

# Environment and Sustainability Committee



Date of meeting - 05 July 2022

<b>Title</b>	<i>Electric Vehicle Taxi Project</i>
<b>Purpose of the report</b>	To make a decision
<b>Report Author</b>	<i>Dr Claire Lucas - Principal Pollution Control Officer</i>
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	
<b>Corporate Priority</b>	Service delivery
<b>Recommendations</b>	<ol style="list-style-type: none"><li>1. Grant approval for an amended project scheme to provide a contribution towards the purchase of Hackney Carriages and private hire vehicles as referred to in this report.</li><li>2. Delegate authority to the Group Head for Commissioning and Transformation to complete negotiations with the Department for Environment, Food and Rural Affairs with a view to the amended Council Project being approved.</li><li>3. Delegate authority to approve an amended grant agreement with DEFRA to the Monitoring Officer and Group Head for Commissioning and Transformation in consultation with the Chair of the Environment and Sustainability Committee.</li><li>4. Authorise the Group Head of Corporate Governance to enter into appropriate agreements with bid partners; and third parties required to deliver the amended project.</li></ol>
<b>Reason for Recommendation</b>	To ensure Grant Funding is spent in accordance with the requirements and timescales of the Grant Funding Agreement.

## 1. Summary of the report

- 1.1 The Council acting as lead applicant acting with Guildford Borough Council; Waverley Borough Council; Woking Borough Council, Elmbridge Borough Council, Reigate and Banstead Borough Council and Epsom and Ewell Borough Council have been awarded £256k capital funding from the Air Quality Grant Funding Scheme 2020/21. The funding is to deliver electric vehicles for Hackney carriages and private hire vehicles operating within Surrey to encourage wider uptake of these vehicles.
- 1.2 Owing to a lack of interest from operators to facilitate the short-term lease of vehicles, Officers have restructured the scheme to encourage the purchase of low emission/electric taxis.

- 1.3 Further funding has been made available by Surrey County Council (SCC) to deliver the scheme available depending on degree of uptake of ultra-low emission taxis. As a result of lack of response from Electric Vehicle leasing companies, this report seeks to obtain authorisation to amend the original project proposal and delegated authority to allow officers to deliver a scheme to provide a grant funding contribution to licensed taxi drivers who wish to purchase an electric taxi.

## **2. Key issues**

- 2.1 The Council has committed itself to a vibrant, sustainable economy and an increase in environmentally friendly measures to address the climate emergency. The low emissions taxi project will contribute to both of these priorities by accelerating the move to a low carbon economy through increased uptake of sustainable, low carbon transport technology and, in doing so, by improving air quality and reducing carbon emissions in the city.
- 2.2 The core purpose of this scheme is to support the increased use of electric and other ultra-low emission vehicles (ULEVs). The Purpose of the Air Quality Grant Funding Scheme is to provide support to local authorities in England to develop and all implement measures that deliver air quality benefits within one to two years.
- 2.3 The project is being run by an alliance of seven local authorities from Surrey, and Surrey County Council, through the Surrey Air Alliance (SAA). The SAA has appointed a Project Board to oversee management of the project. The allocated funds need to be spent by the end of this financial year.
- 2.4 The original bid led by Spelthorne Borough Council successfully secured funds to encourage the uptake of electric vehicles (EV's), as taxis within Surrey through the provision of Electric Vehicles for short term hire of 2 to 4 weeks to taxi drivers at a low cost to enable an on-road trial using an EV as a taxi.
- 2.5 At the point where the original grant application was made the trade had been temporarily affected by the pandemic for a period of 6 months. Subsequently the taxi trade in the Boroughs taking part in the project has not recovered to pre pandemic levels of trade, especially where businesses had a reliance on customers from Heathrow Airport and Gatwick Airport or upon large events venues such as horse racing venues. To illustrate the prolonged impact of the pandemic, Spelthorne being an acute example due to its proximity to Heathrow Airport now has approximately 35% fewer licenced drivers than were licenced with the local authority in September 2020, when the original grant proposal was written.
- 2.6 The trade in Spelthorne for many operators is currently being sustained through providing school services via the County Council for pupils who need to travel to specialist educational facilities that meet their needs. This makes adopting an EV an expensive prospect and without measures to encourage uptake, it is unlikely that operators will change their vehicle in the near future unless an EV is a competitive alternative to a second hand hybrid vehicle.
- 2.7 In order to offer information and the chance to try an EV vehicle to drivers who had an interest in short term trials the project was able to offer events in September 2021 with the Energy Savings Trust to educate the drivers and

taxi operators about EV vehicles and their suitability and benefits for taxi use. The drivers taking part were offered the opportunity to take a short test drive in an EV vehicle. 2 events were held, with good attendance.

