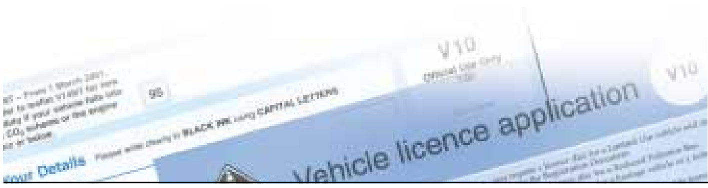
The Lex Vehicle Leasing 2001 Report on Company Motoring



Taxation and company car policy

The environment

Breaking the myths Ð
the reality of van drivers

Breaking the myths Ð
women company car drivers

A proÞle of the UK
company car market

LEX Vehicle Leasing
www.lvl.co.uk

Lex Vehicle Leasing

Lex Vehicle Leasing is the UK's leading provider of contract hire and fleet management services, with nearly 100,000 cars and light commercial vehicles.

The Lex Vehicle Leasing portfolio of products includes:

- Contract Hire
- Contract Purchase
- Fleet Management
- Personal Contract Purchase
- Sale and Leaseback

Its range of services include:

- Lex One-Call
- Lex Accident Management
- Lex Rental
- Vans
- Nearly New Vehicles
- Outsourcing

Lex Vehicle Leasing was named Best Contract Hire Company of the Year in the Fleet News 2001 awards. It has previously been a four times winner of the Fleet News Leasing Company of the Year Award.

Readers of Fleet Management, Fleet Week and Business Car, voted Lex Vehicle Leasing Top Contract Hire Company and overall Best Service Supplier in 2001.

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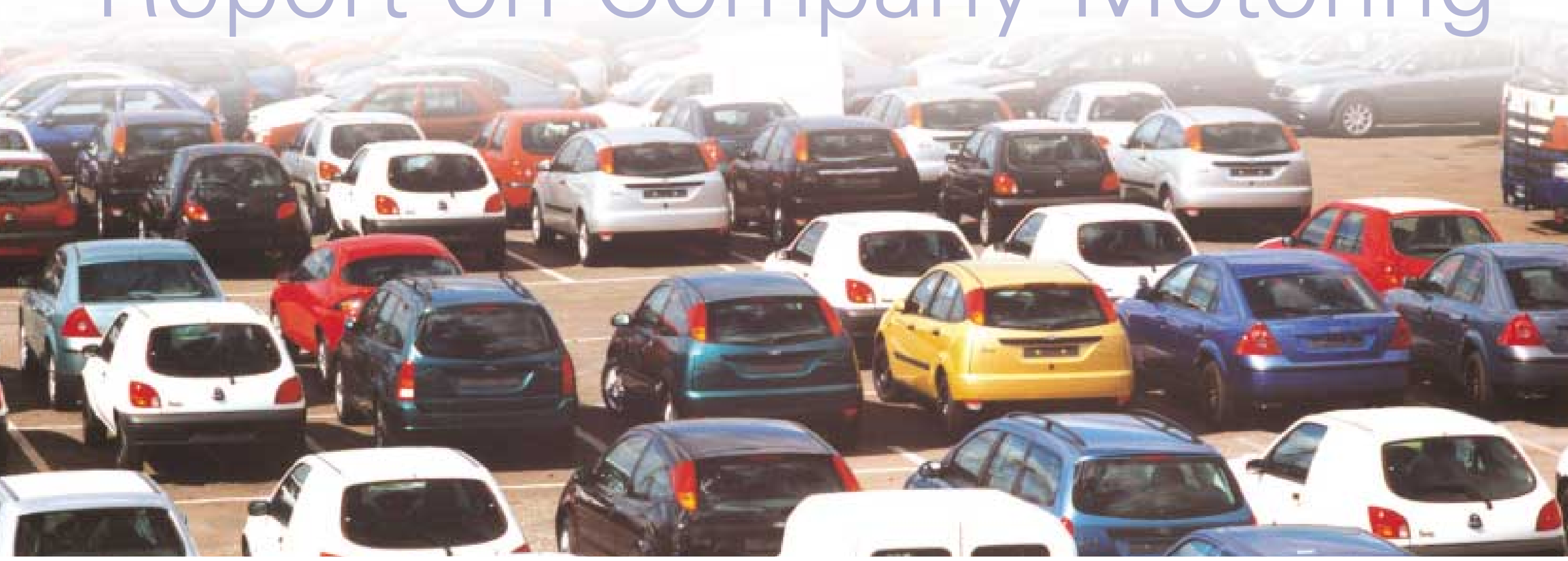

The company also has a strong environmental programme and recently won two awards at the Green Fleet 2001 award ceremony.

Customer service is a top priority for Lex Vehicle Leasing. Its on-going Customer Satisfaction programme reveals that:

- Fleet managers rate Lex's service at 79/100
- Drivers rate Lex's innovative One-Call service and maintenance package at 81/100.

Lex Vehicle Leasing is a joint venture between Lex Service Plc and Halifax Plc.

Lex Vehicle Leasing is managed within the Lex Business Services group, which provides vehicle management, inventory management and mechanical handling solutions to corporate customers under the Lex brand.

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September 2001

This report was prepared for Lex Vehicle Leasing by Market Dynamics

Design: Rapport Photography: © David Allen

Visit the Lex Vehicle Leasing web site:

www.lvl.co.uk for full information on all our services.

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Contents

Introduction

2001 has been a turning point for the company car market – sales have boomed, residual values have started to recover; and for Lex we have seen positive results from our on-going improvement programme. In this, the ninth Lex Vehicle Leasing Report on Company Motoring, we look at some of the key issues that will help us and the whole industry ensure that 2002 builds on the success of 2001.

In the research for this year's report we have extended the scope of the work to incorporate light commercial vehicles. We provide our customers with 17,000 vans and they have told us that this is an area that needs more attention.

We produce this report in order to provide the industry with a focus for examining the critical issues of the day. This year we examine:

- **Company car tax** - looking at the preparation for and impact of the changes in benefit-in-kind taxation on cars and fuel, and changes to vehicle excise duty. Once again we have worked with the Inland Revenue in the development of this year's research and have made the results fully available to them. We thank Dylan Underhill and his team for their help.

- **The environment** – a passion of Lex Vehicle Leasing. We look at attitudes to the environment and the steps companies are taking to lessen the impact of company cars on the environment.

- **Vans** – which often attract poor press coverage in the form of 'White Van Man' stories. We break through the mythology and reveal the truth about 'Corporate Van Man'.

- **Women** – whom are rarely considered in policy making. We quantify their importance in our market and look at their particular needs from the industry.

- **Fleet management** – taking our usual look at financing, buying and management trends, from the use of outsourcing to the attractiveness of alternatives to the company car.

This is the second report we have produced this year. In June we published **FAQs**, which aimed to answer all of the frequently asked questions on cars and fleet management, with contributions from a formidable team of experts. You can download a copy of this report from the LVL web-site (www.lvl.co.uk).

I would like to thank Market Dynamics, Swift Research and Rapport Design, who have once again produced a high quality and insightful analysis of our market.

I have genuinely enjoyed reading the report and I hope that you find it a useful and thought-provoking document. It has stimulated us into generating a **Call for Action** – a series of ideas on how the government and the industry can work together to ensure positive change. You will hear more on these issues over the coming weeks and months.

If you have any comments on this report or would like any more information on our services, please get in touch with me directly.

Jon Walden - Managing Director

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Call for Action

We call on the industry and government to help us achieve positive change.

1. Company car tax

Fleets must encourage all employees to take advantage of the incentives provided by the new benefit-in-kind taxation. This could be done through:

Education: Informing all employees of the implications of the changes

Incentivisation: Providing a full choice of environmentally friendly cars at "discounted" rates over more damaging cars

Inspiration: Encouraging senior employees to drive more environmentally friendly cars

When the new tax rates are further reviewed in a few years time, we plead with the government to consider the impact of these changes on high business mileage drivers. We agree with the tax, but we believe high business mileage drivers are being unfairly penalised.

2. The environment

Environmental policies in fleets are almost non-existent. This reflects both commercial realities and the lack of trusted advice on environmental policy.

We ask the government to incentivise better environmental fleet policy through offering companies more financial incentives to reduce average emission levels of the fleet – perhaps using the same scales as benefit-in-kind taxation on company cars.

In return we ask the industry to help us provide fleets with genuinely independent advice on environmental matters, by supporting initatives such as those run by Motorvate and Transport Action. Fleets need information and advice on best practice on environmental matters.

3. Vans

‘White Van Man’ is a reality and detracts from the genuine efforts of ‘Corporate Van Man’ to improve both image and road safety.

We ask for new regulations on van use:

- Every van must display a current telephone number and a named individual or corporation responsible for the van.
- Vans must have a compulsory MOT at fixed intervals, bringing them into line with the regulations for trucks. Such regulation is likely to provide benefits both environmentally and in terms of safety, by improving the quality of vans on our roads.

Summary of the report

SECTION ONE
Taxation and company car policy

1.1 Company car tax

Awareness among fleet managers of the changes to benefit-in-kind taxation in April 2002 still only stands at two-thirds, with small fleets in particular lacking understanding of the changes. Only half of fleet managers have communicated the tax changes to employees, although a further quarter plan to do so in the near future.

Despite this, awareness among company car drivers has risen substantially, to 77%, although their understanding of the detail is sketchy. More company car drivers support the new tax than oppose it, even though only 16% of company car drivers think they will benefit financially.

Many drivers believe the new tax will have a significant impact on their company car decisions. Four in ten believe they will get a lower emission car as a result of the change – a figure supported by the results from the fleet manager research – this is a substantial rise from when the question was asked last year.

Three in ten believe they will switch fuel type as a result of this but only a small proportion believe they will reduce mileage – either business or private.

Fleet managers believe that the new tax will result in some company car drivers (around one in ten) giving up their company cars. However, fleet managers believe there will be more employees who will opt to have a company car for the first time. Calculations based on the survey results and the assumption that there are approximately 3 million company car drivers, suggests an overall net increase in company cars of around 400,000 as a result of the tax changes.

1.2 Vehicle excise duty

Changes to vehicle excise duty or road tax, will have little impact on company cars. Awareness of the change is high – but only 21% of drivers and just under one in four fleet managers believe it will impact on their choice of cars or fleet policy.

1.3 The provision of 'free' fuel

Awareness of benefit-in-kind tax on fuel, despite the large increases and associated publicity in recent years, remains relatively low. Among the one in three company car drivers who get 'free' fuel, only 40% of them are aware of the tax they pay for fuel benefit. Just one in five of those who receive 'free' fuel think they are likely to opt out of 'free' fuel in the future (with only 2% very likely to do so).

SECTION TWO
The environment

2.1 The importance of the environment

Environmental concern is high among company car drivers, although they admit it does not impact on their choice of company car as much as other products they buy. Women company car drivers are more concerned about the environment than men and, contrary to received wisdom, older buyers are more concerned than younger buyers.

2.2 Environmental policy

Environmental policies in fleets are still the exception, not the rule. Only 16% of company cars are subject to any type of environmental company car policy and only 5% of fleets provide incentives for their drivers to take a more environmentally friendly car.

Larger fleets are leading the way in the area of environmental concern, but where there are fleet policies they tend to be uni-dimensional around car choice or fuel choice. Fleet managers are uncertain about where they can go for trusted information on environmental matters.

