NFDA TRUCK AND VAN UPDATE
October – November 2021

Strong demand for the new IVECO S-Way

Dear Colleague,

Truck registration figures for August were lower than expected as, although demand from customers remains robust, the worldwide shortage of semiconductors and other raw materials continues to constrain production capacity.

September's -39.5% decline in light van registrations is the result of the global shortage of semiconductors eventually hitting the market. The majority of NFDA van dealer members feel confident about demand, but there remain concerns about supply, which will hopefully improve in the coming months.

NFDA is your trade body: we are here to help and advise you on regulatory and operational issues that affect your business. If you require any assistance, please do contact the helpline on 01788 538303.

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Disappointing Truck registration numbers for August

Truck registration figures for August were lower than expected due to a variety of reasons. While we hear demand is still there from customers the worldwide shortage of semiconductors and other raw materials is constraining manufacturing capacity.

Many manufactures introduced new tractor models this year including Iveco S-Way, MAN TGX and DAF XF/XG ranges, and they are all struggling to meet customer demand. Some are not taking new orders as they cannot confirm a delivery date nor the retail price of the vehicle due to delays and currency changes. With this pressure on new unit supply, many operators are extending their current contract lease or hire arrangements, thereby restricting the supply of nearly new, well-maintained trucks to the used market.

We have heard from some dealers that volumes of truck registrations could increase this September as some bodywork and conversion work has taken longer to manufacture and obtain IVA or type-approvals. This, coupled with the new number plate change, could benefit the market, however concerns over future orders remain.

The messages coming from all brands of franchised truck dealers are extremely positive, but they are all are concerned the bubble could burst with the current high parts and service turnover and high demand and profits on what new and new unit stock they can supply. All agreed we are going through a transitional period in both the industry and consumer expectations where we need re-evaluate and invest in the business for the future.

Please note: full figures are available in the member edition of our newsletter, please contact us for more information

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Supply issues crush strong market demand for vans

September's decline in light van registrations is the result of the global shortage of semiconductors eventually hitting the market.

The latest SMMT's light commercial vehicle registration figure showed registrations of new commercial vehicles up to 3.5t declined by -39.5% in September as the global shortage of semiconductors started to affect the market. Year-to-date sales of LCVs remain 28.4% above last year's levels.

September is usually a very positive month for light van registrations as, in addition to fleets and businesses, private buyers who purchase dual-use commercials usually have their vehicles delivered in the new registration plate month. The vehicles bought by these private buyers are often factory orders as they have detailed specifications, hence the delay in supply.

Over the last few months, many new LCVs have been sourced from stocks held by the manufacturers at docks and compounds, but the majority of these have now been delivered and registered, causing further delays.

All main sectors of light commercials saw declines in registrations. The high volume/payload LCVs between 2.5-3.5t saw a decrease of -28% with volumes falling from 31,466 units in September last year to 22,647 commercials in the same month in 2021. This sector is the backbone of delivery and distribution, and demand is buoyant for new vehicles in this sector; as a result, as soon as component supply issues ease, we expect the built-up demand to absorb every vehicle produced.

The mid-weight sector (2.0-2.5t) suffered the largest decline (-70.1%) with only 2,661 units registered compared to 8,897 in September 2020. These vehicles are often of quite high specification and utilise more electronics than a more basic, larger fleet vehicle.

Although the Ford Transit Custom and the larger Transit model took the usual first and second position in registrations, followed in third position by Mercedes-Benz Sprinter, all other makes/models registered fewer than 1,800 units in the month, indicating supply constraints across all brands.

Demand for new vans remains robust although a proportion of customers are opting for nearly new light commercials due to the order supply delays quoted to them. This is, in turn, pushing up second-hand van prices.

The majority of NFDA dealer members feel confident about demand but are concerned about supply, which will hopefully improve in the coming months.