- 2.8 The project steering board with the support of procurement specialists at Surrey County Council began a procurement process involving suppliers including Enterprise, Toyota, Dynamo, Skyline, G&M Direct, PCO Rent, WeFlex, Otto Ltd and the Crown Commercial Services Framework.
- 2.9 None of the companies or frameworks were able to provide suitable vehicles for either use as taxi's or for short trials. The larger taxi suppliers viewed the number of vehicles as too small to make it worth their while, and the smaller suppliers were not able to provide vehicles with suitable mileage ranges for the mixed motorway and urban driving that a Surrey taxi driver would require. No standard car hire provider was willing to provide vehicles for taxi use due to the restrictions of their commercial insurance.
- 2.10 A potential supplier Otto Ltd, undertook a short benchmarking survey of taxi drivers at a taxi stand in Guildford. Otto is a leading supplier of EV taxis to taxi drivers and operators in London, London being some way ahead of Surrey in terms of uptake of EV vehicles for taxi use. The feedback from drivers was as follows:
  - 2.10.1 The project offering of short trials was likely to obtain some interest, but more as a novelty to try an electric vehicle rather than with the intention of switching their vehicle. The drivers preferred the option of a longer trial of at least 2 months to get used to the car and whether it would work for their business.
  - 2.10.2 Economic factors due to the pandemic are making the switch to electric vehicle unattractive as a second-hand hybrid vehicle presents better value for money given the current circumstances of the trade due to the pandemic and the current taxi licencing policies within Surrey.
  - 2.10.3 It was also found that the drivers tended to have access to driveway parking which could facilitate home charging of an EV but that on street rapid charge facilities would be required to facilitate uptake.
  - 2.10.4 The drivers had a poor understanding of the range in terms of mileage that an EV vehicle could give them and tended to underestimate the range by half of what a modern EV is capable of.
- 2.11 To further explore the feasibility of the reconfigured project the participating Boroughs conducted a survey of 54 taxi/private hire vehicle drivers who are currently licenced drivers in Surrey. The feedback from drivers was as follows:
  - 2.11.1 81.5% of the respondents expressed interest in the project.
  - 2.11.2 72.2% of the respondents had a driveway available to facilitate charging an EV.
  - 2.11.3 70.4% of the drivers surveyed currently plan on buying a second-hand vehicle when they next replace their taxi/private hire vehicle.
  - 2.11.4 74.1% considered the concept of a financial incentive for a period of 1 year supporting the cost of a vehicle via a subsidised Personal Contract Plan rate to be a measure that would encourage them to try an EV vehicle for their business.

- 2.11.5 A driver gave additional feedback that the incentive proposed would be helpful in light of the two years of reduced revenue due to Covid as EVs are expensive. The driver explained that lease companies typically look at two years annual accounts so the reduced revenues due to the pandemic make obtaining lease vehicles more difficult for drivers and operators.
- 2.11.6 A driver gave additional feedback that they were unsure about sourcing a second-hand EV given the expense of battery replacement should a fault be found and that a new vehicle with a long warranty was preferable.
- 2.12 In March 2022 the Mayor of London has announced the intention to extend the London Ultra Low Emission Zone (ULEZ), to cover Greater London in 2023 subject to consultation. This extension would inevitably impact upon taxi and private hire drivers and operators in Surrey who drive into Greater London regularly, especially in the Boroughs adjacent to London Boroughs (Spelthorne, Epsom and Ewell, Elmbridge and Reigate and Banstead). Heathrow Airport is included within the expansion area for the ULEZ, the airport is a regular destination for taxi journeys. Given the short timescale for the expansion proposed by the Mayor of London support for the purchase of EVs as replacement vehicles would be helpful to the trade in Surrey.
- 2.13 After the combination of feedback from taxi drivers and the lack of a supplier who was willing to supply hire vehicles for use as taxis the configuration of the project was revised a more viable alternative to the original project which is now not deliverable.
- 2.14 As a result of a lack of interest from other vehicle providers in the trade, it is likely that Otto Ltd will be awarded a contract to provide EV taxis and leasing arrangements to taxi drivers.
- 2.15 The reconfigured project will allow taxi and private hire drivers and operators to undertake the subsidised use of an EV as their own vehicle for 12 months, with the option to either return the vehicle within the first year, or to continue payments after 12 months independently of the project to purchase that vehicle.
- 2.16 The revised project specification is summarised below:

