient cars from the car-park.
- **Install CO<sub>2</sub> and toxic pollution emission standards as criteria for company car allowances** by reforming the non-mileage basis for company car allowances, list price and age, to reflect tough emissions standards.
- **Increase the differential for ultra-low sulphur diesel** against ordinary diesel by the 1p suggested in the Pre-Budget Report.
- **Introduce a 2 pence per litre differential for cleaner low sulphur petrol** against ordinary petrol following a tightening of the specification for such fuels.
- **Retain the freeze on gaseous fuels duty** to encourage the development and use of these technologies.

**2. Tax reforms to encourage innovation and investment to create dynamic and efficient sustainable business sectors in the UK economy.**

The Government professes a commitment to sustainable development and economic modernisation. In order to deliver on both, as it must, the Government must introduce policies that will, over the medium-term, stimulate a sea-change in the use of energy, materials and other natural resources. Replacing environmentally unsustainable, polluting and resource wasting production systems and technologies is an undoubted challenge, but the systematic uptake of modern, clean, efficient production methods and environmentally sound technologies offer enormous market opportunities, and competitive gains through increased efficiency, for individual firms and the economy as a whole. This case has been convincingly put by the Environmental Industries Commission.

Innovation through exploiting new ideas and ways of doing things are vital for economic success and environmental sustainability. Economies which generate and sustain firms capable of making these changes will prosper, as environmental standards continue to tighten in the UK and in vital overseas markets. Already, the rapidly expanding global

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market for environmental technologies is worth £175 billion annually.

Crucially, the Chancellor must act now if these opportunities are to be realised. The longer tax and other incentives to minimise pollution and resource waste are delayed, the more likely it is that firms will continue to invest in increasingly out-moded and inefficient capital plant, production processes and technologies which have a long turn-over time. Industry needs to know as soon as possible whether the fiscal (and regulatory) framework is going to change or not with respect of these objectives. This point was made crystal clear by Lord Marshall in his recent report on environmental taxation for the Chancellor.

The Government's election manifesto and subsequent Statement of Intent on environmental taxation recognise the need and value of generally shifting the burden of business taxation onto wasteful and polluting activities (which has substantial business support), and to provide incentives for businesses to innovate for and invest in waste minimisation, clean production and efficient natural resource use.

By reducing tax rates on employment - for example by cutting National Insurance Contributions - the overall tax burden on industry need not rise. Alternatively, the Chancellor has the option of recycling these revenues into the development of environmentally sound infrastructures and services, such as modernising the public transport network and carrying out a nation-wide home energy conservation programme. Both options have considerable potential to generate large numbers of skilled and manual jobs, and cut employment. For example, to use two proposals below: introducing a gradually escalating tax on primary aggregate use should raise £500 million in 2001 which along with an equivalent cut in employer's NIC contributions can generate up to 10,000 new jobs; increasing and extending the 'landfill' tax should raise an additional £700 million in 2001 which along with an equivalent cut in employers' NIC should create an extra 13,000 jobs.

It is time that the Chancellor delivered.

Friends of the Earth advocates the following measures to achieve these goals:

- **Commit to introducing a business energy tax at the next budget** following consultation on the details - including treatment of renewables and Combined Heat and Power that ensures increased uptake of those technologies - and give clear warning that the tax will escalate with increases annually until 2010.
- **End oil exploration subsidies** to recoup over £1 billion a year for reinvestment in the development of renewable energy technologies, and in particular off-shore wind and wave.
- **Announce a tax on primary aggregates** at a starting rate of £1 a tonne rising each year thereafter by an additional £1 per tonne, to reduce quarrying for sand, gravel and other aggregates while stimulating reuse of secondary building materials.
- **Introduce a pesticide tax based on dosage rates** with revenues used mainly to support a substantial programme of information advice and grant-aid for farmers to get off the chemical treadmill, greatly reduce agricultural chemical use and, most importantly, convert to organic production.
- **Extend and increase the waste ('landfill') tax** to cover incineration, as well as landfill, and increase rates by £2 per tonne per year.

- **Consult on the introduction of a fertilizer charge for the next Budget** in order to minimise the environmental costs of fertilizer use and meet the UK's overall climate change emission targets.
- **Harmonise VAT on refurbishment and conversion of empty properties for housing and new build housing at 5%** to channel investment into urban regeneration through re-using, refurbishing and sub-dividing existing properties by removing the existing tax incentive to provide additional housing through new-build mainly on green-field sites.
- **Provide tax incentives for mainstream industry to invest in innovative environmental technologies** by announcing the introduction of accelerated depreciation deductible from tax on investments in innovative technologies which increase energy efficiency and waste minimisation, and/or reduce pollution.

### **3. Immediate tax and public expenditure measures to eradicate fuel poverty and stimulate households to cut CO<sub>2</sub> emissions.**

The domestic sector has a critical role to play in achieving the UK's Government's initial CO<sub>2</sub> reduction target of 20% by 2010, and the further inevitable reductions that will be required after that in the face of dangerous climate change and sea level rise. Unless 23 million households reduce their own pollution and energy waste, the UK will not be able to reduce its greenhouse gas load to globally equitable levels nor keep them within environmental system limits.

But, there are two serious obstacles which prevent both poor and middle-class householders from doing so: the scandalously high numbers of people suffering in the trap of fuel poverty, and the ridiculous anomaly whereby energy efficiency investments are taxed more heavily than energy use.