REGISTRATIONS OF VANS plus **HCVs 3.5T-6T by MONTH**

	Sep-21	Sep-20	% change
Pickups	4,478	8,668	-48.3%
4x4s	455	213	113.6%
Vans <= 2.0t	1,294	2,852	-54.6%
Vans > 2.0 - 2.5t	2,661	8,897	-70.1%
Vans > 2.5 - 3.5t	22,647	31,466	-28.0%
All Vans to 3.5t	**31,535**	**52,096**	**-39.5%**
Rigids > 3.5 - 6.0t	639	745	-14.2%

REGISTRATIONS OF VANS plus **HCVs 3.5T-6T by YEAR-TO-DATE**

	YTD-21	YTD-20	% change
Pickups	34,266	28,895	18.6%
4x4s	3,415	1,082	215.6%
Vans <= 2.0t	12,712	12,530	1.5%
Vans > 2.0 - 2.5t	34,889	34,985	-0.3%
Vans > 2.5 - 3.5t	181,954	130,588	39.3%
All Vans to 3.5t	**267,236**	**208,080**	**28.4%**
Rigids > 3.5 - 6.0t	4,562	4,331	5.3%

Image source SMMT

NFDA CV Truck Council meeting

On Monday 25 October, the commercial vehicle dealer/members held their quarterly meeting to review a number of issues affecting their business.

Current and future truck registrations: all brands are suffering the lack of products available due to the shortage of semiconductors, a number of manufactures are unable to take further new orders, whilst others have limited sold stock still due to arrive. The consensus was that

with only 2,4147 new trucks so far registered by August 2021, it will be difficult to reach the end of year industry target of 36,000 new units going on the road.

The **new van market** was in a similar state of high buyer demand but poor supply, due to the same component shortages. Currently, registrations for the year are 28.4% above 2020's levels but are unlikely to continue their upward trend as recent registrations have started to decline. An area of concern was the Euro-6 step-D to E that could affect dates of registrations; Steve Latham agreed to obtan clarification on any relevant derogation from both the SMMT and DfT,

The impact of the DfT **HGV 'Driver Shortage'** letter was discussed, including how it had caused disquiet within dealerships with few businesses losing technicians who became HGV drivers.

Discussions continued, focusing on the **exclusion of fittings and accessories from IVA/type-approval testing**. It was agreed NFDA and dealers would be unlikely get support from the manufactures on this issue as they would prefer these components be factory fit. As a result, it was agreed to contact the DfT to ask what the likelihood of some components and accessories being fitted pre-registration as with the previous 'construction & use' regulations. John Bigging agreed to support Steve Latham if a DfT meeting could be arranged.

There was an update on **ATF applications** made since the lifting of the moratorium: 38 applications had been received, with 14 being approved in principal and one going live this January. Feedback from members indicated a degree of concern over the availability of sufficient DVSA testers prior to June of next year.

The **Heavy Vehicle MOT Reform** with the possibility of allowing private sector testers in line with Government Brexit freedoms was discussed and it was agreed that the NFDA CV division would contact the DfT to understand when it would be considered, by which Government Department, and on what the time scale would be.

The meeting concluded with a presentation on promoting employment of young people via NFDA's Drive My Career initiative, for more details, please contact: gabriele.severini@rmif.co.uk

The next truck council meeting will be held on Monday 6 December at the NFDA offices in London, followed by a Christmas lunch at a local Italian restaurant. All NFDA-CV members are welcome to attend this meeting and lunch, please could you notify stephen.latham@rmif.co.uk if you would like to attend, joining instructions will follow.

Government publishes Net Zero Strategy

Earlier this month, the UK Government has published its Net Zero Strategy outlining how "the UK will deliver on its commitment to reach net zero emissions by 2050".

The Government's plans cover a number of areas and sectors including fuel supply and hydrogen, heat and buildings, natural resources and transport.

