Pre-Budget 2024
Submission

MPI Mobility Partnership Ireland

Moving Sustainable Transport Forward

About Mobility Partnership Ireland (MPI)

MPI is Ireland's leading coalition of shared sustainable mobility providers representing car sharing, bus travel, ride-hailing, e-cargo and bike sharing modes of transport. Our members include Bleeper, Enterprise Holdings, Moby, Aircoach, Yuko, GoCar, Payzone and FreeNow.

Our vision is for Ireland to develop as a global leader in shared sustainable mobility by placing the needs of transport users at the heart of transport policy, enabling innovation, promoting public health, and supporting climate action.

Key Priorities

- **Applying a minimal VAT rate on the hire of (e-)bikes**
- **Introducing a tax-free shared mobility allowance**
- **Simplifying the reduced VAT rate on car sharing**
- **Introducing a minimal VAT rate for commercial bus operators**

Policy Context

As Ireland emerges from both the pandemic and the lingering cost-of-living crisis in a strong position, attention returns towards addressing the climate crisis and its impact on generations to come. Ireland's public finances are performing well and provide the Government with a unique opportunity to act on climate action.

MPI strongly welcomes the Government's sectoral emissions ceilings, requiring Ireland's transport sector to reduce emissions by 50% between 2018 and 2030. However, in order to make this a reality, the current transport system needs to urgently undergo a systemic transformation.

This became apparent in the OECD's report on *Redesigning Ireland's Transport for Net Zero*[1] and more recently in projections by the Environmental Protection Agency (EPA), which showed that on its current trajectory, Ireland will fail to achieve its emissions reduction targets. Transport-related greenhouse gas emissions are expected to decrease by 41%, falling short of the 50% target.[2]

If Ireland wants to meet this target, a long-term multimodal shift and systemic changes in people's transport behaviour are required. To do so, Government needs to act now and incentivise the use of shared sustainable mobility.

MPI's recommendations

1. APPLYING A MINIMAL VAT RATE ON THE HIRE OF (E-)BIKES

The current situation: The bike sharing and rental market in Ireland operates under very lean profit margins. Operating costs like staff, insurance and the acquisition of new bikes are higher than in many European countries and they continue to rise, while customers expect a continuation of low prices. As a result, all major Irish operators – both private and public – are currently facing losses.[3] While public bike sharing schemes can withstand the current inflationary pressures, commercial operators are experiencing their full impact. Urgent action is needed now to ensure that the ambitious startups and owner-operated small businesses that drive the Irish bike hire industry survive.

The solution: As part of a new agreement on VAT rules reached by the European Commission, member states can apply to no more than 7 items a reduced VAT rate lower than the minimum of 5% or an exemption with the right to deduct input VAT rate on items that support the EU's climate change priorities. The list of items which can be considered under these rules includes the hire of bicycles and e-bicycles due to their favourable impact on the environment.[4]

Since the new EU VAT rules have entered into force in April 2022, member states can now implement them on a national level via legislation. In December, Portugal availed of the opportunity and reduced its VAT rate on the supply, rental and repair of bikes and e-bikes to 6%.[5] This compares to currently 13.5% (short-term hire) and 23% (long-term hire) in the Irish context.

MPI urges the Irish Government to follow its Portuguese peers and take advantage of the opportunity provided by the EU agreement, which would make Ireland a pioneer in the modal shift towards active travel. We appreciate, that this is currently being considered[6] and recommend applying the minimum VAT rate allowed under EU rules on the hire of bikes.

Why – the benefits: Acting as a clear signal of support to consumers, this will encourage the hire of bicycles and ensure continued low prices.

Moreover, investment in cycling is recognised as carrying a multiplying effect in terms of spillover benefits in the areas of health and environment. Ireland's National Cycling Policy Framework (2009) estimates that every €100 million invested in cycling in Ireland could secure a return of €400 million.[7] UK figures come to a similar conclusion, suggesting that every £1 spent on cycling brings with it benefits worth £5.50.[8]

2. SIMPLIFYING THE REDUCED VAT RATE ON CAR SHARING

The challenge: Currently, a standard VAT rate of 23% applies when a person uses a shared vehicle for more than 5 weeks within one year.[9] Where a vehicle is hired for less than 5 weeks or 35 days, a reduced VAT rate of 13.5% is applicable.[10] This effectively penalises frequent users of car sharing services. MPI members represent the vast majority of the car sharing market in Ireland and several hundred journeys are made each year in excess of 5 weeks.

In addition to this, fleet operators face a significant bureaucratic burden, as the reduced VAT rate currently applies to 35 days cumulatively (instead of consecutively). When a customer starts using the service at the start of the year, it is unclear if the usage will exceed 35 days and which VAT rate will therefore be applicable. As a result, operators are expected to absorb the financial impact caused by the retrospective application of standard VAT rate and they are also required to invest extensive administrative resources into this process.