The UK is the only major industrial nation whose citizens suffer from extensive fuel poverty. It is outrageous that some 15 million people, in 8 million households across the UK, live in housing which is so badly built and energy wasteful, on incomes which are so low, that they cannot afford to stay warm and dry. As a consequence, some 30,000 vulnerable people die prematurely every year from a range of illnesses simply because they are cold and damp. A nationwide energy conservation programme to eradicate fuel poverty would save lives, cut NHS costs and create between 25-30,000 new jobs manufacturing, selling, installing and servicing such equipment.

It is ridiculous that energy use is taxed at 5% VAT, when energy saving goods and materials are taxed at the highest 17.5% VAT rate, at a time when the Government is urging people to save energy and combat climate change. They would be far more likely to do so if it was cheaper to buy loft/cavity wall insulation, lagging, energy-efficient heating systems, double-glazing or a range of other products to save energy in the home. At the last Budget, the Chancellor tentatively introduced such a VAT reduction on publicly funded energy conservation programmes covering just 40,000 homes a year. This overly cautious first step must now be extended nationwide.

Friends of the Earth advocates the following measures to overcome these blocks:

- **Establish a nation-wide home energy conservation programme** targeting 8 million fuel-poor households through a comprehensive fifteen year programme to insulate

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500,000 cold homes each year in order to eradicate fuel-poverty, improve public health and living standards, and reduce polluting emissions.

- **Extend the restricted cut in VAT to all energy saving materials** to encourage energy-saving by house-holders nationwide.

### **4. Establish effective sustainability indicators of progress that are fair to future, as well as present, generations.**

The Government made clear in the Pre-Budget Report that it regards Gross Domestic Product (GDP) as the central measure for determining and assessing economic policy. Friends of the Earth believes that using GDP as the most powerful headline indicator presents a major obstacle for delivering on national commitments to meet future generation and environmental needs by promoting sustainable development. The implied use of GDP as a measure of overall welfare is wholly inappropriate. Over recent decades GDP has risen steadily, but people's quality of life has not and many environmental indicators have worsened<sup>ii</sup>. The Government's Budget and other policies must be guided by measures capable of assessing progress towards meeting integrated economic, environmental and social goals - as recently recommended by the Environmental Audit Committee<sup>iii</sup> and long advocated by Friends of the Earth and the New Economics Foundation through an Index of Sustainable Economic Welfare.

- **Announce the development of a set of composite indicators to measure sustainable wellbeing**, including an alternative headline indicator, to provide a new framework for measuring progress and Government policy at subsequent Budgets.

## Details of key proposals

### 1) Transport measures

- **Increase road fuel duty by at least 6% and consult on extending the escalator beyond 2002**

Friends of the Earth has previously congratulated the Chancellor on not only retaining the road fuel duty inflator introduced by the previous Government but increasing the rate from 5% to 6% in real terms. The price of road fuel has an important bearing upon motorists decisions to drive, and hence on traffic levels. Given the recent fall in oil prices, the escalator has played an important role in ensuring that petrol pump prices have not dropped substantially. Friends of the Earth agrees with the Government's view that the escalator plays a key role in reducing CO<sub>2</sub> emissions and helping meet both our Kyoto Climate Summit commitments and the manifesto pledge to reduce CO<sub>2</sub> emissions by 20% by 2010.

Given its effectiveness, the Government now needs to address the questions of whether to retain the escalator after 2002. There are several important issues to consider, of which the equity implications of this tax measure and its relationship with increasing fuel efficiency are the most important.

### Equity

The Institute for Fiscal Studies has made clear that the equity effects of fuel taxation are

mixed. For the travelling population as a whole, vehicle fuel tax increases are fairly progressive because poorer people are less likely to own cars in the first place (70% of the fifth poorest people in the UK do not own a car, while only 4% of the fifth richest do not). The social impacts of such a tax must be judged in light of the key objective to reduce traffic levels, and minimise the current inequities caused by poor public transport and variable car ownership between social classes. Recycling these tax revenues to further social objectives, whether through an increase in spending on urban or rural public transport systems, or health and education programmes, can variously increase its overall progressive effects.

However, one must also consider the regressive impact upon car drivers alone. Although richer motorists pay more of the tax increase because they generally drive more, they can afford to do so; as a percentage of income, it is poorer motorists who are adversely affected to a greater extent. The equity impact of the tax must be related to the opportunity for motorists to use other forms of transport or access. In order to reduce inequities and increase choice, through the option of swapping to environmentally sound cycling, bus, tram or rail, a proportion of these revenues should be switched to increase spending on these public infrastructures and services.

### **Increasing fuel efficiency**

The Chancellor noted in the Pre-Budget Report that "*growth in road traffic offsets the reduction in emissions from individual vehicles*". This is true for CO<sub>2</sub> as well as other pollutants. Indeed, because the price of travel affects the amount of travel, there is the problem that, without measures aimed at reducing traffic, increased fuel efficiency in isolation may provide an incentive to drive more. Increasing real fuel duties must therefore be accompanied by measures to reduce the amount of traffic on the roads. If the fuel duty escalator remains at 6% only until 2002, and subsequent duty levels remain unchanged in real terms, then the cost of driving will soon be little more than now. As a result there will be little further incentive for fuel efficiency improvements and the impact on road traffic reduction will have been severely weakened. It is these longer-term and strategic issues that the Chancellor has to address now.

