



The Committee on Climate Change – Call for Evidence
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Re: The Fifth Carbon Budget – Call for Evidence

1 June 2015

Dear Sir or Madam,

The BVRLA welcomes the opportunity to comment on the Committee on Climate Change's call for evidence on the Fifth Carbon Budget, ahead of the Committee's issuing of guidance to the UK Government.

Background to the UK rental and lease sector

The UK rental and leasing market currently purchases an estimated 1 million vehicles (including 308,000 UK-made vehicles) per annum¹. As these vehicles are brand new and built to the most recent environmental standards, they give off less CO₂ or nitrous oxide emissions than older, higher polluting vehicles (according to a report carried out by the Society of Motor Manufacturers and Traders, the average car on UK roads is 7.6 years old²).

To demonstrate the emissions record of our leasing members, our new vehicle registrations had an overall average of 119g CO₂/km in Q4 2013, which fell to 114.7g CO₂/km in Q4 2014, a total fall of 4.6g CO₂/km over the year. This compares to the national average of newly registered vehicles of 127.4g CO₂/km (Q4 2013) falling to 123.1g CO₂/km (Q4 2014) – a total reduction of 4.3g CO₂/km. 4.3% of new vehicle registrations by BVRLA leasing members are pure or hybrid electric vehicles (Q4 2014), compared to a national average of 2.7%.

Rental cars will typically be 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. The BVRLA is therefore confident that the overwhelming majority of rental and leased vehicles operated by our members conform to the highest emissions standards and are therefore a key enabler in supporting a direct reduction in emissions from UK motor transportation. Our sector operates 1 in 10 cars, 1 in 6 vans, and 1 in 4 HGVs used on UK roads.

Current vehicle taxation policy

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 SMMT report, "Motor Industry Facts 2013", at: <http://www.smmt.co.uk/wp-content/uploads/sites/2/SMMT-2013-Motor-Industry-Facts-guide.pdf>



According to figures from the Department for Transport, just 0.3% of new cars registered in 2013 were ultra-low emission cars. In order to boost these numbers, the BVRLA believes that the UK Government must reconsider its current taxation policy with regards to several measures which we believe have negatively impacted on the take-up of ultra-low emission vehicles.

To assist the UK to meet its CO₂ transport targets, the BVRLA proposes the following measures:

Reinstatement of First Year Capital Allowances for leased and rental cars

The Government's decision to withdraw First-year Capital Allowances (FYAs) – deductions that are made from a company's corporation tax in respect of the purchase of certain assets – from leased and rental cars has had a direct negative impact on the adoption of ultra-low emission cars. Firstly, given that outright purchases of vehicles remain eligible for FYAs provides a financial advantage for cash-rich businesses over less established SMEs, the removal of FYAs from leased/rental cars serves as a disincentive for operators to access lower emitting vehicles with higher operational costs. Linked to this objection is the fact that rental vehicles are typically sold on to the aftermarket six months (on average) after their original purchase and registration, with FYAs passed through to the end user of the vehicles. The removal of this benefit is therefore expected to increase the cost of nearly-new vehicles for both businesses and individuals. The BVRLA is also concerned that the withdrawal of FYAs could have an effect on the take-up of cleaner, greener cars – a point which has been identified by Government officials and other market commentators as rental/leasing being the most likely route for companies to use as early adopters of the latest, safest, cleanest and greenest automotive technology (or in the case of rental, a “try before you buy” environment). A reversal of this position by HM Treasury would ensure that UK firms relying on leasing and rental to support their business are not directly penalised. As an alternative, we would recommend that UK firms leasing cars emitting less than 75 g CO₂/km are able to claim 115% of the rental payments as a deductible expenditure against their corporation tax bill.

To help encourage and support employers install charging points for electric vehicles at the workplace, we would also recommend that all associated expenditure should benefit from an Enhanced Capital Allowance. This would help ensure electric vehicles are made available on the company car choice list.

Company Car and Van Tax

Despite the recent changes made to the company car tax system, it is regrettable to note that this has failed to stimulate the take up of zero emission cars in line with government expectations. We therefore propose that the nil rate band for zero emitting cars is extended until 2016/17 and that the car list price (P11D value) should be net of the Plug-in-Grant to help stimulate demand.