2.3 Alternative fuels

Just one in ten fleet managers have looked into using alternative fuels – a fall from last year suggesting fleet managers are frustrated by the lack of choice in those cars running on alternative fuels and the lack of consistent alternative fuel availability. Where they have looked into alternative fuel, almost all have looked at LPG, and 40% have looked into hybrid cars.

The proportion of fleet managers saying they are likely to use alternative fuels in the next two years has fallen from three in ten fleet managers in 2000 to just over one in ten this year.

Summary of the report - *continued...*

SECTION THREE

Breaking the myths – the reality of van drivers

3.1 The van market in the UK

Over the years the number of vans on the UK's roads has increased dramatically.

In 1999, there were just under 2.5 million vans on the road, a more than five fold increase from 1950.

The majority of van drivers (61%) are full time drivers such as couriers or delivery people.

Similarly to company cars, the main proportion of company vans (83%) are provided by the employer.

3.2 A profile of vans in the UK

One in five vans in the UK are unbranded – the definition we have used of 'White Van Man'*. The other 80% we have termed 'Corporate Van Man'.

Both groups are most likely to drive a medium sized van. However, 'White Van Man' appears more likely than average to drive a large Ford Transit van (32%) and small vans (41%).

'White Van Man' drives older vehicles than 'Corporate Van Man', with nearly four in ten of the sample over five years old. Despite this 'White Van Man' believes his vehicle to be in good condition.

'White Van Man' tends not to be a 'professional' driver, but drives in the course of his work, with two thirds driving under five hours a day.

In direct contrast 'Corporate Van Man' is more likely to drive between five to ten hours a day. This feeds through into lower mileages for 'White Van Man'.

* There was a relatively small sample of 'White Van Man' – the results regarding 'White Van Man' should therefore be treated as indicative only.

3.3 Attitudes and behaviour of van drivers

The sample of 'White Van Man' interviewed fulfilled many of the stereotypes portrayed in the press. They rated their own driving skills very highly, but were more likely than 'Corporate Van Man' to:

- Be involved in a road rage incident – over half admit to being involved in a road rage incident in the last 12 months (compared to a third of 'Corporate Van Man'), with one admitting to forcing another driver off the road.
- Be involved in an accident – 36% admit to being involved in an accident while driving their van for work, compared to 15% of 'Corporate Van Man'.

Only one of the sample of 'White Van Man' interviewed had received any driver training, compared to one in five 'Corporate Van Man' who receive driver training.

'Corporate Van Man' and Fleet Managers are broadly supportive of improving training, safety and standards.

They broadly support:

- Compulsory telephone number on every van
- Van drivers subject to same regulations as truck drivers
- Vans not being allowed to use the fast lanes of motorways
- Limits on drivers' hours
- Stricter driving tests for van drivers

Summary of the report - *continued...*

SECTION FOUR
Breaking the myths – women company car drivers

4.1 The importance of women in the company car market

Women now represent 14% of company car drivers or 400,000 cars, according to fleet managers, although the proportion is much higher (21%) in large fleets (75+ cars). In addition 17% of fleet managers are women, rising to more than half in large fleets.

Despite this, only 1% of fleets have any policies that are specifically targeted at women drivers.

4.2 A profile of women company car drivers

The cars that women drive are significantly different to their male counterparts. They are:

- more likely to be second hand (40% compared to 27%)
- lower value (£13,000 compared to £15,000)
- have smaller engines (45% of men drive company cars with capacity over 2 litres, compared to 20% of women).

Despite these differences women only drive 4,000 miles less per year than male company car drivers.

Part of this difference may be explained by the position in the company of women company car drivers relative to men. Male company car drivers are more likely to be in executive positions than women.

4.3 Attitudes and behaviour of women company car drivers

Some of the stereotypes of women drivers are supported by the research, whereas some of these are confounded:

- Women are more tolerant of other drivers (and men find women less irritating than they do other male drivers!) – although women believe old drivers, young drivers and van drivers are the most irritating.
- They are less likely to be involved in a road-rage incident than men
- Women car drivers are more likely than male car drivers not to have points on their licence

SECTION FIVE
A profile of the UK company car market

5.1 An overview of market conditions

Following a slowdown in the company car market in 1999 (falling by 1.6%), it rose during 2000 to a new high of 1.23 million new vehicles, exceeding the previous peaks of 1998 and 1988.

Looking forward the picture is uncertain, with recession looking increasingly likely in both mainland Europe and the US. The UK economy still looks relatively healthy, however, and the likely boost from the revisions to company car taxation make new peaks the most likely outcome in 2001 and 2002.

5.2 Fleet profiles

Some key figures on UK fleets:

- 67% of company cars are employer provided while 33% are business expense cars.

- The average purchase price of a company car is £14,600.

- 83% of company cars are bought new, with 7% "nearly new" and 10% second hand. Companies are buying less used or nearly new cars now than they did two years ago – with the expectation that current levels will continue into the future.

- 66% of company cars are petrol and 34% diesel. There are almost no company cars fuelled by alternative fuels. There are fewer diesel cars bought now than two years ago, but this trend is expected to dramatically reverse over the next two years.

Summary of the report - *continued...*

5.3 Financing and acquiring company cars

48% of company cars are replaced on the basis of a combination of mileage and age, with 27% replaced on a fixed time cycle. Replacement cycles have increased over the past two years and this trend is expected to continue.

Leasing and contract hire companies have increased their share of the market from 36% of the market in 1998 to 43% in 2001. Local dealers still supply 38% of company cars, but 8% of all company cars are now supplied straight from the manufacturer (rising to 15% in large fleets of over 75 vehicles). One in five fleets use third party brokers to source cars, although this trend is not expected to increase significantly.

Leasing and contract hire remains the most common source of finance (52%), with cash and hire purchase accounting for most of the rest (44%).Users of contract hire and leasing companies are polarised in terms of the ideal services they are looking for:

- Small fleets (under 10 vehicles) would just like the option of buy back and re-hire.
- Large fleets would like a range of services including fleet management software, a customer specific Internet site and outsourced fleet management. Many larger fleets (27%) would also like to use e-mail as the preferred method of communication with their suppliers.

1% of fleets now offer some or all employees Personal Contract Purchase (PCP) schemes and 5% offer Employee Car Ownership Plans (ECOP or "Whitechapel" type schemes). Some larger companies are considering offering these schemes to employees in the future.

5.4 Fleet management and outsourcing

Fleet managers report increasing costs across many areas of their fleet but in particular for fuel and insurance, which are their major areas of concern. Most are pessimistic about the prospect of falls in fuel duty in the future, which 91% think are "far too high".

Many fleets, particularly large fleets, offer alternatives to the company car to some or all drivers. 62% of fleets with over 75 vehicles offer alternatives (compared to 6% of fleets of under 10 vehicles). However, these are not offered to all employees and in total only 10% of company car drivers were offered an alternative in the last year. On average, only 12% of these actually took up the offer, equivalent to 36,000 company cars (out of around 3 million).

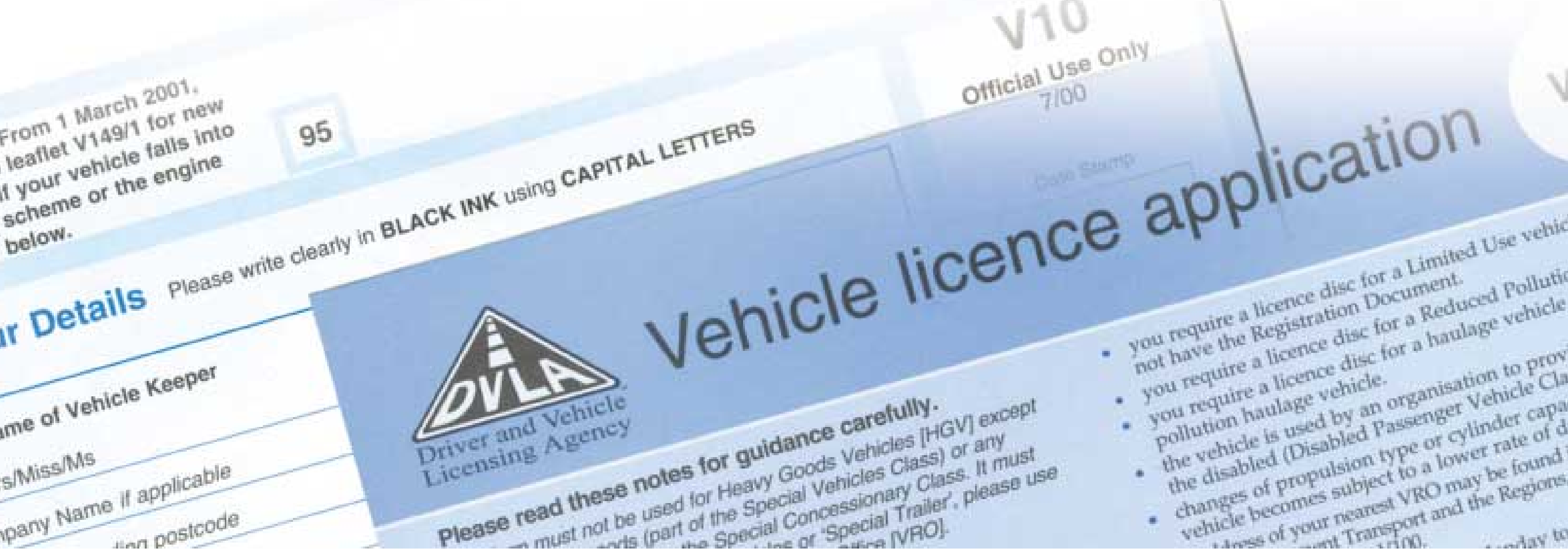
While the Internet is an everyday business tool for all but the smallest companies and fleets (nine in ten fleet managers in companies with over 200 employees have access to the Internet), nine in ten of these do not use the Internet in their fleet management role. The tiny minority that use the Internet for fleet management do so to check prices, car performance and get information on new cars.

Despite this lack of use, nearly three in ten say they would be prepared to buy a car over the Internet without any interaction with a human.

Outsourcing of fleet management tasks is largely confined to larger fleets that use outsourcers for specialist tasks such as maintenance and servicing, roadside assistance and accident management.

SECTION ONE

Taxation and company car policy



1.1 Company car tax

Radical changes to company car tax

In April 2002, the basis for company car taxation will change.

Presently, the system is based on list price and annual business mileage – broken down into three subsets: up to 2,500 miles, 2,500 – 17,999 miles and 18,000 or more miles. Tax discounts are larger for those doing greater business mileage.

The new system will be based on a percentage of the car's list price and will be graduated according to the car's carbon dioxide emissions. Annual business mileage will no longer affect the amount of tax payable.

In theory, the new system has been designed to:

- remove the incentive to exceed business mileage bands
- encourage drivers to choose smaller engine cars that are more environmentally friendly

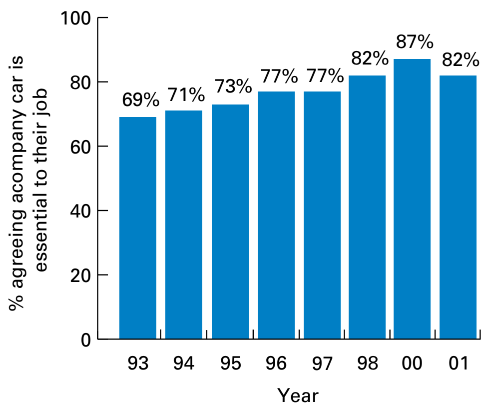
When the new system is introduced all cars will be subject to the reform regardless of their age, thus decisions made today regarding the type of company car will have an impact on the amount of tax payable in the future.

