

**Report of Project Manager, Sustainable Energy and Air Quality (SEAQ)
Report to Licensing Committee**

Date: 6 November 2018

Subject: Leeds Clean Air Charging Zone (CAZ): Taxi and private hire support packages

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary of main issues

1. The Council is under a ministerial direction to provide a Full Business Case (FBC) to government which sets out detailed proposals for a scheme to deliver compliance with the legal limit value for nitrogen dioxide in the shortest possible time (subject to its legal and statutory obligations and in accordance with public law principles). The Council has undertaken consultation on a proposed scheme during which it has heard representations from numerous parties with varying views. The outcome of the consultation process has been reflected where possible in the revised proposal, consistent with our legal obligations. The proposal that the Council is recommending for approval is a Clean Air Charging Zone (CAZ), category B with additional measures, that will impose charges on those buses, coaches, Heavy Goods Vehicles (HGVs) as well as taxi and private hire vehicles which are not compliant with the required emission standards.
2. Significant concern has been raised by those impacted about the financial impact on their businesses because in many cases, they will need to replace their vehicles earlier than they would have planned and customers driving non-compliant vehicles may also choose to take their business elsewhere. Not only would this adversely affect the concerned business, there are potential ramifications for the economic performance of the City. For this reason the Council is asking for £27 million (based on our current best estimates) from the government's Clean Air Fund to provide mitigation assistance to the sectors that are impacted.
3. As part of our proposal the Council is requiring the taxi and private hire sector to meet emissions standards that are higher than the national standards. On this

basis a range of financial support packages have been developed to assist impacted drivers.

4. The CAZ will improve public health by addressing the issue of air quality in the city. Both long- and short-term exposure to air pollution are known to adversely affect health. Short-term exposure (over hours or days) to elevated levels of air pollution can cause a range of negative effects including exacerbation of asthma, effects on lung function, increases in hospital admissions and mortality. Epidemiological studies have shown that long-term exposure (over several years) reduces life-expectancy, mainly due to increased risk of mortality from cardiovascular and respiratory causes and from lung cancer.

Recommendations

- To note the content of this report

1. Purpose of this report

- 1.1 This report informs the Licensing Committee of the specific issues affecting the Taxi and Private Hire sector as a result of the introduction of the CAZ and provides information about the proposed support packages.

