

## **Committee: Cabinet**

**Date: 15 July 2019**

Wards: Borough wide

## **Subject: Floating Car Club Expansion**

Lead officer: Chris Lee Director of Environment and Regeneration

Lead member: Martin Whelton Cabinet Member for Regeneration, Environment and Housing

Contact officer: Chris Chowns

### **Recommendations:**

That Cabinet:

- A. Agree to the launch of DriveNow and UbeeQo Car Clubs in Merton.
- B. Agree to fix the permit fee for floating car clubs paid to the council at £1,260 pa per vehicle for a three year period to the end of March 2023.
- C. Agree a 20% time limited discount for “electric only” vehicles on the full floating permit fee for a three year period to the end of March 2023.
- D. Give delegated authority to the Director of Environmental Services to approve the launch of additional accredited car clubs in Merton on a phased basis in consultation with the Cabinet Member.

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## **1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 In 2017 the council approved the making of a dedicated floating car club parking permit. The permit allows specified vehicles to park in any permit holder, resident only, shared use bay and un-regulated kerb space across the borough.
- 1.2 This permit was initially taken up by Zip Car on a non-exclusive basis, who launched their Flex service in spring 2017.
- 1.3 Typically at any one time there are now an average of 60 vehicles operating in the borough and over 6000 members.
- 1.5 Following the success of the Zip Car Flex scheme, this report seeks approval to expand the number of COMOUK (a nationally recognised charitable shared mobility organisation) accredited operators in the borough, including DriveNow, and UbeeQo.
- 1.6 The expansion of floating car clubs would meet a number of Local Implementation Plan (LIP3) and Mayor’s Transport Objectives (MTS), including reducing the need for residents to own a private car, improved air quality/health outcomes and indirectly supporting a switch to walking, cycling and public transport. Members are asked to:
  - Agree to the launch of DriveNow and UbeeQo Car Clubs in Merton.
  - Agree to fix the permit fee for floating car clubs paid to the council at £1,260pa per vehicle for a three year period to the end of March 2023.

- Agree a 20% time limited discount for “electric only” vehicles on the full floating permit fee for a three year period to March 2023.
- Give delegated authority to the Director of Environmental Services to approve, the launch of additional accredited car clubs in Merton on a phased basis in consultation with the Cabinet Member.

## **2. BACKGROUND**

- 2.1 The free floating car club model was first launched in London by Drivenow in December 2014. Zip Car flex was subsequently launched in Wandsworth and Merton between March and June 2017. Floating car clubs have since gone on to expand rapidly across the capital with schemes now operating across 19 boroughs and Heathrow Airport. There are now over 2000 free floating vehicles across London.
- 2.2 This operating model continues to expand from its central/northeast London core with the larger operators all announcing expansion plans in 2019. The car fleet principally comprises of petrol vehicles with electric vehicles increasingly joining the fleet. It is expected that this move towards electric vehicles will accelerate with major players all indicating an ambition to move towards an all electric fleet.
- 2.3 Residents and businesses in London are resigned to high travel costs, which is a major factor influencing travel choices. In particular, people doing less than 4000 miles per years can make significant savings on running costs. Car clubs provide a convenient means of access to a car for those journeys not easily undertaken by public transport, walking and cycling or as a reserve backup.

### **Enforcement/Operations**

- 2.4 Under the operating contract providers are required to supply a “white list” of all their vehicle registration numbers within the operator’s scheme boundary. Whilst the vehicle branding acts as initial visual check for enforcement. Follow up inspection of vehicle registrations on the “white list” can be undertaken if needed.
- 2.5 The council’s enforcement officers and parking management team who are responsible for enforcement of parking controls and permit allocations, were invited to meetings with operators. Parking attendants will be briefed prior to the launch of new providers to ensure the rollout is done effectively.
- 2.6 Air pollution has a significant negative impact on the health of all Londoners. The adverse effects range from worsening respiratory symptoms and poorer quality of life, to premature deaths from cardiovascular and respiratory diseases. It is therefore proposed to offer a 20% time limited discount for electric vehicle in recognition of higher purchase costs and to promote the rollout of cleaner vehicles into the operators’ fleets.
- 2.7 The council’s floating car club contract will also stipulate a minimum 25% (rising from 15%) of the fleet in Merton should be electric by the contract end. Subsequent contract renewals will raise this percentage.
- 2.8 The no-street electric vehicle charging network in Merton currently comprises of 92 (7Kw) Source chargers and 2 (43/50Kw) rapid chargers. By the time of launch (October 2019) this is expected to increase to approximately 135 Source

Charges (including 1 double bay 22kw charge station) and 5 (43 -50kw) rapid charge stations.

