



Call for evidence on Government measures to support uptake of ultra low emission vehicles from 2015-2020

Response from:

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Response to OLEV

Bona-fides **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 2.75 million cars, vans and trucks.
- BVRLA members buy nearly half of all new vehicles sold in the UK, supporting around 184,000 jobs and contributing more than £14bn to the economy each year.
- By consulting with government and maintaining industry standards, the BVRLA helps its members deliver safe, sustainable and affordable road transport to millions of consumers and businesses. For more information, visit www.bvrla.co.uk.

Currently, BVRLA members operate a fleet of 2.48 million vehicles on lease. Average CO₂ emissions of a lease car registered in 2012 was 123 g/km, compared with the average of 151 g/km¹ for all vehicles on the UK's roads. This figure represents a drop of over 20% in CO₂ emissions in the past 5 years.

BVRLA members operate a fleet of around 270,000 rental vehicles, with the total UK market size estimated at 325,000 vehicles. The typical rental life of a car before disposal is seven to twelve months or 15,000 miles. BVRLA members handle around 10 million rental transactions annually.

BVRLA members play a direct role in helping to encourage their corporate and private customers to operate low emission vehicles, especially as it helps to reduce their:

- ♣ operating costs, such as fuel and maintenance
- ♣ tax liability; and
- ♣ carbon footprint;

BVRLA members are uniquely positioned to assist their customers develop and support their strategic, financial and operational environmental goals as it relates to vehicle use.

¹ Source: Defra/DECC's greenhouse gas conversion factors 2011

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BVRLA members continue to play a vital role in facilitating the adoption of greener vehicles. BVRLA members currently operate around 700 ultra-low emission vehicles (ULEVs) on their fleets, which represents approximately 22% of the number registered in 2013.

Executive Summary

We welcome the opportunity to inform the design of the 2015 to 2020 phase of Government support for ULEVs and believe the following suggestions would support the UK in becoming the clear global leader both for inward investment across the ULEV sector, and of ULEV uptake:

- ♣ Clear and well signalled incentives
- ♣ Communication plan by Government on the benefits of ULEVs
- ♣ Providing subsidised or free ULEV parking
- ♣ Tax incentives for employers to install charging infrastructure
- ♣ Introducing an emissions-based AMAP regime and review of AFR rates
- ♣ Ensuring that the benefit-in-kind company car tax is charged on the net value (including the Plug-in Car Grant) rather than the list price
- ♣ Reinstating 100% first-year allowances for leased or rented ULEVs
- ♣ Smart ticketing to include rental of ULEVs
- ♣ Support from manufacturers for the second hand market through the dealer network

Specific Comments

♣ Clear and Well Signalled Incentives

To help secure the UK' position as a global market leader in ultra-low emission vehicles we believe that a range of clear and well signalled incentives need to be developed to help kick start the market.

The incentives should be ring-fenced with a clear long-term commitment, providing the marketplace with greater certainty and assurance. There needs to be clear and well understood parameters around how and when the incentives will be withdrawn.

The below case study clearly demonstrates the role Government can take in supporting ULEVs and is an excellent example of an evidence based case study.

Norway – A case study

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To help the UK successfully develop an incentive framework, it may be helpful for us to examine the Norwegian new car market, which has successfully grown the electric vehicle market to be 20,000 units by the end of 2013 giving electric vehicles a 5.5% market share.

One of the key drivers has, we believe, been due to the firm commitment given by the Norwegian Government in 2012 to support the market until 2018 and the availability of in-life incentives.

Summary of Norwegian in-life incentives:

- No purchase tax
- No VAT
- Exempt from Toll Roads
- Free parking
- Use of Bus Lanes
- Free electricity from 3,200 charging stations

This level of support, believed to be around €7,000 per ULEV and the length of time that the support is guaranteed is imperative to help encourage take up of new and used ULEVs. We believe the UK government should take the above into consideration when planning its package of support measures for ULEVs for 2015-20.

♣ **Communication plan by Government on the benefits of ULEVs**

We believe that there needs to be greater communication from the Government on the benefits of ULEVs and this should be targeted at key markets that could benefit from ULEVs the most. The messages should be tailored to help maximise the impact. For example, SME businesses with employees who regularly carry out journeys of under 50 miles could see real cost savings in switching to a ULEV. Our members would be happy to provide case studies to assist with any such marketing campaigns.