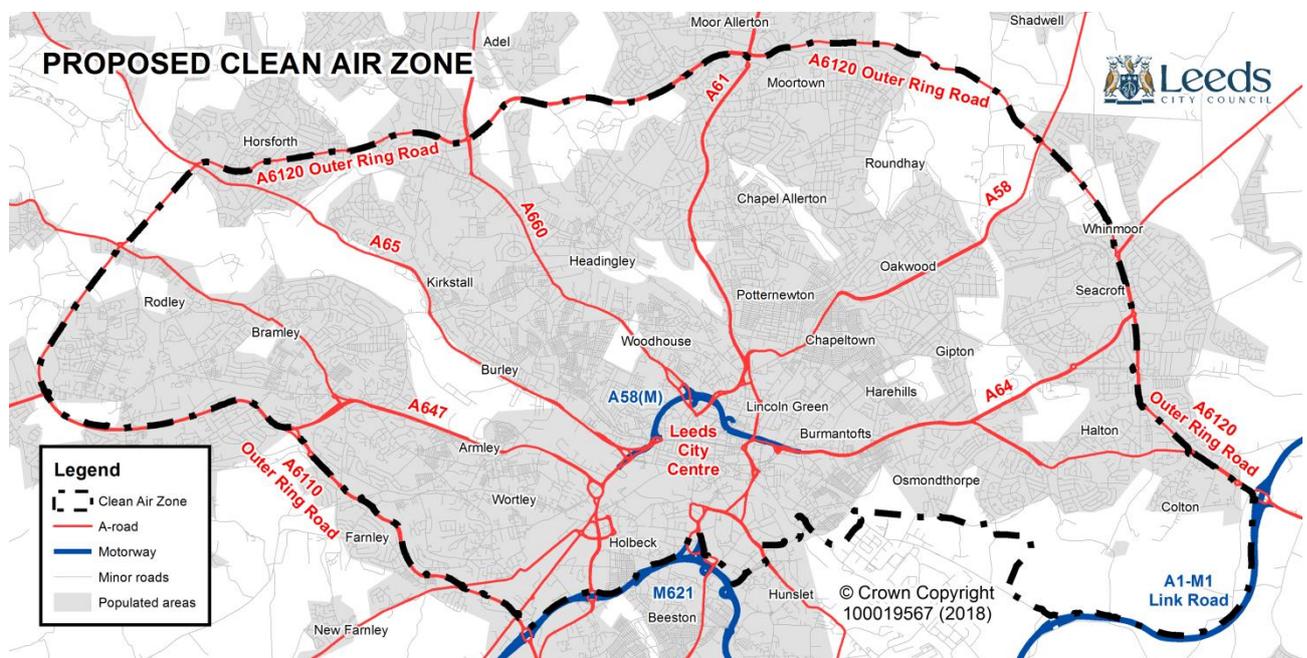
2. Background information

- 2.1 In June 2018 a report was brought to the Executive Board that outlined the proposed air quality solution for Leeds. Based on the National Clean Air Zone Framework, a CAZ B was proposed, which introduced a charge for buses, coaches, HGV's and taxi/private hire vehicles entering the CAZ that do not meet pre-determined emission standards.
- 2.2 In July 2018 a second report was brought to the Executive Board that further clarified the citywide approach to improving air quality.
- 2.3 On 17 October 2018 the final CAZ proposals were presented to Executive Board.

Main Issues

3. CAZ Boundary

- 3.1. The revised CAZ Boundary Map is featured below. The key change is the relocation of the outer boundary to the northern side of the M621 and the Enterprise Zone. Traffic modelling analysis demonstrates that reducing the boundary does not result in any displacement and areas south of the M621 still stand to benefit from cleaner vehicles entering the CAZ.



- 3.2 The statutory consultation period ran between 29th June and 12 August 2018, during which consultation participants were asked to complete a questionnaire. We received 3532 questionnaire responses.

3.3 The business responses to the questionnaire were low when compared to the volume of responses from the public (6% businesses v 94% public). However, there have been numerous trade specific events held during both stages of consultation and some of the key concerns raised at these events are highlighted in the following sections.

4 Taxi/Private Hire Sector consultation summary

4.1 The proposed CAZ requires the taxi and private hire sector to be either petrol hybrid, electric or petrol Euro 5/6 with an LPG conversion.

4.2 During the sector specific consultation events held during the second phase of consultation the sector raised the following key issues about the CAZ proposal:

- The timescale for implementation is too short;
- The Council should adopt the national standard, not the higher requirement for taxi and private hire of petrol hybrid or electric;
- Work needs to be done to ease licensing conditions at Leeds City Council in order to prevent drivers having greater costs than those in surrounding authorities
- Maximum age of vehicles at the point they are first licensed should also be increased to increase the pool of potential second hand vehicles drivers may purchase to become CAZ compliant;
- Size of petrol-hybrid and electric vehicles has been raised as an issue. The majority cannot be used for some common taxi and private hire functions such as airport runs due to limited storage capacity;
- Market availability of petrol-hybrids in the second hand market is limited. A suggestion was made that LPG should also be adopted;
- Would prefer the full £3000 of grant funding towards electric vehicles to be extended towards petrol-hybrid as well as they are currently a more viable option based on the limited range capabilities of electric only vehicles;
- Asked for the grant and loan to be made available upfront rather than retrospectively;
- Representation was made on the basis that the support packages should be made available to individual drivers only, or at least be limited to a certain amount of vehicles per applicant. This, it was argued, would be to prevent larger companies claiming a majority of the funding, to the detriment of drivers who owned their own vehicles;
- Limited availability of electric charge points across Leeds makes electric vehicles a more problematic consideration and less of a viable option.

