



ANNEX A

## CONSULTATION RESPONSE FORM

### PART 1 - INFORMATION ABOUT YOU

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*Are you responding as an individual or representing the views of the organisation?*

Organisation

If you would like your response or personal details to be treated confidentially please explain why:

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### PART 2 – YOUR COMMENTS

#### **THEME 1 GROWTH AND DRIVERS OF GROWTH IN THE LCV SECTOR**

*1. Do you consider the historic trend of ever-increasing demand for LCVs will continue? If so, what future growth rates do you consider likely? If not, then why not?*

*Please explain your reasons and any additional comments you wish to make.*

Demand in terms of sales of new and used LCVs has reduced dramatically from the middle of 2008 to where we are today. New van registrations in September 2009 were 192,198 which is down 39.7% when compared with registrations at this point in September 2008.

However, the used van market in value terms is still strong with auction houses' continuing to report rises in values. This is due to a general lack of supply in the market, thought to be due to the number of leased contracts being extended which is driving up the price of the vehicles which are being sold. General opinion in the market is that prices will now level out as is the seasonal norm. Interestingly

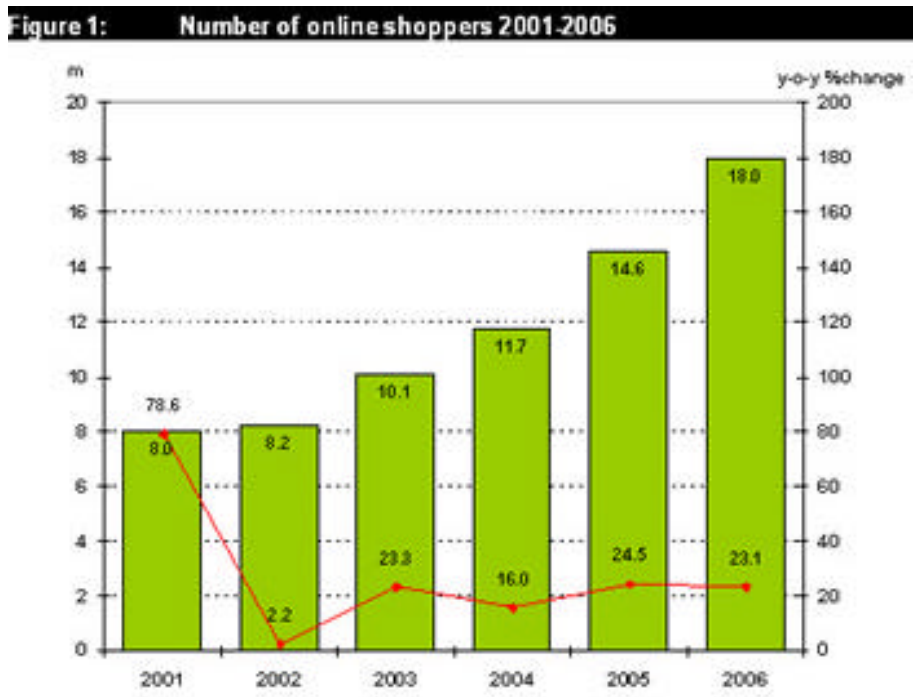
there is no sign of the effect of contract extensions with the age and mileage of vans being disposed of continuing to remain stable.

Taking the above into consideration we can conclude that there is still a demand for LCVs and that growth in the market will continue but given the current economic climate this is likely to be at a significantly slower pace than in previous years.

2. *Can the drivers of the trends in growth be clearly identified and quantified? (For example, how do income levels, outsourcing, changes in supply chains, taxation, vehicle efficiency improvements, changes in regulations and policy influence the use of LCVs?) Please explain your reasons and any additional comments you wish to make.*

The growth in the van market can be put down to a number of influencing factors including:

- **Growth in internet shopping** – Data from 2006 shows that online retail spending grew by 33.4% – almost 13 times faster than the retail sector overall – to a record £10.9bn. <sup>1</sup> LCVs provide the only efficient way of delivering small parcels direct to household addresses. In many cases an HGV would not be appropriate for a multi-drop operation for the goods ordered online to be delivered as the residential roads may not be suitable for an HGV and the HGV may have had to take a longer route to get there in the first place due to other road restrictions.



Source: Verdict Research

VERDICT

- **Increase in legislation in the heavy goods vehicle sector** – Digital tachographs, speed limiters and changes to the EU drivers' hours rules have all contributed to the increased operating costs and increased journey times for heavy goods vehicles. The Road Haulage Association's data shows that the average operating costs for a 7.5 tonne 2 axle HGV in 2006 were £44,000 per annum in comparison with today when those costs are estimated at £55,000 an increase of £11,000 in just 3 years. With these increases it is easy to see why a van has been considered an alternative to an HGV in some instances.

