BVRLA Comprehensive Spending Review Representation

The fleet sector underpins both UK automotive demand and progress to decarbonising road transport. The British Vehicle Rental and Leasing Association (BVRLA) represents the fleet sector and these fleets purchase around 50% of new vehicles and 80% of BEVs sold annually in the UK. These companies directly support over 465,000 jobs and keep the UK economy and society moving with a combined fleet of over five million cars, vans and trucks.

This submission lays out the policy proposals that the BVRLA believes Government should adopt over the next four years to radically drive transport decarbonisation and modal shift. The asks laid out in this document are bold, but so are the UK's ambitions. We cannot hope to meet world-leading targets for transport decarbonisation without world-leading incentivisation and support.

The next four years will be crucial in determining the trajectory of this transition. The fleet sector stands ready to do its part, and with the support of Government it can transform the UK transport mix at globally unprecedented rates.

Policy framework needed to decarbonise UK road transport

Maintaining Battery Electric Vehicle (BEV) supply and demand

Key policy asks

- The UK must remain an attractive destination for vehicle manufacturers to allocate their BEV product. As we leave the EU emissions regime **robust incentives** will be needed to drive the allocation of limited EV volumes to the UK market.
- There is a still a significant price difference between an internal combustion engine (ICE) vehicle and a comparable BEV, and some fleet segments are struggling to develop a profitable business proposition based on electric vehicles. These segments need additional **targeted support** to unlock BEV demand.
- Lease and rental fleets are excluded from accessing a key tax incentive that could drive faster BEV uptake. **Fleets need equal access to these incentives**.
- Electric vehicles and infrastructure are expensive and fleets will rely on billions of pounds of motor finance to fund rapid decarbonisation. Support for the **green motor finance** sector needs to be prioritised.

In a global market where electric vehicles are in short supply, the UK needs to position itself as an attractive destination for OEMS to sell their products. In particular, the scale of the EU market and the potential fines that could be levied through the EU's CAFÉ emissions regulations will give OEMs less reason to market their BEVs in the UK going forward.

There is currently only one incentive in the UK market that works across all forms of BEV purchase - the Plug-in Grant (PiG**)**. The PiGs for cars, vans and HGVs are the cornerstone of maintaining **a robust incentive** framework in the UK and the Government should commit to maintain them until 2025. Without strong incentives like the PiG the UK risks falling out of step with the aggressive incentive regimes implemented by other European countries with whom it is competing for BEV supply.

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While supply is an overarching concern, demand for BEVs cannot be taken for granted and varies considerably across different fleet segments. A favourable Benefit-in-Kind regime is driving high BEV uptake in the company car sector, but without this key incentive, the retail market is lagging behind.

Another fleet market segment that faces significant barriers in establishing a profitable BEV-based business model is the vehicle rental and car club sector. Operators do not pay for the fuel used in their vehicles, so the cost-savings from long-term EV use accrue to the customer, not the rental company. The typical fleet cycle of a rental or car club vehicle is 9-18 months, which makes operators even more sensitive to the upfront price premium associated with BEVs**.**

Without long-term, expanded and **targeted support** for all participants in the new car and van market, it is unlikely that BEV demand will meet the UK's ambitious decarbonisation deadline.

The BEV market is still nascent and it is too early to say exactly what additional support will be required and where, particularly as the new vehicle market adjusts to the uncertain impacts of a post-COVID response to these and other market developments, the Government must set aside sufficient funds to maintain an effective regime of tax incentives and grants capable of delivering its decarbonisation agenda.

There are an array of additional options that should be considered in securing BEV supply and demand. They include the reduction or even removal of VAT on the purchase price of BEVs, the waiving of import tariffs on BEV product produced in countries with which the UK has no free trade agreements and "green scrappage" schemes. The exact nature and timing of these additional measures will need to be reviewed regularly as the Government tracks progress against its target for phasing out the sale of new petrol and diesel cars and vans.

Currently, some valuable benefits to BEV adoption are not available to huge parts of the fleet market. Specifically, if a business buys a BEV outright it can claim a 100% First Year Allowance (FYA). This is not available to rental or leasing companies. **Giving fleets equal access to incentives** would produce cost savings that would be passed on to customers and reduce the current price gap between ICE and battery electric vehicles, increasing access and broadening demand.

