

Written evidence submitted by Logistics UK (EVP0083)

Summary of Logistics UK view

- Government must ensure the right power supply capacity and infrastructure is in place to provide sufficient power at depots and homes
- Create simple and consistent rules for grants, taxation, regulation and urban restrictions, that ensure making the switch away from conventionally fuelled vehicles make sound economic sense for the business as well as being straightforward to put into practice
- Vehicle model-type availability especially in heavier vehicles is a challenge. The electric van sector currently lags behind the electric passenger car market
- There should be an agreed national protocol re public charge point interoperability to ensure different physical and commercial systems can work together seamlessly and invisibly to consumers

About Logistics UK

Logistics UK (the new name for FTA) is one of Britain's largest business groups and the only one providing a voice for the entirety of the UK's logistics sector. Our role, on behalf of over 18,000 members, is to enhance the safety, efficiency and sustainability of freight movement throughout the supply chain, across all transport modes. Logistics UK members operate over 200,000 goods vehicles - almost half the UK fleet - and some one million liveried vans. In addition, they consign over 90 per cent of the freight moved by rail and over 70 per cent of sea and air freight.

Response to inquiry

Accelerating the shift to zero emission vehicles

1. The feasibility, opportunities, and challenges presented by the acceleration of the ban of the sale of new petrol and diesel vehicles to 2030

The logistics industry wishes to play a positive role in helping reduce emissions and works to ensure that businesses and consumers are supplied with the goods they require every day, whilst reducing any social impacts – including carbon dioxide emissions and air pollution.

Although the electric commercial vehicle sector is still in its infancy, interest by businesses in the technology and its uptake is rapidly growing in response to the industry's desire to achieve net zero emissions and improve air quality. Logistics UK research undertaken in summer 2019¹ demonstrates the interest and desire of businesses to decarbonise their fleets.

Although interest and uptake are growing, there are key challenges that need to be overcome to help aid a swift transition to zero emission technologies:

- ***Grid supply and charging infrastructure***

Logistics UK believes urgent action is needed from Government to ensure the right power supply capacity and infrastructure is in place to provide sufficient power at depots and homes (where vans are often stationed). If the necessary upgrades to the grid are not made at the

outset, we believe industry will struggle financially to make the move away from conventionally fuelled vehicles in the time frame proposed. Targeted fiscal and regulatory support are needed to address this market failure.

Currently if a business wishes to electrify its fleet of vehicles but does not have sufficient energy supply to meet the additional power needs required, under the ‘last comer’ principle it has to pay the full cost of upgrading the local electricity hub, which can cost in excess of £1million.

However, if neighbouring businesses then require additional power, perhaps for also electrifying vehicle fleets, there is likely to be sufficient energy supply from the local substation to other premises without incurring the same level of upgrade costs as the business that paid for the upgrade. Not only is this arrangement unfairly placing all the burden for the local upgrade on to a single business, without any recompense from Government, no discount on charging costs and no resale value of an asset they have paid for but do not own if they move premises, it also provides an unfair advantage to neighbouring businesses, some of whom may be competitor companies.

Logistics UK contributed to the EV Energy Taskforce ‘*Energising our Electric Vehicle Transition*’ report,² which recognised that the “delivery of efficient and well-coordinated investment in electricity network infrastructure to support the connection of EV charge points is needed in order to ensure the electricity system supports the mass take-up of EVs and to minimise EV charge point connection costs and delays for the benefit of consumers.”

The purchase of electric vehicles is still more expensive than conventionally powered vehicles, especially if including the very significant costs required to upgrade the grid. Therefore, a fairer way of funding the necessary upgrades for what is a national asset must be found.

- ***Regulatory challenges***

We want to see simple and consistent rules for grants, taxation, regulation and urban restrictions, that ensure making the switch away from conventional fuels make sound economic sense for the business, as well as being straightforward to put into practice. For example, through the use of a progressive tax system that encourages the uptake of the right vehicles for the right journeys. Therefore, until the commercial EV market has fully matured, we support the continuation of zero-rated Vehicle Excise Duty and incentives such as the 100% discount for EVs for the London Congestion Charge. Bringing forward the phase-out date must be complimented by greater certainty over the future of electric vehicle and charge point grant availability to support business planning for vehicle replacement cycles.