The solution: MPI recommends changing the VAT rule on short-term vehicle hire, so the reduced VAT rate applies to car sharing periods of 35 days consecutively (instead of cumulatively) within 12 months. This would significantly reduce the bureaucratic process and create clarity on the VAT rate in advance of each transaction. The standard VAT rate would then apply for car hires of more than 35 days, and it would not have a retrospective impact anymore, ensuring certainty for both the customer and the fleet operator.

Paragraph 19 (d) Schedule 3 of the VAT Consolidation Act 2010 should be updated to read “a caravan, mobile home, tent or trailer tent, to a person under an agreement (other than an agreement of the kind referred to in section 19 (1)(c)) to the same person during the 12 months ending on the date of the beginning of the existing hiring, does not exceed 5 weeks.”

Cost: Traders are currently not required to identify the VAT yield generated from the supply of specific goods and services on their VAT returns, which makes it difficult to provide a VAT yield on car sharing. However, based on the operators’ own experience, only a very small percentage of car sharing users currently exceeds the 35-days rule. Amending the legislation to allow for 35 days consecutively is not expected to have a significant impact on VAT returns.

The car sharing customer:

- Uses a car sharing vehicle for 1 day per week to take an elderly relative shopping.
- January to August – within 35 days in 12 months, so 13.5% VAT is payable on all trips.
- From the last week in August – rents for a 36th day and:
  - VAT is chargeable at 23% for remaining trips.
  - The same trip will increase in cost, discouraging regular use.

The small business owner:

- Rents a car for 14 days to assist with peak Summer period – VAT chargeable at 13.5%.
- As a result of a car breaking down and being unable to afford a replacement, they rent a car for an additional 14 days in November.
- Looks to rent a car as normal for 14 days at Christmas to cover peak period:
  - The planned 14-day rental exceeds the 35 days in 12 months rule – 42 days in total.
  - At the point of the third rental, VAT is chargeable at 23%.

3. INTRODUCING A MINIMAL VAT RATE FOR COMMERCIAL BUS OPERATORS

In 2019, commercial bus operators served 30.2 million passengers, accounting for more than half of all kilometres operated by scheduled bus services.[11,12] Commercially operated bus services complement the publicly operated bus routes and offer Irish residents an alternative to private car usage. For tourists, privately operated bus routes often provide the easiest and most cost-efficient solution to travelling the country.

The industry was heavily impacted by pandemic-related travel restrictions and inflationary pressures and high fuel costs have steadily reduced profit margins in recent years. Skyrocketing operating costs are further exacerbated by the unequal VAT treatment of commercial bus operators north and south of the border, leaving Irish operators at a significant commercial disadvantage.

Cross-border bus routes are well established, whereby Northern Irish commercial bus services operate south of the border and vice versa. This puts Northern Irish operators and Irish operators in direct competition. However, both are currently subject to different VAT rules, despite operating in a very similar market environment.

In Northern Ireland, commercial bus operators are subject to a 0% VAT rate.

This means, operators can reclaim the VAT paid on inputs such as fuel and engineering material.

In Ireland, the transport of passengers is currently treated as exempt from VAT.

As a result, Irish operators are not entitled to reclaim the VAT paid on inputs.

Impact: Irish commercial bus operators are at a commercial disadvantage, as they are paying VAT on their operating costs, making them significantly higher than those of their Northern Irish counterparts. As a result, they are less able to weather the current challenging market conditions and many see themselves forced to pass these rising costs on to their customers.

Solution: MPI acknowledges the limitations set by the EU VAT Directive. However, Government needs to reconsider all potential avenues to resolving the currently existing disparity if it wants the Irish bus sector to survive in its current form.

