

INVITATION TO COMMENT ON PROPOSALS ON THE FUTURE FUNDING AND OPERATION OF THE USED PASSENGER CAR FUEL ECONOMY LABEL SCHEME

This invitation was launched on 15th July 2011 and seeks comments on proposals on how the Used Passenger Car Fuel Economy Label scheme will be funded and operated after March 2012, when the current financial support from the Department for Transport ends.

Invitations were made to the Society of Motor Manufacturers and Traders (SMMT); Low Carbon Vehicle Partnership (LCVP); Retail Motor Industry Federation (RMIF); the Driver and Vehicle Licensing Agency (DVLA); Vehicle Certification Agency (VCA); Devolved Administrations, consumer groups, as well as to other industry stakeholders, businesses, external service providers (such as those who provide the used car market sector with credit, finance, insurance and police checks on cars offered for sale).

The formal closing date for responses is **Friday 26th August 2011**. Please send your written responses to **Andrew Kelly (andrew.kelly@dft.gsi.gov.uk)**.

Summary of proposals

The label itself was an initiative developed by the Low Carbon Vehicle Partnership (LCVP) in 2009 with support from the Retail Motor Industry Federation (RMIF) and the Society of Motor Manufacturers and Traders (SMMT). Since its launch, delivery of the scheme has been managed and maintained by the Vehicle Certification Agency (VCA), supported by Department for Transport who provided funding for the first 18 months.

After 31st March 2012, that support will come to an end but, because the used car label has become well established with both used car dealerships and consumers, DfT would like to see it continue. To enable this to happen, the Department would like to allow competent external service providers to take over distribution of the labels, whilst ensuring that there is no cost to either participating car dealerships, or consumers.

The background to the scheme itself is set out (at **Annex A**).

What this would mean in practice is that, with effect from 1st April 2012, external providers could manage the scheme, and provide UK dealerships with the relevant information in order to download and print a used car fuel economy label, just as they currently do now. An overview of how this proposal could work is attached (at **Annex B**).

For the purposes of the Used Passenger Car Labelling scheme, the term "external service provider" is intended to mean any competent external (ie, non-Government) organisation or business that may have an interest in managing the scheme - for example, organisations who currently provide financial, credit, insurance or police checks of vehicles offered for sale in the use car market . Any such provider that wished to enter this arrangement would need to work within the provisions of a Framework Agreement drawn up by the Department. In return, such providers would be approved, by the Department, as "authorised providers of the used car label", and

would then be able to generate and take advantage of any business opportunities arising from their distribution of the labels.

The Department believes that the Used Car Fuel Economy Label scheme is a useful tool in helping consumers make informed purchasing choices and to encourage them to choose passenger cars that are economical to run and therefore, which can contribute towards reducing the UK's CO2 emissions in road transport. To date, 360,000 labels have been printed and distributed amongst the used car sector, and just under 2,500 used car dealerships are registered to use the scheme.

The Department takes the view that the Used Car Label scheme has a useful role to play in the wider context, and is, therefore, keen to keep the scheme functioning. The Department also recognises that the scheme needs to be seen as trustworthy by dealerships and consumers, who need to know that the information on the labels will remain accurate and consistently presented, as well as being free to use. The Department believes that allowing competent external providers the opportunity to take over the scheme offers the most cost-effective and efficient way of retaining it. It is on this proposal we seek your views.

There are ten questions attached (at **Annex C**) to which we would like you to respond, and a copy of the current used car fuel economy label is also provided, for information purposes only, (at **Annex D**).

At this time we are not seeking views on the way the existing scheme currently functions, or how it might be improved. Instead, we would like to focus on views on the broader issue of how the Used Car Fuel Economy Label Scheme can best be enabled to continue after funding from Department for Transport ceases in March 2012.

Future funding and operation of the Used Passenger Car Fuel Economy Label scheme

Background.

The consumer-facing used car label initiative was developed by the Low Carbon Vehicle Partnership (LowCVP), a cross-industry body (on which industry, NGOs, Government and universities are represented), which recognised that fuel consumption, CO₂ emissions, fuel economy and VED information would be very helpful in informing their purchasing choices, particularly as there is a trend for purchasers to downsize their cars and look for lower running costs.

The UK used car market is a large sector with sales of second-hand cars accounting for nearly 7 million car sales annually, and worth £32.4 billion¹, so being able to influence consumers to choose used cars with lower carbon emissions would be helpful in reducing CO₂.

As part of the Government's strategy to reduce CO₂ emissions from road transport, and to encourage consumers to have access to the relevant information to help make informed purchasing choices, the voluntary Used Car Fuel Economy Label scheme was rolled out on a voluntary basis in August 2009, and formally launched in November 2009.

The Department agreed to provide funding for the development of the label and supporting systems, and, furthermore, gave a commitment to continue funding the project for the first 18 months, enabling used car dealers to participate in the scheme at no cost.

