

NATIONAL BARGEE TRAVELLERS ASSOCIATION

SUBMISSION TO H M TREASURY CONSULTATION RED DIESEL: CALL FOR EVIDENCE

INTRODUCTION

This consultation response is from the National Barge Travellers Association (NBTA). The NBTA is a volunteer organisation formed in 2009 that campaigns and provides advice for itinerant boat dwellers on Britain's inland and coastal waterways. The term Barge Traveller includes anyone whose home is a boat and who does not have exclusive use of a permanent mooring for their boat with planning permission for residential use. The NBTA is the only national organisation in Britain dedicated to upholding and defending the rights of itinerant boat dwellers. The NBTA has members on all the major navigation authorities' waterways and beyond.

GENERAL

Red diesel is used by the vast majority of the UK's boat dwellers. There are no accurate statistics for the total number of boat dwellers in the UK or for the numbers of boat dwellers either with or without permanent moorings. Estimates suggest a total of 50,000 to 70,000 boat dwellers, of whom around 15,000 to 20,000 are itinerant and do not have permanent moorings.

Most of the UK's boat dwellers live on the inland waterways, but some live on coastal estuaries and harbours. For those who do have permanent moorings, these may be in purpose-built marinas; in boatyards; on quaysides or on the banks of a waterway. Some boat dwellers take temporary moorings, especially in winter. Anecdotal evidence suggests that there are slightly more boat dwellers in urban areas, and in the south of England, but boat dwellers travel and are located throughout the UK's inland waterways.

The majority of boat dwellers in the UK live on narrowboats, which are usually propelled by diesel engines running on red diesel. A sizeable minority live on boats propelled by petrol engines and a few live on boats propelled by other methods such as solar power or pedal power or unpowered boats. The majority of narrowboats and their engines are not new; many are 20 to 40 years old and some boats have vintage engines. Diesel engines cannot be adapted to run on alternatives to diesel fuel.

The majority of boat dwellers are working people on low incomes or retired people on fixed incomes. The number of boat dwellers has gradually increased in the past 15 to 20 years. The increasingly unaffordable nature of rented housing and home ownership in the UK in relation to income has been a factor in the increase in the numbers of people living on boats.

CLASSIFICATION OF RESIDENTIAL BOATS AS RECREATIONAL OR PLEASURE CRAFT

Since 2008, "private pleasure craft" have continued to be able to use red diesel, but suppliers must retain and repay to HMRC the proportion of the rebate that relates to motive power rather than domestic use. The change in the taxation regime made buying and selling red diesel on the waterways more complex for both boaters and boatyards. Many boatyards impose a blanket 60/40 split between propulsion and generation, rather

than allowing purchasers to self-declare, which is the correct procedure laid down by HMRC. This is unlawful because tax legislation is being applied wrongly. It is also unfair to the majority of boat dwellers, whose chief use of red diesel is domestic. Indeed, even when a boat is being driven under power, the red diesel used to power the engine fulfils a domestic function because it charges the batteries while the boat is under way and is often used to heat water for domestic use and to run or charge appliances such as washing machines, refrigerators, shower pumps, laptops or phones while the boat is moving. This means that the higher tax on red diesel used for propulsion by boat dwellers is unfairly imposed as it is being used for domestic purposes at the same time.

USE OF DIESEL ENGINES BY BOAT DWELLERS

The use by boat dwellers of the boat's diesel engine for propulsion varies greatly according to factors such as whether the boat dweller has a permanent mooring or not; which navigation authority's waterways they are living and travelling on, and whether they have ties that limit the distance that they may travel. Some boat dwellers travel hundreds of miles every year, some travel tens of miles each year, and some who have permanent moorings travel very little, if at all. Others have a seasonal pattern of using their permanent mooring in winter, or taking a temporary winter mooring, and travelling longer distances in summer. As stated above, all use of red diesel for propulsion is a dual use because the engine fulfils a domestic function, heating domestic water, charging the batteries and charging or running appliances while the boat is under way. When under way, the boat engine is also used to charge the starter battery and to power navigation equipment such as tunnel lights, horns and navigation lights.

When the boat is moored, boat dwellers use either the boat engine or a generator to charge the domestic boat batteries; and to charge or run appliances either direct on 12v power or on 240v with an inverter. The engine is also used to heat water for domestic use. The number and power consumption of appliances varies greatly. This can include lights; pumps for water taps, showers and toilets; televisions; radios; music players; computers; phones; washing machines; refrigerators; alarms; bilge pumps and power tools.

Some boat dwellers use the boat engine alone to generate power for this purpose. Others use generators. Many generators used by boat dwellers are petrol driven. To keep the batteries charged and run appliances on an average live-aboard boat requires running the engine or generator for at least two hours each day.

