



HOUSE OF LORDS

Environment and Climate Change Committee

Corrected oral evidence: Electric vehicles

Wednesday 6 September 2023

10 am

Watch the meeting

Members present: Baroness Young of Old Scone (In the Chair); Baroness Boycott; Baroness Bray of Coln; Lord Bruce of Bennachie; Lord Duncan of Springbank; Lord Grantchester; Baroness Jones of Whitchurch; Lord Lilley; Lord Lucas; The Lord Bishop of Oxford; The Duke of Wellington; Lord Whitty.

Evidence Session No. 1

Heard in Public

Questions 1 - 14

Witnesses

[I](#): Marc Palmer, Brand Director, Auto Trader; Phill Jones, Chief Operating Officer, Motors.co.uk; Toby Poston, Director of Corporate Affairs, British Vehicle Rental and Leasing Association (BVRLA); James Taylor, General Manager, Zipcar UK.

Examination of witnesses

Marc Palmer, Phill Jones, Toby Poston and James Taylor.

Q1 The Chair: Good morning. I welcome everybody to this first session of the Environment and Climate Change Committee's inquiry into electric vehicles. I welcome our four witnesses: Marc Palmer, Phill Jones, Toby Poston and James Taylor. A transcript of the proceedings will be taken and made public. You will have a chance, as witnesses, to review that transcript before it is published. The session is webcast live and will subsequently be made available to view via the parliamentary website. I ask members of the committee to declare any relevant interests when they first speak. I begin by declaring my interest as chairman of the Labour Climate and Environment Forum.

I will kick off with the first question. The Government have phase-out dates for non-electric vehicles. In your view, are they realistic and achievable? Where are the areas where you believe that they are not realistic and achievable? What are the main obstacles to achieving them? What should the Government do to remedy the situation where progress will not be able to be made sufficiently fast?

Phill Jones: Good morning. Thank you for having me. I think the targets are challenging. We can see a response from the manufacturers, in that they are rolling out new makes and models of electric vehicles. There is a significant challenge in that the percentage of new cars that are being registered that are electric vehicles is still relatively small.

When you put yourself in the shoes of the consumer, electric vehicles still appear quite expensive. We have seen a change in consumer anxiety, which is now less about infrastructure and more about pounds and pence, the cost of these cars. If you couple that with the fact that ICE vehicles are still available, consumers have difficult choices to make. Usually people have to want an electric vehicle, rather than it being a no-brainer decision. I think there are significant challenges. It is a mixture of carrot and stick to try to accelerate the change.

Marc Palmer: Good morning. We believe that the targets are achievable. It will require action. Over the last couple of years, we have seen a bit of progress in the sale or registration of new electric vehicles, which now make up about 16% to 17% of new registrations, but that progress is fragile. Recently—probably for the last six to nine months—we have seen a slowdown in demand for private registrations, which has been driven in part by macroeconomic conditions and pressure on household budgets. So that progress has slowed down. Of course, we are pleased with the progress that has been made in the fleet sector. It is largely the fleet sector that has driven the speed of adoption to date. So we think that progress is fragile.

The transition is unequal. Interest in electric vehicles and drivers of electric cars—certainly private retail electric car owners—are in more affluent postcodes, with driveways. Between 80% and 85% of electric cars owned by private individuals are charged on driveways. Those

people do not have quite the same concerns. There are three core groups that are being left behind by the transition: those over 55, women and lower-income households. We see a real risk that those people could be left behind in the transition, so action needs to be taken to help them out.

The core reasons why they are being left behind are cost, which, as Phil said, is a big barrier, and perceptions of the public charging infrastructure. The last one is the changes required to lifestyle. That is holding a lot of people back.

James Taylor: Good morning. I agree that the targets are challenging. Picking up the point about affordability, there has been a lot of focus on switching people from a private ICE vehicle to a private electric vehicle and less focus on how we reduce the number of vehicles on our roads and change that behaviour. The affordability point is key. At Zipcar, a third of our fleet is already electric. We make access to EVs affordable for everybody. It is a car club, which means that people who may not be able to afford an EV have access to an EV. We have already had 130,000 members drive an EV with us. There has been less focus on other modes of transport and other ways of getting people into EVs as part of that shift.

Toby Poston: Good morning, everybody. The phase-out targets are definitely achievable. I would say that, because I represent the fleet sector, which is leading the way.

The thing that concerns us is that we have a two-tier transition at the moment. We have the fleet sector. In the company-provided vehicle sector, which is the main area my members are involved in, you have uptake of around 50%, and even 90% in some areas. Contrast that with the retail part of the new-car and used-car market, where you have much lower levels of uptake. For retail, it is more like 10%. If you look at used-vehicle uptake or the rental sector, it is in single figures.

That imbalance is a real worry for me going forward. There will be no healthy, or potentially even sustainable, transition in the long term if there is that imbalance, because the whole industry works in quite a joined-up way. That is a real danger. The No. 1 obstacle, probably, is getting that right.

As to the other key obstacles, one of the top ones at the moment is the general mood music out there across the industry. There is a perception that key decisions about things like the ZEV mandate are getting kicked down the road a bit. Then you take into account the negative press, which is really campaigning hard against electric vehicles. You also get this perception that there is real disunity in government about appropriate targets and timelines. All of that gives a bit of an impression that this may not be a wise time to jump in and make that big choice to go electric. That really impacts on people's confidence.

