



London ULEZ consultation
Transport for London
68-70 Blackfriars Road
London
SE1 8JZ

21 December 2016

Dear Sir or Madam,

The BVRLA welcomes the opportunity to contribute to Transport for London's consultation on the proposals for an Ultra-Low Emission Zone. We hope that the evidence and perspective from members will assist in developing a system which both improves air quality in the capital, and provides encouragement for greener motoring in a fair and equitable way.

Background to the UK rental and lease sector

The UK rental and leasing sector compares positively against others in road transport in terms of reducing emissions. The rental and lease market currently purchases an estimated 1 million vehicles (including 308,000 UK-made vehicles) per annum¹, with rental typically remaining part of a member's fleet for between 4-6 months, after which the vehicle will be sold to a private owner. Leased cars are typically operated on thirty-six month leases after which the vehicle will again be sold on to the aftermarket.

As our members' vehicles are brand new and built to more recent environmental standards, they are typically cleaner, greener and produce lower emissions (including CO₂, NO_x or particulates) than the average vehicle on UK roads², which is older and with a higher level of emissions. According to the most recent results of the BVRLA's quarterly survey, CO₂ emissions from the average leased car was 115.3g per kilometre, with emissions from the average newly contracted car falling to 102.7g/km³. This compares to 121.4g CO₂/km for the average newly registered car⁴, and 154g CO₂/km for the average car in the UK⁵.

While air quality standards and NO_x or particulate emissions are not tested as standard, the fact that our members' vehicles are newer means that these are purchased at the latest Euro 6 Standard (which from September 2015 is the mandatory emissions standard for all newly registered cars). For this reason, the BVRLA is confident that the overwhelming majority of rental and lease vehicles operated by our members conform to the highest emissions standards.

¹ The Economic Impact of the Motor Vehicle Full-Service Leasing and Renting Sector (Oxford Economics, November 2014) at:

http://www.bvrla.co.uk/sites/default/files/documents/economic_impact_of_the_rental_and_leasing_sector.pdf

² According to the SMMT report, "Motor Industry Facts 2015", the average car on UK roads that year is 7.8 years old; p.26 at: http://www.smmt.co.uk/wp-content/uploads/sites/2/100049_SMMT-Facts-Guide-2015_UPDATES.pdf

³ BVRLA Quarterly Leasing Survey, Q3 2016, at: <http://www.bvrla.co.uk/research/article/q3-2016-quarterly-leasing-survey>

⁴ Society of Motor Manufacturers and Traders Limited (SMMT); New Car CO₂ Report 2016, at: <http://www.smmt.co.uk/wp-content/uploads/sites/2/SMMT-New-Car-Co2-Report-2016.pdf>

⁵ BVRLA and Energy Saving Trust; Getting to Grips with the Grey Fleet, July 2016, at p.29: http://www.bvrla.co.uk/sites/default/files/documents/bvrla_grey_fleet_final.pdf

Introduction

The BVRLA recognises that there are several important balances to be struck, between reducing CO₂ emissions and improving air quality. In addressing this, there should not be any conflict between existing policy on climate change measures and reducing emissions which reduce air quality. We firmly believe that the narrative should not be an anti-diesel and technology on tail pipe emission, particularly given the success of the latest Euro 6 Standard which, despite the recent emission scandal is producing lower levels of NO_x emissions. Diesel vehicles have become, and continue to become, cleaner and greener, and the advances in emissions standards should be recognised. We therefore believe that the Mayor's policy focus should be upon encouraging drivers in the capital to upgrade older vehicles to a higher emissions standard, as opposed to any form of penalisation of diesel vehicles across the board.

In its submission to the air quality consultation, the BVRLA will confine itself to addressing only the consultation points to which our members and affiliates have expressed a firm viewpoint, but we offer the following recommendations for the Government to consider as part of its resulting UK air quality strategy.

The recommendations are as follows:

- A national framework is still required to ensure provide guidance for cities across the UK considering introducing a Clean Air or Ultra Low Emission Zone. Consistency is required in terms of standards, enforcement, timescales for introduction, and penalties for non-compliance.
- Government must carry out an engagement campaign with business to ensure awareness of the new standards required, and assist them in making the best purchasing decision possible to comply with the new standards.
- In terms of the planned ULEZ, a sunset clause is required for businesses operating commercial vehicles, given the expense of upgrading a fleet. This is particularly important given the reduced preparation time following the planned early implementation and the impact this is likely to have upon fleet operators. Such a clause should be awarded to SMEs in particular, and be equal to the reduction provided to residents. For larger operators, discounts should be provided to those who can demonstrate a specific plan toward uptake of Euro VI vehicles.
- There must be a clear guarantee that no business making purchasing decisions on the basis of the current standard will be penalised retrospectively if testing standards are amended.
- Consideration must be made for the residual value of vehicles which no longer conform to the standards required under the ULEZ scheme.
- A prospective diesel scrappage scheme must be flexible and targeted at those drivers which are causing the greatest amount of NO_x emissions, and can be persuaded to move out of dirtier, more polluting vehicles. At the same time, in order to make the scheme worthwhile, it should also be structured, with non-essential users required to not purchase or operate a car for at least two years following payment of a
- Payments to drivers giving up an older diesel vehicle should also incentivise usership over ownership of newer, cleaner cars – so car rental days and car club hours should not only be included in the list of options to be provided to a scheme participant, but should be more attractive and rewarding than simply money toward a new car. This will also assist in reducing the number of cars on the road, and thus congestion and road safety.
- The diesel scrappage scheme should also provide assistance to companies tied in to existing lease contracts for a commercial vehicle. The reward could therefore help the operator to pay off the

