



Joint Select Committee

inquiry into

Improving air quality

Submission from:

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BVRLA contact details

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About the BVRLA 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 4.5 million cars, vans and trucks.
- BVRLA members purchase nearly 50% of all new vehicles sold in the UK, an estimated 1 million vehicles per annum, including an estimated 80% of all cars built and sold in the UK.
- Collectively, members of the BVRLA support around 317,000 jobs and contribute over £24.9 billion to the UK economy each year.
- Through its members and their customers, the BVRLA represents the interests of over 2 million business car drivers and 10 million people per year who choose to rent a vehicle.
- 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, please visit www.bvrla.co.uk.

Introduction

The British Vehicle Rental and Leasing Association (BVRLA) welcomes the joint inquiry being carried out by the Select Committees for Environment, Food and Rural Affairs, Environmental Audit, Health, and Transport on improving air quality.

As the trade association for companies engaged in the rental and leasing of cars and commercial vehicles, the BVRLA recognises the problem of poor air quality in UK towns and cities, and the importance of reducing nitrogen oxides (NOx) through a reduction in the number of older, higher polluting diesel vehicles on UK roads. However, it should be recognised that while road transport – particularly diesel vehicles – have been a large contributor of NOx emissions, automotive technology has vastly improved and continues to improve. The Euro 6 standard, which is now mandatory for all newly registered vehicles, is expected to halve vehicle-derived NOx emissions compared to the previous Euro 5 standard¹. According to figures published by the Department for Transport², car emissions have fallen by 60% since 2000, with a 43% reduction in total NOx emissions. In central London, NOx emissions from cars is estimated to fall by 40% by 2020. Technology is driving improvements, and none more so than in the UK rental and leasing sector, which has always taken the lead in providing the newest, cleanest and greenest vehicles to UK drivers, as well as driving secondary uptake of lower emission vehicles by selling these vehicles at the end of their (typically three-year) leases to the second-hand market. To illustrate this point, the following table sets out the current average emissions performances of cars provided by BVRLA members (according to data provided by these members):

¹ European Commission, Air pollutants from road transport, at: <http://ec.europa.eu/environment/air/transport/road.htm>. Under the Euro 5 standard, petrol cars must not emit more than 60mg of NOx per kilometre, and diesel vehicles over 180mg NOx/km. Under the Euro 6 standard, emissions restrictions on petrol cars remain unchanged, with NOx emissions from diesel cars must not be greater than 80mg per kilometre.

² Department for Transport, data series on pollutants, emissions and noise (ENV03) at: www.gov.uk/government/statistical-data-sets/env03-pollutants-emissions-and-noise

Fleet type	Total fleet size	Average age (years)	Average CO ₂ (g/km)	% of total fleet running on diesel	% of total fleet Clean Air Zone compliant
Rental ³	253,000	0.8	118	47%	95%
Lease ⁴	987,000	1.7	113	75%	73%
UK car fleet ⁵	30,513,268	8.0	147	40%	58%

In further evidencing this newer generation of greener vehicles, as well as addressing the recent questions and challenges posed by the Department for Transport, the Department for Environment, Food and Rural Affairs, and various other bodies, the BVRLA has continued to monitor discussions at national, international and city-wide levels, as well as engaging with various policy stakeholders on behalf of its 900-member companies engaged in the rental and leasing of cars and commercial vehicles. In order to ensure the BVRLA’s position on issues related to improving air quality is supported by the best available evidence and endorsed by its membership, we have held a series of policy events aimed at considering the Government’s proposals, as well as those of the Mayor of London, with contributions from key stakeholders across the fleet sector. These stakeholders included representatives of national government departments, advisors to the Mayor of London, environmental campaigners, analysts of vehicle emissions, business experts, and senior managers of large vehicle fleets. Included in these fleet managers were a range of BVRLA members, including commercial fleet operators, rental providers, and car club operators.

³ Data provided by BVRLA rental members: Avis Budget, Enterprise Rent-a-Car, Europcar, Hertz, and Thrifty Car and Van Rentals.

⁴ Data provided by BVRLA lease members: Alphabet Fleet Management, F2ML (Peugeot Citroen), Hitachi Capital Vehicle Solutions, Leaseplan, Lex Autolease, and Tusker.