I would back up what everyone else has said about costs and infrastructure.

Another point that I have heard a lot recently is about real-world performance. Quite a few people have complained to me about the fact that real-world mileages are about 10% to 20% less than what is sometimes advertised. Equally, with charging, when people go to a public charge point, they are told, "This charge point charges at this level". In reality, when they get to the charge point, it is sometimes a bit less. If someone plugs in on the other side of that charge point, it can halve. Things like that are very explainable, but that communication needs to get through.

The Chair: Is that putting fleet operators off, or are they fairly committed to the transition?

Toby Poston: On the car side, fleets are very committed. As I said, the uptake is heading towards 50% as a whole. Some segments are absolutely flying at the moment. However, they are beginning to have concerns, because they are looking at the used market, which their vehicles will go back into in three years' time, and seeing that 1.5% of used-vehicle sales are electric. That is giving them real concern, because they are taking the risk on depreciation. We are talking about billions of pounds, potentially, here.

The one area of the fleet that is really worrying people is the van market, where the appropriateness of the vehicles is a lot different. That is probably the top concern.

The Chair: How much do you think people are put off by thinking, "I won't take the plunge now, because the technology is improving so greatly that buying a second-hand car means that I am buying very old technology"?

Toby Poston: I have not heard that so much as a worry. The main concerns when you come to the used market are about the point that Marc made. More of the people who typically buy used vehicles will be people who cannot rely on off-street home parking on their driveway and have to charge on the road. They may look at a public charge point that is always busy or just at the cost of that compared with sticking fuel in their petrol or diesel car. Most rapid public charge points are 10% to 20% more expensive than fuelling with petrol or diesel.

Q2 **Baroness Boycott:** You have spoken about public perception. How much do you think the recent spat about the ULEZ, diesel cars and all the rest of it has made people pause decisions about electric cars because they think that there may be an extension on the ban, more support for petrol and so on?

Toby Poston: James operates in that, so he may have a very good perception of this. I think it can work both ways. There has been reasonably good communication. It has been a kick-starter to people to look at going electric or even abandoning their car and going to a car club

or using car rental and a mix of public transport. Then again, if a used electric car is expensive and you suddenly read stories about people campaigning against ULEZ or cutting down the cameras, it creates almost a perfect storm of uncertainty.

Baroness Boycott: James, do you agree?

James Taylor: Yes. We have talked about cost a little bit already. Part of the selling point of EVs previously was that an EV was a lot cheaper to run on a day-to-day basis compared to a petrol vehicle. Obviously, we have seen the cost of electricity increase significantly. For those who do not have off-street parking and have to use public infrastructure, there is VAT on top. It is different from the VAT for homes, so they pay more for it anyway. There is a whole cost piece around it that is having an impact, perhaps, on willingness to try EVs.

At Zipcar, we see that it is about getting people into an EV. Once people try an EV, they really enjoy the experience. A recent survey of car clubbing by CoMoUK found that 90% of people were happy.

Baroness Boycott: They do not go back.

James Taylor: They do not go back. This has given people the chance to try it in an affordable, easy way, rather than have the big upfront expense of purchasing the vehicle.

Q3 **Lord Grantchester:** I have a question for Toby. What influence do you think scrappage schemes or the lack of them could have? Is the possibility of their coming in making people delay? It is a bit of a nebulous situation, so I wondered what your views on scrappage schemes might be.

Toby Poston: It is a very interesting question. I know for a fact that they can be very effective, but they can also be extortionately expensive. When we had the scrappage scheme during the credit crunch, it worked in some ways but cost a lot of money. Potentially, it is a really good idea, particularly when you look at the demographics of drivers who have older vehicles and could never afford a new used electric vehicle or another alternative, but it has to be well targeted to keep it affordable.

There are some useful schemes going on. There is one in the West Midlands that they call mobility credits, where you combine the old idea of just giving someone money—£1,000 or £2,000 for a new car—with saying that they can use that for a variety of alternatives: a car club, car rental, a bike share or local public transport. I know that that sort of scheme is running in Coventry at the moment. There are some really good initiatives that could be expanded out around the country.

Lord Grantchester: More innovation.

Toby Poston: Yes, and encouraging behaviour change, as well as just an upgrade in the vehicle.

Marc Palmer: I have one important point to add to that. The experience of the scrappage scheme back in 2008 and 2009, which was a stimulus for the new car market at the time, saw households that already had quite a new car changing a second or third car. They may have had a 10 year-old car for children or whatever. That was the car that was scrapped and replaced with something newer.

At the time, we did not really see low-income households come in, take advantage of the scrappage scheme and then buy a new car, because of the gap between whatever you scrap your car for and the price of a new car. I imagine it is the same especially now, because, as we know, there has been a really big increase in the price of new cars over the last three or four years. A much more nuanced, intelligent approach would be needed to make sure that a scrappage scheme was equitable.