♣ **Providing subsidised or free ULEV parking**

The average price per day to park a vehicle in the UK's major cities can be anything from £10 to £42. This is a major expenditure for a motorist and one which could be reduced if ULEV users were able to park for free. This incentive should not be limited to the first person owning the vehicle but be supported as a lifetime incentive, this would help support the second hand market for ULEVs as well.

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We understand a national approach towards parking may not be easy to achieve, especially as power has been devolved to local Governments, however, if the Government is serious about the UK becoming a global leader in ULEVs then an incentive scheme which includes parking is essential. A simple solution to implement this would be for each ULEV to be sold with a pass which can be displayed in the window of the vehicle demonstrating that the vehicle is an electric vehicle and not liable for parking fees, similar to the blue badge scheme for disabled drivers.

♣ **Tax incentives for employers to install charging infrastructure**

Our leasing members experience of making a viable business case for ULEVs show that it only begins to make sense for someone whose regular journey is between 30-50 miles. Anything below this mileage means that the fuel savings do not outweigh the higher vehicle purchase cost incurred.

The above example is therefore likely to benefit an office based worker who commutes around 60-80 miles per day. This would allow the vehicle to be charged for the 8 hours whilst the user is at work.

Given there is no financial support for installing charging infrastructure, businesses are reluctant to add these vehicles to their choice lists for employees, especially as they have to make an upfront investment in infrastructure. If the vehicle ends up not being suitable for the employee or the employee leaves, the upfront infrastructure investment will have been wasted costing the employer dearly.

We would therefore suggest that financial support is provided to businesses and private individuals who wish to invest in charging infrastructure to enable a user to drive a ULEV.

We do not believe this financial support would breach European State Aid Rules as the support is being made available to all companies installing charging points in the UK.

♣ **Introducing an emissions-based AMAP regime and review of AFR rates**

We would suggest that a wholesale review of the AMAP regime and AFR rates is required to take into account the changes in vehicle technology and fuels and to ensure that employees are only compensated for expenses incurred.

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The current AMAP system is now the only form of business motoring reimbursement that is not linked to vehicle emissions and in fact constitutes a perverse benefit to drive as many business miles as possible to increase the tax free income claimable.

AMAP rates currently provide a significant overcompensation for the average AMAP claimant car and as such give a tax free profit to the driver and a direct incentive to undertake “business miles” in their own car.

The below example illustrates this point:

Car Running Costs

	Whole Life	Incremental
Funding	✓	✗
Road Tax	✓	✗
Insurance	✓	Business element only
Depreciation	✓	✓
Maintenance	✓	✓
Fuel	✓	✓

Practical Example

3 year old Ford Focus 1.8 TDI

	1,000 miles per annum	5,000 miles per annum
Depreciation	6 pence per mile (ppm)	5ppm
Maintenance	2.5ppm	2.9ppm
Business Insurance at £75	7.5ppm	1.5ppm
Fuel at 40mpg	12.4ppm	12.4ppm
Total	28.4ppm	21.8ppm
AMAP Basic Rate	40ppm	40ppm

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We therefore call upon OLEV to consider recommending a fundamental review of the AMAP rates to link them to vehicle emissions and ensure they are set at a realistic rate for the average type of car being used. We would also suggest using a “penalty” rate for employees using cars emitting more than 130g/km which would be in line with the current corporation tax lease rental restriction policy to reduce emissions.

Advisory fuel rates (AFRs) cause problems when the vehicle being used is a range extender as it is not possible to calculate the fuel being used.

Given the developments in new technology we would suggest that OLEV encourages Government to consider a review of both AFRs and AMAPs to ensure they recognise all vehicle technology and compensate employees for expenses incurred.

♣ **Ensuring that the benefit-in-kind company car tax is charged on the net value (including the Plug-in Car Grant) rather than the list price**

This suggestion we believe would add real stimulus to the use of ULEVs in the company car fleet and should be a fairly simple to implement. By allowing the company car tax to be calculated on the price after the incentive has been taken into account a ULEV becomes a more cost effective option. We would ask OLEV to work with HM Revenue and Customs to make the necessary legislative changes.