Those who may feel a negative impact from this change in company car taxation are those company car drivers who need to use their car for business and complete high business mileages each year.

The number of company car drivers stating that their car is essential to their job has risen significantly since 1993 from 69% to 82%. Also, in 2001 just over four in ten company car drivers travelled over 18,000 business miles in the last year.

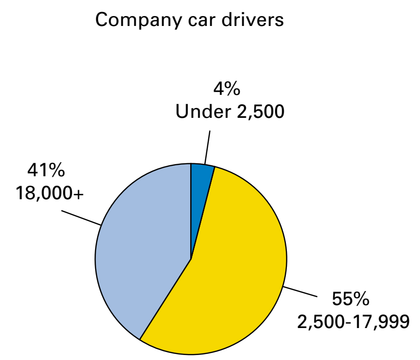
Chart 1.1 suggests that the proportion of 'essential users' may have peaked in 2000 at 87%. This is probably not due to a reduction in 'essential users' but to an increase in the number of non-essential company car drivers opting into the market – an almost certain consequence of the forthcoming tax changes (this is discussed in further detail on page 17).

Chart 1.1 The essential nature of the company car



Base: All company car drivers
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Chart 1.2 Annual business mileage



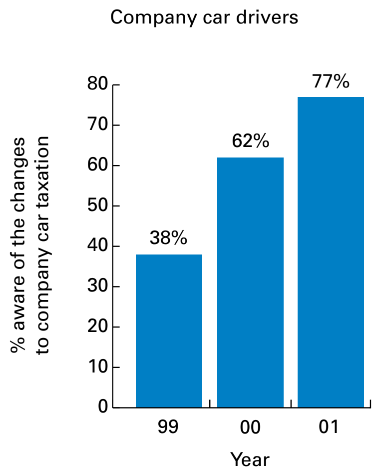
Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Company car drivers and fleet managers are aware that there will be changes to company car taxation, but few understand exactly what the changes will mean

Over three quarters of company car drivers are aware that the current tax rules for company cars are set to change in 2002. This is a significant increase from 1999, when only 38% of company car drivers were aware of the forthcoming changes.

Just under two thirds of fleet managers are also aware of the forthcoming taxation changes - a significant increase from last year, when only 20% of fleet managers could recall changes to company car taxation being announced in the budget.

Chart 1.3 Increasing awareness for the forthcoming changes in company car taxation



Base: All company car drivers
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Awareness of the specific changes that will be made to the company car taxation is unclear.

Only 57% of company car drivers and 55% of fleet managers are aware that the current discounts for business mileage will no longer apply. Also, only 50% of company car drivers and 38% of fleet managers are aware that diesel engines emitting the same carbon dioxide levels as petrol engines will be taxed more heavily.

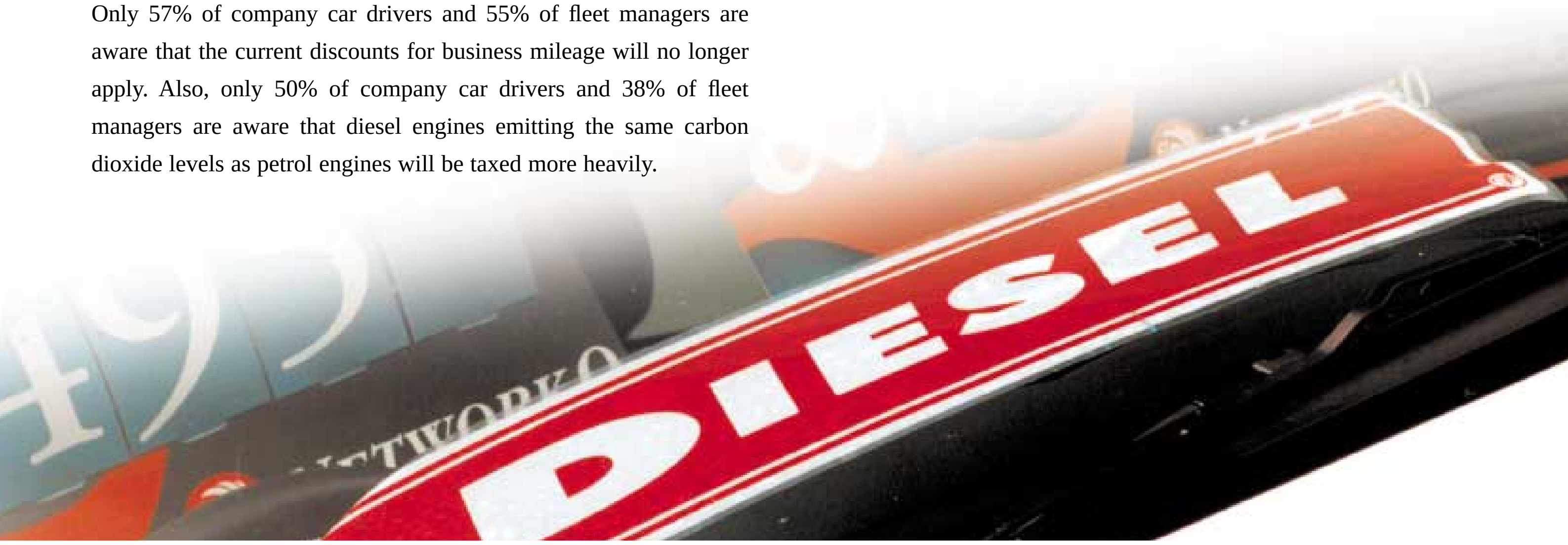
It is fleet managers in smaller fleets that are less likely to be aware of the changes to company car taxation. In larger fleets awareness of both tax changes and what the specific changes will mean is much higher. These larger fleets are responsible for a larger proportion of company cars (for a more detailed breakdown of fleet size and weighting please refer to appendix 1).

Whereas overall only 38% of fleet managers are aware that diesel engines emitting the same carbon dioxide levels as petrol engines will be taxed more heavily, 80% of fleet managers with fleets of more than 25 cars are aware of this change.

Chart 1.4 Awareness of tax changes

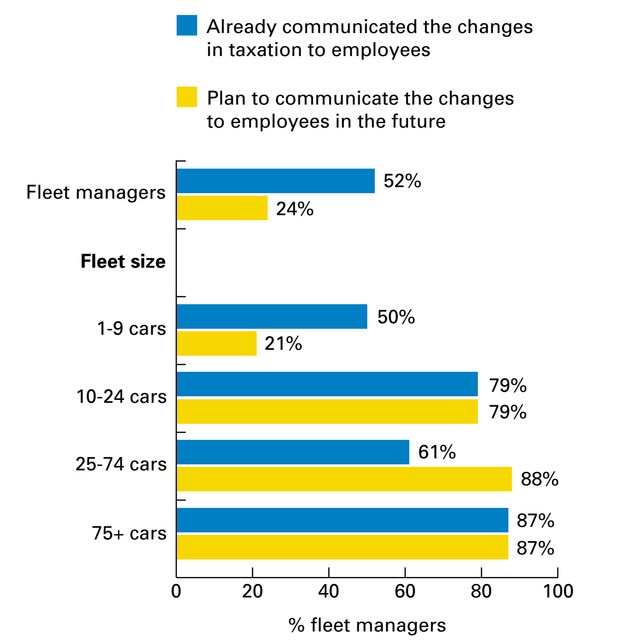
Awareness that...	Company car drivers	Fleet size: Small fleets <25 cars	Fleet size: Large fleets >25 cars
The current tax rules for company cars are set to change from April 2002	77%	64%	90%
The current discounts for business mileages above 2,500 and 18,000 miles per year will no longer be available	57%	54%	90%
The new rules for the taxation of company cars from April 2002 will be based on carbon dioxide emissions	67%	56%	90%
Under the new regime diesels will mostly be taxed more heavily than petrol engines producing the same CO2 emissions	50%	37%	80%
There will be discounts for alternative fuel cars under the new tax regime	51%	41%	80%
Not aware of any of the above	17%	26%	10%

Base: All company car drivers (300), all fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring



Only 51% of all fleet managers have already communicated the tax changes to employees, with just a further 24% planning to do so in the future. It is fleet managers within smaller fleets (up to nine cars) that skew this figure. While only half of fleet managers in small fleets have already communicated the changes in taxation to employees, two thirds in the larger fleets have done so – and nearly nine in ten in the very largest fleets

Chart 1.5 Communicating the tax changes

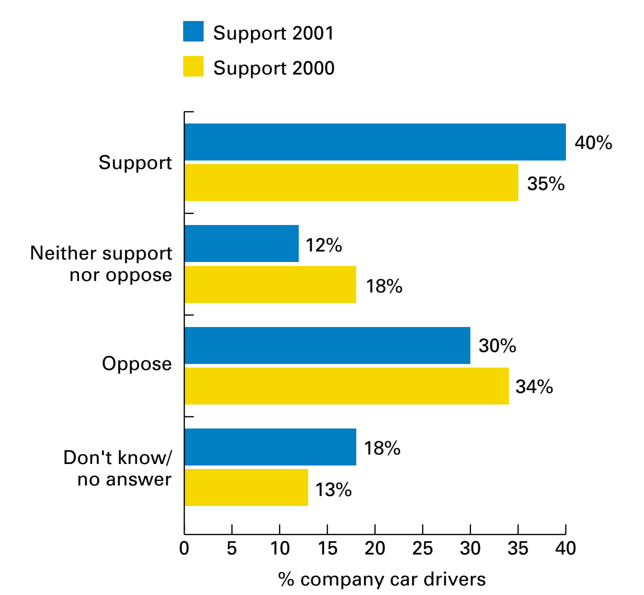


Base: Fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Support for the changes to company car taxation is growing

Support for the changes to company car taxation have increased year on year. In 2000, only 35% of company car drivers supported the introduction of the new company car taxation plans this has risen to 40% in 2001.

Chart 1.6 Support for the changes to company car taxation



Base: All company car drivers
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

The support for changes to company car taxation by company car drivers is relatively high given that only 16% of company car drivers feel they will benefit financially.

Chart 1.7 Perceived financial impact by the level of business mileage

	All company car drivers	Business mileage completed: Under 18,000 miles	Over 18,000 miles
Pay a lot more	20%	11%	35%
Pay a little more	18%	16%	22%
Pay about the same as now	20%	28%	9%
Pay a little less	9%	11%	5%
Pay a lot less	7%	9%	7%
Don't know/no answer	26%	25%	22%

Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

These results reflect the fact that in reality the changes to company car taxation are likely only to penalise those drivers who travel over 18,000 business miles per year and/or have large-engined company cars.

