



By Email To: Department of Finance at Minister@finance.gov.ie

Pre-Budget 2015 submission from 'Cyclist.ie' – The Irish Cycling Advocacy Network

DATE: 10 September 2015

Cyclist.ie, the network of the cycling campaigns and bicycle festivals on this Island, makes this Pre-Budget Submission 2015 in an attempt to encourage fresh thinking about the purpose of a taxation system in relation to decreasing the societal impacts and latent costs to the Exchequer from motorised transport use and unhealthy lifestyles. Budgets should be striving to support healthier, cost-effective modes of transport with benefits across health, community and the environment sectors. Investment in cycling promotion is one of the most cost-effective actions that any government can make. [see http://atrium.dublincycling.com/sites/default/files/benefits_of_cycling_pp_0.pdf]

1. Supporting and Enhancing the Revenue's 'Cycle-To-Work' scheme

The current Revenue scheme was introduced in 2009 - <http://www.revenue.ie/en/business/payeguide/employers-guide-payeguide/definition.html#section6.6>

Cyclist.ie would wish to see continuance of this scheme because it has had a transformative effect on the uptake of cycling for everyday trips including the all-important commuting ones. See the paper by Caulfield & Leahy (2011) attached. Many more bicycles are now imported into this country than private motor vehicles. CSO data for 2013 showed that **227,426** bicycles were imported in comparison to approx. 74,366 private motor vehicles.

However, many of the bikes purchased under this scheme appear to be destined for weekend leisure cycling rather than cycling to work as many people lack the skills and confidence to cycle in traffic by themselves. We would therefore advocate that all Cycle to Work bikes should come with a €25 voucher for Cycle Skills training from approved, certified trainers.

You will recall that the government's National Cycling Promotion Framework (NCPF, 2009) set a target of 10% of **daily commuting** trips to be made by bike by 2020. At the half-way

stage we are far off this target mainly because commuters will not willingly give up using their cars, even for short trips (less than 5 km). The State has to actively promote and encourage commuting travel by bike. Every trip made by bicycle and not private car reduces transport emissions that we know to be too high for Ireland and which will attract EU Commission fines in due course. [see EPA report for 2012 - <http://www.epa.ie/irelandsenvironment/climatechange/>]

“The transport sector is a significant source of GHGs and emissions to air (e.g. NO_x) in the State. Ireland remains heavily reliant on the car for its transport needs, with approximately three-quarters of all journeys made by private car”.

Dr. Laura Burke (Director of EPA) reiterated this point at the MacGill summer school this year:

“We are not on track to a low carbon society. At this rate, we are not even on track to meet our targets under the EU Climate and Energy package for 2020. Missing these targets will entail costs for Ireland, and will also increase the difficulty and the cost of achieving a low carbon economy and society.”

The incidence of Bike Theft is hindering commuting by bike

Bike theft has been on the rise over the past few years, possibly partly due to it becoming more profitable with the bike to work scheme, and so fear of bicycle theft may act to discourage bicycle use when a modest bicycle costs around €700 to replace.

We have a recommendation to make with regard to the 5-year period in force before a replacement bike can be purchased under Revenue scheme.

Bike theft is now of epidemic proportions in our towns and cities. In Dublin alone in 2010, over 3,200 bicycles were reported stolen [see “The bicycle thieves move up a gear Lally, Conor; Crime Correspondent. Irish Times, 10 Sep 2011: p. 5.] and so many of the bikes purchased under the Revenue scheme have been stolen in the interim. In 2013 this had increased to an estimated 5,895 bikes stolen. We would urge that once a stolen bike has been reported to An Garda, and recorded as stolen, that the erstwhile owner should be able to go and purchase a replacement even though the 5-year period has not elapsed on the original purchase using the scheme. It is quite expensive to insure a bike against theft and some insurers won't take it as a risk which indicates the real extent of such theft.

As an alternative, Cyclist.ie recommends that the period of 5-years is reduced to three years. Employees who are cycling to work every day are keen to have a bike that is safe, well maintained and in good condition. Cycling must be seen as an attractive option which will compete with driving, where it is not unusual to replace a car every year or two. [See page 45 of the Irish Bicycle Business Association Report (2011) at: http://ibba.ie/wp-content/uploads/2011/12/IBBA_Report.pdf]

These are Revenue's current rules:

“The exemption from income tax in respect of the benefit-in-kind can only be availed of once in any five-year period by an employee or director.

Where an employer incurs an expense of less than €1,000 in year one in the provision of a bicycle and/or associated safety equipment, and incurs further costs within a 5-year period, the employee will not be able to claim the exemption in respect of the difference between €1,000 and the amount spent by the employer within the 5-year period”.