- **Abolish mileage banding for company car allowances**

The current system of mileage banding for company allowances rewards company car users for using more fuel, emitting more pollution and runs counter to Government policy on transport, environmental taxation and reducing CO<sub>2</sub> and health-threatening emissions. The Chancellor must abolish this perverse subsidy at this Budget.

### **Traffic reduction and company cars**

Although company cars account for just 8% of all cars in the UK, they are responsible for 20% of car traffic<sup>iv</sup> and clock-up some 45 billion miles year. On average, company cars have larger engines and tend to have lower fuel efficiencies. There is also evidence to suggest that they are driven in a manner that is likely to increase fuel consumption<sup>v</sup>. Traffic reduction is also about making streets safer for cyclists and pedestrians. The Department of Transport has calculated that company car drivers have on average 30% to 50% more accidents a year than comparable drivers of private cars, allowing for mileage and other factors<sup>vi</sup>.

### **The current mileage banding system increases business mileage**

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Company car drivers are rewarded with greater tax relief when they drive further. This provides an incentive to increase business mileage in order to pass the 2,500 miles and 18,000 miles thresholds. Purely in terms of minimising tax liability there is a clear benefit, as the accountants Coopers and Lybrand advise, to “*ensure, if possible, that your business mileage is at a rate of 2,500 miles or more or 18,000 miles or more*”<sup>vii</sup>. Recent research<sup>viii</sup> based on the company car records from five companies, using a total sample of 13,936 cars, has provided evidence of how the incentive in the tax system to drive further is distorting behaviour: for example, twice as many drivers claimed for mileage in the 2,500 - 3,000 band as did in the 2,000 - 2,500 band.

While it is difficult to measure precisely the impact of this incentive effect to drive additional unnecessary business miles, surveys have produced strong anecdotal evidence from interviews with company car drivers that this is the case. In one survey<sup>ix</sup> of company car drivers, over 60% of those interviewed believed that the present mileage banding system encouraged drivers to make business trips which were not strictly necessary and 15% even admitted personally to doing so in order to reach the next tax band.

The present system acts as a disincentive for drivers to use other modes of transport for business travel which offer not only environmental benefits but also benefits for employer and employee. Rail can offer an attractive business travel alternative for inter-urban journeys providing the opportunity to either work or relax while travelling. The National Travel Survey found that company car drivers use the train for only 3% of journeys over 50 miles compared to about 15% of drivers of private cars used for business. Cycling in congested urban areas is cheaper, often quicker, increases fitness and is one of the few modes of travel in such areas that can guarantee journey time. Telematics increasingly can replace business travel, particularly between sites within a firm, and can reduce travel and time costs.

The most important step the Chancellor has to take at this Budget is to scrap the present mileage banding system. This will mean increased revenue. Research<sup>x</sup> has shown that scrapping mileage allowances and reforming free fuel concessions would jointly raise an extra £660 million per annum. The question is whether that revenue is best spent on providing another type of allowance for company car drivers that would have environmental benefits. Providing allowances that decrease as the number of private miles travelled in the company car increases does have the twin advantage of creating incentives to drive less and use other modes of transport and access more. Before doing so, however, the Government should be sure that this is a more efficient and equitable use of money which could otherwise be used, for example, to increase funding for non-commercial rural bus services.

- **Reform Vehicle Excise Duty**

Friends of the Earth welcomed the Government's commitment to vary Vehicle Excise Duty (VED) such that “*more efficient, less polluting cars will pay less and less efficient ones will pay more*”. However, we view the Chancellor's proposal in the 1998 March Budget to reduce VED for the cleanest and smallest cars by a mere £50 as paltry first step in the right direction. At this Budget, the Chancellor has the opportunity to install a comprehensive overhaul of VED that provides incentives to car owners and manufacturers to reduce CO<sub>2</sub> and toxic pollutants.

In fact, as Germany has demonstrated<sup>xi</sup>, it is possible introduce a variable VED that

encourages the purchase and manufacture of cars that not only have greater fuel efficiencies but are also less polluting. Friends of the Earth calls on the Government to deliver on its Manifesto commitment and introduce such a system. A precedent for introducing variable VED rates to promote both greater fuel efficiency and less polluting vehicles, was set when the Chancellor carried forward his predecessor's decision to reduce VED for lorries and buses which meet low emission standards by a maximum of £500. Furthermore, special provisions to enable Member States to introduce similar variable taxes have been incorporated in the proposed European Directive on emissions standards for new cars<sup>xii</sup>.

A fiscally-neutral system of this type applicable to the UK has been proposed by the Institute for European Environmental Policy<sup>xiii</sup>. This system would operate in a mutually reinforcing manner with the road fuel duty escalator. It would also offer partial compensation for rising fuel prices to the poor in rural areas - who can often afford only small cars (which, even if old, tend to be more fuel efficient than the average).

Research for Friends of the Earth comparing rates in various EU countries is summarised in the following table:

<b>MODEL</b>	<b>UK</b>	<b>BELGIUM</b>	<b>GERMANY</b>	<b>IRELAND</b>
Suzuki Swift	£150.00	£65.82	£40.51	£77.90
Ford Fiesta	£150.00	£86.10	£52.67	£138.02
Ford Mondeo	£150.00	£146.74	£72.92	£257.41
Ferrari F50	£150.00	£1082.62	£190.41	£677.39

In France, Italy and Austria cars with more powerful engines in terms of horsepower pay more road tax than cars with less powerful engines. In Belgium, Spain, Greece, Ireland, Luxembourg and Germany cars with larger engines in terms of cubic capacity pay more road tax than cars with smaller engines. In Germany there is an additional banding for pollution emissions performance where cleaner cars pay less. In Finland, Denmark, Sweden and the Netherlands heavier cars pay more road tax than lighter cars<sup>xiv</sup>.