### **Policy**

- 2.9 There are a number of strategic and local priorities. These can broadly be described under the cross cutting themes of accommodating growth, improving the environment and reducing congestion. Car Clubs have an increasing role to play in achieving each of these objectives.
- 2.10 The Mayor's Transport Strategy sets a number of core outcome indicators including:-
- Overarching mode share aim – changing the transport mix.
  - London's streets will be healthy and more Londoners will travel actively.
  - Walking or cycling will be the best choice for shorter journeys.
  - London's Streets will be used more efficiently and have less traffic on them.
  - London's streets will be clean and green.
- 2.11 Increasing the take up of car club membership will indirectly support the above outcomes.
- 2.12 In addition to supporting the above, the councils Third Local Implementation Plan sets the following car club specific objectives:-
- *LO14 supports the growth of car clubs, where this can be delivered in a managed way to facilitate the doubling of car club membership to around 10,000 members.*
  - *LO15 The Council will explore the potential of using car club vehicles as an alternative to staff using their own vehicles (grey fleets) as well as by health providers and local business to reduce car trips..*

### **Proposed Rollout Approach**

- 2.13 It is proposed to allow new COMOUK (a nationally recognised charitable shared mobility organisation) accredited operators to launch services in the borough on a phased basis. Operators will be encouraged to reach as wide as possible populace.
- 2.14 However, it is recognised that operators are likely to focus on more densely developed areas, where car ownership rates are lower and financial viability is more assured. The Council will therefore continue to urge operators to expand their respective operating areas in Merton.
- 2.15 Where possible individual scheme launches will be staggered and the rollout of vehicles phased in over a number of weeks, thereby reducing the likelihood of vehicle clusters occurring and concerns from residents.
- 2.16 Each operating contract currently allows providers a maximum of 200 vehicles in the borough. Above this threshold financial penalties apply. There are no plans to change this threshold. Current operations sit well below this level.
- 2.17 Although most car clubs users are Merton residents, the visual prominence of the vehicles (all vehicles are branded) can raise issues regarding the use of resident parking bays, especially when vehicles remain static for a number of

days. Although the existing operator Zip Car has proved pro-active in responding to requests to relocate vehicles.

- 2.18 Some residents are therefore sceptical about the role and growth of car clubs and hence their potential to reduce car use and ownership. Operators will therefore be asked to promote more widely the community benefits in their marketing campaigns to help allay resident's concerns.
- 2.19 With population and employment growth, the online economy and home deliveries more streets are becoming inundated by parked cars and service vehicles to the detriment of road safety, air quality and people's health.

### **Car Clubs in Merton**

- 2.20 There are currently 3 car clubs operating in Merton including Zip Car (Flex and traditional back to base model), Enterprise (back to base model) and Blue City (point to point). Zip car is by far the largest operator.

### **Zip Car Flex**

- 2.21 The flex operational zone principally covers the northern half of the borough, although some minor expansion has occurred since it first launched. Following launch:-
- Merton car club membership now exceeds 6,000.
  - An average of 40 - 60 flex vehicles across the borough on any one day
  - Typically vehicle utilisation around 35%
  - Around 40% of vehicles operate within the borough
  - Around 60% trips enter and exit the borough.
- 2.22 Floating car club vehicles are able to park in Permit Holder, Shared Used Pay & Display, Resident Only Bays and unregulated kerb space across the borough.

### **Details**

- 2.23 Merton's population is currently around 209,421 people of these 165,233 are between the age of 16 and 64 who may aspire to drive. This number is projected to grow to 232,473 by 2030. Existing car ownership is approximately 78,497 (2016) vehicles or one per household.
- 2.24 Merton is currently delivering around 611 houses per year and its London Plan target is currently set at 1328 new homes. Assuming a modest 25% of these new homes have a car then car ownership over the next 10 years could easily increase in the range of 1,500 – 3,320 addition vehicles. Modelling by TfL also shows that by 2041 many more of our streets will be congested. It is therefore important that alternative travel choices are put in place.
- 2.25 Floating car clubs could play an important role in accommodating growth and meeting the council policy objectives of improving people's health, cleaner air, better streets and reduced traffic congestion.
- 2.26 Backroom management systems can allow the borough to request for specific bays to be barred to prevent users from parking e.g. in locations where more pro-active management is required e.g. adjacent to Wimbledon Theatre. However, these barred locations need to be kept to an absolute minimum to avoid compromising wider scheme viability and customer understanding.

- 2.27 Individual schemes would be managed via a legal agreement, this has been excluded for commercial confidentiality, but could be made available outside this Committee. This includes a formula to compensate the borough for operational variations in car numbers and monitoring regime.
- 2.28 Whilst it is not in the operators' interest to allow clustering to occur, should this occur then a number of management tools can be applied to encourage members to move the vehicles or if necessary customer service staff will relocate the vehicles. Based on the operation of Zip /car flexi in Merton, response times to borough queries has been very quick.

