



Response of the Road Haulage Association to the Welsh Government

The Clean Air Plan for Wales

10 March 2020

Summary

1. We would like to thank the Welsh Government for its consultation on its proposed Clean Air Plan and the opportunity to comment on the issues raised. Our response follows our engagement at two stakeholder events in Wrexham on 25 February (attended by Chris Ashley – Head of Policy: Environment and Regulation) and Cardiff on 5 March (attended by Rhys Williams – RHA Regional Manager).
2. Our response addresses questions 5 ***Are you satisfied with the proposed approach for Clean Air Zones/Low Emission Zones in Wales?*** and 38 ***Are there other air quality issues relating to transport which Welsh Government should consider and review?*** In formulating our response, we note that the Welsh Government:
 - a. intends to publish a new Transport Strategy in December 2020;
 - b. plans to publish an interim *Clean Air Zone Framework for Wales* in March 2020;
 - c. will continue “to review the role of vehicle access restriction, including whether road user charging and banning of the most polluting vehicles has a role to play in reducing roadside levels of air pollution”.
3. As a UK-wide association, the RHA supports the policy aim to improve local air quality across the United Kingdom. However, if the Welsh Government is minded to consider restricting vehicle access to certain areas, it is vital that well-thought through policy frameworks that do not lead to unintended consequences are in place. Well-designed standards, phased in appropriately as market supply allows, works well for everyone.
4. The RHA has disagreed strongly with the Clean Air Zone (CAZ) approach taken in England to date. The policy designed by DEFRA and DfT for England has been to restrict vehicle access by creating a model that emphasises high charges for pre-Euro VI diesel vehicles and which discriminates by vehicle type (e.g. HGVs vs cars) through the creation of CAZ “classes”. The principle mistake made by English policymakers has been a failure to **phase in** CAZ compliance as the market supply of the required Euro VI diesel vehicles allowed – specifically, there has been a failure to understand vehicle lifecycles. Based on feedback from our members, this has caused a damaging market reaction where the resale values of non-compliant vehicles have fallen.
5. The RHA and others have highlighted the problems this approach is causing to the haulage sector, and the ineffectiveness of an approach that focuses solely on certain vehicle types (e.g.



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HGVs and buses) while ignoring other factors and other vehicle types. Ultimately, the English model is expensive, inflexible and not as effective as it should be

6. By contrast, we welcome the constructive dialogue between the RHA and Scottish authorities on the design of Low Emission Zones, where Scottish authorities have understood the need to phase in compliance as the market supply of the desired technology allows (in this instance, Euro VI diesel vehicles).
7. The RHA is calling for DEFRA/DfT to conduct an urgent review into its CAZ approach and to amend the policy framework by introducing “intelligent phasing”¹. In our view, this will stabilise the resale market of pre-Euro VI vehicles, whilst also realising the core purpose of reducing harmful NOx emissions by providing an appropriate incentive for hauliers to upgrade.
8. Given our position, we believe the Welsh Government is in a strong position to adopt best practice by designing and championing a clean air framework that works for all.