Company car drivers are likely to opt for a different/smaller-engined car as a result of company car tax changes

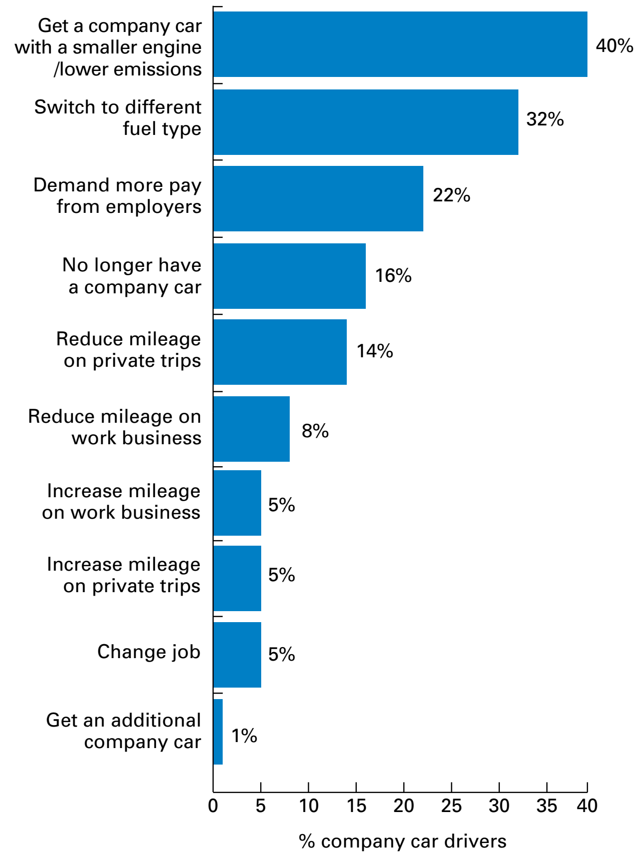
While many company car drivers claim that the changes to company car taxation will have no effect on them, one in six company car drivers say they will no longer have a company car.

Four in ten company car drivers say that they will get a company car with a smaller engine/lower emissions. This is a significant increase from when the same question was asked in 1999 when only 15% of company car drivers thought they would get a company car with lower emissions.

Fleet managers also feel that the changes will encourage company car drivers to opt for a different company car. Just under half of fleet managers claim that a proportion of their company car drivers will opt for a different/smaller-engined car.

Some company car drivers also claim that changes in company car taxation will cause them to reduce their mileage – both on business and private journeys – and encourage some to switch to different fuelled vehicles.

Chart 1.8 Likely actions as a result of the changes to company car taxation



Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Larger fleets will be hard hit by the changes in company car taxation

Despite the additional administration that may result from the changes to company car taxation, fleet managers in general claim that the changes will have little impact on their operations. However, as the fleet size increases fleet managers claim the changes to taxation will be more of a problem.

Chart 1.9 The administrative burden of the new tax system

"How much of a problem will the transition to this new tax regime be?"

	Fleet size			
	1-9	10-24	25-74	75+
Problematic	6%	12%	12%	14%
Small problem	8%	39%	39%	36%
No problem	86%	49%	49%	50%

Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

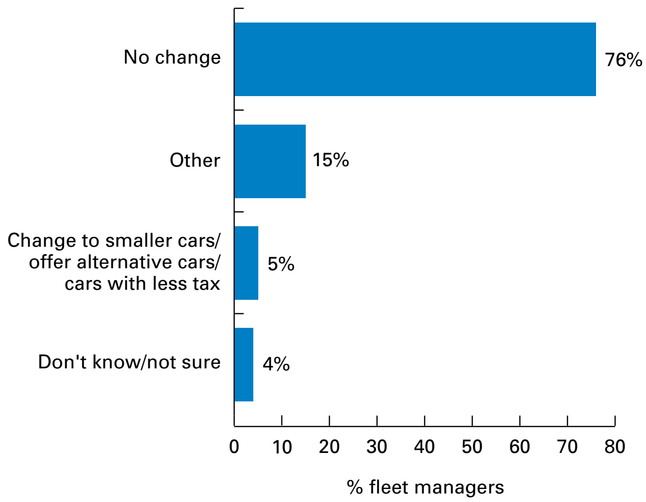
More than 80% of fleet managers with fleets of fewer than nine cars claim the changes will be no problem, compared to only 50% of fleet managers in fleets with over 75 cars.

Furthermore, 6% of fleet managers in the largest fleets state that the changes to company car taxation will be very problematic, compared to no fleet managers in fleets with less than nine cars

More than three quarters of all fleet managers say they will not change their company car policy as a result of the changes. However in fleets with more than 75 cars, this figure falls to under half.

Where fleet managers say their company car policy will change, they are likely to change to smaller cars that are subject to a lower tax rate.

Chart 1.10 The effect of company car tax changes on company car policy



Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

The net effect of the company car taxation changes could be 400,000 new company car drivers

As the changes to company car taxation near, there have been debates as to whether high business mileage company car drivers, who may be penalised under the new system, will opt out of their cars. However, it is also thought that non-essential users who had previously opted out of company cars (due to the tax penalties) may opt in.

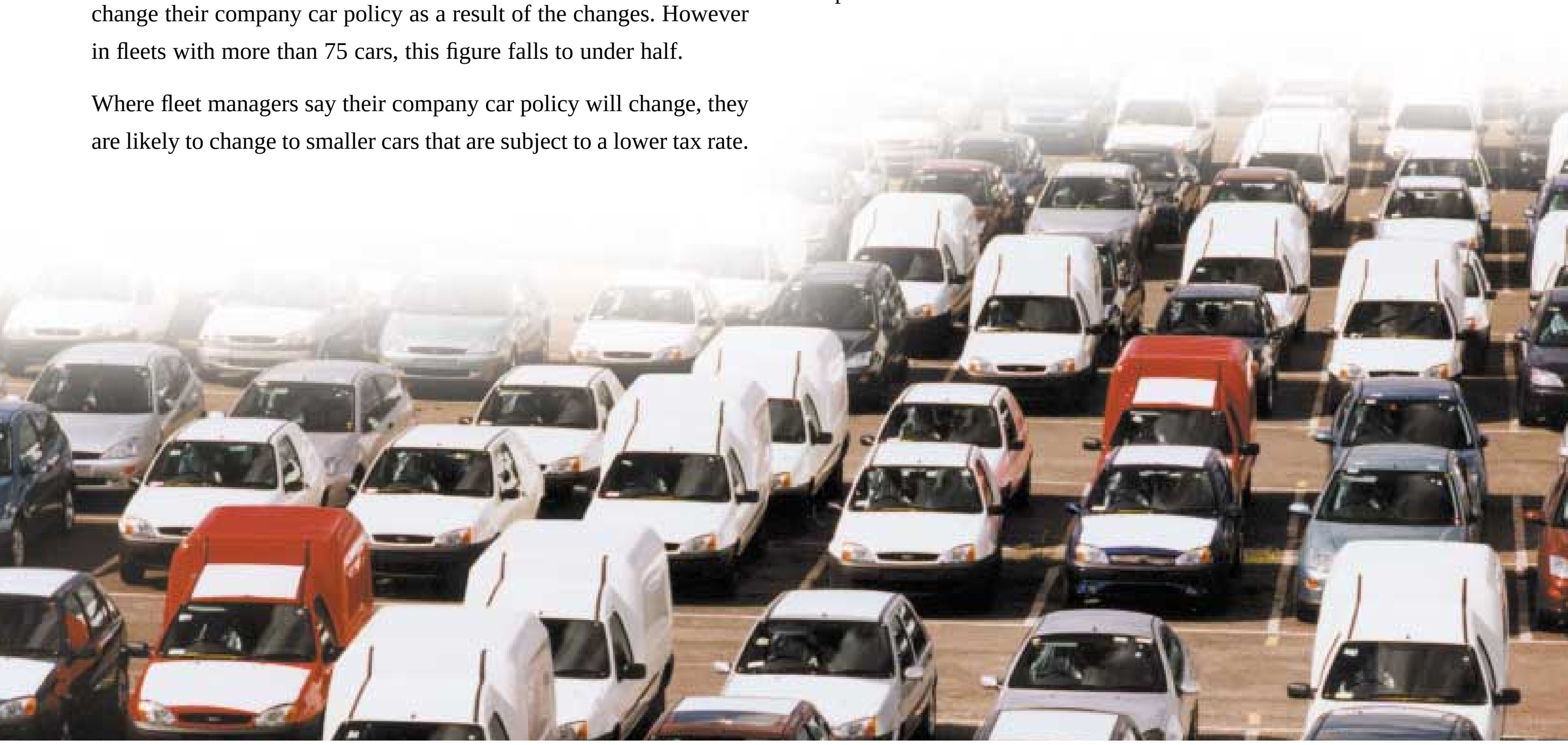
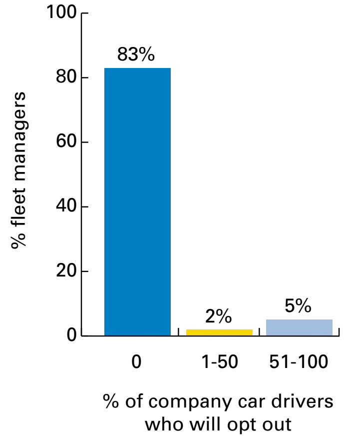


Chart 1.11 The likelihood of opting out of the company car

"What percentage of your company car drivers will opt out of having a company car as a result of the company car tax changes?"



Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing Report 2001 on Company Motoring

On average, fleet managers believe that 7% of company car drivers will opt out of company cars as a result of the tax changes. Although this figure appears small in isolation, if we assume that in total there are 3 million company cars on the road then this could result in a reduction of 200,000 company cars.

The majority of fleet managers (83%) say that none of their company car drivers will opt out of their cars as a result of the tax changes. Although, 5% of fleet managers say that more than 50% of their company car drivers will opt out.

The research also asked fleet managers how many of their work force currently without a company car would choose to have one following the company car taxation changes. Grossing up these figures to the total population suggests that there could be as many as 600,000 new company car drivers as a result of the company car taxation changes.

Chart 1.12 The net effect of the changes in company car taxation

Drivers choosing to have a company car	+ 600,000 cars
Drivers choosing to give up their company car	- 200,000 cars
The net effect	+ 400,000 cars

Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

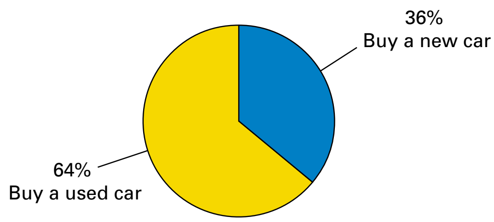
It can therefore be suggested that the changes in company car taxation could result in a net effect of 400,000 additional company cars on the road. This is double the amount of net new company car drivers estimated by the Inland Revenue.

More than eight in ten company car drivers would buy a car privately if they opted out of their company car

Over eight in ten company car drivers say that if they opted out of having a company car they would buy a car privately rather than not replace it. Just under two thirds of these would buy a used car rather than a new one.

Chart 1.13 The type of car bought to replace the company car

Company car drivers



Base: Those company car drivers who would buy a car privately if they opted out of having a company car (262)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Company car drivers are most likely to opt out of their company car when it no longer becomes an essential part of their job

The research also asked company car drivers to consider what it would take to make them opt out of their company car.

As chart 1.14 (below) shows, company car drivers are most likely to opt out of their company cars if they no longer need a car for business or if personal tax was increased by a further 20%. Comparatively, the new company car tax system has little effect on the proportion of company car drivers choosing to opt out.