- ***Vehicle model-type availability***

A current challenge with the uptake of electric commercial vehicles is availability of vehicle supply. The electric van sector currently lags behind the electric passenger car market in this regard. It is vital that OEMs continue to value the UK van market and make available the widest range of electric van types to UK van operators, most importantly in the heavier van sector above 2.5 tonnes. If vehicle supply challenges are not resolved quickly, this will impact on the development of the second-hand market.

- ***Mileage range of electric vehicles***

The mileage range of electric vehicles is improving, but for vans over 2.5 tonnes and vans that carry heavy loads, there is still a long way to go to match the range of an internal combustion engine. In addition, it takes longer to recharge an electric vehicle than to refuel a conventional vehicle, which reduces productivity if refuelling is required during hours of operation. In the future, we expect mileage ranges to improve further and charging times to decrease, but the roadmap for this development is currently unclear.

2. The actions required by Government and private operators to encourage greater uptake of electric vehicles and the infrastructure required to support them

In the view of Logistics UK, if the ambitious 2030 target is to be achieved, the biggest barrier that must be overcome is around power supply through a fairer, more equitable way of funding grid reinforcements and energy upgrades, and a suite of policy measures to support market transformation.

Other measures required include:

- ***Charge point interoperability and billing protocols***

There should be an agreed national protocol for public charge point interoperability to ensure “different physical and commercial systems can work together seamlessly and invisibly to consumers”, as recognised in the EV Energy Taskforce *‘Energising our Electric Vehicle Transition’* report.

It is also important to avoid a myriad of billing systems which add to the administrative burden of van operators. Contactless payment methods for on-street charge points should be an essential requirement by the authorising agency or authority before approving installation.

- ***Targeted fiscal and regulatory support***

More intervention to support our sector transition to electrified vehicles will be required as vehicle operators have already faced significant costs in handling the operating disruption caused by the pandemic and subsequent economic downturn. One supportive measure could be through a progressive tax system which encourages the uptake of the right vehicles for the right journeys.

Government must look at the regulatory framework that covers all aspects of electric and alternatively fuelled vehicles to ensure the legislation for commercial vehicle operators is straightforward, consistent and achieves the desired policy objectives of decarbonising the UK’s fleet, without unintended consequences or damage to a sector that is vital in supporting the UK’s economy and recovery.

Government should support industry by simplifying the provision of advice and support, which is a crowded field with a mix of government-funded agencies, regional authorities, corporate sustainability reporting advisory groups and research bodies, and introduce incentives for companies to adopt best-practice innovations in this space.

- ***Straightforward and consistent rules for registering new vehicles***

Operators have reported complex and confusing processes when licensing new, innovative models for operation on UK roads. Individual type and/or small series approval is a segmented process that must be co-ordinated across three separate agencies within the same department. It would be more efficient and cost effective if the three agencies coordinated

their processes to allow seamless transition from one to the others, without the need for external coordination by the application.

- ***Urban restrictions***

Restrictive policies, such as bans on non-electric vehicles in city streets, should not be implemented until a second-hand EV market has developed, to avoid locking smaller logistics businesses out of markets. Logistics UK also calls for local-level incentives for low-emission freight vehicles, such as congestion charge discounts. Public charging spaces must be physically accessible to vans, who need larger spaces than cars and not denied use through local regulations.

3. The Government's ambition to phase out the sale of new diesel heavy goods vehicles, including the scope to use hydrogen as an alternative fuel.

Logistics UK believes Government should align the phase-out date for heavy diesel-engined vehicles with the EU's target date, while recognising its responsibilities in ensuring suitable infrastructure is in place to support the use of alternative fuels. Although the EU date is yet to be formally agreed, ACEA (the association for European truck manufacturers) is calling for the date to be set at 2040. Given the UK purchases finished HGVs from European manufacturers, it makes sense for the UK to align with the EU date. In terms of providing supporting infrastructure, Logistics UK welcomes the £20million funding for freight trials to pioneer hydrogen and other zero emission lorries and is pleased to see hydrogen considered as a decarbonisation solution.