Phill Jones: One of the advantages of a scrappage scheme is that you are taking the older cars off the road. One of the fears with the current model is that you are really just swapping a petrol or hybrid new-car buyer into an electric vehicle and assuming that the electric vehicles will flow their way through the second-hand market. There are challenges with that, which I am sure we will talk about later.

As Marc said, the issue is still the absolute cost. People have less money, interest rates are rising, and it is really difficult to make those switching costs. Schemes like ULEZ actually help to focus the mind. I know that they are significantly controversial, and I am not saying whether they are right or wrong. But when you look at the broader ambitions, which are to reduce emissions, not just to get more EVs on the road, we have to be careful that we do not just swap the new car market for electric vehicles and then have very slow adoption. With 38 million cars on the road, it is going to take a long while for those new car registrations to flow through.

Q4 **Lord Duncan of Springbank:** I am struck by the discussion about the fleet success, which is impressive. However, a lot of them will rely on the sales onward. If you are at only 1.5% and there are 38 million vehicles on the road, when is the come-to-Jesus moment when you realise that you cannot hit the targets? It is going to happen, because that part will be a realisable thing. The fleet market will say, "This isn't going to work for us now, under these conditions". It will need something else—an incentive or some other way of encouraging and kick-starting that second-hand movement. When will that happen?

Toby Poston: The last year has been almost like watching a slow, potential car crash happen. This potential crunch point is slowly approaching. Marc can give more accurate figures, but we have seen a fall in the value of used electric vehicles of around 20% to 25%, on average. That is from a high position, but these fleets have been investing billions in hundreds of thousands of electric cars. Those vehicles will hit the new market in three to four years' time. If the slump continues, they will have to be a lot more cautious in how they set their new prices for lease rates. On the one hand, you could say that cheap EVs for used buyers are good, but that benefit will be there only for a

while. Eventually, it will just create a big surge in the cost of new leased EVs—the vast majority of EVs are leased—that will make them unaffordable and damage the transition.

We are seeing our members trying to act and trying to use used technology. We are seeing a growth in used vehicle leasing and subscriptions. Used vehicles are much more reliable and cheaper to maintain, so leasing companies are seeing it as a potential fix to offer them for a second lease. If you lease them for three years, instead of putting them into the used market you can then lease them for a further three years. That means that you do not have to put them into the risk of an auction where prices are plummeting. They are trying to work on that, but the key here is the incentives. You have the fleet market, which at the moment is on steroids with the really powerful tax incentive. The retail new and used market has nothing. That is increasingly obvious to buyers.

Phill Jones: That is creating a real challenge at the moment. Car dealers are losing money when they take stock of an EV because they have been falling in price for months. You have this weird paradox where you have higher new car volume coming in, but tactically, on a month-to-month basis, a car dealer is thinking, “Do I hold a petrol car that has a relatively stable value, where I know what I’m doing, or an electric vehicle, which takes slightly longer to sell and is declining in value?” You have this kind of inertia that is building in the market. If you believe in market forces, that should level out, but each month the car dealers are having to make a decision about what it is best to trade in that month.

Lord Duncan of Springbank: Do you think that an intervention is required from the Government? Do we need a tax intervention or some approach to helping in this transition that is not there now?

Phill Jones: Currently there is no advantage on the used side. All the incentives have been on the new side. As a result, it is affecting the people who are more likely to buy the new car, as opposed to flowing its way through the system.

Toby Poston: An obvious one would be something like reduced or even zero VAT on used electric vehicles. Another measure the French Government are currently looking at is what they call social leasing, where they are considering giving a discount of €1,000 to €2,000 to people in certain demographics to help them to make the jump to buying used or new electric vehicles.

Q5 Lord Lilley: Can you explain why electric vehicles are so much more popular among fleets than among ordinary individuals? They must ultimately be driven by ordinary individuals, who may not have drives or charging. Secondly, is the 1.5% figure relevant? If that is 1.5% of the total 38 million, it is nearly 600,000 cars. Surely you should be comparing it with the proportion of cars that are electric vehicles that are three years old, which may well be 6% or 7%.

Toby Poston: There are a number of reasons why the fleet uptake is so strong. One is the overall desire of companies and employers to do the right thing and to have sustainable transport for their staff and operations. Then it is the tax system, particularly the benefit-in-kind tax system, which means that if you are provided with a vehicle through your company your tax is virtually zero. It is in the hundreds of pounds rather than the thousands of pounds, which is the equivalent if you are taking a petrol or diesel vehicle.

You asked about the used market and the figure of 1.5%. The new market is 1.82 million vehicles a year. The used market is about 7 million. It is just that the trajectory looks bad. Ninety per cent of the vehicles that are coming into the used market at the moment are ex-company or ex-fleet vehicles, so they are taking most of the burden of registering these new cars. They are also being hit with the burden of the used market not functioning as it should, in a healthy way. If you like, it is an early taste of what may come down the road for consumers when that market develops properly.

Marc Palmer: It is probably important to clarify that there is a symbiotic relationship between the new car market, for which we have the target, and the used car market. The 2030 target relates to the new car market only. There will be a ban on sale of new petrol or diesel cars by 2030. The relationship between the new and used car market is very important, though, because, once a car is registered as new, after a period of time that vehicle will return to the used car market.