Chart 1.14 What would cause people to opt out of company cars

	When the new tax regime is introduced in 2002	No longer needed car for work	Personal tax increased by further 20%
Certain not to have a company car	6%	21%	14%
Very likely not to have a company car	12%	26%	20%
Likely still to have a company car	11%	11%	22%
Very likely still to have a company car	36%	18%	19%
Certain still to have a company car	35%	24%	25%

Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Lex Vehicle Leasing Comment

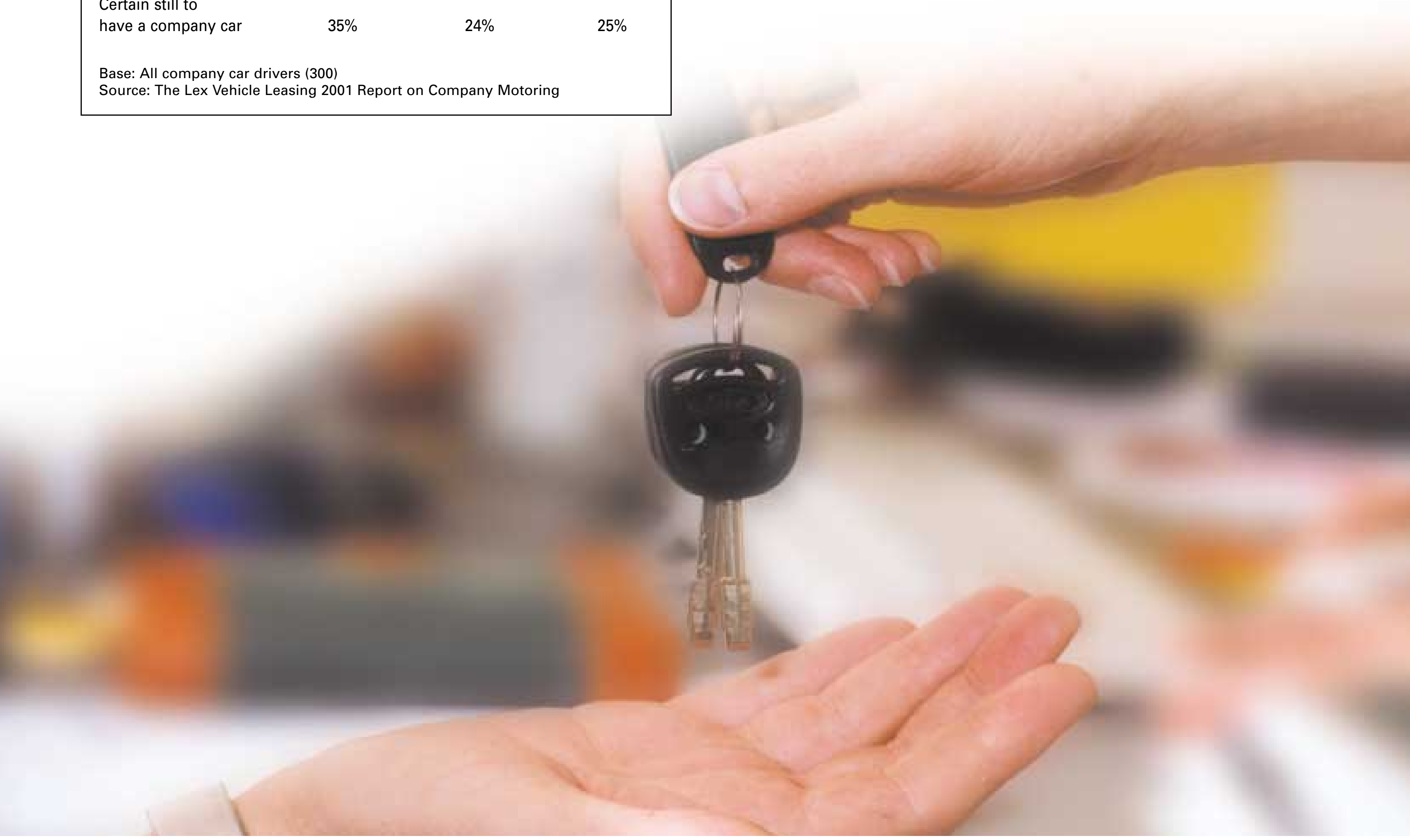
Although awareness of the forthcoming changes to company car taxation is high, detailed knowledge of the changes is low and both fleet managers and company car drivers seem unaware of what impact these changes will have.

It is important that the implications are understood so that employees are able to make informed choices, and take advantage of the incentives offered by the changes to taxation.

Initially, we believe that it is the role of the fleet managers to educate employees and provide a range of environmentally friendly cars that suit the needs of their drivers.

However, we also believe that the new system will penalise many company car drivers who have little choice but to use their cars for high business mileage. When the new tax rates are further revised, we plead with the government to review the impact of the changes on these particular drivers.

The report has shown that where drivers will choose to opt out of their company car and replace it with a private purchase, the majority would buy a second hand car. As the age of the car correlates closely to the level of emissions, this would almost certainly be bad news environmentally.



1.2 Vehicle excise duty

Changes in vehicle excise duty

In the past there was a flat rate of road tax for cars - £155 for 12 months. This system changed in March 2001 and the new system based the amount of road tax payable on the engine size of the vehicle. The rate of tax payable for engines up to 1100c.c was £105 for 12 months and engines over 1100c.c was £160 for 12 months.

However, on 1st July 2001 the system changed again.

For cars registerd before 1st March 2001 tax payable continued to be based on the engine size of the vehicle. However, the size of engine subject to the lower annual rate of tax (£105) was increased from 1100cc to 1549cc

Chart 1.15 Tax payable for cars registered before 1st March 2001

	12 months rate £
Not over 1549c.c	105
Over 1549c.c	160

Source: www.dvla.gov.uk

For cars registered on or after 1st March 2001 the basis for taxation changed. For these cars, the rate of tax payable is currently graduated and based on the CO^2 emissions and fuel type of the vehicle.

Chart 1.16 Tax payable for cars registered on or after 1st March 2001

		Diesel car	Petrol car	Alternative fuelled car
	CO2 Emission figure (g/km)	12 months rate £	12 months rate £	12 months rate £
Band A	Up to 150	110	100	90
Band B	151-165	130	120	110
Band C	166-185	150	140	130
Band D	Over 185	160	155	150

Source: www.dvla.gov.uk

The changes to vehicle road tax have not influenced the choice of company car or company car policy

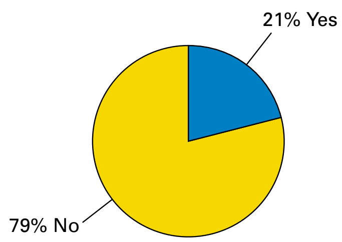
Awareness of the changes to vehicle road tax is greater than that of the forthcoming changes to company car taxation. Nearly nine in ten company car drivers and fleet managers are aware that cars now pay different road tax depending on the engine size of the car.

However, although both company car drivers and fleet managers are aware that the rate of road tax payable has been changed to reflect engine size, it is unlikely that they will be aware of the new graduated system which bases the rate of tax payable upon CO2 emissions and fuel type.

Chart 1.17 The impact of changes to vehicle road tax

" Will the changes to vehicle road tax have any impact on the type of company car you drive"

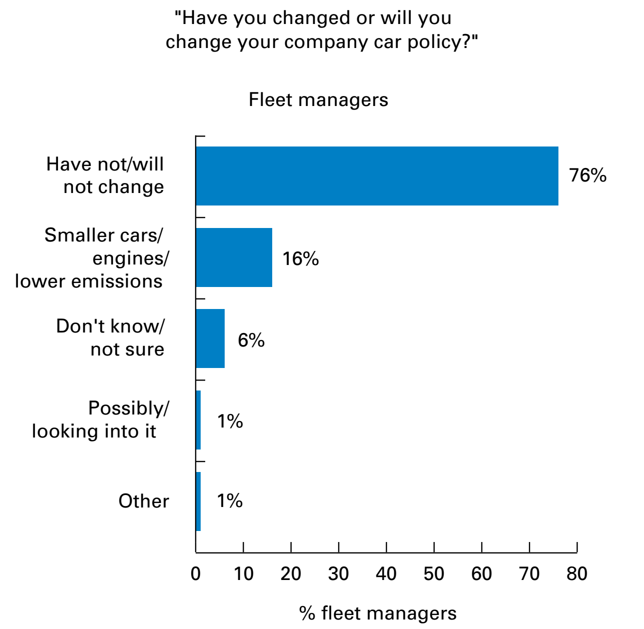
Company car drivers



Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Despite company car drivers' awareness of the changes to vehicle road tax, over three quarters of company car drivers say these changes will not have any impact on the type of company car they drive. This is probably due to the employer paying this cost rather than the individual company car driver.

Chart 1.18 The effect of road tax changes on company car policy



Base: Fleet managers who are aware of changes to vehicle road tax (fleet weighting) (339)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Over three quarters of fleet managers say they have not or will not change their company car policy as a result of the changes to road tax. However, 16% of fleet managers have changed or say that they will change their policy to use smaller cars/engines/lower emissions.

Furthermore, as fleet managers are less likely to be aware of the changes to the graduated road tax system, the number of fleet managers changing their company car policy may increase in the future.

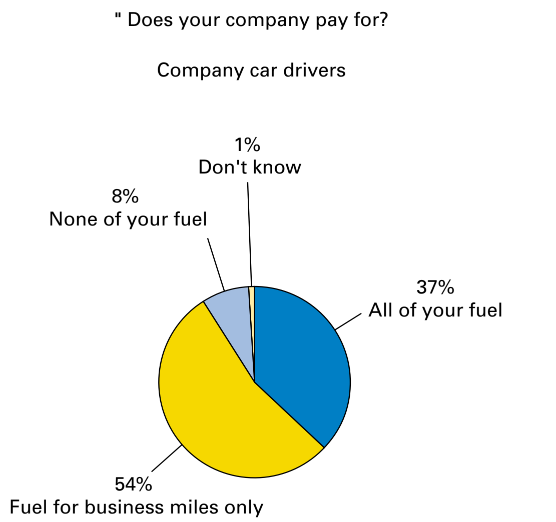
1.3 The provision of 'free' fuel

Employees who receive 'free' fuel (fuel for private mileage as well as business) from their employers are subject to benefit in kind tax.

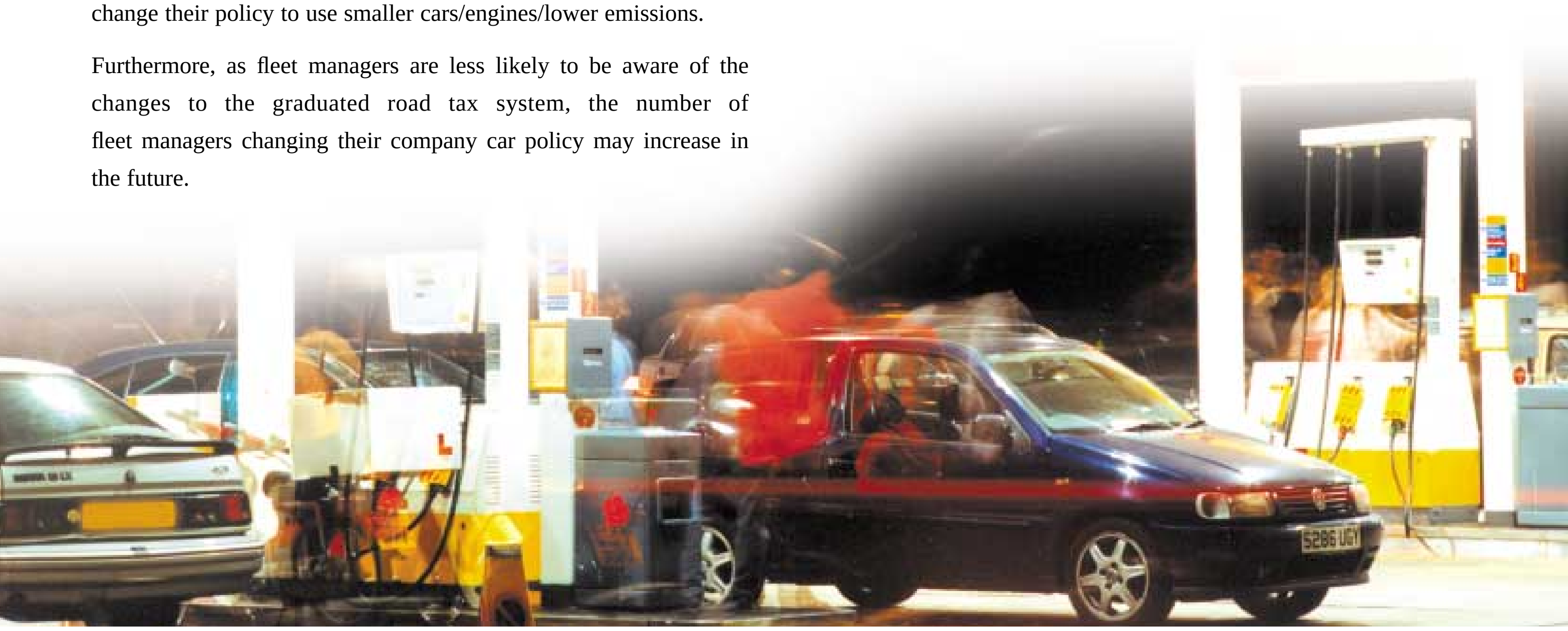
In the past 'free' fuel was seen as a valuable benefit. However, recent changes to the tax structure has meant company car drivers now need to travel high private mileages in order for it to be justified financially.