⁵ Department for Transport; Vehicle Statistics, last updated on 13 April 2017, at: <https://www.gov.uk/government/statistical-data-sets/veh02-licensed-cars>

The BVRLA has also commissioned the economic analysis firm Ecuity to provide two research papers. The first paper proposes a system of mobility credits⁶, under which drivers may be offered credits payable on public transport, car rental or car clubs (or a combination of the three) if they give up older, higher emitting diesel cars. Such a scheme would generate a greater impact in terms of reducing both older diesel cars and toxic emissions on a more cost-effective basis than would a diesel scrappage scheme.

The second paper⁷ sets out the importance of a gradual approach in the Government's attempts to reduce the number of diesel vehicles on UK roads, and cutting emissions. The reasons behind this is that penalising all diesel vehicles at a time when Electric Vehicles (EVs) are not yet a feasible or practical option for many drivers would lead to a drop in the residual value of such vehicles, with an inability to sell these on to the aftermarket. The result of this is that businesses would continue to use these rather than invest in newer technology.

Both research papers are submitted for the consideration of all four Select Committees, with further questions or discussions on either welcomed and requested.

⁶ BVRLA, Mobility credits: an economic analysis; June 2017, at:

https://www.bvrla.co.uk/sites/default/files/u3471/ecuity_study_-_air_quality_mobility_credits_analysis.pdf

⁷ BVRLA, Diesel Vehicle Market-Share Reduction Analysis, September 2017, at:

https://www.bvrla.co.uk/sites/default/files/u3471/bvrla_uks_optimal_diesel_market_share_reduction_profile_final_draft.pdf

Summary of policy recommendations

Having considered the Government's Air Quality Plan, the British Vehicle Rental and Leasing Association believes that action must be taken immediately in order to address poor air quality in the UK's towns and cities as soon as possible. However, the Government's final Plan, should present a combination of incentives and restrictions that encourage more sustainable travel behaviour without punishing people for decisions that have already been made based on previous Government policy.

The BVRLA recommends the following to the Government for policy consideration, and the four House of Commons Select Committees for assessment and scrutiny:

- Provide a comprehensive set of Clean Air Zone guidance to ensure consistency in terms of standards, enforcement, -timescales, and charges.
- Develop an orderly and well-signalled plan to assist the transition from older, diesel vehicles to newer cleaner ones, taking into consideration potential impacts upon the national and local economies.
- Work with the BVRLA and other driver-interfacing players across the automotive supply chain to develop an engagement campaign to promote vehicle rental, leasing, car clubs and other potential solutions for businesses and individuals affected by the new Clean Air Zones.
- Provide industry with confidence in the Euro 6 standards by legislating to ensure all compliant vehicles may be operated across the UK without additional cost or restrictions.
- Give a clear guarantee that it will not introduce any new motoring taxes or charges that end up punishing businesses or individuals for vehicle purchasing decisions that were made based on previous government policy.
- Introduce a flexible and targeted mobility credit scheme as a viable alternative to a diesel scrappage scheme. This should encourage owners of older, more polluting cars to give them up, by offering 'mobility vouchers' that could be used for car rental, car clubs and other shared or public transport.



- Continue to fund and support the Plug-in-Car and Plug-in-Van Grants, gradually adjusting the CO₂ and zero-emission range requirements to ensure that the incentive keeps pace with advances in technology.
- Ensure consistent tax policy to support the uptake of ultra-low emission vehicles.

Formal submission

Clean Air Zones

The BVRLA welcomed the Government's proposal to develop a consistent national framework to provide guidance on Clean Air Zones (CAZs) being enacted throughout the UK, including a required emissions standard to enter areas with unacceptable levels of air quality, hours of operation for such CAZs, signage provided to drivers, and enforcement penalties. This framework is necessary not only in helping to reduce emissions and improve air quality, but also to inform and assist commercial decisions – including the purchase and replacement of new vehicles – to be taken by fleet operators. While local considerations are important, as well as the connected reluctance on the part of the Government to impose a central initiative upon regional authorities, are understandable, continuing in the absence of such a national framework could eventually result in both a lack of clarity, and be financially problematic for fleet operators. This could lead to higher prices for consumers and the impact future UK investment.

In developing such a framework, several requirements are recommended. Firstly, operators have indicated concern at the potential economic effect that a lack of consistency could have in terms of transporting goods between CAZ cities operating different emissions standards. These problems include the requirement to purchase different vehicles according to the standards of the geographical region in which it is likely to mainly operate (though the issue of changing vehicles mid-journey could not be ruled out). If there are different standards in different cities, the likelihood is that older, higher polluting vehicles will simply be deployed to the areas requiring a lower standard (usually to an area with higher air quality levels), which would simply move the air quality problem, rather than solving it. In developing a national air quality framework, the Government must ensure that this is consistent across UK regions, an approach which will be especially vital for such businesses given the likely additional operational constraints to the business cost this could impose and impact on services and costs to consumers – for example, inconsistent emissions standards could lead to geographical variations in the costs of transporting goods purchased via the internet.