The certainty and stability delivered through the publication of a three year rolling cycle on the company car tax bandings has been immensely beneficial, but we believe the Government should go further. Our members currently provide more than 2.5 million leased cars, many of which are operated for four or even five years. To help provide more tax certainty when selecting a car (particularly a low-emission vehicle that benefits from an incentivised tax



banding), the BVRLA would urge HM Treasury to confirm company car and van tax bands for the financial year 2017/18.

To help pent up demand for the ultra-low car market we would encourage a reversal of the planned tax rise of 80% on company cars emitting between 51-75 g CO₂/km in 2015, and that the reduced Company Car Tax bandings for vehicles with emissions levels under 75 g/km CO₂ are extended to 2018. The Government may then wish to reconsider phasing these out, or providing a further reduced CCT banding for vehicles with the lowest emissions levels, based on modern technology at that time.

The BVRLA would also welcome Government incentives for vehicle telematics and driving technology which can assist better journey planning and more fuel efficient driving, leading to reduced emissions. We encourage the Committee to consider this proposal and to take it as a recommendation for the Government to take up directly.

How in-life vehicle incentives could accelerate the adoption and use of greener vehicles

In addition to several Low Emission Zones in larger cities throughout the UK, several regional authorities within the UK are currently considering, or planning to implement, an Ultra-Low Emission Zone. This will require that the emissions standard of vehicles entering the Zone must conform to the Euro IV standard for petrol vehicles, and the Euro VI Standard for diesel, or pay a daily charge.

While the BVRLA support the introduction of such Low Emission Zones (provided that ensuring compliancy with the set emissions standard is both affordable and easily accessible), we believe that the Government must do more to stimulate both the first- and second-hand markets in low emission vehicles. In achieving this, 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 the following:

- 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 ultra-low emission vehicles;
- A vehicle scrappage scheme, under which drivers could receive a benefit for the disposal of older, more polluting vehicles with higher emissions. This incentive could either be a financial contribution toward the cost of a newer vehicle which conforms to the latest and highest emissions standard (similar to the current OLEV grant), or 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 (both CO₂ and NO_x) emissions.

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.

Reducing grey fleet³ mileage

Unlike the rest of the Government's motoring tax policy, the current use of Authorised Mileage Allowance Payments (AMAPs)⁴ gives employees no incentive to use lower emission vehicles or alternative, more sustainable forms of transport. According to Government estimates⁵, there were 2.5 million claimants of AMAPs in 2011/12 and the increase of the payment rate of AMAPs from 40p to 45p per mile in the 2011 Budget may have led to an even greater reliance on the grey fleet. Grey fleet mileage is especially prevalent in the public sector, with many organisations making payments higher than the national AMAP rate. As well as contributing unnecessary mileage in older (typically 6-7 year old) and more polluting vehicles, this is a huge, inefficient and often unaccounted for waste of taxpayers' money.

The BVRLA has repeatedly highlighted the significant benefits from replacing grey fleet use with company-wide car clubs. These benefits include lower emissions, reduced mileage, and considerable financial savings for the company. To offer three case studies from a leading BVRLA member:

- The introduction by Woking Borough Council of a car sharing scheme saw CO₂ emissions from employee business travel fall by 37% since 2010, an average of 1.2 tonnes of CO₂ per annum. Grey fleet mileage has also fallen by 14,000 miles per annum, a 25% reduction.
- The elimination of grey fleet use in favour of car sharing scheme for staff business travel saw the University of Cumbria achieve a net reduction in overall CO₂ emissions 119 tonnes (27%) and a financial saving of £240,000 over 2011-12.
- The introduction of a two tier car sharing system saw the Met Office achieve a reduction of 143 g CO₂/km to 129 g CO₂/km per rental – an overall reduction of around 10%.