Those who receive 'free' fuel are not aware of the financial implications

Chart 1.19 The provision of 'free' fuel



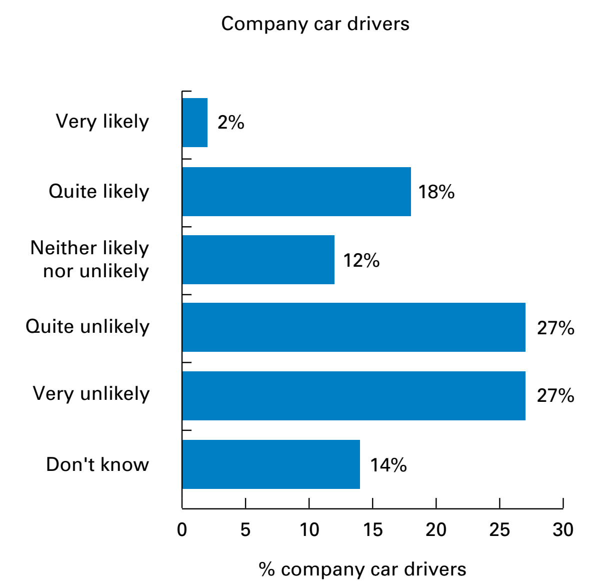
Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring



Over a third of all company car drivers receive ‘free’ fuel from their employers, yet over half of them are unaware of the tax they pay to receive this benefit.

In the medium term, company car drivers who receive ‘free’ fuel are unlikely to opt out until awareness rises.

Chart 1.20 The likelihood of opting out of ‘free’ fuel in the next few years



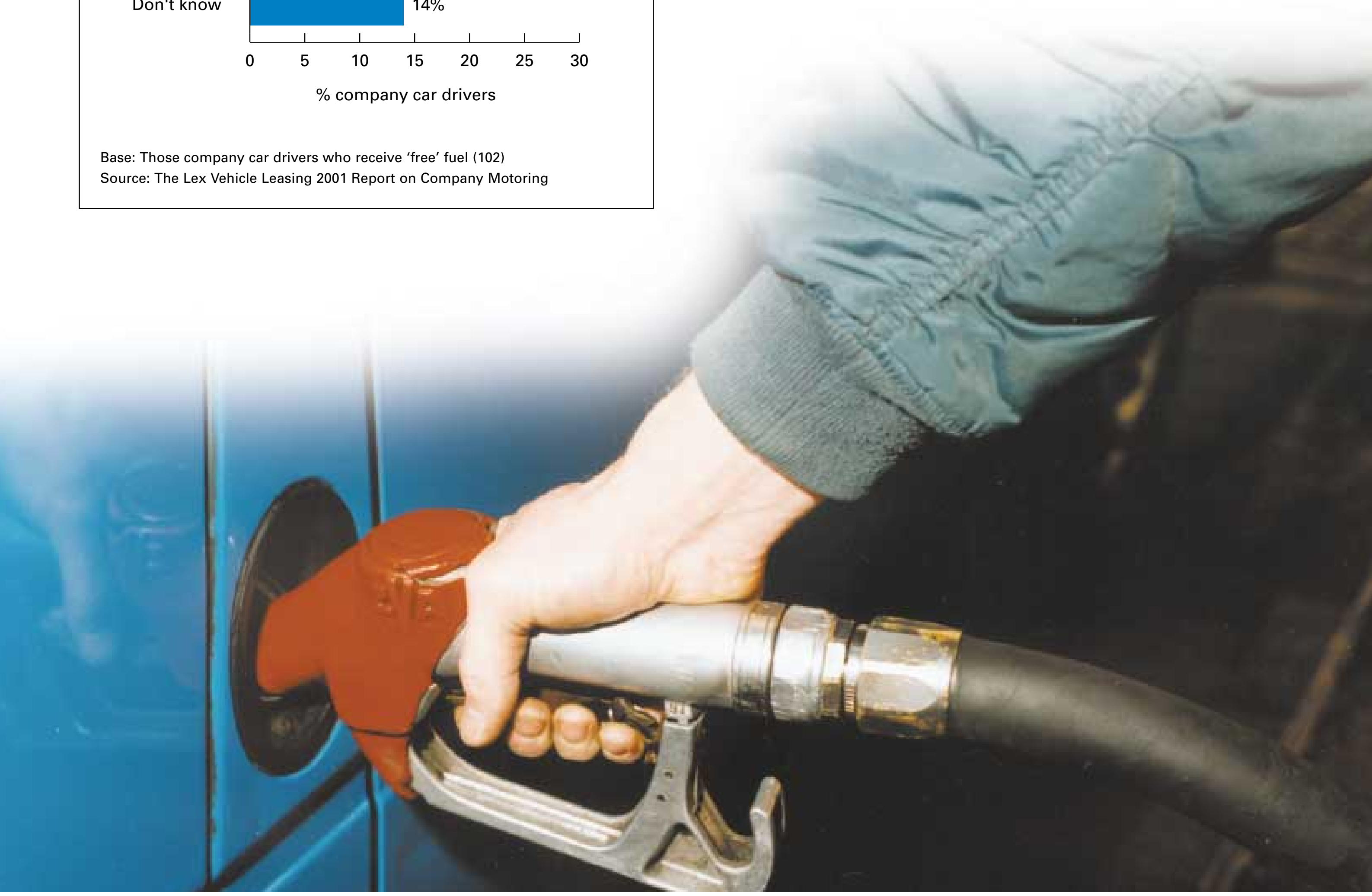
Base: Those company car drivers who receive ‘free’ fuel (102)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Lex Vehicle Leasing Comment

Awareness among company car drivers and fleet managers about the changes to the road tax system is high. However, we feel that in many cases individuals are referring to the change from the flat rate system to the system based on engine size, rather than to the new graduated rate.

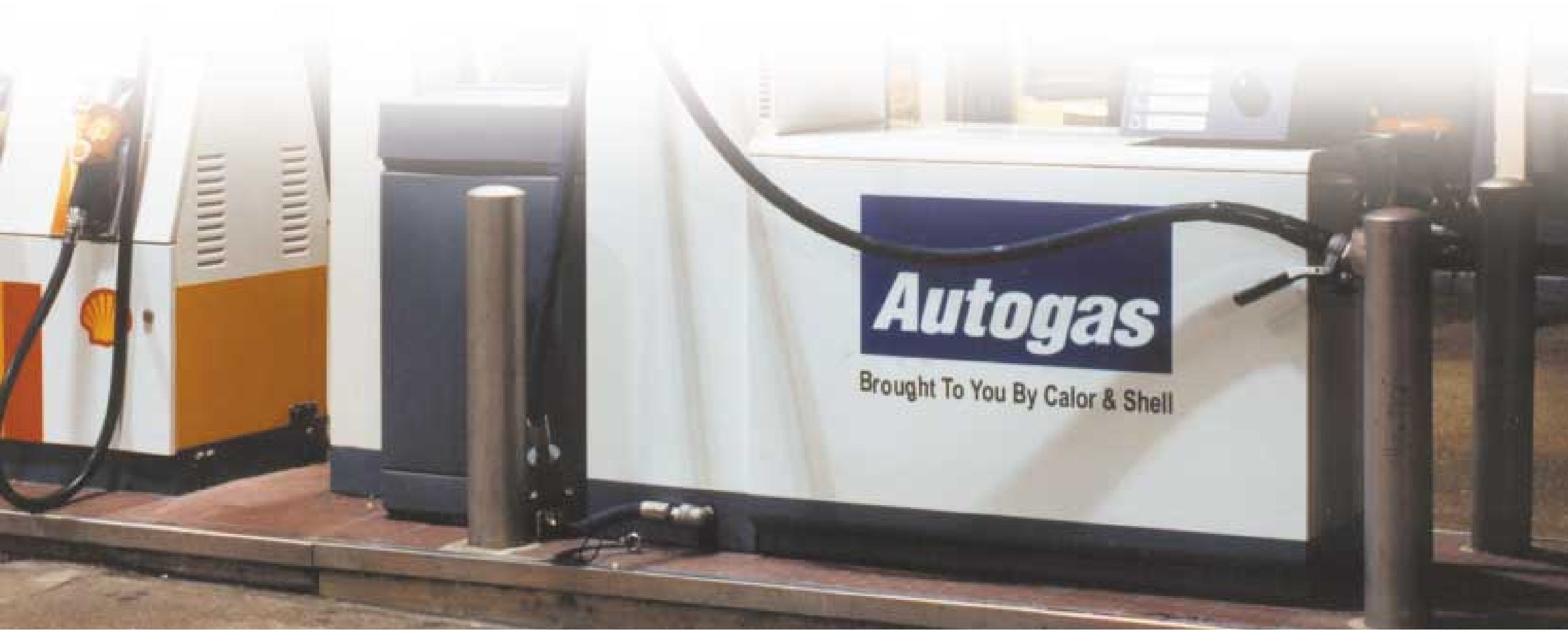
The implications of the graduated rate are particularly significant for the company car market, where cars are more likely to be new and thus qualify. We therefore ask the government to ensure communication of the new tax bands is widespread.

The benefit of fuel provision is also an area where we are particularly concerned. Although free fuel may not be offered as frequently as it once was, those already receiving free fuel seem unaware of the financial implications. We believe that the tax penalty in place is sufficient to encourage company car drivers to review their situation, but people are unaware that the tax penalty actually exists.



SECTION TWO

The Environment



2.1 The importance of the environment

Environmental considerations are less important when it comes to choosing company cars.

The importance of the environment has risen in society and as a result the general public has become more aware of the impacts their day-to-day behaviour can have. Consequently manufacturers and service providers have made efforts to provide products and services that are environmentally friendly.

