Future of Fleets Manifesto 2024

Securing the transition to zero emission road transport

Certainty: Reinforce the foundations

- **Lock in the ZEV Mandate**

Industry needs to trust the goal posts won't move

- **Publish a transport tax road map**

Confirm the future of VED, fuel duty, and benefit-in-kind

- **Develop and update detailed plans**

From trucks to charging, long-term strategic pathways are needed

Focus: Support commercial vehicles

- **Increased fiscal support**

The maths doesn't add up, buyers need more help

- **Remove regulatory barriers**

Need full alignment of 4.25t ZEVs with diesel vans

- **Improve charging**

Public and private networks don't work for vans and trucks

Fairness: Leave none behind

- **Support used ZEVs**

To open the transition to all, more consumer help is needed

- **Unlock the rental sector**

Rental is overlooked but has a pivotal role in delivering decarbonisation

- **Cheaper, better charging**

We need more public chargers with cheaper rates

Contact Thomas McLennan, Head of Policy & Public Affairs for more detailed analysis, Thomas@bvrla.co.uk

Certainty: Reinforce the foundations

Lock in the ZEV Mandate

Industry needs to trust the goal posts won't move

The ZEV Mandate has set out the trajectory for transport decarbonisation in the UK. It will allow firms to plan, with an awareness of the expected pace of transition.

The pace of change differs across fleet segments. The breathing space afforded by the ZEV Mandate's van trajectory, car club parameters, and commitment to an accessible transition are welcomed by those with more challenging pathways. To plan with confidence, businesses need a stable and robust policy environment.

Government should work with the rental and leasing sectors to ensure the mandate works for the sector.

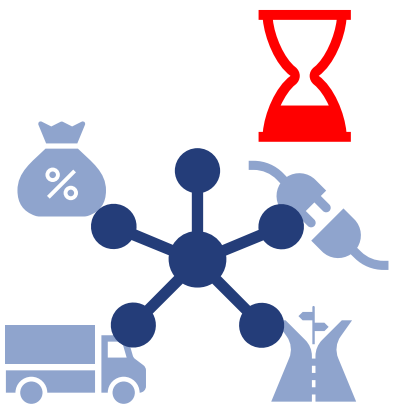
With 23 van models now available, the number of ZEV light commercial models is improving

However, ZEV van sales fell by 12% in June 2023 from previous year.

Van registrations are not on-track to meet the SMMT forecasted share of 7% by the end of 2023 and are way off the ZEV mandate's original proposed target of 10% by 2024.

Develop and update detailed plans

From trucks to charging, long-term strategic pathways are needed



There must be a singular, clear vision for the transition to ZEVs as a whole system which enables future investment.

The transition to ZEVs is a massively complicated process involving multiple interconnecting levers. It is vital plans are not made in silos.

Individual, sector specific, long-term, strategic pathways must be shared to give the industry confidence. These must also be designed in a joined-up fashion to ensure all parties can work towards the same goal. From the future of grants to unlocking the commercial vehicle transition, industry wants to see cross-departmental visions.

Contact Thomas McLennan, Head of Policy & Public Affairs for more detailed analysis, ***Thomas@bvrla.co.uk***

Certainty: Reinforce the foundations

Publish a transport tax road map

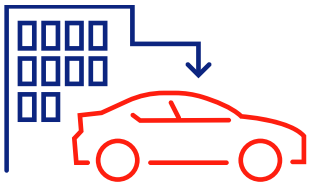
Confirm the future of VED, fuel duty, and benefit-in-kind

Long foresight of low benefit-in-kind tax (BiK) rates for pure electric vehicles has transformed demand for ZEVs and incentivised drivers to make the transition out of petrol and diesel cars. This policy has been a world-beater and set the UK on a path to global transport decarbonisation leadership.

BiK is just one of a range of transport taxes, both VED and fuel duty play a huge role in the cost of transport. While there is a positive forward vision for BiK, the introduction of VED on ZEVs from 2025 will add undue pressure on consumers in the new and used market. On fuel duty the future is entirely opaque.

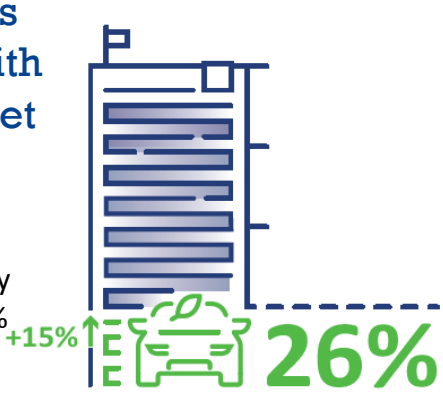
The industry would like to work with Government to create a fair, clearly signposted long-term transport tax road map that sets out how the core transport taxes will evolve with the growth of ZEVs.