As part of the strategy, the Government has announced an extra £350 million of its up to £1 billion commitment to support the electrification of UK vehicles and their supply chains. Plus, "another £620 million for targeted electric vehicle grants and infrastructure, particularly local on-street residential charge points". Although it is unclear how these funds will be allocated, these investments represent a positive step.

The document states that the newly-announced zero emissions vehicle (ZEV) mandate will, from 2024, guarantee "greater number of zero emission vehicles on our roads, unlocking the transformation of our road transport". NFDA will be engaging with the Government to help define how the mandate will look like in the UK.

Whilst the NFDA CV division welcomes further investment in the charging infrastructure that is needed for light commercial EVs, we call on the Government to not set unachievable targets to end the sale of diesel heavy trucks (HGVs) until a commercially viable alternative power source has been developed, one that takes adequate payload and range into consideration.

For further details about the Government's Net Zero Strategy, please visit https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1026655/net-zero-strategy.pdf

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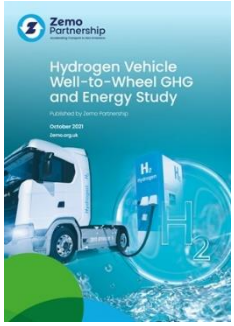
Well-to-wheel study highlights need for inclusion of life cycle energy and GHG emissions in net zero transport plans



A new study by Zemo Partnership recommends that Government policy should increase its focus on the well-to-wheel (WTW) greenhouse gas (GHG) emissions and overall energy efficiency performance of new fuels for transport. While hydrogen, electric and renewable fuels (produced from waste-based feedstocks) can all radically cut emissions compared with their diesel-powered counterparts, there are 'major variations' in their effectiveness and efficiency in terms of cutting emissions depending on choices made over the full well-to-wheel life cycle.

The study warns that a focus solely on mitigating tailpipe emissions can risk neglecting the full impacts and the overall energy consumption of the system.

The analysis finds that each of the hydrogen vehicle architectures looked at can deliver lower carbon, and in some cases negative, well-to-wheel GHG emissions solutions within the next decade for many vehicle types, but this is predicated on the use of low carbon hydrogen.

Significantly, the work shows that the well-to-wheel energy efficiency of hydrogen vehicles is lower than diesel internal combustion (IC) or battery electric vehicles and those using renewable fuels in IC engines.

In the case of HGVs powered by hydrogen fuel cells – widely mooted as a potential HDV solution because of the technical challenges to battery electrification – the well-to-wheel energy efficiency is four to six times worse than that for comparable battery electric vehicles.

Regardless of how low carbon hydrogen is supplied, the production process is energy intensive and thus significantly worsens the overall WTW energy efficiency.

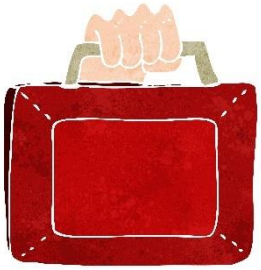
Zemo Partnership Chief Executive Andy Eastlake said: “When we look at the energy efficiency of potential pathways for hydrogen to be used in transport we see challenges. These vehicles will need to demonstrate considerable complementary benefits such as longer range, superior payload or lower operating costs to compensate for the increase in energy consumption compared with other zero emission powertrain solutions such as battery electric vehicles.”

Overall, the study recommends that further feasibility work including energy analysis, should be done to assess the suitability of different vehicles for different use cases to inform the potential role of hydrogen in the HGV sector. Relevant factors would include vehicle payload and capacity, range, refuelling/charging time and infrastructure. The work could potentially be integrated into the Government’s ongoing Zero Emission Freight Trials (ZERFT) which Zemo is also supporting.

The choice of carbon intensity factors for grid electricity, both now and in the future, is a critical sensitivity within the analysis and an area needing much more consistent data.

Full press release available here

Budget 2021: NFDA summary



The NFDA has lobbied the Government extensively ahead of the Autumn Budget and Spending Review on behalf. We are proud to say that we have secured a number of significant victories for franchised vehicle retailers.