Finally, the Government's final Air Quality plan should take into consideration the importance of assisting transition from older, diesel vehicles to newer cleaner ones. Failure to plan for this will result in consumer price inflation, where additional costs would be passed on to customers, which in turn could lead to scepticism in and a reluctance to take up the new technology. The Government must therefore support take-up of new diesel vehicles until there is a cost parity with alternative technology, particularly in the commercial vehicle sector where diesel remains the only practical and cost-efficient option available.

Reducing the number of diesel vehicles on UK roads

In assisting the move away from older diesel vehicles, the BVRLA notes the argument by some in favour of a managed reduction in the number of diesel vehicles on UK roads. While such a transformation is likely to reduce NOx levels in UK cities, a move away from current market conditions, especially when expedited, will be challenging and costly. For example, an excessive change in policy regarding diesel vehicles could severely reduce the ability of BVRLA members to resell diesel vehicles to the second-hand market. As a key enabler of end-of-lease vehicles to the UK aftermarket, the UK rental and lease sector should be prominent in the Government's thinking with regarding to a future diesel reduction strategy.

A further point for consideration ahead of any future change in policy regarding the number of and treatment of diesel vehicles in the UK is the potential impact on the commercial vehicle (CV) sector. Given the current overwhelming reliance by the CV sector upon diesel due to a lack of a practical (as well as commercially viable) alternative, any change in policy must allow the sector time for newer alternative fuel technologies to emerge on to the CV market, as well as for the sector to adapt and upgrade its current fleet. This is particularly important for SMEs, whose lease contracts on a vehicle can typically run for up to 7 years, with financial penalties for early termination. Also to be considered is the roll-out of refuelling stations non-diesel CVs – currently, gas-powered commercial vehicles (which make up less than 1% of the current UK CV fleet) are served by around 20 refuelling stations across the UK, compared to over 8,000 stations supplying diesel. This sparsity in fuel availability adds further operating

costs (taking extra time to travel to such stations reduces productive hours as well as viable distances and journeys).

In considering any future diesel vehicle reduction strategy, the BVRLA recommends that the Government targets diesel cars, where alternatives are more readily available and impactful, in any future diesel reduction strategy rather than commercial vehicles (which additionally travel less often in urban areas where air quality is most pronounced, and more often on motorways and rural A-roads). Furthermore, a managed reduction in the number of diesel vehicles, while beneficial to improving air quality, should also be carried out on a gradual transitional basis. According to the attached paper on a diesel vehicle market-share reduction strategy, a gradual 6-7% annual diesel market share reduction rate – the equivalent of taking 5-6 million diesel cars off the road over the period – is optimal for the economy. A quick transition (past 7%) to EVs and petrol alternatives means that the cost of reducing a unit 1 tonne of NOx exceeds the benefit. A more gradual phase-out rate would be more socially optimal, as capex/infrastructure/operating costs fall over time with improvements to EV performance and price. Further detail is provided in the following table:

Transport segment	Diesel phase-out rate	Number of diesel vehicles reduced over 10 years	NOx emissions saved (tNOx)	Discounted benefits (£mn)	Discounted costs (£mn)	NPV (£mn)
Car model	Low (2%)	950,000	21,915	£457	-£444	£13
	Central (6%)	5,091,644	108,603	£2,294	-£1,999	£295
	High (10%)	7,256,215	171,443	£3,540	-£3,448	£92
LCV model	Low (2%)	296,776	1,451	£86	-£149	-£63
	Central (6%)	907,551	4,142	£262	-£534	-£272
	High (10%)	1,554,889	6,815	£447	-£955	-£508
HGV model	Low (2%)	28,303	N/A	£75	-£249	-£174
	Central (6%)	84,909	N/A	£226	-£747	-£521
	High (10%)	141,516	N/A	£377	-£1,246	-£869

Government policy which delivers a 6% annual reduction in diesel car market-share would take over 5 million diesel vehicles off the road (against the counterfactual projection), and reduce NOx emissions by 109,000 tonnes over a 10 year period. The modelling provided in the accompanying paper suggests that this gradual rate of diesel car phase-out (6% annually) is more socially optimal than a very rapid reduction (10% annually), and reduces the cost of abating NOx from £14,000/tNOx to £12,000/tNOx.

