COMMISSION OF THE EUROPEAN COMMUNITIES

Consultation Document

Community Strategy to Reduce CO_2 Emissions from Passenger Cars and Light Commercial Vehicles

Response from:

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Response to The European Commission

Executive Summary

The BVRLA and its Members share a wealth of experience on understanding the market dynamics and incentives that have helped to stimulate acquisition of vehicles with lower CO_2. We welcome the European Commission's communication in February with regards to the review of the community strategy to reduce CO_2 emissions from passenger cars and light commercial vehicles.

We are of the view that mandatory targets, to replace the previous voluntary agreements, are a sensible solution. Since the voluntary agreements were introduced, we believe that the demand requirements from the vehicle purchasers have, from our perspective, been one of the primary drivers for motor manufacturers to produce vehicles with reduced emissions. Fuel efficiency (and other similar operating costs), company car tax and other environmental related tax incentives have all collectively created the right environment to stimulate demand for lower polluting vehicles.

However, we are also mindful that any future options must take into consideration the regulatory obligations placed on vehicle manufacturers, which have resulted in the motor vehicle becoming heavier in weight. We say this, as we remain of the view that motor manufacturers seem to make every effort to make necessary technological improvements to reduce vehicle emissions, but discover that these are eroded by regulatory requirements being imposed upon them. Whilst we do not wish to enter into the debate of the merits of such regulatory requirements, we would stress on the importance of improving the co-ordination of policy implemented and introduced across the EU. It is hoped that with our constructive comments and suggestions, lessons can be learnt, and that decision makers will continue to work with industry to help secure an effective and successful scheme in the years ahead.

General Comments

The European Commission will be all too aware of the powerful and influential role tax and other fiscal incentives have been proven to play in encouraging a greater use of technology that delivers reduced vehicle emissions. To date this has helped deliver a notable improvement in the environmental performance of both road fuel gases and conventionally fuelled vehicles.

Whilst the report is only based on experience within the UK, we note with interest the findings from the recent research carried out by MORI[1] on behalf of the UK Department for Transport on the use of environmental labels for new cars. Specifically, the findings confirm our concerns with the lack of clear sustainable long-term fiscal incentives on the buyers' minds when choosing a new car. It is evident that those environmental considerations are of a low priority when purchasing cars. Indeed, if considered, the quantitative research confirms that these tend to be driven primarily by financial benefit to the individual rather than desire to help improve environment.

To help the Commission work towards helping to encourage greater use of greener vehicles, we believe the following factors should be taken into considerations: -

- Fleet policies and budgets are also medium to long term planning issues and key influencers need the confidence and stability to make long term proposals and decisions.
- Dependant on the introduction of low emission zones and changes to both congestion charging and road user-charging rules, buyers will find less polluting cars more attractive. This is again, linked to fiscal and tangible benefits.
- The continuance of the fiscal environmental message of the *"less you pollute, the less you pay"* principle is likely to result in the disposal of older vehicles. However, it must be noted that such vehicles may not be replaced due to the cost of newer vehicles.

Reasons for Decline of CO_2

In short, we believe the main reasons for the decline in the average CO2 emissions in the fleet sector are:

1) Implementation of CO2 based company car tax regime. Although this was implemented in 2002, this change was widely known from 1999 onwards.
2) Linkage of BIK tax levels for diesels to the introduction of lower CO2 vehicles i.e. financial incentives for company drivers of Euro 4 and Euro 5 diesel vehicles.
3) Availability of lower CO2 vehicles (both petrol and diesel) from manufacturers.

[1] Comparative Colour-Coded Labels for Passenger Cars – Final Report July 2003

4) Impact of increasing fuel costs on company fleet policies

The fact that the availability of lower CO_2 vehicles is the only issue on this list which also applies to the retail sector strongly suggest that the greater reduction of CO_2 within the fleet market has been due to the combination of the other three factors. In our view, the greatest impact has been the greater attractiveness of diesel vehicles and lower CO_2 emission petrol vehicles under the new BIK tax regime.

We are aware of the Environmental Council's comments made in their recent meeting with regards to exploration of the possibilities in developing test procedures and cycles for measuring the fuel consumption and CO2 emissions of complete heavy-duty vehicles. Our view is that it would be very difficult to achieve any form of measurement with regards to heavy goods vehicles given the number of different configurations they can be operated at.

Impact Assessment

We see little justification in the impact assessment for understanding how the figure was calculated for the new mandatory targets at 130 g/km. There also appears to be a lack of information on the likely cost increases on the price of vehicles, which will have a direct impact on the purchasers of new vehicles.

Closing Comments

We welcome the opportunity to continue our constructive dialogue and do hope our Association will be able to continue to add value to the shaping and development of the commission's work on cutting vehicle emission levels.

Contract Hire Members

In general, contract hire, sometimes referred to as long term rental, is technically an operating lease which, when stripped down to its core component, the user (the hirer) simply hires the use of the vehicle for a predetermined period and mileage at fixed monthly rental from the owner (the contract hire company). Ownership is retained by the contract hire company.

Short Term Rental Members

Rental Members offer daily, weekly and monthly rental of vehicles to corporate and retail customers. As explained above, the contract hire and daily rental Members are the owners of the vehicle.

Closing Comments

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Bona-fides **BVRLA, the Industry and its Members**

- The BVRLA is the representative trade body for companies engaged in leasing and rental of cars and commercial vehicles. Its Members provide short-term self-drive rental, contract hire and fleet management services to corporate users and consumers. BVRLA Members operate a combined fleet of 2.6 million cars, vans and trucks of widely differing sizes from 3,300 locations throughout the UK.

- The rental Membership, which includes all the major pan-European rental companies, provide the significant voice of an industry with over 50 million transactions taking place per annum across Europe.

- Together the Rental, Leasing and Commercial Vehicle sectors of Membership provide the significant voice of an industry which represents 65% of leased or rented commercial vehicles, 85% of rental cars and 95% of leased cars in the United Kingdom. It is a unique organisation that represents three combined sectors allowing Members to share representation on committees and in the activities of the BVRLA.

- BVRLA Members subscribe to a mandatory Code of Conduct which sets out stringent standards in terms of operation, the quality of vehicles and the commercial propriety of Members. The BVRLA uses a strict process of vetting applications for Membership and only companies that are of sufficient standing and quality will qualify for to join the Association.