Procurement Newsletter

May 2022

- Electric Vehicles
- Removing ICE cars from the vehicle schemes
- Why offer Mild-hybrids as an option instead of Plug-in hybrids?
- User Adoption
- Key Considerations
- Useful Resources

POST OFFICE

We are the Post Office and there is no-one like us. From our travel and financial services, passports to postage, the Post Office network is serving communities across the UK. We have a network of more than 11,500 branches across the UK and every one of our branches is at the heart of its community.

We have introduced a series of quarterly newsletters to our Supplier partners to:

- Raise awareness of our values and the subjects that matter to us.
- Provide news, information and training that will help you to do business with us.
- Help you find opportunities to work with us as we grow and change for the future.

Electric Vehicles

Following on from our newsletter on Net Zero in November 2021, where we suggested some practical ways that companies could look at to address carbon reduction; we have chosen this issue to explain one of the measures we are taking as an organisation. We are focusing on prioritising Electric Vehicles in our company car schemes to achieve our aims to significantly reduce our CO2 emissions.

A UK ban on the sale of most internal combustion engine (ICE) cars will be introduced in 2030. The government are keen to encourage company car drivers to take up more environmentally friendly Battery Electric Vehicles (BEVs) and, as such, have introduced a very low Benefit-In-Kind (BIK) rate of 2% on those vehicles when taken through a company car scheme. These low rates are also beneficial to businesses as they result in reduced Class 1A National Insurance Contributions ('NIC') relating to the vehicles. These low BIK Rates have now been fixed by government until at least the end of 2024-25.

The opposite is true for the diesel-powered cars, which have seen BIK rates increasing over recent years. The costs for these vehicles in tax/national insurance are high to both employees and businesses. The overall cost to businesses of operating a company car scheme can be significant. Frequently companies focus on the rental cost of the vehicle rather than considering the additional costs of Tax/National Insurance (to employee and employer), costs of Mileage Reimbursement and Road Tax – the total cost of operating a vehicle is known as it's 'whole life cost' (WLC). In the case of traditional Diesel engine vehicles, the WLC can be more than 60% higher than the rental cost alone.

Making the change to electric vehicles accomplishes two goals:

- It will significantly reduce the CO2, particulate matter and nitrogen oxides emitted by the car fleet.
- It will provide significant financial benefits for both employer and employee in switching from ICE to non-pure ICE cars (including BEV).
    - The savings to both employee and business can help to mitigate against significant increases in the Whole Life Cost of like-for-like vehicles which we have seen over recent years. For example: If Post Office had not acted to make changes to the existing company car policy, the WLC of some vehicles would have risen by c. 25%
    - In the case of some drivers, the saving of switching from a similar Battery Electric Vehicle from their current diesel equivalent will be in excess of £1,500 per year. This comes mainly through a combination of savings on the costs of fuel/energy for their personal mileage but also savings related to the tax paid.

With the aim of moving 60% of our company car drivers to Batter Electric Vehicles within this initial cycle, we will reduce the CO2 emissions produced by our company car fleet by approximately 350 Tonnes per year.

Removing ICE cars from the vehicle schemes

Post Office have chosen to change the policy in our company car schemes to remove cars where the propulsion is provided only by an internal combustion engines (ICE). In our initial transitionary cycle over the next 3 years, the list of vehicles is to be restricted to a choice of Battery Electric Vehicles (BEVs) and Mild-hybrids with the desire to migrate to purely electric vehicles as soon as is feasible.

Why offer Mild-hybrids as an option instead of Plug-in hybrids?

Mild-hybrids (combined internal combustion engine and battery drivetrain) charge as you drive them. But unlike PHEV and BEV, they can't run on electric power alone. Instead, their small electric motor is attached directly to an engine or transmission, which gives the car a boost when accelerating providing improved fuel economy and lower emissions compared to non-hybrid ICE vehicle.

- They are the least electrified of hybrid options, and therefore in theory they have the smallest impact on a car's emissions.
- However, they do not require external charging and so are a practical option for those without charging facilities at home or a practical means of charging when on the road for their job role.

Plug-in hybrid electric vehicles (PHEVs) can travel on electric power alone and also offer BIK advantages (not as much as BEV). Most PHEVs can travel between 20-40 miles of electric driving and are therefore suitable for travel over short distances in urban environments. For longer distances, a PHEV's combustion engine will operate, so there is no worry about "range anxiety".

- However, they require an external charger to charge the battery (whether from home or a rapid charger) and this could take several hours. PHEVs are therefore only suitable to those users with off-street parking/driveway.
- Due to their bigger, heavier batteries, plug-in hybrids can make driving feel sluggish, and if they are driven further than 30 miles on a regular basis, then the added weight could result in worse fuel economy, even compared to non-hybrid cars.
- For those without home charging capability, the likelihood is that the vehicle would be driven without use of the electric capability, this could make them worse for the environment than ICE vehicles due to their weight.

User adoption

Electric vehicles represent a significant step away from what has become the accepted business travel tool over the past two decades – the diesel car. The industry move towards battery electric vehicles is still at a relatively early phase and the high initial cost of vehicles, the limited recharging infrastructure in many locations, and a number of media myths about these vehicles has discouraged wider adoption for many.

Recognising that this is a significant change for our car drivers, an extensive communication campaign has been put in place to ensure that drivers are informed when it comes to common concerns or misunderstandings regarding:

- The financial benefits to employees
- The concerns about range anxiety and recharging
- The care and maintenance of battery electric vehicles

Fully understanding the Fuel and tax cost implications of their company car choice and presenting this information to employees has been eye opening for many employees at all levels. Many have had company cars over long periods of time and have not appreciated the opportunity available.

For those employees who are unable to install a fast charger at home, and where public charging infrastructure is still limited, there are genuine obstacles to the selection of a BEV. However, it is for this reason that mild-hybrid cars are available as an option. Drivers have the opportunity to select a vehicle which meets their job requirements to provide the right balance of affordability, environmental impact and personal situation.

For any organisation looking to deploy a Company Car scheme which encourages greater take-up of Electric Vehicles, a concerted and well-structured comms/education campaign is essential.

Key Considerations

When weighing up the opportunity to switch to more efficient vehicles, we would recommend considering the following as early as possible:

- Understand your current Whole Life Costs – to the Business and the Driver. This is likely to be higher than you expect meaning the comparatively high rental/purchase prices of BEV's are less of a concern owing to their lower operating costs.
- Review driver mileage – both daily and overall. Although the Public charging network is improving all the time and vehicle range increasing, for drivers doing frequent long journeys over short periods (200+ miles in a day) an Electric Car may not be suitable still.
- Engage with a cross section of the driver population to understand the real-life uses an understand the concerns which may crop up – this will assist with vehicle selections and help plan your communications campaign
- Do not try to convert everyone all in one go – there will be drivers for whom an electric vehicle isn't suitable at the moment – and make this clear to drivers too.

Useful Resources

Drivers may find the following links useful in considering or operating a Battery Electric Car:

- Zap Map is a useful source of information, including locations of charging stations https://www.zap-map.com/
- Driving Electric provides useful guides on vehicle choices and Frequent concerns https://www.drivingelectric.com/
- Fully Charged Show is an excellent resource of videos on electric vehicles https://fullycharged.show/

Who do I contact for help?

Please read the guidance on our website http://corporate.postoffice.co.uk/our-suppliers

If you require any further advice, please contact procurement@postoffice.co.uk

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