The vast majority of new vehicles are financed. Ensuring that there is access to **affordable green motor finance** is essential, particularly as some lenders take a more risk-averse approach to credit as they grapple with an economic downturn and increased demands for customer forbearance. One way of achieving this would be via a Green Finance Guarantee which would reduce the risk of lending and consequently lower the cost of finance for BEVs. The BVRLA is working with the Green Finance Institute and Finance and Leasing Association to develop policy proposals in this area.

Suggested measures - £6.95 billion over the next four years

- **£3.5 billion** to maintain the Plug-in grants at their current levels.
- **£3 billion** for additional purchase support including Green Finance Guarantees and possibly VAT reductions, scrappage schemes or other measures.
- **£400 million** to expand 100% FYA for BEVs to those which are leased or rented.
- **£50** million to zero rate the VAT on the hire of BEVs and PHEVs through rental or car clubs.

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Ensuring fleets and private customers can use BEVs with confidence

Key policy asks

- The Government needs to expand its public charging ambitions. There needs to be **genuine national coverage** of charging at the appropriate speeds.
- All vehicle types and user segments should have access to **affordable charging**.
- **Home charging** is vital and the homecharger grant must be maintained.
- The **lottery of grid-upgrade costs** must end. Businesses need affordable, predictable costs for installing charging infrastructure.

The Government needs to widen its ambitions when it comes to the roll-out of public charging infrastructure The "project rapid" targets released in May 2020 are an extremely positive first step. However, these targets must be expanded far beyond their current scope of just motorway services stations and their timeframes compressed significantly.

Targets must ensure **genuine national coverage** of the charging mix needed by the many complex private and fleet plug-in vehicle use cases. Funds should be ringfenced for rural charging locations, using accurate trip data to ensure that the charging mix is appropriate for these locations. Greater consideration needs to be given to fleet users who take their vehicles home at night but do not have access to the cheap electricity that is available to people that have access to off-street, vehicle-to-grid-enabled domestic charging.

While it is completely understandable that public networks need to charge a reasonable premium to access charging, it is completely unfair that these users are also faced with a higher level of taxation on that electricity. VAT levels on electricity used for charging must be reviewed and equalised.

Government must do more to give all users access to affordable charging, irrespective of whether they can afford to live in a property with off street parking or not. Access to **affordable charging** should be available to all. This may require intervention if privately owned public charging networks overcharge users due to a lack of competition or exclude users based on the type of vehicle they are driving.

Alongside public charging, **home charging** will play a vital role in giving people the confidence they need to drive electric. The current homecharger grant must be continued as BEV adoption becomes more widespread in the next four years.

To really reap the potential benefits of decarbonisation, the Government needs to tackle the workplace charging barriers faced by businesses with large, high-mileage and high-utilisation fleets. Many of these companies plan their fleet cycles many years in advance and are trying to forecast the costs involved with 'going electric'. The current process involved with planning and estimating the costs of installing fast or rapid charging infrastructure in such circumstances is highly complicated and very unpredictable. In many cases, a company's planned charging installation pushes a local grid over the edge, leaving them liable for the cost of upgrading their local electricity supply – which can run to tens or hundreds of thousands of pounds. This process is antiquated and patently not appropriate for our transition to electric vehicles, where first movers should be encouraged and not punished. The **lottery of grid-upgrade costs** must end.

While the BVLRA welcomes the Ofgem review of this process any change will only occur in 2023, and many companies may delay their decarbonisation plans until they know the outcome. Action is needed now to

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ensure three years of transition are not lost. The Government should reform the 100% FYA for expenditure on an electric vehicle charging point into a 'Green Infrastructure Allowance'. This allowance should allow firms to claim against both the cost of the charging equipment as well as all expenditure incurred providing that charging point with the necessary supply of electricity, including grid upgrade costs. Alternatively, an immediate price cap on grid upgrade costs could be considered. Government would fund the differential between the price cap amount and the cost borne by the DNO.

BEV utilisation policy package - £1 billion over the next four years

- **£400 million** to speed up the roll out of an appropriate charging mix across the UK.
- **£300 million** to support fleets with grid-upgrade and charging infrastructure installation costs before 2023 through a 'Green Infrastructure Allowance' or other measures.
- **£300 million** to continue to support the homecharging grant at current levels.