The BVRLA believes that the Government should investigate current policy and regulation of AMAPs, with a new AMAP regime implemented. This system could provide greater payments for lower mileage in privately owned vehicles but reducing the price per mile as mileage increases. In addition to reducing CO₂ and other vehicle emissions, this will also provide employees with access to vehicles with higher safety and fuel efficiency standards, providing greater protection and reducing transport costs.

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. We have also highlighted to the UK government, as well as the Scottish Government and Mayor of London, the various benefits of alternative, greener forms of transport. In

³ The grey fleet includes vehicles which are owned by employees and used for work-related journeys.

⁴ AMAPs are tax-free mileage allowances which are paid to employees using their own vehicles for work (the grey fleet). At present, employees can be paid 45p per mile.

⁵ Source: Department for Work and Pensions; Family Resources Survey, at: <https://www.gov.uk/government/collections/family-resources-survey--2>



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 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.

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 these advantages from car clubs and car rental schemes, the BVRLA would encourage the UK Government to consult on several schemes demonstrating successes. Using initiatives such as the Car Club Coalition in London as a model, we believe that a national programme for increased use of car clubs in other UK cities can reduce CO₂ emissions, improve air quality, and make significant cost savings – a key consideration in the current economic climate.

Commercial vehicles and emissions standards

The BVRLA notes recent calls to disincentivise the use of diesel vehicles, given the higher levels of nitrous oxide (NO_x) and particulate matter (PM) emissions than their petrol counterparts. However, it should firstly be recognised that improvements made to diesel vehicles in the last few years, conforming to the Euro standards, has led to significant

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

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



reductions in CO₂, NO_x and particulate matter emissions. It should also be noted that the vast majority of commercial vehicles run on diesel, with 99% of Light Commercial Vehicles (LCVs) and 98% of Heavy Goods Vehicles (HGVs) being diesel fuelled⁸, and that there is no obvious practical, plentiful, and environmentally friendly alternative to diesel for commercial vehicles.

It is also important to note that while the commercial vehicle sector is among the first to take up new emissions technology (e.g. the new Euro VI standard has become standardised among commercial vehicles far sooner than for cars), commercial vehicles – especially HGVs – have a longer lifespan and are re-sold fewer times over an average lifetime than cars. For these reasons, commercial vehicle operators will continue using older vehicles with higher emissions for a longer period compared to car users.

Take-up of commercial vehicles which conform to the new Euro VI standard has been mixed, with 2014 sales figures indicating that HGV sales have fallen compared to previous years. While this may be attributed to other commercial reasons, concerns were expressed that operators could be thinking twice before purchasing new emission standard commercial vehicles due to concerns around the tax treatment of these vehicles. However, if the Government could provide appropriate, long-term and in-life incentives (such as green lanes in high-congestion areas, as proposed on page 3) to the take-up and use of newer, greener commercial vehicles, this is likely to encourage vehicle operators to upgrade, leading to reduced CO₂ as well as other vehicle emissions.

To summarise, our key policy proposals which we believe the Committee on Climate Change should consider recommending to the Government are as follows:

- Reinstating First Year Capital Allowances for leased and rental cars
- Extending the nil rate Company Car Tax band for zero-emission cars to 2016/17, and making the car list price (P11D value) net of the OLEV plug-in grant
- Reversing the planned 80% Company Car Tax rise for cars between 51-75 g CO₂/km
- Providing tax-based incentives for vehicles fitted with the latest telemetry and driver technology that support an improvement in journey times and planning
- Providing in-life incentives to the take-up and use of low and ultra-low emission vehicles
- Restructuring the tax-free allowance of AMAPs, providing a higher figure for lower mileage but a reduced amount as mileage increases
- Exploring feasibility of a national programme for increased use of car clubs in major UK cities
- Providing in-life incentives to the take-up of newer commercial vehicles, conforming to the latest emissions standards

The BVRLA welcomes the opportunity to contribute to this discussion, and will be happy to provide further evidence if requested.

Yours faithfully,

⁸ BVRLA Commercial Vehicle Informer 2014, at: <http://online.fliphtml5.com/rqsk/glxt/>



A handwritten signature in black ink that reads 'G. Keaney'. The signature is fluid and cursive, with a long horizontal stroke at the end that loops back under the name.

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