

# Company Car Trends

Your essential guide to the latest  
developments in the fleet industry



Key Solutions  
Thought Leadership



GE imagination at work

# Welcome

Every quarter since 2004, GE Capital, Fleet Services has carried out extensive research into many different aspects of the company car and van sector, looking at areas as diverse as how vehicles are bought to the impact of home working, and compared them with previous results so that developing patterns become apparent. Over time, Company Car Trends has come to be recognised as among the most authoritative sources of information about the fleet market.

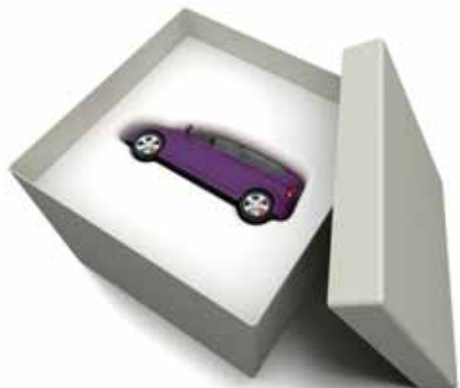
In this guide, we are presenting some of the most interesting findings from the latest Company Car Trends research, based on responses from in excess of 250 fleet decision makers, alongside expert commentary from our own Key Solutions fleet consultancy team.

Not only does it provide key insights for anyone involved with an interest in company cars and vans, but it also provides valuable food for thought for those involved in setting fleet policies.



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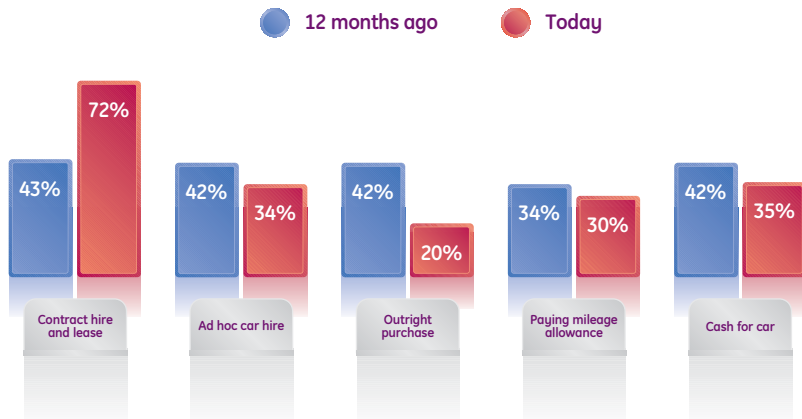




## Q1 What vehicle

aquisition methods  
do you use?

# vehicle acquisition methods



It is worth noting first that the totals for each acquisition method do not total 100% because many companies make use of more than one.

## Key Solutions view

For many of the questions covered in this guide, we compare today's results from Company Car Trends with those seen two years ago in order to build up a picture of developing patterns.

The main trend seen in acquisition methods is the expansion of contract hire and leasing at the expense of outright purchase. We believe that the data probably overstates the case but there has undoubtedly been a substantial swing and it is a development that makes sense. Outright purchase can work for companies that are cash rich and comfortable taking the residual risk on vehicles, and have little or no ability to recover VAT.

Contract hire and leasing, where residual risk is removed and costs are regular and predictable, has become the most attractive alternative, and more tax efficient due to the changes in

legislation around capital allowances and lease rental relief.

The gradual decline of cash for car is also of interest. Not so long ago, this option was widely seen as the successor of the traditional company car - it was offered by 45% of companies in Company Car Trends for Q4 of 2005. With the second half of 2011 remaining economically tough, our findings suggest that employees are increasingly opting for the financial benefits of choosing a company car in preference to the unpredictability of owning their own cars. A further factor is employers favouring the company car over the cash alternative in order to meet cost, safety and environmental demands; and in many cases the provision of a company car can be less expensive than the provision of cash.





## Q2 Which factors affect your fleet management decisions?

# factors affecting

## fleet management decisions

	Today	12 months ago
Running costs	8.1	9.0
Fleet safety	7.3	8.1
Fuel costs	7.8	8.0
Environmental concerns	6.6	6.8
Driver and corporate taxation	6.5	6.8
Traffic and congestion	3.9	6.3
Improved communications technology	4.3	5.5
Mobile working	4.5	5.4
Human resources issues	5.6	5.3
Grey fleets	4.9	5.2
Other travel options	4.2	4.5
Home working	3.5	4.3

For this question, fleet decision makers were asked to rank how importantly they rated a range of key fleet management factors, scoring them out of 10 (where 10 is most important).