In the UK, the incentive to cut CO<sub>2</sub> emissions can be introduced for new cars by varying VED on a continuous scale according to the vehicle's CO<sub>2</sub> emissions, which manufacturers are required to supply. For vehicles manufactured before this data was required, VED can be varied on a continuous scale according to engine size as a proxy for CO<sub>2</sub> emissions. The incentive to reduce toxic pollutants from old and new cars can be introduced by graduating VED according to the series of European Directives on emissions standards. This should encourage the purchase of second hand cars meeting tighter emission standards.

Varying VED according to CO<sub>2</sub> emissions and engine size as suggested should also benefit poorer motorists who tend to drive smaller vehicles. However, because poorer motorists also tend to drive older vehicles graduating VED according to emissions standards will impact upon poorer motorists more. How strong this impact is depends upon the size of the incentive installed.

The introduction of a 'scrappage' allowance paid to owners who trade in cars over 6 years old, and therefore bought before the first and least stringent vehicle emission standard (EURO I), should encourage the purchase of comparatively cleaner second hand vehicles,

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and would in part offset the adverse impact of this type of variable VED on poorer motorists. Friends of the Earth believe the Government should consult on this option.

- **Install CO<sub>2</sub> and toxic pollution emissions as criteria for company car allowances**

The most pressing change needed in company car allowances is to abolish the current mileage banding system as above. However, there are other important reforms needed to the remaining non-mileage criteria for company car allowances, list price and age. As these deal with the type of car involved, rather than its use, there is an opportunity to install incentives for companies to lease or buy vehicles that produce less CO<sub>2</sub> and toxic emissions. This would be a powerful policy tool, as around 50% of the new car purchases are company cars which, on average, have higher CO<sub>2</sub> emissions.

## **2) Energy taxes**

- **Commit to introducing a business energy tax at the next budget**

Lord Marshall has made a clear case for introducing a business energy tax as part of the Government's strategy to tackle climate change by "*providing long-term continuing, dynamic incentives to reduce emissions*" of CO<sub>2</sub>. As importantly, Lord Marshall emphasised the need for the Chancellor to act as soon as possible.

*"Without a signal soon of where we may need to be beyond 2010, there is a risk that firms investing now may get locked into capital stock which does not meet the requirements of the future. If one advocates a bare minimum now one must take into account the possibility that change could be more costly and painful as a result than if one had acted with the grain of the investment cycle"* (para10)

Despite the need for radical changes within the economy and within industrial sectors in order to face these challenges, Lord Marshall notes that "*there is some evidence to show that industry may actually have lost ground, and that energy efficiency has fallen off slightly since 1989. There are a number of explanatory factors (including) effects of lower energy prices*". At the same time, it is also evident that investment in existing technologies can bring significant increases in energy efficiency both in the short-term and through more fundamental step changes in technology. Lord Marshall made clear this is true for all industrial sectors including the most energy intensive ones.

While a package of policy measures are required to secure fundamental change in energy use, an energy tax should provide the backbone of reforms because it provides a clear incentive, applies to all businesses, is certain, and has been shown to work in other countries. A tax can be introduced at a relatively low level, and increased in a planned manner, allowing businesses to make longer-term strategic decisions about directing investment and innovation efforts at reducing CO<sub>2</sub> emissions.

Importantly, a business energy tax can be designed to work for business as well as the environment. The key to ensuring that tax helps, rather than hurts, business lies in ensuring that the revenues from the tax are returned to business in other ways. There are a number of possibilities for doing this. Friends of the Earth recommends the following.

- The majority of the revenues - 75%/80% in the first instance - should be used to cut employers' NIC. Modelling in 1998 by Cambridge Econometrics of a business energy

tax with all the revenues recycled as cuts in employers' NIC suggested that the business sectors benefiting from such a tax shift were responsible for 70% of UK exports. The tax shift also increased employment, due to the relative fall in the price of labour. On this evidence, an energy tax could certainly benefit the UK economy as a whole.

- There is evidence that many businesses, especially small and medium-sized enterprises (SMEs), do not take up cost-effective opportunities for energy saving, and therefore would be slow to respond to the incentive from the tax to increase energy efficiency. To address this issue, 10% of revenues should be used to establish a dedicated information and grant-making service to provide advice and funding to SMEs for cost-effective energy-efficiency measures and options for exploiting renewable sources of energy such as solar power.
- There should be no exemptions from the tax for energy intensive industries as this creates market distortions and would result in the tax not providing an incentive to those firms who emit the most. Work by ETSU<sup>xv</sup>, cited at length in Lord Marshall's report, demonstrates that there is still substantial scope for cost-effective energy-efficiency improvements in these sectors. However, because some of these investments are both large-scale and need to fit into investment cycles, the remaining 10% of revenues from the tax could be used allow investments for energy-saving, or the development of renewable energy sources, to be set against liability for the tax. If there was a case for certain tightly defined sectors to be given further relief in the medium-term, then the Government could consider recycling the revenues from those sectors directly back according to, for example their economic output. In this way the most energy efficient firms would still be rewarded. However, this should be an option of last resort and subject to review.