Accelerating transport behaviour change

Key policy asks

- Invest in the **trial and development of new integrated mobility models**.
- Recognise the role that **shared car use** can play in enabling more sustainable transport behaviour.
- Support upgrading fleet sector's ability to **decarbonise how our goods are delivered.**

The coronavirus pandemic caused a temporary and massive change in UK travel patterns, presenting both opportunities and threats. The Government has reacted quickly in introducing measures to try to embed positive shifts and transition UK residents to more active and sustainable methods of travel. In some cases it has acted too quickly and needs to give greater consideration to the range of different mobility models that can drive more sustainable transport behaviour. It also needs to accept that some of these involve car use. With the right systems in place and support daily rental and car clubs complement the public transport network and other shared mobility solutions.

There is ongoing work to find Mobility-as-a-Service (MaaS) solutions to these challenges, which involve cross-modal shared systems of transport. What a sustainable, affordable and effective MaaS system looks like is dependant on the very specific local transportation challenges that its users face. There has not yet been enough testing and learning with MaaS to develop the optimal approaches. That is why there is a need for a bold funding vision **which invests in trialling and developing new mobility models** through trials across varied localities in the UK. Industry wants to work with local and national authorities to create MaaS solutions that can place the UK squarely at the forefront of the global mobility revolution.

Transport systems in the UK have often been entirely designed around the use of the private car. Moving away from this paradigm will require policy makers to design schemes which encourage people to abandon the concept of private car ownership. Building and implementing new mobility solutions will not be enough, users will need help to make the shift. This kind of support is exemplified by the West Midlands Combined Authority's Mobility Credits trial. This trial is only possible through the Future Mobility Zone funding that was announced in Budget 2018.

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The Government should fund more nationwide mobility credit scrappage schemes and allowing salary sacrifice to be used for tax-free mobility vouchers. These kinds of measures will be critical in encouraging users to move away from private car ownership, but must also recognise that **shared car use has a role** to play in the long term mobility mix. Innovative mobility schemes can successfully encourage people to use cars in a more efficient, cleaner, cheaper, smarter way, while integrated with higher levels of of public transport and active travel.

The logistics industry has played a massive role in the fight against the coronavirus pandemic across the UK - delivering vital PPE to doctors and nurses on the front line and ensuring that people could stay home with food and goods delivered to their doors. However, the industry now faces a challenge beyond coronavirus of ensuring that the air pollution epidemic in the UK is defeated at the same time as Covid-19.

The UK HGV and van parc need to be cleaned up nationally not just in the few, and now delayed, Clean Air Zones. Firms wish to do the right thing and upgrade their vehicles but need support to **decarbonise how our goods are delivered**.

An ambitious Clean Freight Fund can build upon the existing Clean Air Fund with targeted support for commercial vehicle operators across the UK, enabling them to lease or rent the latest and cleanest Euro VI, alternatively fuelled (AFV) or zero emission HGVs and vans. Allocation of the fund should be handled by local authorities, who are best placed to administer it and ensure that it reaches the operators that need it most.

Transport change package - £1.4 billion over the next four years

- **£100 million** for trials of new mobility systems which can replace existing public transport infrastructure as well as private car usage. These funds should be split equally between town, city and rural trial locations.
- **£300 million** to continue the rollout of “Future Mobility Zone” schemes across the UK supporting mobility credits and transitions away from a reliance on cars.
- **£1 billion** to support a “Clean Freight Fund” facilitating the UK HGV and van parc to upgrade to Euro VI, AFV and zero emission vehicles through rental and leasing.

About the BVRLA

- Established in 1967, the BVRLA is the UK trade body for companies engaged in vehicle rental, leasing and fleet management.
- BVRLA members are responsible for a combined fleet of over five million cars, vans and trucks on UK roads, that’s 1-in-8 cars, 1-in-5 vans and 1-in-4 trucks. The industry supports over 465,000 jobs, adds £7.6bn in tax revenues and contributes £49bn to the UK economy each year.
- On behalf of its 1,000+ member organisations, the BVRLA works with governments, public sector agencies, industry associations and key business influencers across a wide range of road transport, environmental, taxation, technology and finance-related issues.
- BVRLA membership provides customers with the reassurance that the company they are dealing with adheres to the highest standards of professionalism and fairness.
- The association achieves this by maintaining industry standards and regulatory compliance via its mandatory Codes of Conduct, inspection and governance programme and government-approved Alternative Dispute Resolution service. To support this work, the BVRLA promotes best practice through its extensive range of training, events and information-sharing activities.

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