### Key Solutions view

Clearly, overall fleet running costs continue to rate highly in importance but the most interesting change since 2009 is that human resources issues are steadily showing a solid gain. Although not to anything like the level they once commanded, this factor often rated higher than 8.0 in the mid-2000s, but enough to perhaps suggest that matters such as employee retention and attraction are being given more emphasis in sectors that are enjoying some degree of success as we move out of recession.

Additionally, the importance now being attributed to fuel costs is a reflection of pump prices that have risen well above the rate of inflation in the last two years and now account for around 25% of the overall running costs of a fleet. Risk management and the environment

also continue to remain prominent issues on the fleet agenda.

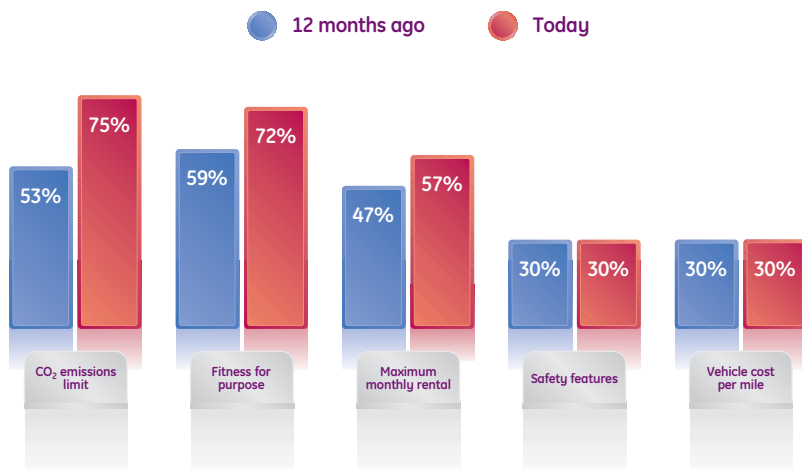
A further point of note is the lack of weight given to alternatives to company car and van travel with factors such as home working, other travel options and improved communications technology sitting at the foot of the table. This suggests that most companies may not have given much attention to investigating these issues which, after all, could prove to be a better alternative to a company vehicle for at least some journeys. This may be because, in the majority of organisations, the fleet manager is simply responsible for the fleet rather than for all business travel, meaning that the task of looking at other travel options is neglected at a managerial level.

## Q3 Which criteria do you use to set company car choice lists?





# Criteria used in setting company car choice lists



## Key Solutions view

Setting the company car choice list is perhaps the single toughest job in fleet management. Employees generally desire the most prestigious cars with the lowest CO<sub>2</sub> outputs in order to minimise their benefit in kind taxation bill and private fuel costs, while employers want to provide the option with the lowest overall costs.

Asking fleet decision makers which factors they take into account provides a telling glimpse into the corporate mindset.

In looking at the results from this question, we have looked at responses for all fleets now and two years ago (graph above) and then the latest results broken down by fleet size (see page 10).



Looking at the overall picture first, the growth of CO<sub>2</sub> output as a criterion during the last two years is no surprise. Using this as a choice list guide represents a win-win for both drivers and managers. This means lower personal tax bills, the credibility of reduced environmental impact and, because less carbon nearly always means less fuel use, lower petrol and diesel bills. From our own customer base, 73% already have CO<sub>2</sub> caps in place to help drive down their carbon footprint.

The increasing importance of fitness for purpose is also interesting, indicating the degree to which perception of the company car has shifted towards becoming much more of a business tool. Additionally, the growth in maximum monthly rental is a reflection of the extent to which contract hire and leasing have grown in use over the last two years.

Criteria used in setting car choice, listed by fleet size

	Fewer than 50 vehicles %	50-500 vehicles %	More than 500 vehicles %
Fitness for purpose	67	77	59
CO <sub>2</sub> emissions limit	58	73	86
Maximum monthly lease rental	53	50	41
Safety features	28	39	23
Vehicle cost per mile	19	27	41

The breakdown of the current Company Car Trends overall results into small, medium and large fleets shows some interesting differences. Small and medium fleets appear to take more of a pragmatic approach, with factors such as fitness for purpose and maximum monthly rental scoring highly. However, as the fleet gets larger, there is more evidence of a structured approach and the existence of a formal, framework fleet policy, with a greater interest in factors such as CO<sub>2</sub> emissions and vehicle cost per mile.



## Q4 What fuel types are used on your fleet?





# fuel types

	Fewer than 50 vehicles %	50-500 vehicles %	More than 500 vehicles %
Petrol	36	37	36
Diesel	92	78	82
Hybrid	14	27	45
Electric	2	3	18

## Key Solutions view

There are some obvious findings to be seen here - largely in the way that diesel has become the default choice for fleets of all sizes - something closely linked to the desire to drive down CO<sub>2</sub> emissions, and reduce fuel bills through improved MPG performance.