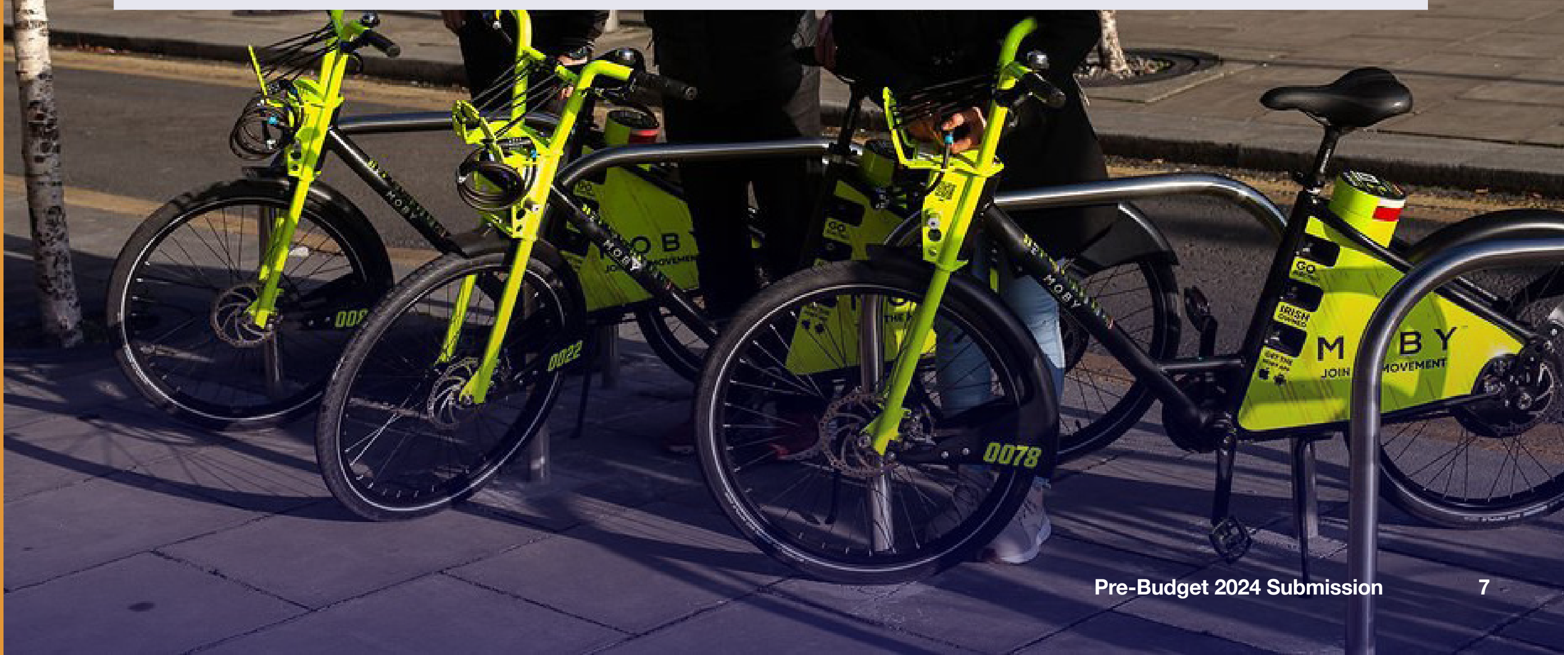
4. INTRODUCING GRANTS FOR E-BIKE CHARGING INFRASTRUCTURE

MPI welcomes the prioritisation of the delivery of EV charging infrastructure by ZEVI. While we recognise that ZEVI currently does not oversee micro mobility, we believe charging infrastructure should be expanded to all modes of transport, in particular (shared) e-bikes, which play an integral role in reducing car dependency and congestion on Irish roads. To increase the uptake of e-bikes, potential concerns around accessing charging infrastructure need to be addressed.

Workplaces are key in providing this certainty by offering the necessary charging infrastructure to incentivise their employees and the wider public to use e-bikes either via shared schemes or their own e-bike. This is why, dedicated funding streams should be made available to provide businesses with grants to install e-bike charging infrastructure at their premises.

Cost: The cost of e-bike charging infrastructure depends on the needs and requirements of different settings such as workplaces, residential buildings, retail and business parks.

INFRASTRUCTURE	COST	RECOMMENDATION
Station-based systems for e-bike sharing schemes	ca. €10,000 per entire station + installation cost.	To provide applicants with a grant that covers 50% of the cost of an operational leasing programme for a maximum of 3 years. This would cover the station itself, the e-bikes, insurance, software, maintenance, theft insurance / bike recovery, training, staff education and promotion.
Universal charging systems for commuters	Depending on system between €5,000 and €20,000.	To provide workplaces with a grant that covers 50% of the cost of purchasing a universal charging system.
Station-based e-cargo bike sharing schemes for residents	€2,000 – €3,000 per bike per station depending on installation variables	To provide applicants with a grant that covers 50% of the cost of an operational leasing programme for an e-cargo bike sharing scheme up to a maximum of 3 years per applicant.



5. PROVIDING LOCAL AUTHORITIES WITH FUNDING FOR E-CAR SHARING CHARGERS

MPI strongly welcomes upcoming ZEVI schemes like the European Union Just Transition Framework Community Centre Charging Scheme and the E-Mobility Hubs Scheme. However, there continues to exist a funding gap where local authorities wish to install dedicated e-car sharing charge points – particularly in rural areas like the midlands where e-mobility hubs might not be the most suitable option with regards demand and travel behaviour.