Friends of the Earth calls on the Chancellor to announce a firm intention to introduce a business energy tax by the next Budget. In our view, the energy tax should be designed as a downstream tax to avoid hitting the domestic sector, and should be introduced in a revenue neutral way for the UK business sector as a whole. One of the key areas for consultation on its design should be to ensure that renewable energy technologies, including combined heat and power (CHP), are treated in a way that provides the maximum incentive to invest in these technologies.

- **Cut tax breaks for the oil and gas industry**

It is Government policy to increase the taxation of petrol, the main product of the oil industry, and to reduce carbon emissions. Yet at the same time, oil production, dominated by a small number of very large and profitable companies, is given significant indirect subsidies through generous allowances and exemptions from Petroleum Revenue Tax. This effective subsidy directly encourages the exploitation and use of carbon-rich oil fuels, in direct contradiction to agreed climate change response policy objectives.

In 1996/7 allowances totalled £1.3 billion, and they are predicted to be over £1.1 billion in the coming year<sup>xvi</sup>. In addition to these allowances all fields approved for development after 15 March 1993 are completely exempt from the tax, as is gas sold to British Gas under pre-1975 contracts. Moreover, under these allowances, immediate full relief for allowable expenditure is provided, rather than writing down allowances as is the case for mineral extraction under corporation tax. All of which generous public subsidy makes the off-shore taxation regime in the UK one of the weakest in the world. Friends of the Earth calls on the

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Government to reintroduce Petroleum Revenue Tax on new fields and to remove the current allowances as rapidly as is practicable. This is likely to raise an extra £1 billion per year.

In addition, the DTI spends over £9 million per year on programmes related to the off-shore industry<sup>xvii</sup>. Some of the activities under these budgets are important to continue, such as aerial pollution surveillance; costing around £250,000. But expenditures such as the oil and gas technology and promotion programmes of £3.7 million are environmentally indefensible. If the Government wishes to spend public money to build on the undoubted strength of the UK offshore engineering industry, it should support the development of offshore wind technologies, as an industry of the future with considerable export potential, rather than one which faces slow decline and is a principle cause of global warming, impending climate change and sea-level rise.

- **Establish a nation-wide home energy conservation programme to eradicate fuel poverty**

Spending on eradicating the national scandal of fuel poverty provide a clear example of how an integrated, cross-departmental approach can help deliver both sustainability and cost-savings. At present, 8 million households in the UK (not the 2.3 million claimed by the Government) suffer from fuel poverty - they cannot afford to heat their homes properly. One effect is that between 30,000 and 60,000 more people die during the winter than summer months. This will continue every year until fuel poverty is tackled.

Present Government expenditure to cope with fuel poverty includes:

- Around £1 billion per year additional costs on the National Health Service because of cold and damp related illnesses such as respiratory diseases, heart and cerebro-vascular complaints.
- £3.6 billion over the next 3 years on personal subsidy payments to deal with the effects of fuel poverty<sup>xviii</sup>.
- Spending on energy conservation measures through property improvement programmes totalling £835 million over the next three years.

Only a small proportion of this expenditure is aimed at eradicating the cause of fuel poverty. Friends of the Earth agrees that the immediate needs of the fuel poor should be met by cold weather payments, but the Government should invest money now to eradicate the problem in order to avoid continual spending on treating the effects rather than removing the cause. It is the energy efficiency of the home environment that determines whether a low income family can obtain adequate warmth and comfort. It is here that the Government can spend to save, at the same time as making environmental and social progress toward sustainability.

The comprehensive spending review does imply that a proportion of the money available under broad programmes (such as the New Deal for Community Pathfinders Programme and the Single Regeneration Budget) may be directed at increasing energy efficiency. But figures on the amounts are not available, nor is there in place a strategy to coordinate these various funding streams. Friends of the Earth and the Association for Energy Conservation have helped draft the Warm Homes and Energy Conservation (15 Year) Bill to tackle fuel poverty, through insulating 500,000 fuel poor homes a year for 15 years, and are leading a campaign to persuade Parliament to ensure it becomes law.

Detailed costings prepared by Friends of the Earth and ACE suggest that such a programme would be revenue positive - with the costs of £1.25 billion a year being recouped by savings in other areas over the life of the programme. Areas where savings would be made include: the £1 billion per annum burden on the NHS of coping with cold/damp related diseases; savings in welfare payments and additional tax revenues from unemployed taking up the 30,000 new long-term jobs that would be created; and, large savings in the maintenance and management of public sector houses improved under the programme.

In addition to these benefits, this programme would make significant contributions to Government efforts to deliver decent public housing, reduced health inequalities, creating job opportunities, cutting CO<sub>2</sub> emissions, and reducing air pollution.

- **Extend the restricted cut in VAT to all energy saving materials**

The vast majority of householders who wish to invest in energy efficiency, including many of the fuel poor, pay twice as much VAT on products and services to do so as they do on using energy. If ever there was an example of the stupidities ingrained within the current tax system this is it. Following extensive criticism by Friends of the Earth, the Government has made a limited and so far feeble attempt to reform this perverse state of affairs by reducing the rate payable on energy saving materials to 5% for certain Government backed schemes covering just 40,000 homes.

Customs and Excise argue that European Union taxation law prevents the Government from going further. Friends of the Earth has taken legal advice which points quite clearly to a provision within European VAT law which allows for such VAT reductions to be made on social policy grounds. Under the sixth VAT Directive, a reduced VAT rate can be applied to the renovation and alteration of housing as part of a social policy. Friends of the Earth believes that there is no good reason why the lower 5% VAT rate cannot be extended to all household energy saving materials. After all, Belgium reduced its VAT on energy saving goods and materials from 22% to 6% in 1995. We would argue that reforming VAT rates in this way amounts to a cheap home warmth for all programme which is a social and anti-poverty policy, and which brings clear environmental and employment benefits.