<b>New Proposal</b>	<b>Original Proposal</b>
Telematics in the subsidised vehicle only.	Telematics in the drivers existing vehicle to give information on range requirements and fuel savings from switching to an EV.
The project would offer a longer subsidised EV experience with the option for drivers to continue payments to the supplier towards ownership of the EV vehicle. Alternatively drivers may return the vehicles to the taxi provider. Conditions related to the return of vehicles will be	Supply of 16 EV vehicles on 2–4-week trials on rotation for a 12 month period. (2-3 vehicles per district/borough)

<p>finalised in due course. Approximately 44 vehicles will be offered at a subsidised price for an initial 12 month period.</p>	
<p>Drivers will be encouraged to undertake subsidised use of an EV for a year with the option to return the vehicle within 12 months, or to continue with their own payments to purchase the EV vehicle. It is anticipated that more EV taxis and private hire vehicles will be operating in Surrey after the end of the project, than with the original proposal.</p>	<p>EV trials offered to drivers for a 2-to-4-week period, with no incentive to own/take up an EV.</p>

- 2.17 In order to reduce officer time and costs associated with managing the amended project, the Council is proposing to appoint Surrey County Council as its agent to administer the scheme.
- 2.18 SCC will ensure that the appointed vehicle provider shall manage EV vehicle purchase and shall be responsible for:
- Communicating with drivers to arrange purchase.
  - Communication with Licensing Authorities to answer any queries.
  - Checking a driver remains a licensed driver with the relevant Licensing Authority and confirm their identity.
  - Communicating with the Licensing Authority in each Borough/District to notify which driver will be purchasing which vehicle, and when for license regulation purposes. Dealing with queries from drivers by email and telephone regarding the vehicle purchase.
  - Informing drivers on how and where to charge a vehicle.
  - Collection of payments from drivers.
  - Fitting a telematic device to vehicles via the ODB port or battery connection.
  - The provision of a spare tyre meeting the vehicle licensing requirements.
  - Ensuring the vehicle is roadworthy as per the UK MOT requirements (including tyre inflation and tread to meet the MOT requirements and the requirements of the Highway Code).
  - Ensuring that the driver/operator has adequate breakdown cover for their vehicle, including emergency charging of vehicles if needed.
  - Ensuring the driver/operator has adequate insurance is in place including public liability insurance and adequate motor insurance to operate the vehicle as a taxi or private hire vehicle.

2.19 The Council's Legal Services team will ensure appropriate legal arrangements and performance measures are in place to ensure compliance with grant funding terms and conditions

### 3 Options analysis and proposal

- 3.1 Do nothing – the procurement process to deliver the original proposal has been unsuccessful. A decision not to amend the project will result in the Council being unable to meet its grant funding duties. In this situation, DEFRA would be able to demand a return of all unspent grant funding for the project.
- 3.2 Approve the amended scheme to assist taxi drivers to purchase low emission/electric vehicles as proposed by officers. A table of the anticipated impacts is provided below:

<b>Losses</b>	<b>Benefits</b>	<b>Change to Outcomes</b>
Loss of pre vehicle trial data giving a comparison to the maintenance and fuel costs of the driver's current vehicle	Less resource will be required from Council Officers to fit and remove telematics	No telematic supplier costs therefore the costs assigned for telematics can be recycled to provide longer subsidised EV vehicle experience leading to the option of ownership and therefore retention of an EV vehicle as an on-road taxi. The telematics within the EV vehicle will still provide data on the mileage of the subsidised EV vehicles which can be used to ascertain utilisation and emission savings.