existing lease, as well as incentivise taking up a lease of a newer and cleaner vehicle. As discussed previously, consideration should also be made for the lease company providing the older vehicle, in terms of the residual value of that vehicle.

- Investigate the full cost of a National Retrofit Certification scheme, and the scope of its potential effectiveness, particularly for cars and vans
- Procurement standards – the Government and local authorities must lead from the front, taking up Euro 6/VI vehicles wherever possible. In doing so, there must be an acceptance that diesel vehicles are likely to be selected where vans and larger vehicles are being procured.

Obstacles to smooth and consistent traffic flow

For the above reasons, BVRLA members providing cars welcome the incoming standards. However, we would also urge Transport for London to consider other causes of excessive transport emissions, particularly those caused by congestion. As NO_x is released when a vehicle accelerates, emissions are increased by repeated acceleration within a short time and a relatively short distance. This both increases the amount of NO_x emitted within that area, and without the dispersal being over a wider area. NO_x emissions will therefore be reduced if traffic is able to flow more smoothly, without the need to accelerate, slow down and accelerate again. With so many crossing points, vehicles are continually stopping and starting, with the result that NO_x emissions are being emitted more rapidly and within a smaller area.

This raises a further point, namely that traffic flow can reduce the impact of even the more successful and lower emitting vehicles – for example, London has introduced Euro VI buses, which produce around 95% less NO_x emissions than the previous Euro V. However if through poor traffic management, these buses are slowing down other vehicles (especially those that do not reach this standard) or forcing them to stop-start, then the impact of these greener buses is reduced. Reducing congestion is therefore a key aspect of improving air quality in cities where this is a major issue.

For this reason, the BVRLA believes that the eventual air quality strategy must take into consideration the importance of reducing congestion through smoother traffic flow, with city planning and future road design aimed at removing unnecessary road obstacles to ensure junctions are as free flowing as possible.

How car rental and car clubs are supporting smarter and greener journeys

The BVRLA supports the acceleration in the uptake of vehicles with zero or near zero emissions, and the various benefits of alternative, greener forms of transport. In particular, car rental and car sharing offer significant benefits to the individual motorist and to the region travelled. To offer a case example, the economic analysis firm Frost & Sullivan⁶ has previously estimated that increasing car sharing in London to 800,000 members (from a current total of 615,000) could result in 79,000 fewer cars on the road, easing traffic congestion and further reducing environmental impact, with estimated 4.6% fall in NO_x emissions and a 4% fall in CO₂ emissions. In assessing economic benefit, Frost & Sullivan calculate that this could generate increased London-wide productivity to the value of £238 million.

⁶ Frost & Sullivan Car Sharing in London – Vision 2020 report, available at: <http://www.zipcar.co.uk/london-vision>

According to data collated by the BVRLA, regular car rental customers and/or car club members are also less likely to purchase a car, further reducing congestion and transport emissions in the region travelled. According to the BVRLA Rental Customer Survey⁷, over a third of respondents who rented a car in 2012 did not own a car in their household, compared to a national 9% average of households with a full car licence holder who do not own a car. 26% of renters also said that the availability of car rental made them less likely to buy a household car in the next few years, with a further 15-24% of renters explicitly said that the opportunity to rent had meant that they had bought a vehicle later or owned fewer vehicles than they otherwise would have done.

The projected rise in car sharing over car ownership presents a commercial opportunity for the UK. In allowing members of such clubs to use a car when required (as opposed to owning a vehicle outright), car clubs and car rental can make an important contribution to the reduction of carbon and other emission levels, improving air quality and reducing private car dependency. These can also assist in the de-fleeting of older, more polluting vehicles in favour of newer models with higher fuel efficiency and superior emissions standards. Car clubs and car rental can also increase local resilience by helping businesses reduce overheads by providing alternatives to the purchase of vehicles.

Given the available advantages from car clubs and car rental schemes, the BVRLA would encourage both the Mayor and TfL to investigate some of the car club schemes which can demonstrate tangible success. Using initiatives such as the Car Club Coalition as a model, we believe that a national programme for increased use of car clubs in other UK cities can improve air quality, reduce CO₂ emissions, and make significant cost savings – an important consideration in the current economic climate.