### **3) Other material and product measures**

- **Extend and increase the waste ('landfill') tax**

The low rate at which the Landfill Tax has been set fundamentally weakens the incentive for businesses and the waste management sector to innovate and invest in minimising waste and increasing recycling. Before the tax was introduced, the waste industry assumed that rates of £12 - £15 per tonne would be the norm. When the standard rate was set at £7 per tonne the tax was regarded as "*something of a damp squib*"<sup>xix</sup>, with a corresponding reduction in priority for waste minimisation in the corporate sector.

As a result, only firms with significant waste costs have responded to the incentive. A survey<sup>xx</sup> of more than 70 companies for Friends of the Earth found that only 31% of them had either stepped up or started programmes to re-use or minimise waste. Some firms and sectors have responded by looking for innovative solutions. In other cases, waste producers have asked for their waste arisings to be charged by the tonne to allow them to take a more strategic approach to waste minimisation and recycling.

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Friends of the Earth has repeatedly called upon the Government to announce a £2 a year escalator for the standard rate of the Landfill Tax to increase the incentives. An escalator helps businesses to adjust in a planned way. We were pleased that in the Pre-Budget Report the Chancellor stated that the Government were reviewing the basis upon which the tax rate was set and its relationship with meeting recycling and other targets. The Government target for recycling 25% of household rubbish by 2000 will not be reached; and, by the mid-year, it is likely that the proposed Landfill Directive will have set a target of no more than 35% of biodegradable municipal solid waste going to landfill by 2016. Although the UK has an option of an extra four years to meet this target it still represents a huge challenge to the waste management industry, given quantities currently produced and existing disposal methods. Introducing an annual escalator of £2 per tonne in the rate of the Landfill Tax would contribute significantly to achieving this target.

If the Landfill Tax is to operate effectively, it needs to be extended to waste disposal by incineration. While incineration remains an untaxed waste disposal route for materials that can be re-used, recycled or composted, it blocks progress towards meeting targets and reduces the incentive for investing in, and innovating for, waste minimisation and recycling. We are aware that there is concern that extending the tax to cover incineration may involve most of the additional revenue being spent on collection because of the currently small number of incinerators in operation. To overcome this problem but send a clear signal of future intentions, the rate could be initially set at zero, as in the Netherlands, allowing it to be raised when appropriate.

The use of the revenues from the Landfill Tax is important. The additional revenues from the increase in the standard rate of this tax, announced by the Chancellor in his last Budget, were not used to cut employers' NIC as was the case when the Landfill Tax was first introduced. This break from green tax reform must resist in the future - if environmental taxes are to promote integrated economic, environmental and social objectives and not just get a bad name in industry as simply another cynical revenue raising exercise by the Treasury (as happened when Norman Lamont tried to deflect criticism of his increase in VAT on fuel use by subsequently claiming it was as an environmental measure). If the revenues from an annual escalator of £2 per tonne were used to reduce NIC, modelling has shown that the shift in the burden of tax from jobs to pollution would bring an increase employment of 43,000 by 2010.

Reforming the Landfill Tax credit scheme is also required to ensure that reduced waste and increased recycling objectives are realised. There is a need to make the body responsible for allocating funds more independent; to tighten the criteria under which allocations occur so that only waste related projects are funded; and, to ensure that a greater proportion of funds are directed at practical local authority and/or community based recycling programmes.

- **Announce a tax on primary aggregates at a starting rate of £1 a tonne rising each year thereafter by an additional £1 per tonne**

In his first Budget the Chancellor announced that the Government would examine the "*environmental costs of quarrying, including damage to the landscape*" to see if there was a need for further measures including tax measures. A tax on primary aggregates had been recommended in two previous Government funded reports on developing a more environmentally sustainable aggregate supply industry and ensuring a more prudent use of

mineral resources.

Research published in May 1998 focused primarily on the direct local impacts of quarrying, such as dust, noise and vibration, within a maximum of a five mile radius from the sample quarries. Further research, expected to be completed this April, has broadened the scope to include the wider population's view on the environmental costs of quarrying in National Parks. However, the longer-term, more irreversible impacts of quarrying, such as damage to landscapes, ecosystem functions and existing habitats, cannot be easily quantified or measured in the same way. The Chancellor, and other Cabinet colleagues, will have to judge what policy measures can be effectively used to address these vital concerns, above and beyond the narrower environmental impacts of quarry management. On the basis of research completed so far the Chancellor stated in the Pre-Budget Report in November 1998 that "*there are significant environmental costs not already covered by regulation*". The Treasury also has been investigating the case for introducing a new tax alongside existing policy measures to gain environmental improvements in aggregate supply.

