



## Victory for drivers: 3p-a-litre fuel duty rise is axed as Osborne promises 'real help' for families

- George Osborne decides to scrap New Year hike to ease pressure on motorists
- Labour's fuel duty escalator would have cost the average driver an extra £7.69-a-month
- Study warned high fuel costs made it cheaper for people to stay at home than go out to work

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A 3p rise in fuel duty planned for January will not go ahead, to ease the pressure on motorists who have seen prices at the pump soar.

In a rare piece of good news in what will be a grim economic statement today, George Osborne has agreed not to impose the New Year hike.

Mr Osborne said he had been advised to delay the rise until April, but has instead decided to scrap it 'completely'.

He told MPs: 'That is real help for the cost of living for families as they fill up their cars across the country.'

If the Chancellor had gone ahead with the 3p rise it would have added £2.53 to the cost of filling up a family car.

Experts say it will save the average driver £7.69 -a-month.

With growth sluggish and borrowing higher than expected, the Chancellor has no spare cash to woo voters.

But he risked a political backlash if he had pressed ahead with the rise, because it would coincide with rail and bus fare rises, hammering families and commuters no matter how they get around.



Tory MPs had threatened to rebel against the government if George Osborne pressed ahead with January's 3p rise in fuel duty

Mr Osborne used last year's Autumn Statement to scrap a planned 3p rise in fuel duty for January 2012.

A scheduled rise for August was cut from 5p to 3p, but in June this year he postponed it until January 2013.

Now he has decided to scrap the January rise, confirming it in today's Autumn Statement in the Commons.

The rises were all planned by the last Labour government to hit drivers after they left office. If they had all gone ahead it would have added 13p to a litre of fuel, breaking through the £1.50-a-litre mark.

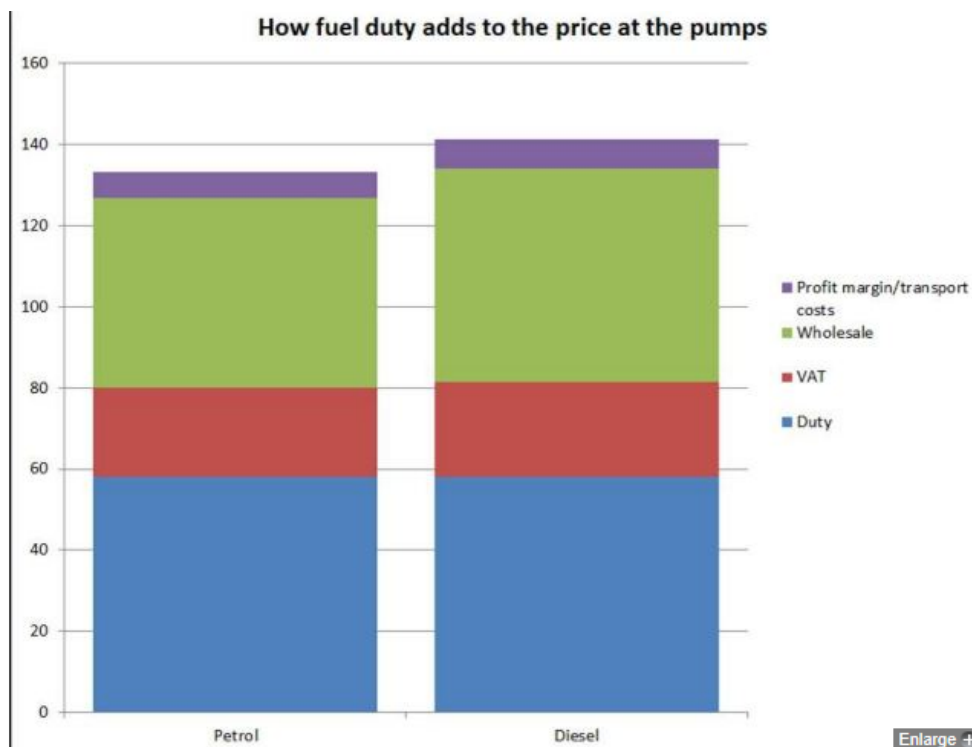
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A damning report by the Institute of Economic Affairs think tank revealed the high cost of fuel was even encouraging people to live on benefits because driving to work makes it uneconomical to get a job.

The study said: 'Motoring taxes may increase welfare dependency by raising travel-to-work costs, meaning many potential workers may be better off on welfare benefits than entering employment.'

Within certain income ranges, some workers face marginal tax rates as high as 96 per cent. This means that for every extra £1 earned, the person is better off by just four pence because of high fuel costs.



With fuel duty and VAT combined, tax makes up almost two thirds of the price drivers pay for petrol. This graph shows how the latest cost of petrol (133.19p per litre) and diesel (141.06p) stack up. Wholesale costs were taken from 14 days ago to reflect the time it takes to reach pumps (Source: The AA, fuelpricesonline.com)

Mr Osborne signalled his intention to postpone the 3p rise last month, when dozens of Conservative MPs threatened to join Labour in a Commons vote on the cost of living.

Tory MP Robert Halfon, who founded [www.PetrolPromise.com](http://www.PetrolPromise.com) to put pressure on ministers to act to bring down the cost of fuel, said it was the 'number one issue raised by backbenchers with the Chancellor of the Exchequer's team'.

Professor Stephen Glaister, director of the RAC Foundation said: 'Britain's 35 million motorists each average about 7,000 miles a year.

'Cancelling this rise will save them a combined total of more than a £1 billion annually, money which they can use to ease their financial headaches and help support the economy through their own spending.

'It's not as if drivers aren't already paying a huge amount in tax. Even without an increase 60 per cent of the pump price goes to the Exchequer.'

The news that the January rise will not go ahead was also welcomed by hauliers, who warned rising fuel costs were eating into their profit margins.

Alistair Bingle, managing director of removals firm Bishop's Move, said: 'The 3p-a-litre fuel duty rise, which would have come into effect in January, would have had a severely negative impact on the haulage industry and a potential loss of jobs right down the ladder. For me there is no argument – the fuel duty freeze had to happen and I'm delighted that it has.'

Hard-pressed motorists have been cutting down on the miles they drive to conserve fuel, but near record levels of fuel duty have been pouring into the Treasury.

Since 1991-92 the amount of fuel used in the UK has fallen by 20 per cent to 50.6billion litres.

But over the same period fuel duty receipts have more than doubled from less than £11billion to £26.8billion in 2011-12.

Edmund King, AA president, said: 'Drivers in the UK have followed Government advice to purchase more fuel efficient vehicles.

'It is remarkable that fuel consumption has fallen 20 per cent in two decades. However, drivers are contributing 144 per cent more in fuel duty tax so shouldn't be stung by another hike in January.'

With average UK petrol prices now at 133.19p per litre, fuel duty accounts for 57.95p, according to the AA.

The Treasury is on course to rake in almost £27billion from fuel duty this year - the second highest ever.

The AA said the Government should be putting its energy into tackling inflated and 'bloated' pump prices - currently at around 135p a litre - driven artificially high by 'speculators' and proving much slower to come down than go up.

Energy minister John Hayes has ordered a report into whether oil firms have rigged the market, forcing up the price of fuel for drivers.

It will also examine the number of petrol stations which have closed and the how far drivers in rural areas have to travel to reach the pumps.





Relief? Motorists and hauliers will benefit if George Osborne blocks the hike