### **Ubeeque**

- 2.29 Operate a slightly different operating model of car club. This can best be described as back to area, although vehicle will be regulated using the floating car club permit and contract. The core differences being vehicles are geo-fence within Merton. This means that hires have to finish in the borough. Vehicles also have to be returned to a specific geo-fenced location, this might be a specific zone or number of streets. This approach helps to ensure a more even spread of hire vehicles and the need to rebalance where vehicles are parked. Similarly it avoids the need for dedicated spaces. Ubeeque also have an electric vehicle subsidiary.

### **DriveNow**

- 2.30 Already a significant floating car club operator in London with an expanding presence. Currently merging with Car2Go it is expected to operate with a mix of BMW and Mercedes vehicles, including electric only vehicles.

### **Overview of operators**

- 2.31 All the car club operators tend to target slightly different market segments, through pricing, vehicles and overall hire experience, although there is clearly a lot of commonality. Similarly vehicle management practices and member incentives also differ.

### **Benefits of Car Clubs**

- 2.32 Air quality and health concerns continue to rise up the political and health agenda, especially health issues associated with exposure to vehicle emissions. Experts believe the combined death toll from nitrogen dioxide and PM2.5 pollution in London is more than 9,000 a year. In Merton Road transport contributes around 135,000 of Tonnes/year of CO<sub>2</sub> and 478 Tonnes /year NO<sub>x</sub> to the atmosphere. Cars contribute a sizable 65% of CO<sub>2</sub> and 41% NO<sub>x</sub> of these emissions. Car clubs offer a means to reduce the harmful impacts of cars as well as reducing congestion.
- 2.33 It is envisaged that 15% of the car club vehicles will be electric in year 1 rising to 25% in year 3. The electric vehicle discount will reinforce this message to operators. The presence of more electric vehicles on-street will help promote the switch to cleaner vehicles and allow members to try electric vehicles for the first time.
- 2.34 Back in 2016, Comouk, the national body that promotes accessible shared transport including car clubs, shared bikes, and car sharing, published research on car club operations. Relevant findings are detailed below: -

### **Benefits of car clubs**

- **Free up parking spaces** – through members selling a car or deferring a planned purchase of a car.
- **Environmental benefits** – including improved air quality, reduced CO<sub>2</sub>/NO<sub>2</sub>/PM emissions through use of cleaner vehicles (particularly if electric vehicles are used in the fleet) and greater use of sustainable transport
- **Increased familiarity with electric vehicles** – making them more visible, desirable and accessible to a wider audience
- **Reduced costs of owning** – the true costs of owning a car (including upkeep, maintenance and depreciation) are often under-estimated by owners. Car club users can make significant savings when switching from private ownership.
- **Reduced costs of doing business** – car clubs can have financial benefits for businesses through rationalised business travel and reduced commuting by car.

#### **. 2.35 Based on a DriveNow frequently asked questions note.**

- For each round-trip car club vehicle, car club members sell or dispose of more than 10 private cars.
- A third of round-trip car club members reported that they would have bought a private car if they had not joined a car club.
- Joining a car club leads to lower levels of car ownership. 25% of new round-trip car club members and 22% of new flexible car club members had sold or disposed of a car in the last 12 months.
- Round-trip members reported an average reduction in miles driven of 730 miles a year. Flexible members reported a reduction of 840 miles a year.
- After joining a car club, new car club members often reduce their car use.
- Car club member's cycle and use trains and the Underground more than the average Londoner.
- 14% of round-trip members and 20% of flexible members have not used a car club vehicle in the last six months or have not yet made a car club journey. Membership is often seen as a backup option.
- Car club cars are safer than the average car: 88% achieve NCAP 5+ Star or 5 Star standard.
- Car clubs emit one tonne of carbon a year less than an average car for the same mileage and carbon emissions of London club cars are on average 20% lower than the typical UK private car.

### **3. ALTERNATIVE OPTIONS**

- 3.1 **Do- nothing option** - Based on membership growth the existing Zip car flex service is deemed a significant success story, if Merton chooses not to allow new services to operate within the borough then choice and competition would be limited thereby denying resident's access to more flexible and potentially much cheaper travel alternatives to owning a private car and a wider range of vehicles choices. It would also be increasing difficult to achieve borough and the London Mayor's transport objectives.