There are four interconnected reasons why an aggregates tax should be introduced:

- Currently, the polluters do not pay for the cost of their pollution. An aggregates tax would make the industry pay a greater proportion of the environmental costs of its activities rather than passing them on to the community at large and future generations.
- It gives an economic incentive to increase the efficiency use of important non-renewable mineral resources. This fits well with the Government's intention to introduce green taxes that encourage the prudent use of natural resources. The current situation, where those costs are not reflected in the price of primary aggregates, has led to huge inefficiencies and waste. For example, recent research by CIRIAxxi suggests that materials wastage on building sites in the UK is equivalent to building 13,000 extra homes every year. Artificially cheap aggregates may also exacerbate the skew in housing provision toward new build over refurbishment of empty homes in existing urban areas. A tax would provide an incentive to increase the recycling of aggregate materials, the re-use of components and materials, and the use of secondary aggregates where appropriate as has happened in the Netherlands. These incentives will reduce the demand for primary aggregates and develop a sustainable aggregates supply industry in the UK. Over time this will reduce land take by quarrying and the environmental impacts associated with it.
- Such a tax operates well in union with existing policies including planning measures, regulations, product standards, research programmes, promoting the uptake of environmental management systems and targeted information programmes. In particular it would augment the Landfill Tax in reducing undesirable environmental impacts. Both, for example, encourage the recycling of building materials - the landfill tax through increasing supply by discouraging disposal, and an aggregates tax through increasing demand by discouraging the supply of primary aggregates. Both would reduce land take and associated amenity dis-benefits and landscape destruction. In the long run, a reduction in quarrying would also reduce the supply of readily available landfill sites.
- It allows the Government to deliver on its commitment to shift the burden of taxation off 'goods', such as employment, and onto 'bads', such as the waste of resources.

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Research for Friends of the Earth and Forum for the Future<sup>xxii</sup> has shown that an aggregates tax offers one of the most efficient options for achieving such environmental tax reform in terms of the employment benefits: an aggregates tax with a starting rate of £1 per tonne rising annually by £1 per tonne over 12 years, with revenues recycled as employers' NIC cuts should increase employment by 10,000 over two years and 82,000 over twelve years.

These reasons provide a strong case for an aggregates tax. Indeed Planning Minister Richard Caborn recently stated it is clear that there is "*a sufficiently good case ... to proceed to a tax*"<sup>xxiii</sup>. Given the work carried out by Customs and Excise on implementing the such a tax, we believe that the Government must announce the introduction of the tax at the forthcoming Budget. The response of the quarrying industry to the Chancellor's invitation to provide a credible alternative to a tax failed to present a deliverable package of measures which would permanently secure equivalent or greater benefits than a tax<sup>xxiv</sup>. More positively and responsibly, the industry response does include proposals to develop valuable complements to a tax, including addressing the issue of 'orphaned' quarries, tightening controls over quarrying in National Parks, and improving the monitoring and enforcement of planning conditions through increased fees.

- **Introduce a pesticide tax based on dosage rates**

As the Chancellor noted in the Pre-Budget Report the evidence is that "*pesticides have harmful effects on wildlife, terrestrial and aquatic ecosystems, and on human health*". Despite policies developed over several decades to control such adverse environmental and human health effects, the threats continue. For example, pesticide residues on or in food products remains a significant problem as shown by recent guidance issued by the Ministry of Agriculture Fisheries and Food advising the public to peel and top carrots to avoid ingestion of organophosphates.

Existing policies attempt to control pesticide damage by encouraging the use of relatively less risky pesticides. Unfortunately, for several reasons but most importantly because the dominance of chemically-intensive farming systems, these policies have not been able to cope. As the Chancellor recognised, in the Pre-Budget Report, that vehicle emissions had to be dealt with by both improving the performance of individual vehicles and reducing the amount that they were used, so tackling pesticide pollution requires a dual approach of less risky pesticides and less pesticide use.

A tax on pesticides would, for the first time in the UK, create a powerful incentive to reduce unnecessary pesticide use. Experience from other countries, including Sweden, Austria and Denmark, has shown that a package of measures, including a pesticide tax and other incentives such as information, advice and grant-aid schemes, designed to encourage farmers to adopt less chemically intensive or organic farming systems, are a highly effective method of reducing pesticide use. The package can be paid for by recycling revenues from the tax. In Sweden and Denmark, reductions in total pesticide use of 65% over nine years, and 30% over seven years, respectively have been achieved.

A pesticide tax should be introduced with a simple banding system, where the bands relate to toxicity and risk. This system would complement existing policies effecting pesticide choice.

The impact of the tax upon farming and rural economies is a vital consideration in designing

the tax and the deciding how to use the revenues. Trends in agricultural policy in Europe are to cut the subsidies that have kept commodity prices high, and established and supported chemically intensive farming as the norm. This process of reform will mean that cutting pesticide use will increasingly become both easier and more attractive for farmers; and, as a consequence will increase the strength of the incentives introduced by a pesticide tax. The rapidly expanding market for organic produce offers farmers the opportunity to meet consumers' preferences without paying such a tax. Even the leader column in a recent issue of *Farmers Weekly* states that "*organic systems have come of age*" and that such systems are "*serious profit-generating operations*". A proportion of the revenues from a pesticide tax should be used to directly support existing organic operations, and conversion from chemical intensive systems to organic.

In the short-term, the substantial majority of the revenues from the tax need to be recycled back to farming which has suffered for too long from policies that have distorted the market and encouraged the development and uptake of risky technologies leading to avoidable problems such as agro-chemical pollution, cruel husbandry, the BSE crisis, and the most recent scandal over genetically modified crops. Using the revenues from a pesticide tax to fund policies that help encourage investment in a dynamic, mixed and environmentally, socially and economically sustainable farming sector that delivers real food is vital. Over the longer term, it is likely that the Government will be able to increase the revenues used to achieve green tax reform in the sector by cutting the cost of labour.

