



THE SOCIETY OF MOTOR MANUFACTURERS AND TRADERS LIMITED
tel: +44 (0)20 7235 7000 fax: +44 (0)20 7235 7112 textphone: +44 (0)20 7235 8278
Forbes House, Halkin Street, London, SW1X 7DS

RESPONSE OF THE SMMT TO THE EUROPEAN COMMISSION'S CONCEPT PAPER ON REDUCING CO₂ EMISSIONS FROM LIGHT DUTY VEHICLES

The Society of Motor Manufacturers and Traders (SMMT) is the leading trade association for the UK automotive industry. SMMT provides expert advice and information to members as well as to external organisations. It represents some 600 member companies ranging from vehicle manufacturers, component and material suppliers to power train providers and design engineers. The motor industry is an important sector of the UK economy. It generates a manufacturing turnover approaching £51 billion and supports around 850,000 jobs.

The UK accounts for 11% of light commercial vehicle production in Western Europe (2007 data), with Ford, GM (producing Vauxhall/Opel/ Nissan/Renault on two sites), Land Rover and LDV.

SMMT welcomes this opportunity to respond to the concept paper. Our response is in two sections, firstly general comments and secondly direct responses to the questions are given.

SECTION 1: General comments

1. A new law needs to take into account the specific demand and market conditions for light commercial vehicles (LCVs). The new legislation will be unworkable if it is a mirror image of the new car legislation. The current type approval methods test the vehicle in an unladen state, which does not reflect real life on the road use. Vehicle operators usually require vehicles of a given load volume or gross vehicle weight. Often the same vehicle will satisfy the need for both sets of customers but it is important to note the same LCV used in different ways by two customers will produce significantly different CO₂ emissions.
2. Targets within the LCV proposal must be based on a quantitative regulatory impact assessment. Targets can only be established according to the actual payload weights transported. Taking the case of a simple van, it is not possible to derive laden consumption from unladen data by applying a theoretical payload.
3. It is harder to make CO₂ savings from LCVs because of the high penetration of diesel units and the premium placed on load space. The vehicle operator will choose the vehicle specification to achieve the best possible fuel consumption relevant to their particular situation. Therefore, it is essential that legislation in this area promotes the education of LCV drivers and smart driving techniques to ensure maximum environmental gains are made.
4. Manufacturers feel the timing of the concept paper is unhelpful. The New Car CO₂ Regulation is at a crucial stage of the legislative process and manufacturers are concerned the LCV proposals will delay its progress.



INVESTOR IN PEOPLE

SECTION 2: Answers to consultation questions

1.2 Scope

1.2 Q1 What is your opinion about the possibility to merge the proposal on passenger cars and the proposal on light commercial vehicles into one piece of legislation?

Merging the two proposals would fail to recognise the unique characteristics and differences of the light commercial vehicle (LCV) market. Light commercial vehicles make up a distinct and separate sector in the market. For example, passenger cars tend to have production cycles of 5 to 7 years, which differs significantly from the 10 year cycle commonly used for full-time LCVs.

When an operator has a load to move, they will choose the most economic means possible. For instance, 3.5t segment vehicles (delivery vans and other large fleet users) are used for business purposes only and are never used unladen. Smaller LCVs that are similar to cars, on the other hand, might be considered closer to emission levels observed during test cycles. To make effective environmental gains, the legislation for LCVs must consider the details of how LCVs are designed and how they are used in the real world.

LCVs have a wide range of different designs and are more varied in terms of configuration and body styles than passenger cars. Vans are also designed to maximize load capacity, unlike passenger cars. In this situation relying on the emissions data provided during the type approval process is essentially naïve because a larger and smaller engine version of the same vehicle could be effective in different situations. For example, larger engine models are more efficient at motorway speeds than their smaller engine counterparts, which do better in urban slower speed areas.

Driving style differs greatly between passenger cars drivers and LCV drivers. The potential role complementary measures could play in cutting emissions should not be underestimated, for instance smart or eco driving .

UK manufacturers strongly believe the LCV proposal is poorly timed. The New Car CO₂ regulation is at an important stage of the legislative process and merging with the LCV legislation will delay its progress and further reduce the time available to meet the targets.

1.2 Q2 What is your opinion on the issue of overlapping of M and N vehicles?

Manufacturers consider that the CO₂ savings potential for LCVs is limited, as the vast majority of the fleet, approximately 90%, is already equipped with diesel engines. The high proportion of diesel models means the scope for further improvements is limited with conventional technology. It is important to note many LCVs are already tailored with longer gear ratios and other fuel efficiency measures.

The risk in setting an emissions target without a full assessment of the consequences is that certain models will disappear from the market and it could be that these models display the best specific emission or economy for the job consumers need them to do. Putting a ceiling on CO₂ emissions from new LCVs for a given mass class would result in the disappearance of models exceeding the cap, irrespective of whether or not their laden performance was better than others in the class being considered.

The Commission's TNO study confirmed a number of technologies including engine downsizing are of limited potential to N1 models because of customer demands and requirements. The TNO work also concluded that the cost for hybridisation of LCVs is greater for Class III N1 than for large M1 vehicles.

Furthermore, past experience with liquid petroleum gas conversions in LCVs illustrates that customers are unwilling to adopt lower emission technology if it reduces the load space of vehicles.

Another key concern for LCV drivers is fleet reliability. Introducing unproven technology in this sector is much harder than for passenger cars due to increased costs. Frequent failure of a new technology that is fast-tracked in order to meet a political target would seriously damage the reputation of a manufacturer.