[<http://www.revenue.ie/en/business/pay/guide/employers-guide-pay-definition.html#section6.6>]

The Revenue scheme is too restrictive

The scheme is restricted to company directors and employees (those with taxable earnings). Many of our citizens in the welfare category cannot afford private cars and yet they need mobility to seek work and eventually commute to work if they are successful. Lack of a personal mobility vehicle is socially isolating. Ireland’s car dependency exacerbates poverty and social exclusion. See, for example, James Wickham’s Gridlock

(<http://www.tascnet.ie/showPage.php?ID=3042&PHPSESSID=2491b2bfa5be69eddf680b2945ee2bc>) or Hine and Mitchell’s (2003) ‘Transport Disadvantage and Social Exclusion’. The ESRI report "The Transition from Short- to Long-Term Unemployment: A Statistical Profiling Model for Ireland" 2012

(https://www.esri.ie/publications/search_for_a_publication/search_results/view/index.xml?id=3513) found that lack of personal transport was one of the significant factors contributing to long term unemployment. On the other hand, the use of the bike for personal transport opens up opportunities to access employment centres, retraining schemes and other social institutions.

We ask that a bike purchase scheme be extended in some imaginative way to ensure mobility for such citizens perhaps in conjunction with the Department for Social Protection. One possible way would be to offer interest free loans for the purchase of bicycles, which would be repaid through weekly deductions from the person’s social welfare payment or an outright grant-in-aid scheme.

While the number of commuters cycling to work has increased significantly since 2006, the increase in the number of students cycling to second and third level colleges has been far less. For example in the Dublin City area the percentage of commuters cycling to work is 6.7%, while the percentage of students cycling to school or college is only 3.4%. The report “Active Travel – Healthy Lives” from the Institute of Public Health (2011) found that “Replacing short car trips with walking and cycling thus presents a major opportunity for improving levels of physical activity among children, adolescents and adults. Replacing short car trips with walking and cycling thus presents a major opportunity for improving levels of physical activity among children, adolescents and adults.” We would therefore suggest that the rules for the Cycle-to-Work scheme be changed so that parents could use the allowance to purchase bicycles for their children. This would enable children and young adults to incorporate regular physical activity into their daily lives, and get away from a situation

where children transition from being driven to school, to driving themselves without ever considering any other options.

With regard to children cycling to school, we would ask that a percentage of the Transport budget be allocated to providing 8 hours of on-road cycle skills training to every 10 year old child, by approved, certified cycle trainers, to give children the confidence and skills to be able to cycle to school independently.

Cycle-to-Work Scheme recommendations

- **Retain the scheme**
- **Allow two claims in a 5 year period, if a bicycle is stolen OR allow claims every 3 years**
- **Permit the sharing or transfer of the allowance between family members, to enable parents to buy bicycles for older children and young adults.**
- **Provide a one-off voucher to enable commuting adult cyclists obtain proper cycling skills training**
- **Introduce on-road cycle skills training for all 10 year olds in school.**
- **Introduce a Bikes for All scheme for those dependant on social welfare**

2. VAT applicable to Cycles

Cyclist.ie would like to see a fundamental review of VAT and Duties in relation to promotion of sustainable transport and promotion of healthy life-styles among citizens – the active travel concept.

In so far as we can ascertain a VAT rate of 23% applies to cycles and yet sugar and sugar products are zero rated for VAT. It seems skewed to us that using a bicycle to travel, rather than using a private car, should attract an identical VAT rate. The State has to favour (i.e. promote) bike use as opposed to car use. This would be consistent with commitment in the National Cycle Policy Framework. Policy 13.3 reads:

“Indirect Tax System. We will investigate possible options of using the indirect tax system to reduce the cost of bicycle purchase” (NCPF, 2009: p. 37)

It surely would be sub-optimum public policy to maintain equal VAT rates when we want to put a clear line between imported fossil energy dependent motorised vehicles and human-powered health-enhancing ones? The state should be promoting healthy lifestyle choices so a lower VAT rate is justified on bikes and equipment but not on cars. This is what 'promotion' of cycling means. The state has to alter existing policies that act as a barrier to the realisation of the key NCPF 10% target of daily trips to be made by bike.

In relation to healthy life-styles it seems absurd that a health-damaging food like sugar (causing Type II diabetes, overweight/obesity incidences rising in Ireland) should be VAT zero rated. The more citizens we have going about their daily lives on bicycles the healthier

will be the population. The international health research literature supports this contention. Misuse of sugar damages citizens at a population level and produces a latent cost (morbidity increase) on our belaboured health service.

VAT recommendations

- **VAT rate on bicycles, parts and accessories be set to the reduced rate of 13.5%**

3. Parking Levy for Retail Shopping Centres

There is an uneven playing field at the moment in that shoppers to town centres often have to incur parking charges (on-street or in multi-story facilities) whereas those who shop in 'out-of-town' centres do not. This represents a potential loss of revenue to the state and encourages driving – instead of walking and cycling –which has the added disadvantage of exacerbating health problems caused by inactivity. This inactivity is leading to increased public spending on health care costs.

A parking levy for retail shopping centres with more than 100 car parking spaces would be set at 50 cents per hour and retail shopping centres with 50-99 car parking spaces would be set at 40 cents per hour. This, in parallel with the plastic bag levy, would have to be passed on to the customers. The levy would apply where 50 or more retail parking spaces are currently given free.

The revenue would be split between local transport services, local councils and central government. A proposed split is 50 % for local transport services, 35 % for local councils and 15 % for central government.

Parking-Levy recommendations

- **A levy of 40c-50c per space per hour on parking spaces in retail shopping centres, to be used to fund local transport services or cycle promotion programmes.**

Attachments

IBBA Report 2011

Caulfield & Leahy (2011) paper