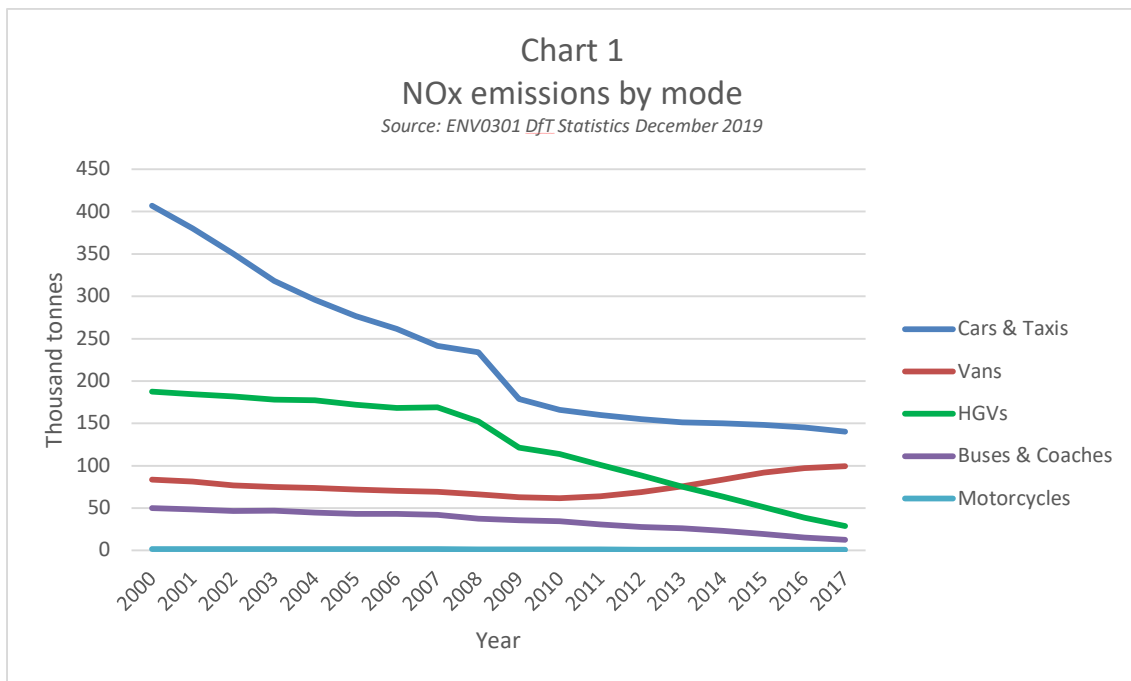
Background about the RHA

9. The RHA is the leading trade association representing 7,200 road haulage and distribution companies. Our members operate around 250,000 HGVs (i.e. half of the UK fleet), ranging from a single-truck company to those with thousands of vehicles.
10. We proactively encourage a spirit of entrepreneurialism, compliance, profitability, safety and social responsibility. We do so through a range of services, such as advice, representation, and training. We work alongside policymakers and haulage companies to identify ways to move freight more efficiently at a lower cost based on our widespread knowledge and expertise in the area.
11. Our comments are set against a context where:
 - a. 54,800 SMEs are involved in haulage and 52% of lorries operate in fleets of less than 20 (Source: Traffic Commissioners - 2016/17). These SMEs typically work on a 2% profit margin (Source: Statistica 2018). Any additional cost incurred cannot be absorbed, and will either be passed on to the consumer or cause the HGV operator to go out-of-business.
 - b. the purchase cost of an HGV starts from £85,000 and its life span is typically 12 years. In the case of low mileage, specialist-built vehicles such as mobile cranes, the lifespan can be much longer (30yrs +) and cost considerably more to purchase (£200,000+).

¹ <https://www.rha.uk.net/getmedia/7669b7fa-cab8-40e5-a3c4-e5c124b7b7d3/180114-Policy-Paper-CAZ-Alternative-v1.pdf.aspx>

RHA response

12. Hauliers have already taken great strides to clean up the environment. An extra £1.9bn has been invested in the latest Euro VI lorries which the RHA estimates has contributed to NOx emissions from HGVs falling by around 60% since 2013.² Data published separately by the Department for Transport – see chart 1 – confirms this downward trend.
13. Despite this investment, policy makers have pressed ahead with a flawed, discriminatory CAZ policy in England that has disregarded the market availability of the desired technology (Euro VI) and accordingly distorted the haulage sector, unjustly impairing its viability for minimal net gain in reducing overall harmful NOx emissions.



14. There are two key flaws with the English CAZ model that we urge the Welsh Government to note. First, basing CAZ compliance on the Euro VI diesel emission standard is an inflexible and indiscriminate way to reduce emissions, as it does not account for lower emissions from other Euro standards (e.g. Euro V). Secondly, targeting vehicle-types by “class” without taking into account different emission levels within each vehicle-type is also discriminatory and unfair. Based on the emerging evidence at the time of writing, of the eleven English local authorities who have published firm CAZ/LEZ plans, seven are choosing not to impose charges on non-compliant cars.