However, also of interest is the way in which the research indicates that large fleets are very much at the forefront of the adoption of hybrid and electric cars and vans, with medium and smaller fleets showing much greater caution. However, the overall penetration of such vehicles is still very low at less than 5%.

Much of this may simply be because of the scale of each fleet. Company Car Trends doesn't show how many vehicles of each type the fleet is operating, simply whether there is a presence,

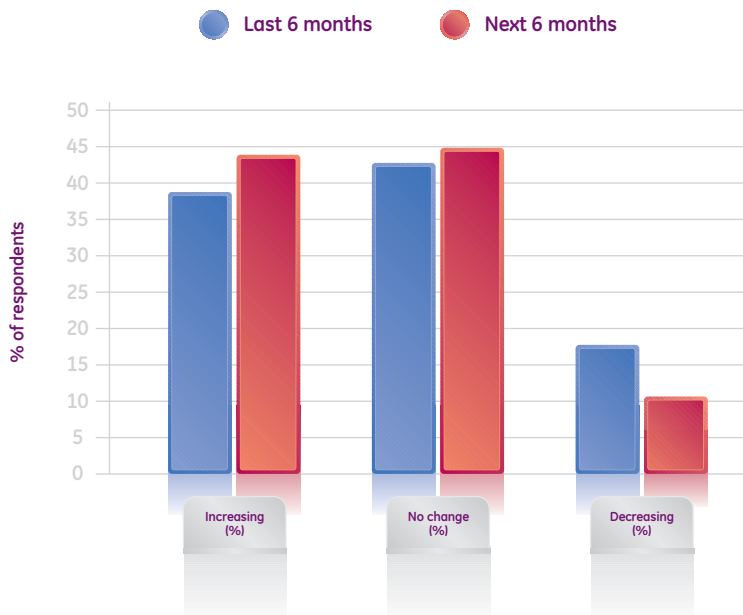
so the likelihood is that larger fleets are taking on a handful of electric vehicles to try them out in real world conditions and have also probably been operating a number of hybrids during the past few years.

With electric and hybrid vehicles ostensibly suitable for fleet use becoming much more widely available during 2012-13, it will be interesting to see what results the same question prompts in a couple of years. If future research shows that medium and small fleets are starting to operate more electric and hybrid vehicles, as well as adoption among larger fleets rising, that will be a strong indication that electric and hybrid vehicles are gaining traction with businesses.

**Q5** How has your  
fleet size changed?



# Changes to fleet sizes



## Key Solutions view

This set of data is interesting because it indicates there may be a growing degree of optimism on the part of fleet decision makers. A substantial net percentage of fleet decision makers have seen their fleet size increase during the last six months and expect this trend to continue; some of this may of course be due to the migration of cash takers back into company cars.

However, if you drill down into the statistics, you will find that there is quite a marked difference between car and van operators - car fleets

appear to be expanding at a much greater rate. It is generally held that commercial vehicle fleets are a better indicator of the health of the economy, so perhaps the more muted level of optimism seen there is a truer reflection of the real state of UK businesses.



**Q6** How do you rate  
the importance of the  
company car?



# importance

## of the company car

	Today (score out of 10)	12 months ago (score out of 10)
To essential users	8.8	7.2
To non-essential users	5.8	4.8

(based on a score of 10, where 10 is most important)

### Key Solutions view

If there is one set of findings from Company Car Trends that really stands out, it is this one. It suggests that businesses increasingly appreciate the role of the company car in today's difficult economic conditions.

It seems that the refocus on cost and utility prompted by post-recessionary tough times has made many realise just how essential the company car is to the business of getting business done.

The company car is also viewed as an integral part of the flexible benefits package, and is used by many employers as a tool to attract and retain the best employees in their industry sector.



To see future findings from Company Car Trends, or to view our suite of guide papers, factsheets and driver tips, please register to access Toolbox by visiting **[www.drivertoolbox.co.uk](http://www.drivertoolbox.co.uk)**

### **About Company Car Trends**

Company Car Trends is a quarterly survey carried out independently on behalf of GE Capital, Fleet Services that looks at the key issues facing car and van fleets in the UK. It is established as one of the most authoritative and widely respected pieces of research of its kind. The latest survey includes responses from 300 fleet decision makers.

### **About Key Solutions**

Key Solutions is a comprehensive consultancy service with a proven track record in delivering saving efficiencies as well as environmental and safety benefits to our customers. For more information visit [gecapital.co.uk/fleet](http://gecapital.co.uk/fleet).



**Key Solutions**





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[gedrivertoolbox.co.uk/docs/fleet\\_funds.pdf](http://gedrivertoolbox.co.uk/docs/fleet_funds.pdf)

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