The Vehicle Certification Agency (VCA) developed an online tool to allow used car dealers access to the used car database in order to download and print labels to display on the specific cars they are selling. The Department's current funding enables VCA to host and maintain the scheme.

The scheme is designed to give consumers clear 'at a glance' information on the running costs, fuel consumption and environmental performance of used passenger cars offered for sale from participating UK dealerships. The colour-coded label provides easy to read information on a car's make and model along with its CO₂ emissions, estimated fuel cost over 12,000 miles and MPG.

The design of the used car label (**Annex D**) is, as it is intended to be, very similar to that used for the new car fuel economy label. By using very similar types of labelling, it is hoped to promote a sense of familiarity, harmonisation and trust amongst consumers.

Private sales, however, are not currently included in the scheme.

¹ Office of Fair Trading: *The second-hand car market, An OFT Study*, March 2010 (ref: OFT 1217)

Overview of how external service providers will operate and manage the scheme after 31st March 2012

After 31st March 2012, Department for Transport funding of the Used Car Fuel Economy Label scheme will come to an end, which will result in VCA being unable to support the scheme after that date. The Department would like to propose that external service providers who may already (but not necessarily) have an interest in this market sector (for example, organisations or businesses that may already provide a similar service to the used-car market by carrying out finance, credit, police and insurance for dealerships offering used cars for sale) will take the work forward.

The key priorities of such a proposal are:

- That the scheme, from the perspective of both car dealers and consumers, will not differ significantly from the way the scheme functions at the moment;
- That any costs associated with the operation and functioning of the scheme are not passed on to either car dealers or consumers;
- That the data source(s) on fuel consumption and CO2 emissions, used by external service providers, are reliable and accurately reflect the figures which were cited in the original type approval documentation of the vehicle when it was new;
- That the label itself will continue to be designed and structured in the same way that it is at the moment, and that any future changes in label design and content will be applied consistently by anyone who is participating in the scheme;
- That the activities of external service providers can be regularly assessed and tested to ensure that the integrity of the label is assured and that the information provided in it is accurate and reliable.

In order to ensure a level playing field between potential external providers, and to establish a standard, minimum level of service that helps inform consumer choice by providing consistent and reliable information about a used car's fuel consumption and CO2 emissions, the Department proposes that a Framework Agreement is put in place. Participation in the scheme will be voluntary, but compliance with the agreement would not, and so require all external service providers to comply with a common set of criteria, so that when consumers are faced with such information in a used car showroom, they can be confident of its provenance and have trust in the integrity of the label and the scheme as a whole.

External providers would be expected to demonstrate their competency by meeting a core set of criteria in delivering a reliable and reputable service. Such criteria would be set out in detail in the Framework Agreement and would include, for example, requirements for all providers to ensure that information on the used car label is provided in a single, harmonised format, so as to avoid confusing consumers. Furthermore, the data provided on the label would need to be reliable and verifiable so that consumers can trust it (within its limitations).

This means that fuel consumption and CO2 emission figures can, if necessary, be verified against the original vehicle's type approval and certificate of conformity criteria. The proposal envisages that both the Department for Transport and the Vehicle Certification Agency would be responsible for ensuring that the provisions of the Agreement are adhered to, and that periodic checks are carried out on the quality of the data used on labelling.

External providers would be expected to set up a mechanism to allow monitoring and evaluation of the scheme; to assess the way in which it is delivered to consumers and to take steps to promote and encourage used car dealerships, and other business outlets, to participate in the scheme.

Furthermore, the Department would like to see external providers encourage used car dealerships to display the label on the cars they are offering for sale - an activity that has begun to gain currency within this sector since it can be used as a positive selling point as well as giving dealerships the opportunity to demonstrate their "green" credentials, since this an area that consumers are beginning to show an expectation of when looking at cars to buy.

The Department, in support with VCA, would, through the voluntary Framework Agreement, endorse compliant external providers as being an "authorised distributor" of the used car label, and allow them the commercial opportunity that the label may give them to advertise and offer their other services to both individual consumers, as well as car dealerships. The agreement would normally be renewed annually.

The scheme would be open to any external service provider operating in either Great Britain or Northern Ireland, and any used car dealership will be able to participate if they so choose.

The Framework Agreement

It will be an entirely business decision whether or not external services providers wish to engage in managing the Used Car Fuel Economy Label scheme, but should they choose to do so, they will be required to comply with specific criteria in order to ensure that the scheme is applied consistently across the used car market, that the label follows a core design and that the information is both presented in a clear way, and that such information can be verified against the original figures used during the car's type approval. The Framework Agreement will cover specific aspects related to the scheme. These will include:

- The role and responsibilities of the Department for Transport;
- The role and responsibilities of external providers;
- The core requirements of the used car label;
- Access to, and use of, authoritative and verifiable fuel consumption and CO2 emissions data;
- The administration of the scheme;
- The monitoring and evaluation arrangements;
- A complaints procedure;
- Amending or changing the agreement;
- Consumer rights and associated legislation;
- The conditions under which either signatory can terminate the agreement;
- Who takes part and who to contact.