Since low BiK rates arrived in 2020/21, **electric car uptake has soared** whilst petrol and diesel has slumped.



Company vehicles already comprise 61% of total registered electric vehicles in Q1 2023

Business fleets race ahead with 26% of the fleet already ZEV



53% of new company cars are ZEV and 92% of those on salary sacrifice schemes

Road pricing could allow the reform of our current, cumbersome tax structure into a single simple but powerful regime

Contact Thomas McLennan, Head of Policy & Public Affairs for more detailed analysis, ***Thomas@bvrla.co.uk***

BVRLA

Future of Fleets Manifesto 2024

Focus: Support commercial vehicles

Increased fiscal support

The maths doesn't add up, buyers need more help

The average e-van costs £46,500. Incentives such as the Plug-in Van Grant are is critical to bridge the gap in affordability between ICE and e-vans.

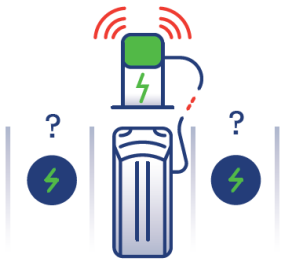
The ZEV market for HGVs is still in its initial stages and small compared to cars and vans. Only 2% of new truck registrations in 2022 were electric. Fiscal support is vital to encourage a switch but less than half the ZEV models on the market are eligible for current purchase incentives.

Less than 0.5% of new truck registrations were zero emission in the first half of 2023

Improve charging

Public and private networks don't work for vans and trucks

Public charging networks are expanding rapidly across the UK, but commercial vehicles are at risk of being excluded. The process for delivering new private charging needs a rethink.



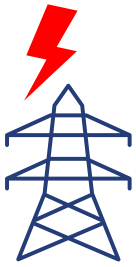
Public Charging

- **Accessibility:** Charging bays are not designed for larger vehicles
- **Bookability:** Being able to reserve a charging bay is vital for fleet logistics yet almost all charging in the UK lacks the ability advance book
- **Roaming:** Commercial vehicles, more than any other vehicle, need to be able to pay simply, quickly and easily. Chargers need to allow singular payment routes such as a fuel card to streamline the process

Private Charging

- **Grid connection upgrades**: Are often expensive and have long lead times
- **No DNO standardisation:** Creates confusion about the process and cost of infrastructure installation
- **Landlord approval:** If site is not operator owned, they must seek landlord permission before beginning installation and applying for necessary power

In the Logistics UK Van Report 2023 - a third of respondents cited power supply infrastructure as one of their biggest challenges for fleet electrification.



Contact Thomas McLennan, Head of Policy & Public Affairs for more detailed analysis, ***Thomas@bvrla.co.uk***

Focus: Support commercial vehicles

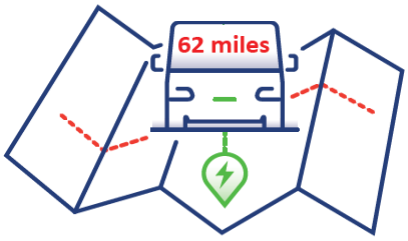
Remove regulatory barriers
Need full alignment of 4.25t ZEVs with diesel vans

A battery is heavier than fuel and for e-vans to be able to perform like diesel they will have a higher weight. 4.25t e-vans should face the same rules and regulations as 3.5t diesel vans.

In some areas, this alignment already happening, for example with driver license rules. This pragmatic harmonisation of the operating environment needs to be continued.

- **4.25t e-vans face HGV MOTs. They must be MOT'd from one year of registration, but ICE vans can wait three years.** This places an additional burden and expense on the operator, impacting downtime and meaning less choice and flexibility as fewer testers are qualified to MOT an HGV.

- **If a 4.25t e-van goes beyond 62 miles from base EU drivers' hours rules apply.** Limiting operations to sub 62 miles impacts business operations and blocks fleet operators from shifting to ZEVs.



There needs to be full alignment as rapidly as possible in order to enable businesses to transition to e-vans.