² See: RHA NOx Emission Assessment – April 2019 (available from: www.rha.uk.net)

15. The RHA believes that CAZ policies should work with the normal vehicle replacement cycles and should not undermine business investment in vehicles (as is the case now). The focus should be on vehicles over 12 years old across all vehicle-types (ie. cars, vans, taxis, HGVs, and buses). Policy should also provide consistent and appropriate incentives for owners of the oldest, most-polluting vehicles to upgrade to newer cleaner vehicles. Failure to do this is resulting in an excessive and unnecessary cost to businesses and consumers.
16. Based on feedback from our members, we regret that the English CAZ model has caused the resale values of non-Euro VI lorries to fall. We are particularly concerned about the effect CAZ has had on the Euro V fleet, that accounts for 120,000 lorries or 24% of the current UK HGV fleet. Compounding this effect is a market shortage in second-hand Euro VI lorries that has caused the price of that product to rise.
17. Aggravating the problem is a failure by policy makers to recognise the perfectly-competitive nature of the haulage sector and the price benefit this derives for consumers in low transport costs. Unless limited specialist exemptions apply, adding costs impact the viability of SME businesses who are forced to pay uneconomic prices to upgrade vehicles.
18. We believe the English CAZ model will ultimately be counter-productive due to the increased use of vans to transport freight otherwise carried by non-compliant HGVs priced out of a CAZ. One 44-tonne HGV is equivalent to 12 largest vans of up to 3.5-tonne gross vehicle weight. A trend of replacing HGVs with vans is likely to cause more congestion and more air pollution - see chart 1.
19. The flawed CAZ model is compounded by two further policy errors which we urge the Welsh Government to note. First, retrofitting is not a feasible option for most HGV operators. Unlike buses and coaches, the fragmented nature of different HGV vehicle specifications means that a viable commercial market to retrofit non-compliant HGVs is unrealistic for the overwhelming majority of hauliers.
20. Secondly, a loophole exists in the English model as enforcement against non-compliant non-UK lorries is overlooked in their policy framework. Specifically, enforcement of non-compliance against non-UK registered lorries has been passed to local authorities and is not technically possible. In effect, non-UK vehicles are therefore exempted creating a competitive disadvantage for UK businesses. We are disappointed that DEFRA and DfT have repeatedly ignored the concerns we have raised on this issue.
21. Finally, the use of scrappage schemes should be seen in context. Used appropriately, the limited public funds permitted under "state aid" regulations can assist marginal operators to upgrade to the desired technology. However, given the current direction-of-policy-travel on CAZ within England and the volume of HGVs adversely affected, CAZ-related scrappage schemes are a restrictive and inefficient use of public money. Our experience is that it is a "postcode lottery" as to whether a haulier can qualify for scrappage funding. Instead, the RHA considers that new technology appropriately incentivised and phased in as market supply allows is a more cost-



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effective, rational and fairer method of introducing the clean vehicles desired. Vehicles replaced in line with natural business investment cycles means there is less recourse to public funds.

Recommendations

22. In line with the guidance set out in the Welsh Government's *Clean Air Zone Framework for Wales (2018)*, we strongly recommend that the Welsh Government examines all non-charging options to reduce NOx emissions. This includes:
 - a. provide training courses on eco-driving;
 - b. enforcing anti-idling measures;
 - c. optimising traffic flow;
 - d. designing effective smart car-sharing schemes and other behavioural change that encourages and incentivises modal shift;
 - e. investing in public transport.

Final Comments

23. 98% of all goods consumed in the UK are moved by road, with 2.54m people employed in the haulage and logistics sector, and around 530,000 HGV's over 3.5 tonnes operating on UK roads. Not only does the haulage industry make a significant contribution to the UK economy (£124bn GVA), it also plays a fundamental role in facilitating the operation of other sectors, such as construction, housing, food, and retail.
24. The RHA recognises that poor air quality is a serious environmental risk to public health, and our membership is committed to investing in the technology needed to achieve improved air quality. However, the regulatory framework underpinning clean air must support the investment lifecycle (typically, 12 years) that hauliers make.
25. Based on the learning from England, we believe that the Welsh Government is well-placed to design a Transport Strategy and associated framework for achieving clean air that works for all. The RHA stands ready to work with the Welsh Government to achieve this.

10 March 2020

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