Some boat dwellers use solar panels or wind generators but the capital cost of buying these is prohibitive to many. Those with solar panels use far less diesel to generate power in summer; some power all their domestic lights and appliances with solar panels between the spring and autumn equinoxes. Wind generators are less practical for boats on the inland waterways, but can reduce the need for use of the engine or generator in winter. Wind generators are more easily used on static boats where they can be left standing for long periods, but for boats moored in sheltered locations their use is limited.

A minority of boat dwellers use diesel generators or auxiliary engines, running on red diesel, to generate domestic power. Diesel generators are also used by mobile boat-dwelling welders and marine engineers who provide services to other boaters. Because these are trade use they also run on red diesel.

A minority of boat dwellers heat their homes in winter with diesel stoves that run on red diesel; a very small number use diesel-powered cookers, but the majority use bottled gas

for cooking.

DIESEL BUG AND BIODIESEL

Many boat dwellers are concerned about the effect on their boat engines of fatty acid methyl esters (FAME) or biodiesel (B100) added to diesel (B9) to reduce the sulphur content. Including biodiesel in the fuel mix promotes fuel oxidation and instability, and is incompatible with rubber engine seals and sealants. The fuel is more likely to absorb and attract water, promoting the formation of emulsions. This has resulted in an increased incidence of “diesel bug” (biofilm), which can lead to fuel blockages, fuel pump failures and seal failures. Some engine manufacturers list in their specifications the compatibility with B9 and B100 but this does not apply to older engines. A ship's engine is safety-critical equipment and therefore an engine failure can be extremely dangerous if loss of power occurs, for example, while the boat is cruising on a fast flowing river, and could lead directly to the loss of life.

Some boat dwellers take steps to seek out suppliers of FAME free diesel, but the traceability of the source and reliability of the fuel is not easy to verify. In contrast, a minority of boat dwellers run their boat engines on B100 biodiesel by choice because it is more environmentally friendly.

AVAILABILITY OF RED DIESEL

There is anecdotal evidence that fewer boatyards sell red diesel now than before 2008 and that some stopped selling red diesel because of the added burden and complexity of recording and reporting the split between domestic use and use for propulsion. This is inconvenient for boat dwellers who may have to buy their diesel from sources where it cannot be pumped into the boat's tank. This creates a risk of pollution from spills when transferring diesel from a barrel into the boat's fuel tank. We are not aware of any boatyards that have moved to selling road diesel to boats.

There are a number of coal and diesel boats that travel the waterways selling coal, red diesel, gas and certain other supplies from their boat. These trading boats are themselves powered by the red diesel that they sell. Many boat dwellers rely on these boats for their supplies of red diesel if they are a long distance from a boatyard.

SHORE POWER

For boats with moorings, and for those who take temporary moorings, boats moored in marinas and boatyards are more likely to have access to electricity and those moored on the banks of the waterways are very unlikely to have access to electricity. Shore power can only be connected if the boat is equipped with a protected 240v installation. In practice, boat dwellers with permanent moorings are more likely to use shore power, but only a minority of boat dwellers without permanent moorings choose or have the equipment or the opportunity to use shore power.

RECOMMENDATIONS

- Residential boats that are the owner's only or main home should not be classified as either “private pleasure craft” or as “recreational vessels”. Residential boats should be classified as “domestic” or “hybrid”.

- Residential boat use of diesel for propulsion should carry duty of 11% and VAT of 20%. A proportion of this is "domestic" for the reasons given above ("Fraction P").
- Residential boat use of diesel for domestic use (heating, power generation, etc) should carry no duty and VAT of 5% (being the rate for energy utilities) ("Fraction D").
- However for reasons of equity (given the comments above) the NBTA argues that all diesel use for Residential boats (ie both Fraction P AND Fraction D) should have no duty and a VAT rate of 5% should be applied.
- Red diesel should not be phased out. Discontinuing the use of red diesel would have a detrimental effect on boat dwellers, who would be forced to buy and use road diesel and therefore pay an unfairly high rate of duty for the domestic use of diesel. The NBTA observe that requiring a retailer, in supplying a customer with diesel for utility use, to levy duty of approximately 50.39% and VAT of 20% is unlawful for the purposes of VATA. Parliament has not sanctioned an amendment to VATA that provides for this material effect.
- Boat dwellers should not be required to use road diesel for propulsion. It would be completely impractical for boat dwellers to be forced to buy road diesel for propulsion and red diesel for domestic use; in order to achieve this, all boats would have to be fitted with an additional fuel tank or to have existing fuel tanks adapted. The majority of boat dwellers would be unfairly penalised by the cost of such alterations, even if the alterations were feasible given the particular design of their boat.

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