What we are seeing, and have seen in the last six to nine months, is an oversupply of used cars coming into the market. Currently the market is not quite ready—or has not been ready—to soak up that supply, so there has been a 23% drop year on year in retail prices of those used cars because of the oversupply. As we have touched on, that engenders a loss of confidence in the trade and the market, where they think, “Hang on. I’m going to be buying an asset that might depreciate versus what I paid for it. How much am I going to be able to sell that car for? How quickly am I going to be able to sell that used car?”

Once you get that nervousness, auction prices might begin to fall. That is really important because most new cars, whether they be fleet or retail, are registered through finance. Often the finance is based upon a future value when that car is used in, say, three years’ time. Of course, if we start to see a fall in used car prices and those future resale values are also falling, the balance to fund for those new cars becomes greater, making it more difficult for us to get to the 2030 target.

To come back to the question, it is really important that we stimulate used car demand to soak up that acceleration in supply, otherwise we may find some pressure on the used market. I agree that the 1.5% figure does not really make a lot of sense. What we really need to move to is 100% in new cars by 2030, but in order to do that and to make it sustainable and structurally sound we need to make sure that the used supply-demand dynamic is really robust.

Q6 Baroness Bray of Coln: You have not really touched on the incoming Chinese cars. I gather that they will make a huge difference in pricing, which may be very helpful in encouraging more people to go electric. Presumably, it is not such good news for British manufacturers. Can you talk briefly about whether you think that the incoming cheaper Chinese cars are going to be helpful in getting people to go electric?

Phill Jones: Absolutely. The Chinese have significant experience in building electric vehicles, particularly in some of the smaller segments. Brand awareness is quite low today, but the same was true of Korean brands such as Kia back in the late 1980s and early 1990s. There is definitely an open-mindedness. All the rules have changed when it comes to car manufacturing, so people are much more open to it. Generally, people want to transition to EV. Price and changing habits are the barriers. If a manufacturer is coming out with a sound product that is well priced, I think it will be taken up well.

We are starting to see the industry—the car dealers—embrace that as well. We do not really talk about MG as a Chinese brand, but it is. It probably has some of the most affordable smaller cars. I think it is really positive for the sector.

The Chair: We move on to Lord Bruce. Some of his questions have already been stolen.

Q7 Lord Bruce of Bennachie: No, they have not. It is clear to me that, if we are going to get from where we are now to where we want to be in 2030, there has to be a whole range of electric car options across the price range. Most people have a loyalty. They want to say, "When I buy my new Ford—or my second-hand one—it'll be something similar to what I have, but it'll be electric". How quickly can we get there, given that, as Marc made clear, the second-hand market is the crucial thing? Yes, the leaders are going to blaze the trail, but for ordinary people that is crucial. Will the manufacturers, whether they are Chinese or wherever they are, bring in enough of a range, across the range and across the price range, to enable us to get from where we are for 2030?

Marc Palmer: The answer is yes. The product plans have been in place for some time. There has been some uncertainty about what is coming into the UK market while there has been a debate over the ZEV mandate. The ZEV mandate is now clear. Manufacturers need to reach a mix of 22% of new car sales by the end of next year. They will be feeling a real pressure to get there. Currently, the figures show that only 10 of 40 or so manufacturers would make that target at the moment, so there is a lot of work to be done, but over the next two or three years many more electric vehicles will be introduced to the market. The challenge is whether they are in those affordable price brackets. At the moment, there are only eight models that you can buy under £30,000. That is a lot of money. Many people cannot afford to buy a new car at that level.

Q8 Lord Bruce of Bennachie: What can the Government, and indeed the industry, do to bridge the gap? For example, in Scotland they are offering

0% loans for up to £30,000, in theory. I am not sure that the take-up is very high. I do not know whether you have any experience of that.

You have all mentioned the cost of VAT on charging away from home. That has come up every time. It seems that it would be very simple for the Government to do something about that. What needs to be done? What is stopping the transition being fast enough? The worry is that three or four years from now the people whom we need to be switching to electric will not be doing so, because the market or selection in their price range just will not be enough. That is the danger, is it not?

Marc Palmer: As we mentioned, the key thing will be support for the used car market, which is ironic. That will then bolster new. It will give the manufacturers confidence and mean that monthly finance payments are within more people's budgets. That will be a key thing, along with removing VAT on the purchase of used cars.

Finance packages are key to the transition. Obviously, there is important legislation about consumer finance, but we must make sure that people can understand that clearly and access it. Bundling that with energy might be something to explore to free up some more innovation in financing. Of course, we must make sure that access to used electric cars is much more open to many more people.

Secondly, there is the issue of charging. About 60% of people in the UK have a driveway and, in theory, could and should be able to charge at home. That could be made easier. We know that about 35% of people who have a driveway but reject an electric car do so because they are worried about the cost of electricity at their property. How do we help them? How do we help them to install a charge point? That may be another thing to consider. For those who do not have a driveway, we need to harmonise VAT on public charging. There is no reason why they should be penalised versus those who have a driveway.

There are a number of different things to help people. The experience of more established markets such as Norway is that a blend of incentives to suit different people really works. There are other things to do with parking, toll roads and so on that can induce different types of people to make the switch. I do not know that one great big lump sum off a car is necessarily the right approach. A series of useful things that cut the cost of motoring would be very helpful.