5 Charging Regime and Exemptions

5.1 The table below details the proposed CAZ charging regime:

Category	Original proposed charge	New proposed charge
Buses, coaches & HGVs	£100 per day	£50 per day
Taxi & Private Hire Vehicles	£12.50 per day	£12.50 per day (non-Leeds licensed drivers)

£12.50 per day or £50 per week (Leeds licensed drivers only)

5.2 Government is in the process of developing a national database of taxi and private hire drivers. This will ensure the preferential charging rates for Leeds licensed drivers can be implemented.

5.3 The following sector specific Exemptions were developed in response to the consultation feedback:

Vehicle Type	Detail
Wheelchair Accessible Taxi and Private Hire Vehicles (WAV)	WAVs will be exempt from CAZ charges until 31 st December 2021. WAVs will need to be Euro 6 by 31 st December 2021.
8+ passenger Taxi and Private Hire vehicles	8+ passenger taxi and private hire vehicles will be exempt from CAZ charges until 31 st December 2021. 8+ passenger vehicles will need to be Euro 6 standard by 31 st December 2021.
Euro 6 diesel, or Euro 4 petrol already licenced	Already licenced by 17th October 2018 Euro 6 diesel, or Euro 4 petrol will be exempt until 31 st December 2021. Charges will apply from 1 st January 2022.
Finance Sunset Period	Owners of taxi and private hire vehicles in an existing financial agreement (prior to 17th October 2018) where early replacement of vehicles is not possible. A sunset period will apply until the end of the finance deal <u>or</u> 31 st December 2021, whichever is soonest.

6 Transition Grants/ Interest Free Loan Scheme information

Rationale for introduction of support packages:

6.1 There is a clear requirement for the authority to provide schemes that will support the taxi and private hire sector in upgrading vehicles. Analysis of the demographic of drivers in this sector clearly indicate that they are typical from areas of social deprivation and often are on lower than average incomes. This means that many such drivers face barriers to accessing finance, or raising capital even if future fuel savings are available.

6.2 Leeds licensed taxi drivers are subject to stringent rules when it comes to licensing a vehicle. The salient points are summarised in the bullet points below:

- A vehicle being licensed for the first time must not be older than 5 years from the date of first registration on the v5 (1 year for Executive vehicles).
- Vehicles can be relicensed for a further 7 years from the date of first registration¹.
- The maximum lifespan of a vehicle operated as a non-executive taxi/private hire is no longer than 7 years.

6.3 Therefore, drivers need to cover the whole life cost of the vehicle and make a living to make running a taxi a worthwhile endeavour. This means that in the majority of cases, vehicles are 'ran into the ground' once licensed as a taxi. This trend is compounded by the resale value of vehicles that have been used as taxis, depreciation of these vehicles is in the realms of 100%.

¹ Existing vehicle licenses can be extended beyond 7 years subject to certain criteria. Information can be found here: <https://www.leeds.gov.uk/docs/Extension%20to%20the%20Age%20Criteria%20Condition.pdf>

6.4 Analysis of the second hand market demonstrates that in asking drivers to make the change the cost of purchasing a CAZ compliant car is significantly more expensive on a like for like basis. The cost is comparable when comparing older compliant cars against newer non-compliant cars, for example, a 2012 Petrol Hybrid Vs a 2015 Euro 6 diesel. While the fuel savings offer payback over time this doesn't address the requirement for drivers to have access to capital upfront. In addition we are asking a proportion of drivers to change the vehicle prematurely which also results in a financial loss.

Grants:

6.5 The grant is based on supporting the transition costs of ultra-low emission vehicles (ULEV) in order to support drivers who want to replace non-compliant vehicles. The grant can only be claimed once the CAZ compliant vehicle has been purchased and licensed and the grant is claimed as cashback.

6.6 The grant is based on estimated driver costs such as; driver licensing fees, including DVLA and DBS checks, vehicle licensing costs and other cost such as stickers, meter checks and fitting and service/insurance costs. This grant is designed to lower the effect of these costs and to support the move from older, higher emission vehicle ownership to licensing of ultra-low emission vehicles.

