

Executive

20 May 2021

Report of the Director, Transport, Environment and Planning
Portfolio of the Executive Member for Transport

Reducing Emissions for First and Last Mile Light Goods Deliveries in York

Summary

1. The City of York Council have been successful in receiving funding from DEFRA's Air Quality grant.
2. This funding will be used to address delivery of light goods by HGVs and LGVs, aiming to reduce emissions of nitrous oxide, particulate matter and carbon dioxide associated with delivery vehicles.

Recommendation

3. The recommendation is to accept the funding from DEFRA to be used to address emissions associated with deliveries in the City, and to accept the plan for the funding as outlined in the body of the report, and the conditions that are attached with the funding. To also delegate to the Corporate Director of Place (in consultation with the Director of Governance or her delegated officers) the authority to take such steps as are necessary to procure, award and enter into the resulting contracts (this is the option recommended by Officers).
4. Officers will return to the Executive in Autumn 2021 with further information on implementation of the scheme, and further details of the pilot scheme.

Background

5. The City of York Council have been successfully awarded £297,237 from the Department of the Environment Food and Rural Affairs (DEFRA) Air Quality Grant Scheme.

6. The funding awarded will look at measures to address air quality within the city, with a focus on emissions associated with deliveries.
7. York has areas of poor air quality located around the inner ring road which are included in York's Air Quality Management Area (AQMA). This funding will help to address the associated emissions from delivery vans, HGVs and LGVs delivering light goods.
8. The project will assist York in delivering three aspects of the Air Quality Action Plan (AQAP3 and future iterations). These are:
 - reducing emissions from freight;
 - local incentives for low emission vehicles and alternative fuel use, and;
 - attracting low emission industries, business and jobs to York.
9. The project also supports current and ongoing work to improve air quality, including York's Clean Air Zone (CAZ), and supports the development of York's fourth Local Transport Plan (LTP4).
10. The project also contributes to a number of other council priorities, including the 2030 carbon neutral ambition, the motion to restrict non-essential private vehicles entering the historic city walls, and changes and expansion of the footstreets in response to COVID.

Low emission deliveries

11. The fastest growing expansion of road vehicles in urban areas are vans and LGV's¹, and with deliveries also expected to increase, there is a need to address HGV and LGV movements in York, especially the city centre.
12. The first and last mile of deliveries refers to the beginning and end part of a delivery. This is an important focus, as this is the least efficient part of the delivery process in terms of time, emissions and congestion.
13. Use of low emission transport modes, such as e-cargo bikes and ultra-low emission vehicles, for the first and last mile of delivery help to address the issues of time, emissions and congestion.

¹ Independent Transport Commission. 2017. <https://fncdn.blob.core.windows.net/web/2/cf-files/itcurbandistribution2017.pdf>

14. To facilitate the use of low emission transport modes for the first and last mile of delivery, an interchange or consolidation centre is required. Such a facility allows for an exchange of goods and change of delivery mode, e.g. from van to e-cargo bike.
15. Reducing deliveries from HGVs, LGVs and vans is expected to enable a reduction in associated emissions. There may also be additional benefits of reducing movements of HGVs, LGVs and vans especially within the city centre, including improving pedestrian safety and a potential reduction in damage from such vehicles to historic monuments.

Outline of project

16. The funding bid will support two main projects; (1) a feasibility study and (2) a pilot project. Both the feasibility study and pilot will be contracted out, through CYC's procurement process. Annex 1 provides an overview of the planned project spend.

(1) Feasibility study

17. The feasibility study will provide recommendations for the city on sustainable option(s) for moving freight, with a focus on light goods, and apply the principles of first and last mile delivery. The study will review current movements and exchange of light goods to/from businesses, particularly those in the city centre, and assess baseline emissions related to this activity.
18. Funding will also support an update to York's Smart Travel Evolution Programme (STEP) project. This will ensure that deliveries can be effectively incorporated into the existing transport model.
19. Engagement will be undertaken with businesses and delivery companies operating in York as part of the feasibility study. This will build on existing engagement between the council and local businesses to understand both current delivery movements, and potential impacts of proposed solutions on existing deliveries. Understanding local delivery movements and needs will ensure the most appropriate sustainable option(s) and solution(s) for moving freight (light goods) in York are identified.