- 3.2 The way people travel and use services in London is changing rapidly with mobility as a service (MAAS) increasingly seen as a preferred choice for many people. Car clubs are seen as an integral part of this mix of emerging transport services.
- 3.3 **Option 1** - To offer a bigger floating car club permit fee discount for electric only vehicles to encourage operators to accelerate a switch to an all-electric fleet

| <b>Floating car club permit charge</b> | <b>Percentage discount (%)</b> | <b>Discount per permit (£)</b> | <b>Discounted cost per permit (£)</b> |
|--|--------------------------------|--------------------------------|---------------------------------------|
| £1,260                                 | 20                             | 252                            | 1008                                  |
|  | 30                             | 378                            | 882                                   |
|  | 40                             | 504                            | 756                                   |
|  | 50                             | 630                            | 630                                   |

#### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1 New operators are expected to undertake pre-launch marketing campaigns explaining the benefits of their respective schemes as well as recruiting new members.
- 4.2 Members of wards where new floating providers will operate will also be notified to help explain the benefits and mechanics of how individual floating schemes will operate. Different operators manage their fleets in slightly different ways and slightly different market segments, although there is clearly a lot of overlap.
- 4.3 No statutory consultations are required as the floating car club permit is already approved.
- 4.4 The Head of Parking and CCTV Services has been kept fully informed of the proposals.

#### **5. TIMETABLE**

- 5.1 Both operators are expected to launch in October, Drivenow with 30 - 40 vehicles and Ubeevo with 18 vehicles (these vehicles would be geo-fenced within Merton). Pre- launch marketing is expected to last 2-3 months. The operators will be encouraged to built-up their on-street presence over a couple of months to enable an early operational issues to be picked up quickly.

#### **6. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1 Based on a total of 48 additional vehicles operators might be expected to have a daily presence of around 108 vehicles across the borough,
- 6.2 When compared to around 78,497 (2016 figure) private vehicles in Merton (average of one per household and 20,000 + CPZ bays) this represents a small percentage of the overall demand for on-street parking spaces. This number

would be easily off-set by fewer residents purchasing new vehicles or retaining existing vehicles.

- 6.3 Based on a permit cost of £1,260 and 20% (applied on an average pro rata basis) discount for electric car club vehicle this could result in a total additional permit income of £66,528 pa. However, some existing income could be lost from deferred resident permits and lost Pay & Display revenue, although this is difficult to quantify.
- 6.4 For clarity all “Pay and Display” only bays and other specially designated bays e.g. disabled parking bays would remain to be excluded at this time, although this is allowed in some boroughs.
- 6.5 The expansion of car club operations in the borough would result in some legal costs in contract preparation and execution. Contract management and monitoring demands are expected increase within the future Merton team, especially during rollout.

## **7. LEGAL AND STATUTORY IMPLICATIONS**

- 7.1 The Director for Environmental Services has delegated powers to approve the signing of the legal contract setting out the terms and conditions for the issue of the floating car club permit to operators
- 7.2 It is not necessary to modify consolidated CPZ Traffic Management Orders as provisions have already been made. Similarly the floating car club permit type is already available.
- 7.3 If the recommendations at accepted there will be no need to use powers contained with Section 6 and Section 45 of the Road Traffic Regulation Act 1984 (as amended). The Council is required by the Local Authorities Traffic Order (Procedure) (England and Wales) Regulations 1996 to give notice of its intention to modify the Traffic Order (by publishing a draft traffic order).
- 7.4 Each operator, would be expected to sign a 3-year legal agreement setting how the scheme would operate, including annual fees, operator’s obligations and monitoring regime.

## **8. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 8.1 Car clubs provide opportunities for less affluent members of society to gain access to modern and safer cars, which might otherwise be unaffordable.
- 8.2 The expansion of car clubs would offer residents a greater choice of products and vehicles to use.

## **9. CRIME AND DISORDER IMPLICATIONS**

- 9.1 There is no evidence to suggest that car clubs vehicle are more prone to crime.

## **10. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**



- 10.1 Car Clubs operate with newer and hence cleaner fleets (including electric vehicles), which will help to reduce air quality impacts.
- 10.2 With expansion there is increased risk that in some high attractor locations and at zonal boundaries some clustering could occur. However, demand management tools are available to control this. As a last recourse locations can be excluded, although this can also have negative implications.
- 10.3 Clustering has not been issue with the existing Zip Car Flex scheme. On the few occasions where problems have arisen vehicles have been quickly relocated upon request by the council. Phasing the rollout of vehicles will also help balance demand.
- 10.4 Based on car club operations in the neighbouring borough of Wandsworth where 5 car clubs already operate (including 2 free floating car clubs) membership has reached over 14,000 which no significant issues being reported.
- 10.5 Mobility services are a fast evolving area and less well managed car sharing operational models could fill a service vacuum.

**APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

None for the purpose of this report.

**BACKGROUND PAPERS**

None for the purpose of this report.

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