6.7 This scheme would deliver cash back grants using the rules below:

Vehicle Options (new and second hand)	Description	Potential Grant Value
Full Electric	A vehicle which is powered only by a battery charged from the electricity grid.	£3000
Full Hybrid	A vehicle which is powered by an Internal Combustion Engine and can be powered solely using a battery and electric motor. The battery cannot be plugged in, and is charged by driving. (Minimum Euro 4 Petrol).	£1500

6.8 Leeds has already been awarded £700k from the Clean Air Fund for the first stage of the Transition Grant scheme, with a secondary, larger pot of money being asked for in the Full Business Case.

Loan scheme:

6.9 The loan scheme has been designed to assist drivers in accessing capital upfront to change their non-compliant vehicle to one that is compliant. Key features of the scheme are:

- Max value £10,000 per applicant
- Interest free
- Repayable over 4 years
- Second hand cars can be purchased
- Can work in conjunction with the Transition Grant.

6.10 Take up is anticipated to be in the region of 2400 applications.

- 6.11 SEAQ are working towards having the loan scheme implemented in early 2019, to allow adequate time for drivers to go through the application process and source a suitable vehicle prior to the CAZ being implemented in January 2020.

5. Corporate considerations

5.1 Consultation and engagement

- 5.1.1 The CAZ consultation process has been extensive, and has taken place over two phases. Numerous sector specific events have been hosted to hear concerns from affected sectors.
- 5.1.2 The full outcomes of the CAZ consultation are appended to the 17 October Executive Board paper.

5.2 Equality and diversity / cohesion and integration

- 5.2.1 An Equality Impact Assessment has been carried out for the entire CAZ proposal. This can also be found appended to the 17 October Executive Board report.

5.3 Council policies and best council plan

- 5.3.1 The importance of air quality as an issue is reflected in the Council's vision under our Best Council Plan. Our vision is for Leeds to be a healthy city in which to live, work and visit and we are working with partners to reduce emissions which will bring about health and wellbeing benefits including reducing premature deaths, improving health, promoting physical activity and reducing obesity levels.
- 5.3.2 The Leeds Public Transport Improvement Programme is working to make improvements to the bus and rail networks which will enable reductions in congestion and greater modal shift, supporting a reduction in emissions.
- 5.3.3 We are raising general health and environmental standards across the city through the promotion of walking and cycling.

5.4 Resources and value for money

- 5.4.1 As part of the Full Business Case submission, the Council will be requesting £12 funding from the Clean Air Fund to support the taxi and private hire sector.

5.5 Legal implications, access to information, and call-in

- 5.5.1 All legal implications related to the CAZ are recorded in the 17 October Executive Board report.

5.6 Risk management

- 5.6.1 As the Council is currently considering the potential for providing the capital for the taxi and private hire loans, it should be noted that there are a number of risks associated with this. Although it is anticipated that Government will cover the cost of

interest, bad debt and administration of the loans, it is critical that the Council properly assess these costs in order to ensure that all its potential costs and losses are covered.

- 5.6.2 Research has been undertaken to assess likely levels of bad debt when lending to self-employed drivers, often with lower than average credit ratings. Any unfunded bad debt will be the council's risk to cover. An effective enforcement process would also have to be in place to ensure that bad debt is minimised.
- 5.6.3 The consumer credit market is highly regulated and as a result the council is working closely with a legal advisor to ensure that the scheme is compliant with all requirements.
- 5.6.4 The best route to provide the loan administration function is still being explored to determine how best value for money balanced against minimal risk exposure can be achieved.
- 5.6.5 Due to the complexity of delivering the loan scheme, the proposed "go live" of early 2019 is acknowledged as being incredibly challenging.

6. Conclusions

- 6.1 The proposed clean air charging zone achieves compliance in the shortest possible time whilst complying with its legal and statutory obligations and in accordance with public law principles. It has also sought to mitigate the economic impact on the city.
- 6.2 The support packages described in this paper will assist drivers in making the required transition to meet the requirements of the forthcoming CAZ.

7. Recommendations

- 7.1 To note the contents of this report.

8. Background documents²

- 8.1 17 October 2018 Executive Board paper.

² The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.