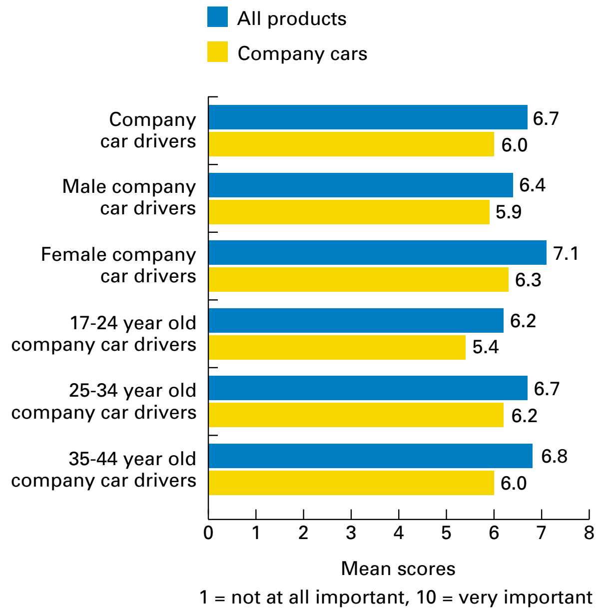
Company car drivers, similarly to the rest of the general public, consider the environment to be an important issue when making purchase decisions. Only 2% of all company car drivers claim that the environment is not at all important when purchasing products and services.

When it comes to choosing company cars however, the environment is a less important consideration in the minds of company car drivers. While 10% of company car drivers claim the environment is a very important issue, in contrast 8% feel it is not at all important.

Female company car drivers consider the environment a more important issue than male company car drivers. Younger company car drivers appear to be less concerned about the environment when making purchases

Chart 2.1 The importance of the environment in purchase decisions

" How important are environmental considerations when purchasing?"



Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

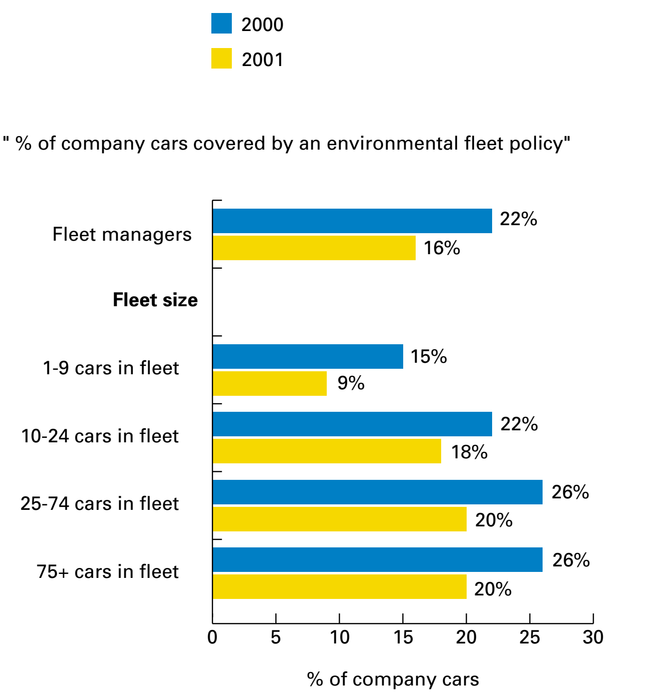
2.2 Environmental policy

Environmental policies among company car fleets are rare

Despite company car drivers' concerns for the environment, environmental policies with respect to company car fleets remain few. In fact, compared to last year, the proportion of company cars covered by an environmental fleet policy has decreased.

Altogether only 16% of company cars are subject to any type of environmental policy and only 5% of fleet managers say they provide incentives to encourage their company car drivers to take a more environmentally friendly car.

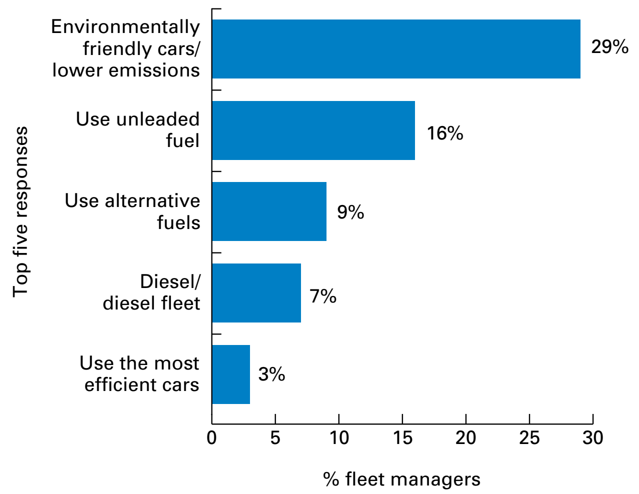
Chart 2.2 The incidence of environmental policies



Base: Fleet managers (car weighting)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Environmental policies are more likely to be evident among fleets with over 10 cars – 20% of cars in fleets with more than 75 cars are likely to be subject to an environmental policy compared to only 9% in fleets of under 10 cars.

Chart 2.3 The nature of fleet environmental policies



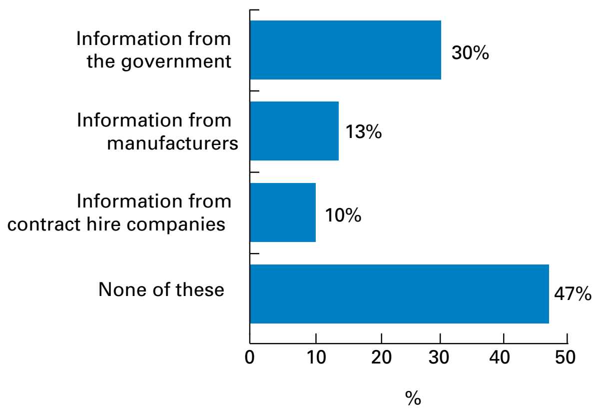
Base: Fleet managers who have an environmental policy with respect to company cars (car weighting) (56)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Where environmental policies do exist the nature of them is diverse.

Nearly a third of company cars are subject to policies concerned with environmentally friendly engines/lower emissions and a significant proportion are also concerned with the use of alternative fuels. This figure may increase further over the next year as taxation changes reward fleets running alternative fuelled cars.

The majority of the fleet environmental policies that exist seem to be focused on a particular issue such as low emission cars, rather than considering a range of issues.

Chart 2.4 Best source of information for designing an environmental policy



Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

In terms of information sources, nearly half of all fleet managers do not feel any of the sources suggested would be helpful for designing an environmental policy. This largely reflects the views of fleet managers within smaller fleets than those with larger fleets. In the largest fleets only 12% of fleet managers say that none of the sources of information are useful.

Of those who do feel these sources of information would be helpful, it is felt that the government would be the most useful source – this is particularly true for fleet managers within fleets of over 75 cars

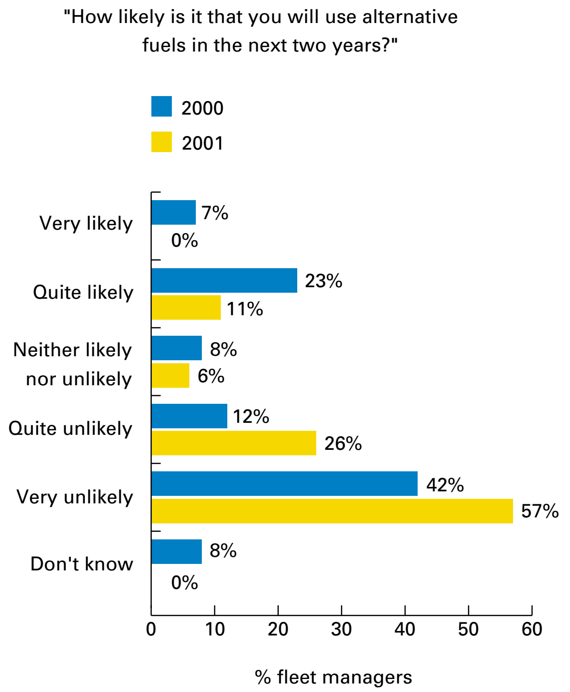
2.3 Alternative fuels

The use of alternative fuels in the future looks unlikely

Over one in ten fleet managers have looked into using alternative fuels for their company car fleet. However, this is heavily weighted towards larger fleets.

Although this figure is relatively low, it could be a reflection of company car drivers' attitudes towards alternative fuelled cars. Only 7% of company car drivers, who have their car provided by the employer, considered buying a car that ran on alternative fuel the last time they bought a car.

Chart 2.5 Possible take-up of alternative fuels



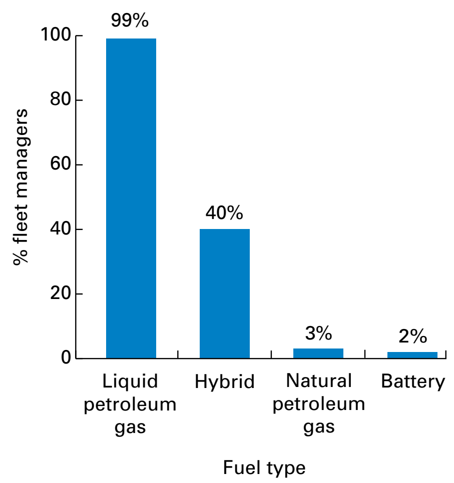
Base: All fleet managers (fleet weighting)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

The proportion of fleet managers who claim they are likely to use alternative fuels in the next two years has decreased year on year from 30% in 2000 to 11% in 2001. However, this does not necessarily mean that fleet managers do not want to introduce alternative fuelled vehicles into their fleet. It may be a reflection of the general lack of availability of alternative fuels on forecourts nationwide, making the practicality of introducing alternative fuelled vehicles difficult.

Where alternative fuels have been considered, fleet managers are most likely to have looked into using Liquid Petroleum Gas. Nearly all fleet managers have looked into using this type of fuel.

Chart 2.6 The use of alternative fuels

"Which of the following have you looked into?"



Base: Fleet managers who have looked into using alternative fuels (fleet weighting) (91)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Lex Vehicle Leasing Comment

The environment remains a tertiary issue within the company car market. While environmental awareness and consideration is high among company car drivers, it appears to be significantly less important when it comes to choosing a company car.