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Fewer vehicle trials however the subsidised experience will offer a longer period of on road use which is more likely to lead to the driver adopting the vehicle at the end of the project.	The driver gets real world experience of fuel savings over a longer period of time. The driver has more incentive to retain the vehicle as an operational taxi after the experience period by continuing the PCP payments. This is important as uptake of EV vehicles as Taxi's and private hire vehicles will remain low in Surrey unless they are competitively priced and working as functioning taxis as an example to other drivers.	The EV is likely to give a greater per vehicle emission reduction through greater on road use. The legacy of the project will be longer where drivers opt to continue payments to own the vehicle.
Less drivers able to trial an EV taxi, but working with the Energy Savings Trust all drivers have been offered a test drive in an EV	Drivers who participate in the project will have an incentive to continue to own their EV after the first year when the project ends, acting as an advocate longer term for other drivers in Surrey to take up EV taxis and private hire vehicles	It is anticipated that more EV taxis and private hire vehicles will be operating in Surrey after the end of the project than with the original project, acting as an advocate longer term for other drivers to take up EVs in Surrey

#### 4 Financial implications

- 4.1 A summary of the financial proposal is tabled below. Members are advised that there is no additional cost to the Council as a result of the original and revised schemes.

Item	New Proposal	Original Proposal
Defra Air Quality Grant request	<b>£256,686</b>	<b>£256,686</b>
Surrey County Council cash contribution	<b>£40,000</b> Covering staff costs for Project Management, communications costs and any additional subsidy costs needed.	<b>£40,000</b>

<p><b>Total</b> (Based on grant funding allocation and matched funding from SCC(all inclusive) per month plus wrapping of 7 EVs). Excludes costs to be borne by taxi driver for instalment payments from Year 2 onwards.</p>	<p><b>£296,686.00</b></p> <p>(No additional contribution required from SBC finances)</p>	<p><b>£296,686.00</b></p>
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## 5 Risk considerations

- 5.1 Risk: Lack of familiarity with electric vehicles may result in new technology not being utilised efficiently or effectively

Mitigation: pro active engagement with taxi trade has provided drivers with a limited period introduction to electric vehicles.

Risk: Cost of living crisis will discourage taxi trade from purchasing new vehicles

Mitigation: Fuel savings will likely offset a significant portion of the vehicle purchase costs. Finance packages will be tailored to the individual driver's circumstances.

## 6 Legal considerations

- 6.1 It is confirmed that there amended project and proposed procurement of a service provider is compliant with the terms of the grant funding.
- 6.2 The proposed service provider is authorised by the Financial Conduct Authority to offer finance packages linked to the purchase of vehicles.
- 6.3 In the event that the recommendations are accepted, Officers will submit the amended project to DEFRA for approval. Implementation of the amended project will be dependent on approval of the amended project.
- 6.3 It is further confirmed that there are no subsidy control and/or EU State Aid concerns related to the amended proposal in its current form.

## 7 Other considerations

- 7.1 None

## 8. Equality and Diversity

- 8.1 The Council will ensure that all taxi drivers within their respective boroughs are notified of the scheme and given the opportunity to participate.
- 8.2 Vehicles may be adapted to accommodate the requirements of specially abled passengers.



## **9. Sustainability/Climate Change Implications**

- 9.1 The project is based on grant funding that specifically targets a reduction and an improvement of the air quality for residents.
- 9.2 The choice of low emission/electric vehicle represents a more sustainable mode of transport for taxi journeys.

## **10. Timetable for implementation**

- 10.1 Approval of amended scheme by DEFRA – 18 July 2022
- 10.2 Appointment of SCC as project agent – 31 July 2022
- 10.3 Appointment of service provider – 20 August 2022
- 10.4 Roll out of amended scheme – 01 September 2022
- 10.5 Funds to be spent by the 01 April 2023.
- 10.6 It is anticipated that officers will report on progress to Members once contract terms with SCC and the service provider have been agreed.

## **11. Contact**

- 11.1 Claire Lucas – c.lucas@spelthorne.gov.uk

**Background papers: There are none.**