20. A literature review will be undertaken to understand best practice from other cities.
21. The feasibility study will highlight short and long-term options for the council in addressing emissions associated with deliveries. The costs and benefits of each option will be highlighted. It is also expected that suitable locations will be identified for any suggested infrastructure. The study will also highlight the role of the public sector in facilitating change and identify potential partner organisations.

(2) Pilot Project

22. The pilot project will be informed by the early results of the feasibility study. At this point in time, it is envisaged that the pilot project will look to test a micro-consolidation centre model for commercial light goods. This would act as an interchange for larger vehicles to drop off goods and would enable the first and last mile of delivery to be undertaken by a low emission transport mode. A sustainable courier service would also be procured to undertake the first and last mile of delivery.
23. The pilot project would look to start in Autumn 2021. The pilot will provide an opportunity to test the early findings of the feasibility study and, as this is running concurrently, will act as a 'living lab' to feed insights back into the feasibility study.
24. The pilot would look to run for 12 months, until Autumn/Winter 2022, in line with funding requirements. Further information on the project plan can be found in Annex 2.

Discussion

25. The funding awarded from Defra will support a number of the City's objectives including contributing to the ambition to be carbon neutral by 2030, and expansion of the footstreets in response to COVID.
26. The feasibility study will provide York with a set of recommendations and options for addressing freight movement in the city, and will take into account existing low emission delivery options provided in York.

27. This funding will enable and build on existing engagement with businesses, especially those in the city centre, to understand local delivery movements and potential future delivery needs.
28. The pilot will provide a testbed for a first/last mile delivery option, showcasing how such a solution could work for York. Lessons learned will be fed-back into the longer-term recommendations for reducing emissions associated with HGVs and LGVs in York.

Council Plan

29. This funding contributes to key council priorities including; a Greener and Cleaner city and Getting Around Sustainably.

Implications

Financial

30. The £297k grant award is new revenue funding that will enable the activity outlined in Annex 1 to be completed. There is a requirement for a 10% council match funding and that can be contained within existing council funded resources.

Human Resources (HR)

31. The funding includes staff resource to project manage both the feasibility study and the pilot.

Equalities

32. The Equalities Impact Assessment (EIA) is attached in Annex 3

Legal

33. It is understood that a feasibility study and pilot project will be commissioned using this funding, therefore any proposed works and/or services will need to be commissioned via compliant procurement route under the Council's Contract Procedure Rules, and the Public Contract Regulations 2015 if the value of the feasibility study and pilot project exceeds the relevant procurement threshold of £189,330.
34. The funding will also be subject to the UK Subsidy Control Rules, which replaced the previous European State Aid Rules on 31st

December 2020. It is Legal Service's however view that the funding will comply with these rules set out below.

Under the new Subsidy Control rules, the aim is to determine whether a funding will have any appreciable risk of triggering a dispute with any international trade partner(s) of the United Kingdom. This is not just in relation to the UK-EU Trade and Co-operation Agreement ("**UK-EU TCA**"), but also under the terms of the World Trade Organisation ("**WTO**") rules, or the United Kingdom's other Free Trade Agreements ("**FTAs**") and the Northern Ireland Protocol (if a subsidy measure is likely to have any impact on trade between the EU and Northern Ireland).

Firstly it is Legal's view that the funding fails to meet all the relevant criteria of a "**subsidy**" under the new rules, and therefore the funding falls outside the scope of these international agreements.

The definition of a subsidy differs subtly between the United Kingdom's international agreements. Article 1 of the WTO Agreement on Subsidies and Countervailing Measures ("**ASCM**") sets out a baseline definition, which the FTAs (most notably the UK-EU TCA) build upon this definition in different ways. It is worth noting that the WTO ASCM rules only apply to the provision of goods, so arguably are unlikely to apply directly to any funding awarded in this instance.

The Northern Ireland Protocol will not apply in this instance, as it is highly unlikely this funding will have any impact on trade and investment between Northern Ireland and the rest of the European Union.

However, other individual FTAs (including the UK-EU TCA) contain definitions relevant to this funding. Whereas the definitions in the UK-EU TCA and the other FTAs are each different, this is most often through the extension of the WTO ASCM definition to cover the supply of services as well as goods. The BEIS guidance states that, in simple terms, there are **four key characteristics** of a support measure that are likely to indicate that it would be considered a subsidy:

- a subsidy must constitute a **financial (or in kind) contribution** – funding, such as the kind in this instance, generally meet this requirement;

- the financial contribution must be provided by a "**public authority**", including, but not limited to, central, devolved, regional or local government – again, the funding would meet this criteria;
- the award of the subsidy must **confer a benefit on the recipient** in the sense of an economic advantage that is not available on market terms.