Encouraging the aftermarket of Low Emission Vehicles

In addition to the introduction of Clean Air Zones, the BVRLA believes that the Mayor should encourage the Government to do more to stimulate both the first- and second-hand markets in low emission vehicles. While fiscal incentives, such as the plug-in car and van grants, via the Office of Low Emission Vehicles, have helped stimulate take-up of Electric Vehicles, the BVRLA believes that other incentives – not necessarily financial – will be required in order to encourage both markets. The BVRLA believes that incentives should not be limited to the first person owning a low emission vehicle but be supported as an incentive throughout the lifespan of a low emission vehicle, provided the vehicle still conforms to the required standard. We propose initiatives such as:

- Green lanes in areas of high congestion and/or low air quality, in which only vehicles conforming to the highest emissions standard would be permitted to drive;
- Subsidised or free parking for low or ultra-low emission vehicles;

While a national approach concerning at least the first two proposals may not be easy to achieve given the Government's commitment to regional government, we believe that these would prove a strong incentive for drivers considering purchasing a low emission vehicle.

⁷ BVRLA Rental Customer Survey (2012) at:

http://www.trl.co.uk/online_store/reports_publications/trl_reports/cat_traffic_and_transport_planning/report_rental_customer_survey_2012.htm

Commercial Vehicles

As disclosed in previous consultation submissions, the BVRLA supports appropriate emissions reduction measures and encourages its members to upgrade to the latest and greenest standards, where economically possible. However, we are concerned at the early introduction of the ULEZ and the corresponding charges, which we do not believe provides operators – particularly SMEs for whom use of a commercial vehicle is a vital part of their business – sufficient time to adapt without a major economic hit. Many businesses have planned ahead of the 2020 implementation date, including those whose lease contracts on commercial vehicles expires on or around this time. Their responsible behaviour in preparing to upgrade their fleets should be recognised, not penalised, and exemptions or discounts should be made available where possible.

Under estimates provided in the consultation document, 55% of vans and 29% of Heavy Goods Vehicles (HGVs) will be non-compliant with the Euro VI standard in 2019. This represents a considerable number of operators who are likely to be affected by the current proposals, particularly those for whom a large van which runs on diesel, for which there is no current realistic alternative. Transferring the current commercial vehicle fleet to Euro VI presents its own problems, not least the cost of upgrading an entire fleet in one go – one large operator affiliated to the BVRLA estimated that this would cost in the region of £6 million to achieve.

However, the operator group which is especially likely to be affected by the proposals are SMEs, given that these owners/operators typically purchase their vans second hand from the larger fleets. As these second hand vehicles are typically several years old, these are likely to be Euro IV or V, and therefore non-compliant with the incoming standard. Introducing the planned standards in such a short timeframe will impact on the residual value of these vehicles, and cause an even greater impact upon their value under the planned implementation a year earlier than previously announced.

The BVRLA would therefore welcome a three-year sunset period, with a 90% discount made available to operators based in the areas covered by the ULEZ which are able to demonstrate a specific adaptation plan within that timeframe, similar to the discount which has been proposed for residents.

We would also like to see an exemption for fleets which operate at night, therefore minimising congestion which increases vehicle emissions.

A diesel scrappage scheme

Representatives of the Assembly, and of Transport for London, have recently proposed a diesel scrappage scheme, under which drivers could receive a benefit for the disposal of older diesel vehicles with higher emissions. Previously, the incentive for this type of scheme has been considered to be a financial contribution toward the cost of a newer vehicle which conforms to the latest and highest (i.e. the Euro VI) emissions standard (similar to the current OLEV grant).

The BVRLA proposes that the incentives for such a scheme should be wider, offering for example a fixed number of rental car journeys, or hours using a car club vehicle. This would not only help remove older,



polluting diesel cars from UK roads, but would also both encourage vehicle use over vehicle ownership, as well as reducing emissions.

In cases where an older commercial vehicle is to be given up, the BVRLA would also recommend that the operator is incentivised by both resolving any early termination fee on the lease of that vehicle, and toward the cost of a further leased vehicle, which conforms to the Euro VI Standard.

The BVRLA welcomes the opportunity to contribute to the Mayor's consultation on the proposed ULEZ, and hopes that the details of this submission will be beneficial in these considerations. We would be happy to provide any additional evidence, if requested.

Yours faithfully,

A handwritten signature in black ink that reads 'G. Keaney'. The signature is fluid and cursive, with a large, sweeping flourish at the end.

Gerry Keaney
Chief Executive, BVRLA



About the BVRLA, the industry and its members

- Established in 1967, the British Vehicle Rental and Leasing Association is the UK trade body for companies engaged in the rental and leasing of cars and commercial vehicles. Its members operate a combined fleet of 3.8 million cars, vans and trucks.
- BVRLA members buy nearly 50% of all new vehicles sold in the UK, supporting around 317,000 jobs and contributing more than £24.9 billion to the economy each year.
- Through its members and their customers, the BVRLA represents the interests of more than two million business car drivers and 10 million people who use a rental vehicle each year.
- As well as informing the Government and policy makers on issues affecting the sector, the BVRLA regulates the industry through a mandatory code of conduct, helping its members deliver safe, sustainable and affordable road transport to millions of consumers and businesses. For more information, visit www.bvrla.co.uk