Areas where dealers will benefit from our lobbying effort include:

- Continued Plug-in Car Grant funding
- Business Rates reform
- Increased funding for apprenticeships
- Levelling up funding being used for electric vehicle charging infrastructure
- VAT margin scheme in Northern Ireland
- Fuel duty freeze
- Road infrastructure investment
- Annual investment and Super-deduction allowances

The NFDA has put together a summary document including all the most relevant policy updates for franchised dealers.

Business support

- Following a review, the government will reduce the burden of business rates in England by over £7 billion over the next five years.
- Up to 400,000 retail, hospitality and leisure properties will be eligible for a new, temporary £1.7 billion of business rates relief next year.

- The government is also freezing the *business rates multiplier* in 2022-23, a tax cut worth £4.6 billion over the next five years. This will support all ratepayers, large and small, meaning bills are 3% lower than without the freeze.
- From 2023, a new business rates relief will support investment in property improvements so that no business will face higher business rates bills for 12 months after making qualifying improvements to a property they occupy. This will enable businesses to make improvements to their premises that support net zero targets and enhance productivity.
- *The Recovery Loan Scheme* will also be extended until 30 June 2022. Finance will be available up to a maximum of £2 million per business, supporting them to recover from the impact of the pandemic and to grow. The government guarantee will be reduced from 80% to 70%.

Fiscal measures

- The government will also continue to explore the arguments for and against a UK-wide *Online Sales Tax*, the revenue from which would be used to reduce business rates for retailers with properties in England and with the block grants of the Devolved Administrations increased in the usual way.
- The temporary £1 million level of the *Annual Investment Allowance* will be extended to 31 March 2023. This will support businesses investing between £200,000 and £1 million.
- *Company Car Tax (CCT)* – The government confirms that the CCT rates already announced for 2022-23 will remain frozen until 2024-25.

Vehicle Excise Duty (VED)

More information on the above topic Policy paper and recent alterations can be found here

- *Vehicle Excise Duty (VED)* – The government will uprate VED rates for cars, vans and motorcycles in line with RPI from 1 April 2022.
- *VED and Levy rates for heavy goods vehicles (HGVs)* – To support the haulage sector and pandemic recovery efforts, the government will continue to freeze HGV VED for 2022-23 and suspend the HGV Levy for another 12 months from August 2022.

VAT Margin Scheme – Northern Ireland

- Second-hand margin scheme: interim arrangement for Northern Ireland - The government will legislate, should a relevant agreement be reached with the EU, to extend the VAT margin scheme to apply in Northern Ireland on a limited basis in respect of motor vehicles sourced from Great Britain for the period until the Second-hand Motor Vehicle Export Refund Scheme is implemented. As a result, motor vehicles first registered in the United Kingdom prior to 1 January 2021 will be available to sell under the VAT margin scheme in Northern Ireland during that time period.

    - The NFDA is aware of potential complications arising from how will be implemented. The policy states that vehicles first registered after 1/1/21 will disappointingly not be eligible for this retrospective relief. The NFDA has already reached out to HMRC and they have confirmed they are looking into the issue.

    - More information on the 'Northern Ireland second-hand margin scheme interim arrangement' Policy paper and recent alterations can be found here

- *Second-hand Motor Vehicle Export Refund Scheme* – The government will legislate to be able to introduce a Second-Hand Motor Vehicle Export Refund Scheme. Under such a scheme, businesses that remove used motor vehicles from Great Britain for resale in Northern Ireland or the EU may be able to claim a refund of VAT following export. This will ensure that Northern Ireland motor vehicle dealers will remain in a comparable position as those applying the VAT margin scheme elsewhere in the UK.
    - More information on the '*Second-hand Motor Vehicle Export Refund Scheme*' Policy paper can be found here

Infrastructure spending

- £24 billion will be spent between 2020-21 and 2024-25 on strategic roads.
- Over £8 billion to fill millions of potholes a year, resurface roads and repair bridges, as well as delivering over 50 vital local road upgrades.
- From 2023, the government will introduce exemptions for eligible plant and machinery used in onsite renewable energy generation and storage, and a new 100% relief for eligible heat networks, to support the decarbonisation of buildings.