<sup>1</sup> Data from the British Retail Consortium

- **Increase in purchase costs of HGVs** – The purchase cost of a new HGV has also continued to increase at a greater pace than other vehicles. For example the average cost of a 7.5 tonne vehicle in 2006 was £25,000 compared to today when the average purchase cost of £35,000. The increased costs are mainly attributed to engine development which has seen the manufacturers working towards ever more stringent emission standards set by the European Commission. The cost of development is inevitably passed onto the purchaser through a higher purchase price. This can be compared against the cost of a Ford Transit which has reduced from £19,000 in 2005 to £17,390 in 2009<sup>2</sup>.
- **Growth in home based businesses** – Home based businesses may well be vans users as they will be sole traders. Statistics show that there are more than 2.1 million home based businesses in the UK out of a total of 4.5 million small and medium sized enterprises at the start of 2006, an increase of 2.9% on the start of 2005.

The fastest growing sectors for home businesses are online trading (such as eBay-ers), personal services (such as home interior designers, hairdressers, party planners) and food (products and caterers). All of which could very possibly be van users.

- **Growth in businesses generally** – Despite the economic decline there still appears to be a large number of businesses setting up. Statistics released by Barclays show that the number of new businesses set up during 2008 increased on 2007 levels. The estimated number of new enterprises formed last year rose from 432,300 in 2007 to 436,600 in 2008, with the overall number of businesses in the UK rising to around 2.9 million.

Again it is safe to assume that a larger percentage of these businesses will be van users and therefore the growth in numbers of individual business is contributing to the growth in the van sector.

*3. Do you consider that the demand for parking and loading/unloading by LCVs affects road space capacity and traffic flow?*

*Please explain your reasons and any additional comments you wish to make.*

If you consider that the UK car parc is 27 million cars when compared with the total UK commercial vehicle parc of 429,000 it is fair to assume that commercial vehicles have a minimal impact on road space capacity and traffic flow when compared with cars.

*4. Do you consider that there has been substitution between HGVs and LCVs? Do you consider that there will be substitution in the future? If so, how will this affect the LCV sector? (Quantitatively and qualitatively)*

*Please explain your reasons and any additional comments you wish to make.*

As demonstrated above due to the rising purchase and operating costs of HGVs it is safe to assume that some of the growth in the LCV sector is due to the down-sizing of vehicle choice. This trend will continue unless the operating costs of LCVs increase to a significant extent to make it uneconomical to operate the vehicle.

*5. How do you consider the volume of freight transported by LCVs is going to change over the next 5-10 years? (Expressed in weight carried [tonnes] and weight x distance [tonne-kilometres])*

*Please explain your reasons and any additional comments you wish to make.*

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<sup>2</sup> Fleet News Road Tests

We are not directly involved with freight movements and are therefore unable to accurately comment on this area.

## **THEME 2— INHIBITORS TO FURTHER EFFICIENCY IN THE USE OF LCVs**

*6. Do you consider that access restrictions, time limits, speed restrictions, low emission zones, driver licensing requirements vehicle maintenance and testing currently influence the scope for efficient use of LCVs? How is this likely to develop in future? What other factors, in your view, influence the efficient use of LCVs?*

*Please explain your reasons and any additional comments you wish to make.*

The following are factors which influence fuel and operational efficient van operations :

- Route planning
- Fuel consumption
- Service maintenance and repair
- Tyre wear

These are all areas which most operators will take into account when operating their fleet of vehicles. Our leasing members regularly provide detailed reports covering all these areas to help their customers reduce costs and operate efficiently.

*7. Do you consider that taxation measures (including VED, fuel duty, grants for environmentally friendly vehicles etc) currently influence efficiency in the use of LCVs? How would you like these measures to change in the future?*

*Please explain your reasons and any additional comments you wish to make.*

The only taxation method which influences efficient use of LCVs is fuel duty. Due to the high price of fuel, operators will ensure that unnecessary journeys are not taken and the best route is chosen.

Taxation can be a big influencer on purchasing decisions, however, it is vitally important to recognise that a company van driver does not have the same freedom to choose the van he drives in the same way a company car driver does. This is vitally important when consideration is being given to the future structure of the company van tax regime.

In terms of fuel duty, we are of the view that those who are using fuel commercially should be part of some form of essential user rebate scheme. There are no alternatives for LCV operators, they cannot get their tools to the job on public transport and this should be recognised through some form of rebate scheme.

Incentives to encourage the take up of new and emerging vehicle technology play a vital role in ensuring that technologies can get off the ground. We have expressed our disappointment to the Office of Low Emission Vehicles that their current incentive programme to encourage the take up of ultra low carbon cars does not include vans. We have suggested that vans should be included as the market for electric vans is further along in terms of development.

We have also highlighted the importance of taxation incentives and ensuring that such incentives are in place long enough to incentivise the second hand buyer of new and emerging technology as well.