2.3 Overall target

2.3 Q1 Do you possess any additional information on costs associated with technological improvements required to achieve the targets?

Targets set for CO₂ reductions from LCVs must be based on a new regulatory impact assessment. The Commission's old TNO study appears to be the basis of the proposals in the concept paper. This study is not representative for the entire LCV market. It is our understanding that this study included only 30 vehicles and a large number of assumptions to produce the fleet average of 201g/km.

We feel it is very important to emphasise the differences between the market for LCVs and passenger cars. The LCV market should be viewed in a similar way as other business capital tools; customers do not buy new technology unless there is a clear and easily visible pay-back period. This is often different from passenger car buyers who are more willing to embrace new technology as a status symbol.

Currently, the proposed CO₂ reduction for LCVs would be the same as for passenger cars in spite of a reduced potential for inclusion of fuel economy measures. Manufacturers predict that cost increases due to the inclusion of low carbon technology will be disproportionately higher for LCVs than for passenger cars. The effect of higher prices on sales is hard to predict due the different methods used by consumers to purchase LCVs.

We note the concept paper places a strong focus on the fuel efficiency savings consumers can gain from low emission technologies. Savings on fuel will result in the reduction of tax revenues in each Member State. In this scenario we strongly believe Member States will recoup lost revenue via other taxation on light commercial vehicle users. Any additional taxes will mask the potential fuel savings from buyers and increase the payback period for additional costs.

2.3 Q2 What are your views on the cost-effectiveness of the measure given the current oil prices?

High oil prices make attempts to introduce lower CO₂ technology appear more attractive because costs can be offset against better fuel economy. However higher retail prices for LCVs may also influence owners to retain vehicles for longer than in the past to recoup their investment or because they cannot afford a new one immediately. Buyers do not always make the connection between lower emissions and greater fuel economy. This message will have to be communicated clearly to LCV buyers.

2.3 Q3 How can long-term emission reduction targets be set for light commercial vehicles?

As highlighted above, vehicle makers believe strongly that targets should be set only after a quantitative impact assessment has been completed. The collection of more LCV CO₂ data would also help to set new realistic targets and utility parameters.

3.2 Slope

3.2 Q1 Do you agree that mass and footprint are suitable parameters for the utility function?

Manufacturers generally accept the use of the utility approach within the legislation. The LCV sector covers a huge range of vehicle types and it is difficult to see how one CO₂ target can be applied to all segments of the market. Given the variety and diversity of LCVs there is potentially a case for different parameters and targets for different LCV groups. Bigger LCVs carry significantly more load than smaller vans and this should be taken into consideration. The legislation should not encourage consumers to swap larger, fit for purpose vehicles for a greater number of smaller vans that might increase total emissions.

In the absence of other evidence and to avoid complication, confusion and extra burdens for type approval, at the moment, manufacturers should stick to using the normal drive cycle at reference mass and quote the usual g/km CO₂.

It should also be understood that LCVs are type approved differently to passenger cars. The legislation allows for manufacturers to gain approvals on a family basis so the CO₂ figure is only indicative for each vehicle.

Another big question is who owns the emissions from multi-stage build vehicles? A significant proportion of the market is made up of vehicles, which are completed by a third party prior to delivery to the end-user. In this scenario it is important to decide where and when to get final CO₂ figures for the calculation of targets.

The database for accurately calculating targets and utility curves for LCVs is incomplete. Information on new registrations for N1 models only began in 2008 and there is no data for M2 and N2 vehicles.

3.2 Q2 Do you have other observations regarding pooling of manufacturers?

Overall SMMT is supportive of pooling between connected manufacturers because it will add greater flexibility and have a similar effect to group averaging.

Pooling within a manufacturer of CO₂ targets for passenger cars and LCVs is not supported. UK manufacturers believe, at this stage, pooling of targets will produce market distortions by treating manufacturers differently unnecessarily.

5. Compliance mechanism

5 Q1 Do you have any observations regarding the compliance mechanism?

The starting point for manufacturers is to comply with the Regulation and nurture growth of cleaner vehicles. However, we accept the need for a robust system of enforcement as integral to the proposal.

In this respect, UK manufacturers believe penalties should be set at a level consistent with the EU Emissions Trading Scheme. Penalties must not be disproportionately high or phased in. Any revenues collected in fines should be dedicated to R&D and other measures aimed at reducing CO₂ emissions from road transport.

6. Derogations

6 Q1 Do you have any observation regarding the derogations for small volume manufacturers?

The European Commission recognises in the New Car CO₂ Proposal that meeting the utility targets set out in the Regulation are unrealistic for small volume manufacturers.

By the nature of these products being small volume, the environmental impact is negligible. The derogation allows small volume producers to contribute towards reducing emissions, whilst recognising the challenges to smaller companies. Small volume manufacturers have limited products to spread development costs over, longer model cycles, and also may face timing issues over access to new technologies compared with larger volume manufacturers.

We support the case-by-case assessment of the specific emissions targets for small volume manufacturers, to ensure all LCV makers play an active role. The process of target setting for small volume makers must be transparent and proportionate to ensure a level playing field for all companies.

Robert Walker
Manager Environment Group

Email: rwalker@smt.co.uk
Direct Tel: +44(0)20 7344 1624
30 September 2008

Konstanze Scharring
Head of Policy and Economics

Email: kscharring@smt.co.uk
Direct Tel: +44(0)20 7344 9223