Lord Bruce of Bennachie: If you could summarise those, it would be very helpful for the committee's recommendations.

Toby Poston: They need to be high profile. Whether they are fiscal measures or even communications campaigns, they need to be things that cut through the negative sentiment that is out there at the moment. There is the VAT on refuelling. There is a big concern about the impending VED on electric vehicles that is coming in in 2025. There is this thing called the expensive vehicle supplement, which comes in when a new vehicle costs over £40,000, but that is the vast majority of electric vehicles.

You will have a situation where literally overnight, or very quickly, someone goes from paying zero annual road tax on an electric vehicle to paying nearly £600. Again, that sends the wrong message or a very scary message to some people who are dipping their toe with a new or used electric vehicle. There is just that sense of unfairness between the person who can charge at home or at work and the person who is charging out on their travels. It grinds with people and creates the wrong impression.

Phill Jones: I think it is important that the Government work with the OEMs because they probably help the affordability. They produce all these cars and need to sell them, and they will support it with 0% finance and suchlike. But if the barrier is the cost of the car, the OEMs will help with that; incentives to stimulate that can help. Then it is the perception of the charging network. It has got better but it is still a massive blocker. It is hard for the OEMs to really take that on. Then there is cost of ownership. Toby makes a really good point about combined information. There are lots of reasons to say no at the moment. It needs to be a much more universal voice.

Q9 Baroness Jones of Whitchurch: You have described a situation where new EVs are very expensive, the value of second-hand EVs is dropping and so on. We can look at the fiscal incentives, and I am sure there is a very good case on that, but how much of this is about behaviour change? Do you have a strata of people who always want to have a new car and will not consider buying a second-hand car because they think, "We don't know who had it before", "Did they drive it into the ground?", et cetera?

All the evidence so far is that second-hand EVs have a longer shelf life, there are less maintenance costs, et cetera, so there is a case to be made to persuade people who would otherwise buy a new EV to get involved in the second-hand EV market. Do you feel that you or the press have a role in all of that? We are dealing here with demand and supply. You want people to take up the second-hand market to drive the change.

Toby Poston: Absolutely.

Baroness Jones of Whitchurch: What is going wrong in that process that is stopping that happening?

Toby Poston: I can tell you now that there is a huge amount of collaboration across the industry led by government, the Office for Zero Emission Vehicles, on the used market. It recognises it is a key area of concern. There are probably seven or eight separate streams where people from across the automotive industry are being brought together to try to address these issues—whether it is communications, driver information, new ways of innovative finance or new business models.

One that you probably have not mentioned much is the battery area, where again there is a lot of uncertainty, and there are myths about batteries that will not work and will rapidly lose their efficiency over a short space of time. The facts just do not bear that out. A huge amount of work is going on; it is just a question of whether the failure in the

market is going ahead of that. But I can definitely assure you that a lot of attention is being given to that.

Phill Jones: There is a real-world challenge in that, if you walked into a car dealership to buy a two year-old used electric vehicle, you might find that it is cheaper to buy a new one. The used one will not have a financial incentive on it. You will also have the anxiety that the brand-new one is the newer model and technology is improving greatly. Again, it adds to this inertia around the two to four year-old segment where you say, "Well, actually, with a gun to my head, I'll take the new one", particularly if, as you say, certainly in the private sector, new car buyers are more affluent. It is an extra £20 a month, potentially, to shift into that.

The stimulus is less taking people from the new car into the used car: it is trying to stimulate the used car. Today's new car buyers—the fleet sector and private individuals—are really important, because that will create tomorrow's used cars, but it is getting people to shift from petrol and diesel, which, pound for pound, are still affordable and understandable, into that world.

I have a real-life example here. A one year-old Fiat 500 with 1,000 miles on the clock is £13,500 for a petrol vehicle—still a lot of money. The same electric vehicle is £19,000. It is a real difference. Okay, there are running costs and suchlike, but that is really hard for consumers to work through.

Q10 **Baroness Boycott:** My question is very much in the same area, and you have helpfully answered a lot of what I was going to ask you. Given the example that you just gave, Phill, about the difference in the prices, what do you see as the solution? It is nearly 50% more to, so to speak, do the right thing and, at the moment, given the cost of living crisis, people will not do that, especially with all the other things you have talked about to do with not having a driveway, blah blah blah. What are your recommendations for the Government? Clearly, the whole market will not work until the second-hand market works, which we are unclear about.

Phill Jones: There is good downward pressure in terms of prices being stimulated by the manufacturers such as the price cuts that Tesla put through. Manufacturers are making more EVs, which is driving the price down, and that is flowing through to the used market. The short-term challenge is today, so the gap is reducing, but, as Toby says, there are other things that we could do with VAT on those used cars and the incentives potentially for home charging points, just to try to reduce that gap. Most people expect the headline price to be slightly higher, but it is really hard to do the maths on the overall cost to our lifestyle.

Baroness Boycott: If you go back to your examples of £13,500 and £19,000, what could you make that gap if you brought in a bunch of new incentives—taking off VAT, giving better scrappage, whatever it happens to be?

Phill Jones: I would struggle to do the maths.

