

Written evidence submitted by the National Franchised Dealers Association (EVP0081)

About NFDA

The National Franchised Dealers Association (NFDA) is the trade association representing franchised car, motorcycle, and commercial vehicle dealers in the UK. The automotive retail sector is one of the pillars of the UK economy; it has a turnover of around £200 billion and employs 590,000 people. There are about 4,500 automotive franchised retail outlets in the UK.

This submission provides a high-level summary of the specific considerations and challenges facing our members, who are franchised automotive retailers, when considering the transition to Zero Emission Vehicles (ZEVs) and the end of sale of all new petrol and diesel cars and vans by 2030.

Feasibility of the 2030 phase-out date

The phase-out of new internal combustion engine (ICE) vehicles by 2030 is a challenging target for the motor industry and will require considerable and sustained private sector and government investment to ensure a smooth transition.

As the consumer-facing end of the motor industry, franchised dealers' brand expertise will be crucial in familiarising motorists with the increasing number of ZEV models coming to market and boosting uptake across the UK. Many vehicle retailers are already embracing the opportunities arising from the shift to ZEVs; significant investments have already been made by retailers into site infrastructure and staff training for the sale and repair of these vehicles.

There are also a growing number of dealerships participating in the Electric Vehicle Approved (EVA) programme, which certifies the efforts made by retailers to provide the highest standards of electric vehicle retail and aftersales care.¹ EVA dealerships have passed a vigorous, independent audit to demonstrate their adherence to high standards of electric vehicle retail and aftersales care.²

Whilst industry is stepping up its preparation for the shift to ZEVs, it is nonetheless the biggest change in the automotive sector for a century; numerous commercial and practical challenges present themselves, including:

- how to ensure sufficient new electric vehicle supply to dealer sites is available.
- how to achieve consumer take-up of zero emission vehicles.
- how to secure a return on investment.
- how to make charging infrastructure accessible to dealers on their sites.

Short-term challenges for retailers

➤ *Stimulating consumer demand*

The current range of government-led purchase incentives has so far been effective in stimulating demand for ultra-low and zero-emission vehicles, assisting retailers looking to boost conversion rates of their ZEV stock to private and business customers. 2020 saw a

185.9% increase in Battery Electric Vehicle sales, despite a -29.4% decline in new registrations overall.³

Maintaining these incentives at the highest possible level will be vital, not only as a means of supporting this strategically important segment of the market after a near total shutdown of operations, but also in ensuring that there is a strong consumer demand for them.

➤ *Navigating a fluctuating policy environment*

Sudden changes to key planks of the Government's ZEV policy, particularly incentives, taxes and indeed the phase-out date itself, make it harder for the motor industry to assess market trends and supply the right quantity of vehicles at the right times.

To support the new phase-out date, Government should establish a clear roadmap outlining how the target will be achieved.

➤ *Return on strategic investments*

Vehicle retailers are responsible for placing new vehicles on the road, as well as returning a significant proportion of the UK's 7-8 million used cars sold per annum to the road. As we move towards 2030 and beyond, retailers will need to carefully plan their operations and investments to ensure their dealerships are ready for an increase in local demand for ZEVs. Chargepoints at motor retail locations are part of the picture.

Ensuring that chargepoints are visible and operational at showrooms gives customers the opportunity to familiarise themselves with the technology. Test drives are also a hugely important part of the car sales process – chargepoints will be needed to recharge demonstration vehicles for customer use. Furthermore, retailers will want to ensure that EVs are fully charged before handover, as well as after any service work. By ensuring that these charging sessions take place at the dealership rather than on public chargepoints, retailers' investments are supporting the UK's growing public chargepoint network.

However, investments into chargepoints are costly. They can be exacerbated by the requirement for business owners to pay for upgrades to nearby substations if their plans tip local infrastructure over capacity. This discourages investment by dealerships in chargepoints.

Given the strategic importance of motor retailers to the rollout of EVs, NFDA has called for an investment allowance to incentivise more dealerships to install chargepoints and mitigate against the risk of costly grid upgrades in order to effectively prepare for the new 2030 deadline.

Long-term challenges for retailers

➤ *Second-hand market*

With battery technology improving rapidly, it may take a long time for resale values in ZEVs to find stable levels. The state of battery health will play a part in the setting of second-hand resale values; battery state of health and longevity could possibly become a part of MOT testing. Dealers, wholesalers, and Government will have to work together to find ways of ensuring that older ZEVs remain attractive purchases many years after first registration.

- *Technology neutrality*

When considering which fuel technologies may receive widespread consumer support in future, it is important that the Government maintains a technology-neutral approach. It is possible that hydrogen or another (yet to be invented technology) could supersede or compete with battery technology in the light vehicle market; incentives provided by government should be technology-neutral to encourage competition and innovation.

Low and zero carbon Heavy Goods Vehicles (HGVs)

Retailers will adapt to invest in whichever lower carbon HGV fuel technology becomes prominent, as they have already done for CNG and LNG – ultimately, the future fuel situation could be a mix of hydrogen, electric and other low-carbon synthetic fuels.

Due to the weight of vehicle batteries currently in use, electric propulsion for trucks is not yet viable for all journeys, as HGV's operations and legislation are based on the vehicle's GVW (gross vehicle weight). A typical maximum GVW 44 tonnes articulated unit has an effective usable payload of 20/22 tonnes. Increasing the net weight of the vehicle with a battery pack decreases the total payload by 5-10 tonnes, thus either increasing delivery costs to consumers or increasing the number of HGV's required to move the same amount of cargo.

For long-haul main trunk routes, pantograph-catenary electric trucks could carry a similar capacity; however, they would still require an internal power source to get to their destination after leaving the electric catenary network.

Overall, whilst the most likely means of decarbonising heavy trucks appears to be hydrogen, NFDA is confident that retailers can and will adapt to invest in any commercially viable fuel solution when it arises.

Recommendations

To support retailers in delivering a smooth transition to a ZEV-only new car market by 2030, NFDA recommends that the Transport Committee should consider the following:

- ***Delivery plan*** – the Committee should urge Government to publish its delivery plan for the 2030 phase-out date as soon as possible to restore certainty. This plan should outline the Government's goals for the remainder of the Parliament and beyond. It should also provide a view on the role of automotive retailers in the transition to ZEVs and how it intends to support them with challenges in both the new and used car segments, in addition to setting out plans for purchase incentives, chargepoint infrastructure, and domestic manufacturing.
- ***Infrastructure costs*** – the Committee should consider how the process of upgrading local power supply for the installation of chargepoints at dealerships could be made more equitable in the short-term, before a more fundamental review of the system can take place. The current system means that dealerships in some areas are able to proceed with their charging plans unimpeded, whilst others are required, for reasons beyond their control, to pay significant upgrade costs reaching into the tens of thousands, in order to meet the same ambition.

Endnotes

¹ [Electric Vehicle Approved \(EVA\) website](#)

² EVA programme launched by NFDA in 2019, in partnership with Energy Saving trust and Office for Zero Emission Vehicles

³ [SMMT, UK automotive looks to green recovery strategy after -29.4% fall in new car registrations in 2020](#)