QUESTIONS

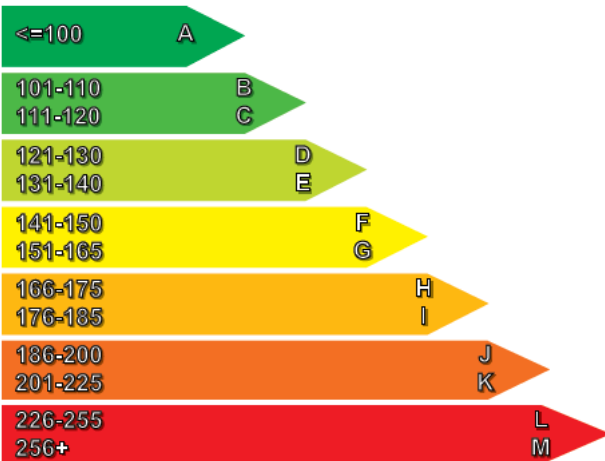


Questions	Yes	No	Additional Comments
1. Do you think that the Used Car Fuel Economy Labelling scheme should continue after 31 st March 2012?			
2. If you do support the continued existence of the scheme, would you also support the proposal to allow external service providers (as defined in the letter) to operate the scheme?			
3. If you do not support the proposal to allow external service providers to operate the scheme, what alternative method(s) of running the scheme do you think would be more effective?	<i>(Please provide details explaining what an alternative administrative structure of the scheme might look like, and how it could work)</i>		
	Yes	No	Additional Comments
4. If you do support the proposal for allowing external service providers to operate the scheme, would you support the proposal for the Department for Transport to oversee the			

administration and monitoring of the scheme after 31 st March 2012?			
5. If you do not think that the Department for Transport should administer and monitor the scheme, what alternative arrangement would you like to see in place?	<i>(please provide details of what alternative arrangements you think could work)</i>		
	Yes	No	Additional Comments
6. Do you think that the proposed use of external service providers, and the use of a Voluntary Framework Agreement will, as far as possible, ensure that the label itself (format, design, structure), and the data used for fuel consumption and CO2 emissions, will be harmonised, consistent, reliable and trustworthy?			
7. Do you think that a Framework Agreement is the most effective way to achieve a minimum level of service from external service providers?			
8. If you think that a Framework Agreement will be the best way to manage external service providers, do you think any			

additional elements (to those already described above) should be included?			
9. If you do not think that a Framework Agreement is the best way to ensure harmonisation and compliance amongst external service providers, what alternative process do you think would work better?	<i>(please provide details about such an alternative)</i>		
	Yes	No	Additional Comments
10. Do you have any other comments relating specifically to these proposals for the future functioning of the scheme?			

Used Passenger Car Fuel Economy Label

Figure 1 - Used Car Label

Fuel Economy - Used Cars		Reg No. ABC 123A
CO₂ emission figure (g/km)  <p>Scale: A (≤100), B (101-110), C (111-120), D (121-130), E (131-140), F (141-150), G (151-165), H (166-175), I (176-185), J (186-200), K (201-225), L (226-255), M (256+)</p>		D 127 g/km
Fuel cost (estimated) for 12,000 miles <small>A fuel cost figure indicates to the consumer a guide price for comparison purposes. This figure is calculated by using the combined drive cycle (town centre and motorway) and average fuel price. Re-calculated annually, the cost per litre as at Mar 2009 is as follows – petrol 88p, diesel 100p and LPG 51p.</small>		£926
VED for 12 months <small>Vehicle excise duty (VED) or road tax varies according to the CO₂ emissions and fuel type of the vehicle.</small>		£120
*Important Note The fuel consumption figure shown is taken from the official test results obtained from this vehicle type when new. It is intended to provide a standard figure for comparing the relative fuel economy of different vehicles of a similar age and condition and does not represent the average fuel consumption that will be achieved on the road. A number of factors not included in the official new vehicle test will affect the fuel consumption achieved on the road including: vehicle age, how it has been maintained, road/weather conditions and driving style.		
Make/Model: Ford New Focus 1.6 Duratorq TDCi (110PS)		Engine Capacity (cc): 1560
Fuel Type: Diesel		Transmission: M5
Fuel Consumption:		
Drive cycle	Litres/100km	Mpg
Urban	6.2	45.6
Extra-urban	4.0	70.6
Combined	4.8	58.9
Date of First Registration: 30/09/2007		
		
To compare fuel costs and CO₂ emissions of used cars (since March 2001), visit www.vcacarfueldata.org.uk		