Baroness Boycott: It is a lot of money for a second-hand car.

Phill Jones: It is. The prices will never be aligned completely, but the gap should be more like £1,000 or £2,000. Certainly, as cars get older and older, you should see that.

Baroness Boycott: Someone who is the chair of another Select Committee who works on this said to me recently, "You have to look at EVs as we all used to look at televisions. We rented them from Rediffusion and we sent them back again, because you knew there was a better model next week". How pervasive is that feeling, and what can we do about that feeling? Clearly, you will go to a more reliable £13,000 petrol car.

Phill Jones: There are definitely changing habits. In general, do we need cars that are as big and as heavy and therefore require bigger batteries? Do we need to think more about leasing, because we are handing it back and changing it for a newer model?

Baroness Boycott: There is a culture change.

Phill Jones: I think there is, which goes to the education and consistency of information, which I know Toby is particularly hot on.

Toby Poston: If you like, that is where leasing or subscription models, which are basically rental models, come in because they are very good at taking one part of the cost of that vehicle, which is the upfront cost. Then, increasingly, people bundle in things like insurance, charging, or a fuel card for when you are travelling. You end up with a cost per month, which again was where electric vehicles were seen as the Martin Lewis "I am a money-saving expert if I go electric".

That is what has changed slightly with the increase in public charging costs and the cost of electricity. But I still think the strongest message to be made about going electric is that if you bundle all those costs together and deliver it in a really consumer-friendly way, that is partly the answer.

Baroness Boycott: Do you do leasing on a second-hand car?

Toby Poston: Yes. Our members are launching that. It is a difficult one, because if you are leasing a new car, they all come off the ship or the factory in the same condition.

Baroness Boycott: Yes.

Toby Poston: With a used one, they come in limitless varieties, colours and conditions. Then there are the concerns about the warranties or the batteries. Again, a lot of those things are being addressed and we are seeing a surge in demand for used lease vehicles.

Baroness Boycott: When you say they are being addressed, who is addressing them?

Toby Poston: Our members are launching them. We have companies offering used personal leases, salary sacrifice leases and business leases for electric vehicles.

Q11 **Baroness Boycott:** Finally, before we leave this area, what do you see as the single thing the Government should do to make this market really push forward? You said that only 12 companies could manage to do 22% of new cars by next year. That, presumably, is also because they know it is difficult to sell them on. What would you do?

Toby Poston: Address this imbalance. The whole system has to work together. It is about focusing on the key areas that need support, whether it is the used market or rental vehicle market, which we have not talked about a lot. It is not healthy having this imbalance both in the way vehicles have been registered and in the way they are being used, where there is a sense of unfairness that a certain group is getting the benefits of cheap fuel, and others are paying a lot of money when they have to charge publicly.

The Chair: May I ask Mr Taylor about the role that organisations like yours can play in that? Are you proselytising it as you go?

James Taylor: Yes. We have set out a vision to be fully electric by 2025 and a third of our fleet now is fully electric; 130,000 members drive an EV with us.

To your earlier point about behaviour change, there is a huge piece around promoting alternatives to ownership. There are stats on how often a private car is used. It sits unused probably 96% of the time. For people who own those types of vehicles, maybe switching and buying another EV vehicle is not the appropriate option.

If we really want to hit our net-zero targets, we need to look at getting people out of the car and maybe using a car club as and when they need a car. It is a pay-as-you-go service, so our members can rent our vehicles by the minute, the hour or the day. There is a very visible cost to that trip, and that drives behaviour change. From the stats in our research, we see an uptake in public transport use, in walking and cycling because you break that link with the private car. There is a broader piece and broader benefit there around how car clubs and the sharing sector more generally can help accelerate that move to net zero.

Also, there is a piece around bringing people in to EVs and making it accessible and affordable. We have talked a lot about the cost of purchasing EVs and that imbalance between the haves and the have nots. With car share, it is the same cost for everybody; it is an affordable cost to rent a vehicle.

Yes, there is definitely more that we can do as a sector and there is more that can be done to promote the sector. There is still no shared transport policy from government. It is not just car clubs but shared bikes and shared E-scooters. All those together can provide alternatives to car ownership. Some strategy in policy on that could be really helpful.

Toby Poston: I think government gets that. In the mandate draft there is an additional credit for car club vehicles. If a manufacturer provides vehicles to the car club market, it receives one and a half credits instead of one. It recognises it wants to stimulate electric vehicle movement into the shared use market, but it really needs to up its ambition. The car club market is around 5,000 or 6,000 cars in the UK; it is mainly London and other city centres. The car rental market is the same business model, which is 170,000 cars around the UK, which is struggling to get customers using them and struggling with the affordability and all the problems we have talked about. It needs to look at unlocking that because it is the same business model; it is renting vehicles by the hour, day, week.

James Taylor: It is great to see that extra credit in the ZEV mandate. In practice, it remains to be seen what effect that will have on getting supply into the car club sector because of the size of that market with fleet numbers being so low.

Lord Duncan of Springbank: Picking up on the part about car clubs, earlier on you said there were certain groups who would be hard to bring onside—the over-55s, the poor and women. Presumably, rural would fit right into that, because car clubs are urban, as are many of the other aspects we are talking about. The rural communities will really be left behind almost by any model that we are looking at.