♣ **Reinstating 100% first-year allowances for leased or rented ultra-low emission vehicles**

We believe that the first-year allowances for leased or rented ULEVs should be reinstated immediately. The change made in Budget 2012 to remove these allowances has:

- ♣ reduced the number of low emitting vehicles purchased by rental or leasing firms in the UK through customers switching to lower cost, higher polluting alternatives
- ♣ diluted the UK Government’s environmental goal as it relates to encouraging the take up of ULEVs
- ♣ reduced the funding options for UK SMEs in accessing ULEVs. SMEs rely on leasing as a source of funding, especially as purchasing ULEVs is not a realistic financial alternative in a credit constrained environment
- ♣ had a negative impact on the UK economy connected to the sale of ULEVs. The UKs global competitiveness position of being the centre of excellence for ULEVs has been eroded

UK leasing and rental firms have passed on the benefits of the 100% FYAs for low emitting vehicles since 2002 to their customers through lower rental payments. Over this

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period, this sector has been a catalyst for the take up and use of ULEVs in both the new and second-hand marketplace in the UK.

In 2011, UK leasing firms purchased 274,457 vehicles which emitted under 95 g/km CO₂ - this take up can be largely attributed to the availability of 100% FYA. Given that the government has set an ambitious vision for almost every car and van to be a zero emission vehicle by 2050 and that the Office of Low Emission Vehicles is positioning the UK at the global forefront of ultra-low emission vehicle (ULEV) development, manufacture and use² this clause does not help the Government with this vision.

We would urge OLEV to lobby their colleagues in HM Treasury to reverse this decision.

♣ **Smart ticketing to include rental of ULEVs**

We would suggest that OLEV look at innovative solutions such as smart ticketing which would allow for links between all transport modes. This concept should include looking at the role car rental and car clubs can play in being involved with smart ticketing. The Government should investigate the feasibility of using a portal approach for travel planning which looks at all transport modes and how they can link together. It should then allow the person travelling to book all transport modes in one go without the need to use different booking processes.

We believe that new technology will help to reduce vehicle ownership as people, in particular in cities, will look at a combination of transport solutions such as train, bus and car rental (either by the hour or day) to maximise all transport solutions depending on the purpose of the journey and time of day etc. The working being carried out by the Department for Business Innovation and Skills on smart cities could also be explored. This is looking at a Smart Transport System which enables people to take more control through informed choice of how and when they access transport, enabling the transport user to better manage their time, spend less time in traffic or waiting for public transport.

A smart transport system is one which integrates information from different modes of transport, including trains, buses, and car rental, etc. It also facilitates the efficient movement of goods through a city, and ensures logistics do not become a burden on a city. A smart transport system requires control, operation and access to open data; it also requires people with the necessary skills to integrate disparate systems.

² [Office for Low Emission Vehicles](#)

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We believe that OLEV should investigate further how smart ticketing could be used to encourage the use of ULEV vehicles. One idea would be to allow oyster card users in London to access rental and car club ULEVs at a discounted rate through use of their oyster card. This would allow people to try the new technology and become comfortable with it so that when it comes to purchasing a car these users would be more likely to consider a ULEV. Research conducted by our members has shown that 74% of rental customers perceive rental as a useful way to decide whether or not to purchase a particular vehicle and 54% are more likely to recommend the vehicle they have rented to others.

We would also suggest that OLEV could investigate the role of rental companies in being able to provide ULEV owners with a subsidised alternative vehicle for when their ULEV is not suitable for their transport needs. For example, when there is a requirement to travel long distances or carry a heavy load. This would, we believe, help support the uptake of ULEVs.

♣ **Support from manufacturers for the second hand market through the dealer network**

OLEV should be looking at the manufacturers' of ULEVs to do more to support their customers, who buy these vehicles new **and** as importantly, the second and third owners.

The used market for ULEVs is virtually non-existent, the average time a ULEV will be in trade waiting for a buyer is 100+ days. This means that potential ULEV buyers are going to be uncertain about what will happen when it comes to selling their ULEV and are more likely not to purchase one in the first place.

Motor manufacturers are uniquely positioned to help change this and should stand behind their product by supporting the used market for ULEVs. This could be done in a number of ways including:

- ♣ Free servicing for ULEVs for the life of the vehicle
- ♣ Guaranteed buy back arrangements for first owners
- ♣ Providing a longer guarantee for the battery

OLEV could work closely with the manufacturers to help support the above.



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Closing Comments

The above initiatives or combination of initiatives will we believe help make the UK the global leader in ultra-low emission vehicles. We are happy to expand further on our proposals if required.

Leasing Members

In general, vehicle leasing is an arrangement where the user simply hires the use of the vehicle and assumes operational responsibility for a predetermined period and mileage at fixed monthly rental from the owner (the leasing company). Legal ownership is, in the majority of cases, retained by the leasing company.

Short Term Rental Members

Rental Members offer hourly, daily, weekly and monthly rental of vehicles to corporate customers and consumers. As explained above, rental members are the owners of the vehicle.



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