A Mobility Credits scheme

In assessing proposals under which the Government might encourage cleaner and greener transport, and improving air quality, the BVRLA has considered the merits of a diesel scrappage scheme, which supporters claim could incentivise drivers of older, more polluting diesel vehicles to dispose of these in favour of newer vehicles which conform to the latest Euro 6 (cars) and VI (commercial vehicles) standards. While representatives of both the London Assembly and Transport for London have endorsed such a scheme, discussions around this have assumed the incentive for the disposal of such diesel vehicles would be limited to one-off cash or credit payments toward newer vehicles. The BVRLA believes that a prospective diesel scrappage scheme must both be targeted at drivers whose vehicles are causing the greatest amount of NOx emissions, and flexible to encourage the maximum number to move out of dirtier, more polluting vehicles.

The BVRLA believes that to achieve genuine, long-term behavioural change among drivers, particularly in towns and cities, drivers should be given greater choice to tailor a solution to their individual transport needs. For example, mobility credits which can purchase a fixed number of rental car journeys, or hours using a car club vehicle, might be offered. This would not only continue the current drive toward the removal of older, more polluting cars from UK roads and reducing emissions, but would also both encourage vehicle use over vehicle ownership, further reducing congestion. In cases of commercial vehicles, of which over 98% are diesel-fuelled, consideration should also be made for companies tied in to existing lease contracts for older commercial vehicles. In such cases, the scrappage payment could take the form of a resolution in the early termination fee on the lease of the vehicle (which should also be redeemable by the lease company), and toward the cost of a further leased vehicle, which conforms to the Euro VI Standard. As the leasing sector is a key enabler to assist small businesses, further exploratory work should be carried out to assist companies to carry out this migration from older diesel vehicles to newer ones as part of any scrappage scheme.

Assessing the potential impact of this proposal, the attached paper⁸, carried out by the economic analysis firm Ecuity, is provided with projections on a two-year mobility credit scheme being implemented between 2019-2020 for owners of Euro 1-5 diesel cars. This analysis assumes that 40,000 diesel car owners will scrap their vehicles in return for mobility credits over a 2-year programme, given a pool of 6 million Euro 1-5 diesel cars. These mobility credits (£2,500 worth) could be used to pay for various forms of shared transport, in this analysis for simplicity just referring to shared car club use, and public transport (bus and rail) services.

Under this analysis, it is assumed that the scheme drives 20,000 diesel car owners per annum to scrap their vehicles in return for the mobility credit incentive, with ex-diesel car owners reducing their mileage when they join a car club to 4,190 miles a year⁹, with remaining mileage being serviced by public transport. The counterfactual assumption is that the user would drive 7,800 miles which is the UK's average. This behavioural change results in the following benefits:

Impact on NOx – a reduction of 67 tonnes in NOx emissions in the first year of the scheme (2019), and by 1,272 tonnes over the 10-year policy appraisal period. This is equivalent to taking 180,000 Euro 5 compliant light commercial vehicles off the road for a year (assuming average mileage of 30,000 miles). Monetising these reductions based on the Government's damage cost methodology¹⁰, this creates health benefits worth a discounted £73.5 million (2017 prices) over the 10-year policy appraisal period.

Social welfare benefit – according to the methodology and assumptions made in the Technical Report, this policy delivers £242.7 million worth of social benefit (in 2017 prices).

GHG emissions – over the 10-year policy appraisal period, this cumulatively brings £19.7 million worth of benefit in present value terms.

Cost to Government – the cost to Government from providing mobility credits to 40,000 diesel car owners is £91.8 million (2017 prices).

⁸ Ecuity; "A mobility credit scheme – an economic analysis", June 2017.

⁹ This assumption is based on results from the 2016 CarPlus report.

¹⁰ Using an urban transport (inner conurbation) damage cost factor of £63,552/tNOx (2017 prices)

Public cost and economic growth – according to the average residual value figure from the technical report (£2,000 per car), the policy would result in an overall accumulation value of £73.4 million over the 10-year period. Revenue growth opportunities from new transport services are also likely to develop, and this policy would undoubtedly support such industries. Indeed, McKinsey project that shared mobility, connectivity services and new business models could increase automotive revenues by \$1.5 trillion by 2030¹¹.

The table below demonstrates the above results of a mobility credit scheme, in comparison with the modelled scrappage scheme in the technical report.