Q12 **Lord Whitty:** Rosie has largely pre-empted my question on leasing, but could we have some numbers on it? To what degree has the balance between outright purchase and leasing changed? As you say, there is a significant move. How big is it? What are the proportions? Are they for long-term leasing or for short-term use for a week or a weekend? We need some figures to indicate how far this is a different market from the traditional petrol or diesel one.

Toby Poston: Our members own and operate about 2 million leased vehicles. Around 1.5 million of those are business lease and the rest are personal lease. Overall, if you look at the annual new registrations of vehicles, around 50% or maybe slightly over 50% are provided to fleets or businesses. The vast majority of those are leased vehicles. That also includes fleets that outright purchase all their vehicles instead of leasing them; it includes the rental fleet. Overall, the business or fleet lease market is over half of all new cars sold.

Lord Whitty: Yes, but a large proportion of that is leased. I was thinking more of the personal market. There is a choice between outright purchase and leasing, or either leasing permanently or for a long time, or using a car when you need it and getting it from Zipcar or somebody else. Is there a significant change with the advent of electric cars or is that more or less the same proportion as exists for the fossil fuels?

Toby Poston: On the personal lease side, we saw a growth until recently, because people liked that idea. Because electric vehicles are more expensive and the price was being bundled up in a per-month fee

rather than a scary £40,000 to £50,000, we saw growth in the personal lease market. That has now dropped off, with inflation on new vehicles, mainly because people leased a vehicle three years ago for £500 or £600 a month, but to get the same vehicle now they see a significant increase and are saying, "Actually, I'm not going to do that again". They either go for a cheaper vehicle, which quite often is not electric, or they might just say, "I'm going to go for a used vehicle", or even not upgrade at all.

Phill Jones: With regard to the personal new car market—Marc, correct me on this—about 70%, if not north of 70%¹, is taken on a finance agreement when they buy a new car.

Marc Palmer: The behaviours around new electric vehicle buying are the same as they have been on petrol and diesel. The method of financing the car, owning the car, running the car is usually a three or four-year finance agreement, at which point you decide to renew, get another one or hand it back. It is the same kind of cycle, only, of course, the prices are about 35% to 40% more expensive, which is why at the moment we are only seeing a certain type of person buying electric cars.

Q13 **Lord Lucas:** This question is long and a bit complicated. What is the role of alternative ownership of transport models such as car clubs in achieving the 2030 phase-out date? What role will micromobility vehicles, L-segment and personal light electric vehicles play in achieving the 2030 phase-out date? How could the Government incentivise alternative ownership and transport models?

If I can elaborate on that a bit, at the bottom end—the cheap electric vehicle—you can get an adequate electric vehicle in China for a couple of thousand quid. The cheapest you can buy in England, as far as I know, is the Citroën Ami, which is a disaster when it comes to design; it is a hopeless, useless vehicle, with no space in it to do anything.

The Chair: Parliamentary privilege is in place.

Lord Lucas: I have told them that personally. If you look at Eastbourne, the town where I live, something like 50% of journeys are just across town, because Aldi is two and a half miles away and there is no electric vehicle that services that market, or taking kids to school. If you had that as a common form of car ownership, maybe it would be much easier for the other car that you want every other week to go a distance to be a Zipcar. How do you see this market evolving? What are the options and how do we get there?

James Taylor: If I take the car club market to begin with, which is the one I know most about, there is a broader aisle, as I have said, for car clubs. In all, we are still quite a small market in the UK. Places like

¹ new car finance penetration was reported at 77% for 2023 YTD - <https://www.autotrader.co.uk/trade-site-images/static/assets/market-intelligence-reports/car-monthly-market-intelligence-report-june-2023.pdf> (page 7)

Germany have significantly more car co-operators, more members using car clubs and, again, electrifying more quickly than we are. But, as a sector, we are electrifying more quickly. So 14% of the UK car club fleet is fully electric. That compares to about 2% of the wider UK market.

More can be done to promote alternatives, as you have said. Car clubs work when there are alternatives available to private car use. You cannot do a like-for-like swaption from a private car to a shared car. You need other options, be that shared bikes, shared scooters, public transport, segregated walking and cycling places. It is all those kinds of things, and when those packages come together, that can help to change that behaviour and provide the market conditions for operators to come and set up a new service in somewhere like Eastbourne.

Phill Jones: It is cultural. Our research showed that only 17% of people would be willing to share their car. Rationally, yes, the car spends most of its life sitting on a driveway and then, when it does make a journey, it makes a short journey. But culturally this is what we have grown up with; we have grown up aspirationally to have the new car on the driveway, washing it on a Saturday morning.

Combined with the industry and incentives, it is trying to drive that behavioural change. It is wide-sweeping, because it goes from ownership, how you pay for it, how you envision it as being your car, to whether you are just leasing it over a period because the manufacturer still owns the battery. But it can be done. There is the example of the Citroën. I was in France recently in a small seaside town. The local council is using lots of them and they are absolutely fantastic for what they do on a small street and nipping around. It is driving and pushing that change.