- **Harmonise VAT on refurbishment and conversion of empty properties for housing and new build housing at 5%**

The present demand for housing is putting considerable pressure on our countryside, greenbelts and wildlife habitats. Yet existing VAT policy for housing absurdly provides an incentive for volume house builders to take up green-field sites, and penalises builders wishing to renovate or refurbish some of the three-quarter of million empty homes in England alone<sup>xxv</sup>. If the VAT rate on both types of housing provision was harmonised at 5%, investment would be channelled into urban regeneration and would relieve some building pressures on green-field sites.

Removing this perverse incentive would bring environmental, social and economic benefits. The demand for land and materials would be reduced. Existing resources invested in existing homes would be used efficiently. Pressure on greenfield sites would be reduced, along with the potential for increased traffic, road-building and unsustainable water use usually associated with out-of-town developments. Channelling investment into urban regeneration aids the development of those communities and their local economies. At the same time, the property interests such as the Royal Institute of Chartered Surveyors and the Chartered Institute of Housing agree that harmonisation at 5% would *not form a barrier* to new build provision<sup>xxvi</sup>.

#### **4) Other incentives for industry and the economy**

- **Provide tax incentives for mainstream industry to invest in innovative environmental technologies**

If the UK is to develop a dynamic and environmentally sustainable economy there has to be substantial investment in innovative environmental technologies. Encouraging UK industry

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to both develop and adopt such technologies will lead to: increased industrial competitiveness as inefficiency in the use of raw materials and energy is reduced; improved environmental performance through a reduction in pollution and waste; and, positive encouragement for the environmental technology industry, one of the sunrise industries of the global economy. This case has been argued for convincingly by the Environmental Industries Commission.

Friends of the Earth calls on the Chancellor to announce an acceleration in the depreciation deductible from tax on investments in innovative environmental technologies. Thus British firms could set 100% of the capital investment in such technologies against its tax bill in one year instead of spreading it over time. Doing so greatly increases the incentive for mainstream businesses in sectors as diverse as computing, food and drink manufacture, chemicals and water services, to invest in technologies that save money on raw materials and energy and reduce adverse environmental impacts. A recent survey for the Environmental Industries Commission showed that 94% of business leaders support investment allowances for clean technology<sup>xxvii</sup>. At the same time, such a measure would create a home market for British firms selling environmental technologies and services, and thus provide a vital boost for the UK to capture an increased share of the global environmental technology market which is set to increase from £175 billion to £400 billion by 2010<sup>xxviii</sup>. Currently the lion's share of the global market is taken up by our competitors, including other European, Japanese and United States companies, whose governments provide far greater regulatory and fiscal incentives to develop such technologies.

For example, since 1991 in the Netherlands, firms that install innovative environmental technologies can depreciate their investment in one year instead of over 10 years. Qualifying technologies are placed on a list which is periodically updated. In 1995 there were around 450 technologies on the list. In the first three years, over 10,000 firms took advantage of the scheme which has been reviewed and considered such a success it will be continued indefinitely. Listed technologies are emerging ones with less than 30% market penetration but which are judged to have a higher environmental performance than the alternatives. Other criteria for getting on the list include the severity of the pollution being tackled and the treatment efficiency. Some 60% of listed technologies have been sponsored by the Dutch Government in an earlier phase of development. Austria, Belgium, Finland, France, Norway, Portugal and Switzerland also operate tax incentive schemes to encourage the uptake of such environmental technologies of the present and for the future.

The details of the criteria for selecting which technologies should attract such favourable tax treatment will need public consultation. Friends of the Earth urges the Chancellor to follow the process used for introducing the Landfill Tax by making a commitment to introduce a scheme at the next Budget and announcing a consultation process to determine the details.

- **Announce the intention to install a set of measures of sustainable wellbeing**

GDP is a good measure of aggregate economic growth, but it is a bad measure of achieving the Government's goal of "*stable and environmentally sustainable growth*"<sup>xxix</sup>. GDP is a brutally simple measure of quantity output - but it provides no measure of the quality of growth as the Chancellor wishes to achieve. More fundamentally, the implied use of GDP as a measure of welfare is wholly inappropriate. Over recent decades while GDP has risen in Britain people's quality of life has not - particularly as a result of increasing inequality and environmental degradation<sup>xxx</sup>. For example, while GDP nearly doubled between 1972 and

1997, the incidence of violent crime quadrupled, the number of unemployed households tripled as did rates of childhood asthma, traffic levels doubled and emissions of greenhouse gases soared. Sustainable progress? Friends of the Earth thinks not.

The notion that increasing social and environmental welfare is dependent upon the quantity of economic growth is wrong, and typical of the professionally sectarian and muddle-headed thinking of conventional economists. If the Government wants to achieve a long term increase in wellbeing, while ensuring that production stays within environmental system limits and that the distribution of natural resources is equitable, then it must be guided by relevant measures of improvement - as recommended by the House of Commons Environmental Audit Committee<sup>xxxi</sup>.

Presenting new sustainability indicators alongside economic ones may create the misleading impression that there is a conflict between such objectives. This concern extends to the headline indicator or indicators used. The case for a new headline indicator of sustainable wellbeing is very strong, given the inadequacies of the present GDP. Friends of the Earth and the New Economics Foundation have long advocated that the headline indicator should be based upon the Index of Sustainable Economic Welfare<sup>xxxii</sup>, which is able to measure progress in the round using integrated environmental, social and economic standards.

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