Again, it is arguably the case that because the funding would provide CoYC with funds that it otherwise would not have had access to, and the funding being provided under this Scheme are targeted at specific recipients within a defined geographical region, so this heading could also apply in this instance.

Further, again as CoYC is not engaged in any economic activity in connection with this project. The project is to assist CoYC to comply with its statutory duties with respect to air quality standards under the Environment Act 1995; CoYC itself will not be using this funding to provide any goods and/or services on to any existing market;

- the subsidy must cause **a material distortion in or material harm to competition, trade or investment.**

Arguably, in terms of any potential material distortion in or material harm to competition, trade or investment:

- the funding in this instance is unlikely to have such a material effect under the UK's FTAs with countries beyond the scope of Europe, like for example Japan and South Korea, given the specific and highly localised nature of this project and the value of the funding being sought; and
- concerning any such effect on competition, trade or investment between the UK and EU, again the funding should not have any material impact for the reasons outlined immediately above.

Notwithstanding and without prejudice to the arguments raised above, it is Legal's view that the funding in this instance meets each of the following principles set out within the UK-EU TCA for the following reasons:

<i>The funding pursues a specific public policy</i>	The funding will be used to identify measures to reduce emissions from delivery vehicles. Delivery vehicles currently
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<p><i>objective to remedy an identified market failure or to address and equity rationale such as social difficulties or distributional concerns (“the objective”)</i></p>	<p>contribute to air quality breaches in the City of York, for which the market does not pay for. The project will look at reducing air pollution from delivery vehicles and will consider the provision of enforcement and incentives to encourage the switch to alternative, lower emission transport mode(s) and models of moving light goods in the city.</p>
<p><i>The funding is proportionate and limited to what is necessary to achieve the objective</i></p>	<p>The funding is for a feasibility study based on previous studies carried out by other local authorities.</p> <p>The funding ask is also for a pilot project also based on previous calculations from the Council and quotes from relevant companies to achieve a 12 month pilot study. The amount of funding asked for is strictly and specifically limited to this projects.</p>
<p><i>The funding has been designed to bring about a change in the behaviour of the Council and its clients that is conducive to achieving the objective, and that would not be achieved in the absence of subsidies being provided</i></p>	<p>The funding will enable the Council resource for this project.</p> <p>The funding will also enable a number of City stakeholders to be brought together as part of the project. The funding also enables the Council to undertake a feasibility study which will provide a longer-term plan on how to deliver low emissions from deliveries, with the pilot project informing practical application of suggestions from the feasibility study. Both aspects of the project would not be achieved in the absence of the funding.</p>
<p><i>The funding does not compensate for the costs CYC would have funded in the absence of any subsidy</i></p>	<p>The funding enables resource and delivery of the feasibility study and pilot project, as outlined above.</p>
<p><i>The funding is an appropriate public policy instrument to achieve a public policy objective, which cannot be achieved through other less distortive means</i></p>	<p>The funding is the appropriate instrument for this project. The public policy objective is to reduce emissions and improve local air quality in York, especially in areas where this is being exceeded. There is currently a lack of incentives and/or enforcement to encourage delivery operators to change their delivery model or mode. The feasibility study will help set out potential measures for York to enable reductions in emissions, and the pilot project will help demonstrate how such a model could be implemented.</p>
<p><i>The funding’s positive contributions to</i></p>	<p>The funding is highly unlikely to have any negative material impact on trade or investment between the EU and UK, or</p>

<p><i>achieving the objective outweigh any negative effect, in particular the negative material effects on trade or investment between the EU and UK</i></p>	<p>any of the UK's other responsibilities to its other international trade partners, for the reasons outlined above.</p>
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Crime and Disorder

35. There are no crime and disorder implications.

Information Technology (IT)

36. There are no IT implications.

Property

37. Council assets which may be available at the time of the pilot phase of the project will be considered for use to aid the project.

Risk Management

38. The funding conditions are outlined in Annex 1.

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Report **Date** 10 May 2021

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Approved

Wards Affected: All wards.

For further information please contact the author of the report

Background Papers:

None

Annexes

Annex 1: Outline of Grant spend

Annex 2: Project Plan

Annex 3: Equalities Impact Assessment