8. Do you consider that LCV operators are using the most appropriate vehicles, equipment, devices and training to help achieve efficiency of road transport operations? If not, what are they not commonly using? This could include:

- driver training
- routeing and scheduling equipment

Please explain your reasons and any additional comments you wish to make.

There will always be some operators who choose a van based purely on the cost and do not take into account the other influencing factors relating to whether it is fit for the purpose which it is intended to be used. The work which AEA technology is doing with the Department for Transport on a van best practice programme will address these issues and will we are sure raise the standards of van operators further.

The van user profile varies greatly and the number of miles driven in a van per annum varies greatly. It is therefore impossible to recommend that such equipment as speed limiters or drivers' hours regulation would improve the efficiency of all van operators.

There is scope for a national voluntary enhanced driver competencies framework which could assist operators in developing LCV driver training and raise standards across all operators. This could easily form part of the Department for Transport's best practice programme.

### **THEME 3- MANAGING CLIMATE CHANGE EFFECTS**

9. How do you consider that current government policies influence the climate change impacts of LCV operations? Please explain your reasons and any additional comments you wish to make.

As mentioned fuel duty has a huge influence on LCV operations, the largest part of a van's operating cost will be on fuel duty and this therefore provides a huge incentive to manage the mileage driven in a van, use the right size of vehicle for the job and route plan effectively.

The discounts which were offered for the London congestion charge scheme for LPG vehicles did influence some LCV operators who were in London on a daily basis to choose LPG vehicles. However, the take up was limited due to no commitment from the London Mayor as to how long these discounts would last. If more commitment had been shown from the Mayor the take up would probably have been greater.

The London Low Emission Zone will have some impact in the London area on the emission levels from LCVs when this is introduced, however, it can be argued that if these vehicles have not reached the end of their economic life they are simply dispersed to other areas of the country. Therefore London benefits but other areas of the country do not.

10. How do you consider that changes in the design, manufacture and use of LCVs can be managed to ensure that increases in CO<sub>2</sub> are minimised? Please explain your reasons and any additional comments you wish to make.

The fact that manufacturers have to produce new vehicles in line with the ever more stringent EURO standards continues to ensure that CO<sub>2</sub> does not increase.

We would also suggest that manufacturers look at some of the latest design features on cars which have come in to minimise CO<sub>2</sub> and see how this could be developed for the LCV. One obvious enhancement would be stop start technology particularly for vehicles involved with multiple drops where there is a temptation to leave the vehicle idling.

#### **THEME 4- MANAGING LCV SAFETY**

*11. Do you consider that existing laws and regulations governing LCV use are generally understood and are obeyed?*

*Please explain your reasons and any additional comments you wish to make.*

Yes. The vast majority of operators are compliant with the law governing the use of LCVs and operate safely and efficiently.

*12. Are there any areas of LCV design, use or maintenance that could be improved to further enhance the generally good road safety record that vans have? To what extent do LCV maintenance arrangements or standards differ from those for HGVs?*

*Please explain your reasons and any additional comments you wish to make.*

Most HGV's are operated on O-licences and are therefore subject to rigorous routine inspections as specified on their O-licence. LCVs are also routinely inspected based on the mileage driven, our members work with their customers on a case by case basis to set a servicing programmed based on the use and operation of the vehicle.

In terms of LCV design there are a number of safety features which could be considered by the manufacturers as standard fitment which would help improve the safe operation and use of vans, these include satellite navigation and audible seatbelt warning.

*13. How important do you consider overloading to be for LCVs? If overloading is perceived to be a problem can you identify why it may occur and do you have any suggestions about how to deal with it? Please explain your reasons and any additional comments you wish to make.*

Overloading can be dangerous and one of the key targets of the Department for Transport's Van Best Practice guidance will be to assist operators at purchase stage to ensure the correct vehicle for the job is selected and to provide guidance at the operation stage to ensure over-loading does not occur. Our rental members can play a key role in ensuring that over-loading does not occur by providing larger LCVs to operators on an ad-hoc basis for the odd occasions when the vehicle they own is not suitable.

*14. Do driving standards and behaviour differ between LCVs and HGVs? If it does, what are the main reasons for this?*

*Please explain your reasons and any additional comments you wish to make.*

Driving an HGV is completely different to driving an LCV, there are specific reasons why additional training is needed for HGV drivers'. An LCV driver may be driving a few hours a day or limited mileage as opposed to most HGV drivers who drive as professionals on a daily basis.

Given the current health and safety legislation along with the Corporate Manslaughter Act most operators consider it vital to ensure that appropriate LCV training takes place at the start of a drivers' employment and regularly throughout their employment. This again will be based on the mileage and hours the employee is driving.

*15. Are there potentially important safety implications arising from the growth in home deliveries that may lead to an increase in the use of LCVs on residential streets?*

*Please explain your reasons and any additional comments you wish to make.*

There is no evidence or reason to single out home deliveries as a particular area, we would request specific evidence