MPI urges the Government to provide ringfenced funding for a dedicated e-car sharing charging scheme to be made available to local authorities. Car sharing charging infrastructure needs to be fast tracked beyond mobility hubs, the rollout of which is due to commence in Q4 2024 with an initial focus being put on urban areas.[19]

Effective electric vehicle sharing requires a specifically allocated chargepoint for each vehicle to ensure that the vehicle can be charged by a customer at any time, and to ensure a customer is always able to re-connect the charger at the end of a booking.

MPI recommends that the charging infrastructure for car share should be owned by the local authority to retain control of the infrastructure, to change operator in response to procurement outcomes and avoid additional complexity around the chargepoint installation.

Based on the current experience of operators, the average costs of installing EV chargers for a car share scheme are as follows:

- €4,000 for the chargepoint equipment and a standard installation.
- €5,000 to €15,000 additional cost if groundworks are required. The level of this cost varies depending on the extent of the groundworks required and the cabling.

6. EXTENSION OF eSPSV GRANT

The Electric SPSV (eSPSV) Scheme for SPSVs is of critical importance in encouraging SPSV drivers to make the switch to an electric vehicle. The ability for Ireland to achieve its emission reduction targets in transport will require policymakers to prioritise the transitioning of fleets to electric vehicles.

As costs for new electric vehicles rise due to supply chain pressures, the eSPSV scheme has played an important role in encouraging drivers to scrap their older, high mileage vehicle for new all electric vehicles.

Furthermore, for many passengers, their first experience of being in a fully electric vehicle often occurs when riding in a taxi. The growing proliferation of electric taxis therefore has a powerful impact on educating the public on the benefits of BEVs as well as debunking some of the key barriers to EV adoption including range anxiety and battery degradation.

To ensure the continued acceleration towards electrification for SPSV drivers, it is essential that Government extends the eSPSV grant in its current form for a further 12 months.

7. WAIVING TOLL CHARGES FOR SHARED MOBILITY DURING PEAK HOURS

Considering the contribution shared modes like busses, car sharing and ride-hailing services are making to reducing the number of vehicles on the road, different toll rates should apply.

A recent survey of car sharing customers has shown an average occupancy rate for car sharing trips of ca. 2.5 individuals per vehicle in 2023.[20] Furthermore, only 20% of car sharing customers drive without any passengers. 78.6% of car sharing journey involve an occupancy rate of 2 individuals or more. These figures compare to an overall average occupancy rate of only 1.5 persons per vehicle for the Irish market in recent years.[21]

Increasing the use of shared sustainable mobility means reducing the number of vehicles on our roads and therefore, reducing traffic-related emissions.

In recognition of this, MPI recommends that toll charges for shared mobility should be waived during peak hours to incentivise shared sustainable transport behaviour. Shared modes should be the first choice, especially during busy periods. Waving toll charges during the peak hours of 7-10am and 4-7pm, would send a clear signal from Government to commuters and help decrease traffic congestion by sharing rides.

8. INTRODUCING A TAX-FREE SHARED MOBILITY ALLOWANCE

To further support the multimodal shift among commuters, MPI proposes the introduction of a new tax-free Shared Mobility Allowance worth €1,000, as seen in France for example.

MPI proposes that for the first year the Shared Mobility Allowance should be operated via the existing salary sacrifice mechanism to ensure speedy implementation as part of Budget 2024. Similar to the Bike-to-Work Scheme, employees will be able to choose from an approved suppliers list once a year, after which the employer then purchases a credit voucher on their behalf. Businesses offering the allowance to their employees should also be recognised and we believe the Smarter Travel Mark could be an excellent way to do so.

However, there are limitations to this mechanism. MPI recommends that all groups of society should be included in the modal shift, including students, the self-employed and unemployed. Ultimately, users should also be able to effortlessly spend their allowance on any type and number of shared mobility services. A Shared Mobility Allowance has the potential of enabling true multi-modal integration.

Therefore, starting in year 2 the scheme should be operated via an app-based solution. Employees will be able to access their allowance via an app, where they can spend it on any or all of the shared, sustainable mobility services offered by approved providers. To ensure no delay in the implementation,Government needs to commence procurement procedures for the technology immediately after Budget Day.

Conclusion

Budget 2024 offers a unique opportunity to transform Ireland's transport system, by making shared sustainable modes more visible, accessible, and integrated with public transport services. To achieve our emission reduction goals, impactful solutions are required to address traffic congestion, car dependency and air pollution. A well-integrated system of public transport and shared mobility services offers a solution to these challenges and beyond that, it lays the foundation for a future, where rural communities are well connected, and urban residents can enjoy new public spaces in our cities and towns.

Ireland's exchequer is in a strong position, providing the basis required to make this vision a reality. While the Government's budgetary focus was firmly placed on Covid-19, inflation and the cost-of-living crisis in recent years, it is now time for concrete action to reduce our transport-related emissions.

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OUR PARTNERS

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