However, further Government intervention is required to bring forward market introduction of cleaner, low-carbon HGVs. There are currently only three large vans and trucks that qualify for Department for Transport (DfT) grant funding, compared to 19 vans.³ Government should work with industry to decide how to increase the number of trucks that qualify for a grant, as well as funding demonstrator projects to pull forward innovative technology. Additional incentives such as congestion charge discounts and the ability to use bus priority lanes should also be offered.

Support for cleaner, lower-carbon HGVs should be complemented by a policy framework for alternative fuels that deliver environmental benefits. There is significant uncertainty over which fuels will be the most appropriate to deliver net-zero HGVs, with different views around hydrogen, green gas (e.g., biomethane) and electrification. Government should work with industry to develop a long-term policy framework to support fuels that are environmentally beneficial but also fit for purpose in the road freight sector.

An important measure that can be taken now to further reduce road freight's emission levels is to introduce vehicles with bigger payloads, as they require fewer journeys, meaning fewer road miles, less fuel and therefore fewer emissions. The 'Longer Semi-Trailer' currently being trialled and under consultation is delivering the concept of a modern, load-efficient vehicle. DfT has reported that over the past seven years, a 12% increase in length of 0.5% of HGVs has saved around 37,000 tonnes of carbon dioxide equivalent emissions. More load-efficient weights and dimensions should continue to be trialled, and the Longer Semi-Trailers should become legal to operate in the UK.

Finally, Government should recognise the value of measures to improve efficiency and reduce emissions in the existing fleet. Many Logistics UK members are market leaders using measures which include driver training and incentives to boost eco-driving, the use of aerodynamic devices to reduce fuel burn, and maximising load utilisation to increase fuel efficiency

Fact box

UK HGV operators must pay the following fees for the use of the UK strategic road network:

- The **HGV Road User Levy** is payable on an annual basis for the UK-based hauliers, or on shorter time-based periods for those visiting the country. Though currently suspended due to the ongoing pandemic, normally vehicles pay a levy of between £85 and £1,000 depending on the band. No other UK road user pays such a charge. This Levy is acceptable to the freight industry as it is set at a level where the costs are offset by reductions in **Vehicle Excise Duty** (VED) introduced at the same time. The purpose of the Levy was to ensure foreign operators make some contribution to the UK tax base.
- HGV operators pay VED per year for each HGV and a compulsory annual test fee of between £112 and £215 (that is used to fund not just the test but also all DVSA HGV enforcement activity instead of the taxpayer doing so).

Road pricing

4. The case for introducing some form of road pricing and the economic, fiscal, environmental and social impacts of doing so

Central government is likely to favour some form of road pricing in the medium term to replace fuel duty revenue which will gradually decline to very low levels over the next 10-15 years given the end-of-sale date for new diesel and petrol cars and vans from 2030 (2035 for hybrids). As noted above, Government is also planning to set an end-date for the sale of new diesel HGVs which will further reduce fuel duty revenue to the Treasury.

Road pricing has long been promoted as a means of pricing the most congested times or locations on the road network, and therefore encouraging more efficient use of the road network. It has been introduced already in London with the Congestion Charge, and in a more limited way on the major road network, e.g., the Dartford Crossing and M6 Toll motorway. In our view, some form of road pricing is now inevitable due to the very high central government revenue currently brought in by fuel duty, and policy decisions to end the sale of new petrol and diesel road vehicles. However, there is significant work still to do on developing the most appropriate road pricing scheme.

5. Which particular road pricing or pay-as-you-drive schemes would be most appropriate for the UK context and the practicalities of implementing such schemes?

We are currently engaging with our members and reviewing our policy on this issue, and would like to write to the Committee at a future date.

6. The level of public support for road pricing and how the views of the public need to be considered in the development of any road pricing scheme

In addition to the general public, the views of the logistics sector must also be closely considered as the UK transitions to road pricing. Early engagement with all impacted stakeholders, together with robust impact assessments for policy options, is the best way to deliver the required outcomes for the economy, environment and society.

February 2021

Endnotes

¹ www.logistics.org.uk/evreport

² <https://es.catapult.org.uk/reports/energising-our-electric-vehicle-transition>

³ <https://www.gov.uk/plug-in-car-van-grants>