Toby Poston: One of the ironies that we have and will have is that the cars you are talking about are really designed for city use, but we have to push to decarbonise and at the same time push to remove congestion in cities. I know there are boroughs around the UK in urban areas with people looking at solutions to enable small electric cars to charge off driveways, but at the same time the transport planners are saying, "We don't want to replace petrol and diesel cars with lots of electric cars clogging up our roads. We want to reduce car use and private car ownership". Again, there is that conflict going on.

Marc Palmer: There are two things to add. There is the challenge of achieving the 2030 objective, which needs faster progress within the next couple of years. Alternative methods of transport and the integration of those, as we have talked about, will require lifestyle change over a period. Most people still want to own their own car and still want to have it for themselves and have exclusive use.

But a coherent strategy between sharing E-bikes, public transportation—all those things—is needed because, over time, we would like to see more of a change in the way people move around, rather than just a reliance on the car. They will still have a car, but there are other alternatives for them. However, that will take a lot longer than going towards 2030, and

that target is fixed. We need to make faster progress. That is why we would like to see both those things happen: stimulus for that first target, and to start making changes so that people will understand how they can change lifestyles over the longer term.

The Chair: How much of this has been influenced by the rocketing of rail fares and the unreliability of the railway system?

Marc Palmer: We have seen that come through in surveys. People have various reasons for wanting to buy a new car, and they are a fairly small proportion. Between 10% and 15% on a monthly basis tell us they are buying a car because they do not trust public transportation. That is a large number.

The Chair: Has that increased?

Marc Palmer: Yes. It was not a factor three years ago.

Baroness Bray of Coln: I must say I find it a bit depressing that you are talking about a massive change in lifestyle being required for almost everybody. It sounds a bit statist to me, and I am hoping that it takes a very long time. In the meantime, we need cars that meet people's needs. I am slightly surprised, because I remember a conversation in a previous session about the hybrid car, which I am told is being gradually written off and out, or whatever, yet those people who only make small journeys have the confidence that that car will get them there and back. That is one reason why they might choose to buy one. Secondly, it does not pollute precisely because it can do those short journeys on its electricity. I am very surprised that nobody is saying that this could still fit certain purposes and give people confidence at the same time.

Marc Palmer: The focus is on the ZEV mandate. From the manufacturer's perspective, they are worried about 22% of their total registrations being for zero emission vehicles, which the hybrid vehicle is not. You can understand why they are so focused on that. Certainly for certain types of drivers a hybrid is a really good alternative.

Baroness Bray of Coln: Absolutely. If there was not this requirement that hybrids have to be ditched by whenever it is—2030—the manufacturers might be a little more confident in the longer-term relationship.

Marc Palmer: There are a couple of things I would say about hybrid. I do not have figures, unfortunately, to support this. There is confusion around the term "hybrid". The plug-in hybrid is the cleanest; that is the one that could run on electric for a good period of time. Many of those cars are not. People do not necessarily charge them, do not plug them in, and they still run them as petrol cars. There is a problem there. By the time we get to the back end of the decade, we expect to see longer-range and more affordable electric vehicles to have taken the place of those hybrids. Certainly at the moment they would be a good alternative for people to reduce their driving emissions.

Baroness Bray of Coln: They should not be phased out too quickly then.

Marc Palmer: No; 2030 is fine.

Phill Jones: If the objective is to reduce emissions rather than to increase the number of EVs on the road, hybrids can play a role in that. Sometimes we can focus on trying to get as many EVs on the road rather than a change of behaviour and getting some of the older cars off the road. We see from consumer stats that people buy EVs with the same expectation of use as petrol or diesel; they expect to do long journeys and suchlike. People have usually done the maths and how they would finance that. People view it as "car" and they view it as "cost". It is trying to change the behaviours along the way as well.

Q14 **Baroness Jones of Whitchurch:** I have a practical question for James. It goes back to the whole issue about infrastructure and charging. We are now talking about the potential for car clubs and other micromobility vehicles. I happen to be a member of a car club. I do not use the car club very often, but I give it a good plug; it is a great scheme. Is there more scope for car clubs and those shared schemes to be given priority for the infrastructure that needs to be put in place? If you have a car club car, and it is on the streets, parked on the street, inevitably, how do you charge it? Are you in competition with everybody else on the street or do you get priority? Priority for the charging points would make a big difference, would it not?

James Taylor: It would, yes. We use the public infrastructure the same as anybody else. We tend to charge mainly at night when there is less demand for the infrastructure, but it has definitely increased. When we first put out our first EVs back in 2018, there was less infrastructure but fewer people who had EVs to go in for that same infrastructure. There are now times that our drivers will have to go round to different charge points because they are in use. So, yes, anything like that that would give car club users preferential access, not just us as an operator but for members using car clubs, would help, because, again, it is another of those package of incentives that gives an EV shared car user preferential treatment, preferential access, over somebody else. Yes, that would definitely help.

The Chair: I am conscious of the fact that we need to bring this section to a halt because of the changeover of our witness panel. I am sorry for those of you who have been disappointed, particularly Lord Whitty and Baroness Boycott. I thank our witnesses. It has been a good contribution to our considerations. It is a complicated issue. You have been very knowledgeable and very helpful. Thank you very much indeed.

Marc Palmer: Thank you very much.