Employment

- The government has also accepted the LPC's recommendations for the other NMW rates to apply from April 2022 including:
    - *Increasing the rate for 21 to 22 year olds by 9.8% from £8.36 to £9.18 p/h*
    - *Increasing the rate for 18 to 20 year olds by 4.1% from £6.56 to £6.83 p/h*
    - *Increasing the rate for 16 to 17 year olds by 4.1% from £4.62 to £4.81 p/h*
    - *Increasing the rate for apprentices by 11.9% from £4.30 to £4.81 p/h*
- Increasing apprenticeships funding to £2.7 billion by 2024-25.

Levelling up

- Announces £49 million will be allocated to Northern Ireland via round one of the Levelling Up Fund, including upgrades to electric vehicle charging networks across the country.
- £620 million of additional investment to support the transition to electric vehicles, on top of the £1.9 billion committed at SR20. This new funding will be spent on public chargepoints in residential areas and targeted plug-in vehicle grants.

Fuel

- Fuel duty rates – The government will freeze fuel duty (at 57.95 pence per litre) UK-wide in 2022-23.

Key Documents

Complete Autumn Budget and Spending Review 2021 – **Link here**

Autumn Budget and Spending Review 2021 regions and nations factsheets – **Link here**

Budget and Spending Review – October 2021: What you need to know – **Link here**

MILS Quarterly Bulletin

During the Pandemic the Government's attention was naturally not on passing new employment legislation. With the economy starting to get back to 'normal', in this quarterly update we take a look at some of the caselaw developments that you may have missed.

Highlights:

- Compensation for career-long loss – (Secretary of State for Justice v Plaistow)
- Burden of proof in discrimination claims – (Royal Mail Group v Efobi)
- Is it a reasonable adjustment to protect pay permanently when disability means that an employee can no longer do their role? – (Aleem v E-Act Academy Trust Ltd)

Please download the full bulletin **here**.

Solicitor
Motor Industry Legal Services

Motor Industry Legal Services (MILS Solicitors) provides fully comprehensive legal advice and representation to UK motor retailers for one annual fee. It is the only law firm in the UK which specialises in motor law and motor trade law. MILS currently advises over 1,000 individual businesses within the sector as well as the Retail Motor Industry Federation (RMI) and its members.

Drive My Career can help you recruit

Drive My Career (DMC) is the employment initiative launched by NFDA to fix the skills shortage issue by helping dealers attract young people to our sector.

Since its launch in February 2018, DMC has redirected thousands of young people to dealers' career pages and their open vacancies through targeted marketing promotions and wider campaigns highlighting the positive aspects of a career in automotive.

We have recently been made aware that a number of members in the truck sector are struggling to attract candidates and Drive My Career can help. Companies like Brian Currie DAF and TruckEast Scania have been actively involved members of Drive My Career.

By joining Drive My Career for a small annual fee, you can promote specific roles via DMC's online channels and benefit from marketing campaigns aimed at sending potential applicants to your website every time you have an open vacancy.

Through DMC, you will also obtain insights based on direct feedback from our audience and your potential candidates, publicise your colleagues' success stories (especially via our newly launched Ambassador Scheme) as well as reach a wider audience of young people by taking part in events, campaigns and initiatives.

Drive My Career has recently attended the British Motor Show, where the team engaged with dozens of young people and their families to discuss career opportunities in the automotive industry.

To learn more about Drive My Career, please email info@drivemycareer.co.uk or visit www.drivemycareer.co.uk.

NFDA
COMMERCIAL VEHICLE DIVISION