Contact Thomas McLennan, Head of Policy & Public Affairs for more detailed analysis, ***Thomas@bvrla.co.uk***

Fairness: Leave none behind

Support used ZEVs

To open the transition to all, more consumer help is needed

As we move towards a new phase of EV transition aimed towards mass uptake, the second-hand ZEV market will be critical to enabling a transition open to all.

Fleets are the largest, most consistent buyers of ZEVs, responsible for over 70% of new registrations in the UK. Fleets provide the vital source of quality ZEVs hitting the second-hand market.

2023 is the first year where supply has entered the used ZEV market in any real volume and the immediate impact has been a sharp decline in their value. Demand growth has not matched supply. There is a significant upfront premium on the cost of new ZEVs, but used ZEVs are closer to parity with used petrol and diesel vehicles. Price cuts on new products have fed this decline - cheaper new ZEVs reduce desirability of used ZEVs, driving down prices further. Rapidly evolving new ZEV product and pricing creates a wild instability of prices that causes more harm for the market.

Whilst cheaper second-hand ZEVs are good for consumers, the knock-on impact on residual values of new ZEVs creates a much more worrying cycle for the market. If there is parity or below at the back end and a price premium at the front end, new ZEVs only become more expensive. Similarly, if prices are not predictable dealers, funders and manufacturers face challenges with the long-term viability of the transition. It is critical that used buyer demand for ZEVs can be assured as their volumes rocket and the product ages.

HM Treasury should establish a workstream with other Government departments and industry to look at how the used market is performing and investigate the need for fiscal incentives to avert market failure.

BVRLA estimates **over 100,000 high-quality used BEVs funded by the leasing and rental industry** are due to enter the second-hand car market by mid 2024

Used BEV supply is significantly outpacing used demand*

*Source Auto Trader, July 2023

Contact Thomas McLennan, Head of Policy & Public Affairs for more detailed analysis, ***Thomas@bvrla.co.uk***

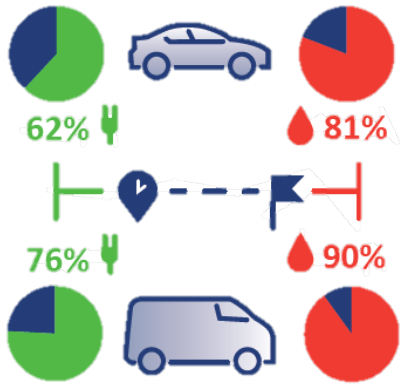
Fairness: Leave none behind

Unlock the rental sector

Rental is overlooked but has a pivotal role in delivering decarbonisation

Consumers are showing lower interest in BEV short term rentals compared to ICE counterparts. As the rental sector is sensitive to customer demand the proportion of ZEVs in the overall UK rental fleet therefore stays small.

By providing shared use of ZEVs, rental and car clubs can democratise access to decarbonise transport. They offer an opportunity to 'try before you buy' and a key supplier to the nearly new second-hand market. The rental sector can unlock ZEV interest with the right support. There needs to be deeper engagement with the sector to understand what it needs to move the dial on the transition.



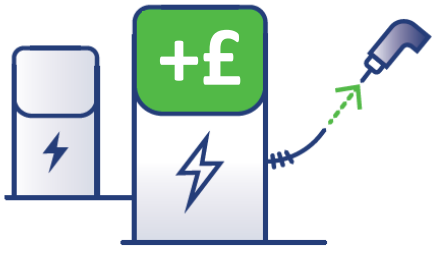
ZEV utilisation for rental cars and vans is low compared to ICE

Cheaper, better charging

Intervention is required to secure more chargers with cheaper rates

High energy prices are undermining the running cost benefits of ZEVs. Private charging remains cheaper but as ZEV roll-out reaches the masses public charging will be increasingly relied upon. Therefore, it is vital to keep prices competitive.

Rapid public charging is up to **25% more expensive** compared to petrol/diesel (per mile)



5% VAT rate on domestic electricity is not available to those using public charging, where the full 20% rate is levied. 5% VAT should be applied to all public and private chargepoints.

If VAT alignment is not possible, any and all measures to ensure affordable public charging should be considered. Significant cost savings for motorists, at no cost to the fiscus, would be a reform of Renewable Transport Fuel Obligation (RTFO). The Government should consult on including electricity in the RTFO in the upcoming low carbon fuel strategy.

Contact Thomas McLennan, Head of Policy & Public Affairs for more detailed analysis, ***Thomas@bvrla.co.uk***