	Results – mobility credits	Scrappage scheme (DEFRA)
First year air quality improvement (t)	66.93	
Total reduction in NOx emissions (t)	1272	400
Welfare benefit	£242,731,941	£120,000,000
Health impact	£73,499,575	£10,000,000
GHG impact	£19,721,120	£10,000,000
Government cost	-£91,772,670	-£110,000,000
Welfare cost	-£73,418,136	-£50,000,000
Economic growth impact	N/A	Small & positive
NPV of policy	£170,761,829	-£20,000,000

The BVRLA suggests that the provision of mobility credits can complement the Government’s actions on mitigating dangerous air pollution, and provides greater additionality than a scrappage scheme, and at a lower cost to the public purse.

Car Clubs

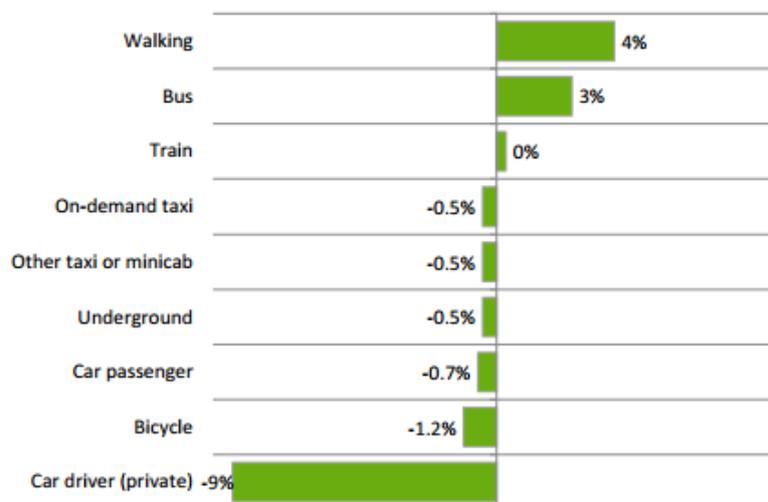
In addition to the above mobility credits scheme outlined above, the BVRLA also encourages the Government to consider other shared transport models, which are more efficient economically and more sustainable than older private car ownership models. The average city

¹¹ McKinsey & Company (2017) *Disruptive trends that will transform the auto industry*. Available from: <http://www.mckinsey.com/>

dweller’s car is parked for 97% of the time¹² and can be considered an underutilised asset. Car clubs address this inefficiency, and greater support and assistance from Government and/or local authorities is to be encouraged.

According to the 2016 report carried out by the car club representation group CarPlus, which surveyed 186,000 car club members sharing 2,800 cars, approximately 25,000 privately-owned cars have been taken off the road as a result of membership¹³. A CarPlus survey of 4,000 London-based car club members found they walked, cycled and used public transport more than the national average (see figure below). In addition, it found members were “increasingly interested” in driving electric vehicles. Quantifying the environmental impact of car clubs, the CarPlus survey also reveals that car club members saved 49,220 tonnes of CO₂ over 2015/16, with the average Londoner’s transport carbon footprint being reduced by 73%. Addressing air quality, diesel vehicles have almost been eliminated from the car club fleet – from 71% in 2012/13 to just 5% in 2016/17. In London, there are expected to be no diesel-fuelled car club cars on London streets by the end of 2017.

Proportion of new members using transport modes at least once a week after joining a car club compared with before (percentage point change)



¹² Europcar (2010) *Stress and the Chassis – The Cost of Dormant Urban Motors to Our Pockets*.

¹³ CarPlus (2016) *CarPlus annual survey of car clubs*. Available from: <https://www.carplus.org.uk/>

Data collated by the BVRLA also demonstrates that 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 Survey⁷¹⁴, 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.

These results suggest that transport behaviour is habitual. The BVRLA therefore recommends that the Government investigate car club schemes which can demonstrate tangible success, as well as a mobility credit scheme (outlined in this submission and the attached analysis) and consider investment where necessary to both encourage sustainable behavioural change, and to grow car clubs as a viable commercial opportunity for the UK.

¹⁴ 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

Closing comments

The BVRLA welcomes the opportunity to provide its evidence and experience, and that of its members, to the four House of Commons Select Committees as part of their inquiry into the Government's Air Quality plan.

Throughout this submission, we have cited evidence provided by various BVRLA members, plus other external stakeholders with an interest in this issue, and in the development of an Air Quality plan which is robust, impactful, and evidence-led.

The BVRLA appreciates that this issue is a detailed one, and would be happy to provide any additional information or clarification on any point presented as part of this submission, or to present our views in person to any relevant official(s), if requested.