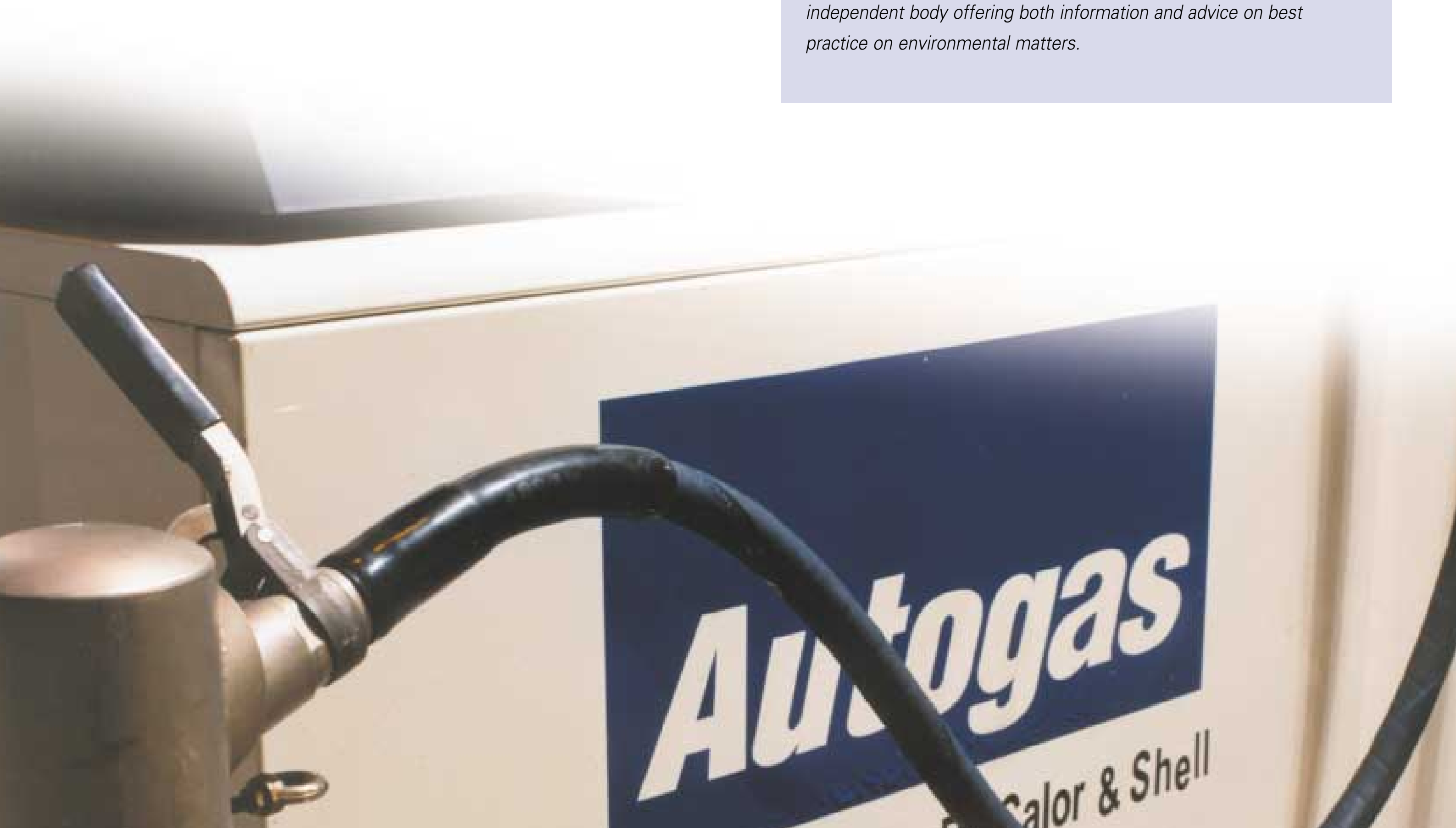
Similarly, the incidence of fleet environmental policies is few and even where these exist they tend to be focused on a specific issue.

The growing importance of protecting the environment is why we need to make an effort to raise environmental considerations within the company car market. We understand this is not going to happen overnight, but through advice and guidance, fleets will be able to develop policies that not only protect their employees but also the environment in which we live.

Firstly, we ask the government to encourage the adoption of environmental fleet policies. We believe that an efficient and effective method would be to introduce a graduated National Insurance rebate system based on the average emission levels of the fleet.

Secondly, we need to work together to facilitate infrastructure development and ensure that fleets have practical alternatives. In particular we would like to see the alternative fuel network developed.

Finally, we need the industry to help us provide fleets with independent advice on environmental matters. We believe that a Green Fleet Advisory Service needs to be set-up as a truly independent body offering both information and advice on best practice on environmental matters.



SECTION THREE

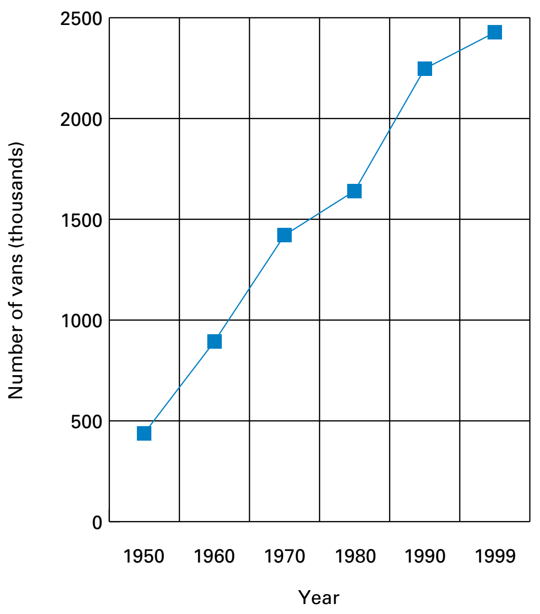
Breaking the myths – the reality of van drivers

3.1 The van market in the UK

The number of vans on the UK's roads is increasing

Over the years, the number of commercial vans on the road has grown significantly. In 1999 there were just under 2.5 million vans on the road, more than a fivefold increase since 1950. This figure looks set to rise further as trends in society, such as home shopping, increase the need for commercial vans.

Chart 3.1 The number of vans on the road



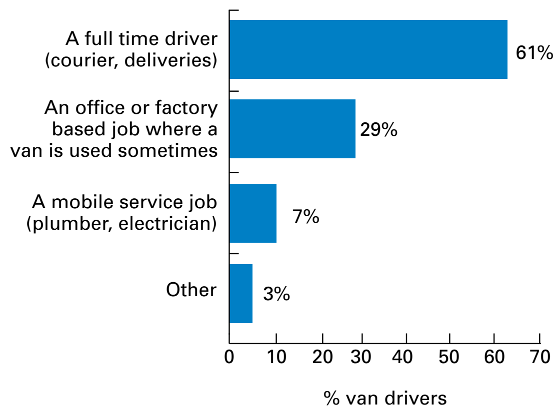
Source: Transport Statistics 2000

The majority of van drivers (61%) say they work as full time drivers such as couriers or delivery people. However, nearly three in ten van drivers say they work in an office or factory based job but need to use a van in the course of their work.

Most company vans (83%) are provided by the employer. 11% are provided as a business expense and 6% of respondents said they bought their van privately.

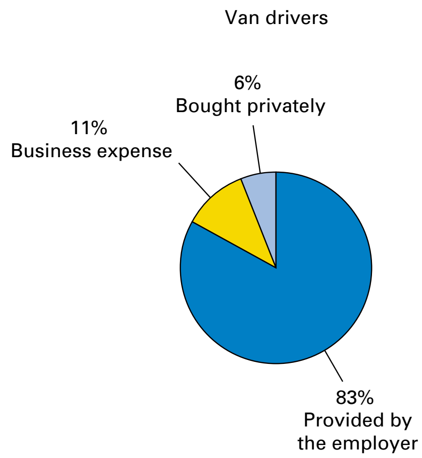
However, those van drivers whose occupation is a mobile service, such as a plumber, are more likely to have bought their van privately.

Chart 3.2 The occupation of van drivers



Base: All van drivers (103)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Chart 3.3 The provision of company vans



Base: All van drivers (103)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

3.2 A profile of vans in the UK

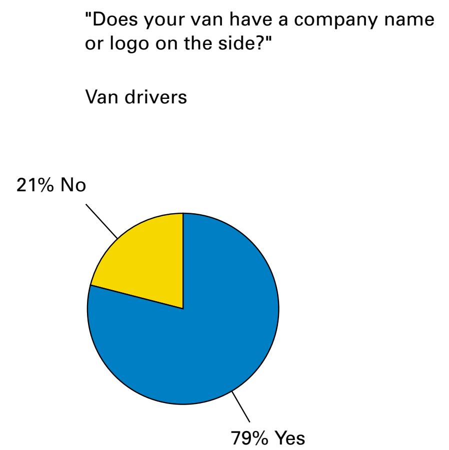
Only one in five vans in the UK are unbranded – 'White Van Man'

Recently the media attention given to van drivers has increased and speculation about the so-called 'White Van Man' has stereotyped van drivers as one of the worst type of drivers on the road.

This report focuses on the attitudes and behaviours of van drivers to see if in reality these claims are true or whether 'White Van Man' is actually just a myth.

There can be various definitions of 'White Van Man', but, for the purpose of this report, 'White Van Man' has been defined as driving an 'unbranded' van (meaning a van with no logo). The report also considers the actions and behaviours of 'Corporate Van Man' – defined as driving a 'branded' van (meaning a van with a logo).

Chart 3.4 The number of 'White Van Man' drivers on the road



Base: All van drivers (103)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

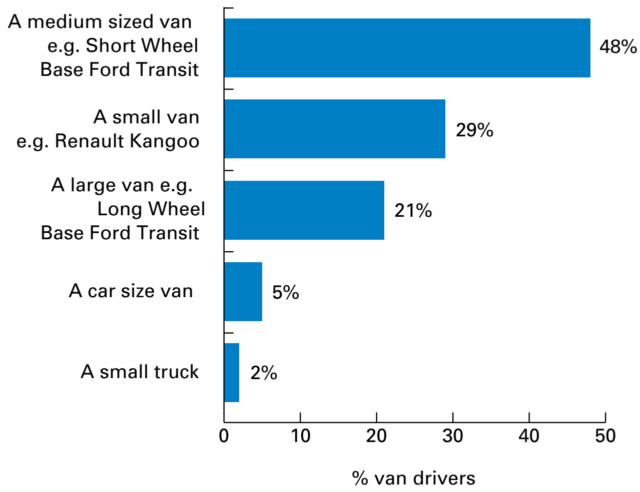
Just over a fifth of all van drivers (equivalent to 500,000 vans) can be defined as 'White Van Man' drivers – driving a van without a company logo – while nearly eight in ten van drivers can be defined as 'Corporate Van Man' drivers – those who drive vans that display a corporate identity.

The typical van driven

The sample of 'White Van Man' in the survey was relatively small. The analysis of differences between 'White Van Man' and 'Corporate Van Man' should therefore be taken as indicative only.

Almost half of all van drivers drive medium sized vans. However, 'White Van Man' is more likely than 'Corporate Van Man' to drive larger, Ford Transit, type vans.

Chart 3.5 The type of vans driven

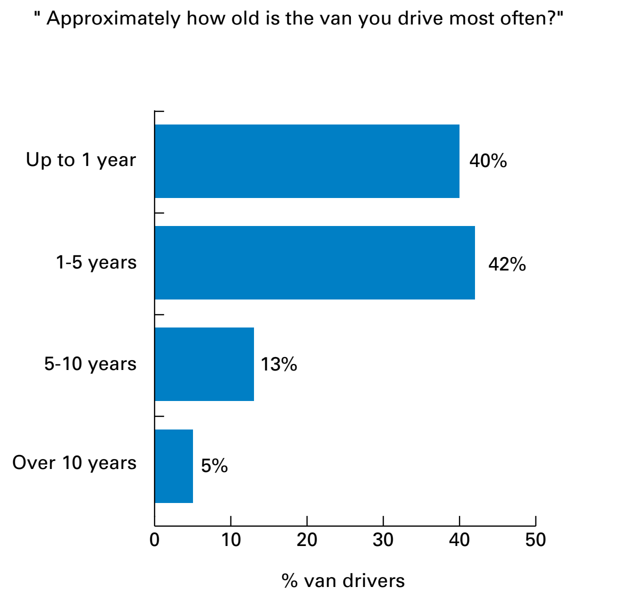


Base: All van drivers (103)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Four in ten vans are less than a year old and a further four in ten vans are between one and five years old. In particular it is ‘Corporate Van Man’ who has the newest vehicles.

‘White Van Man’ drivers are more likely to drive old vehicles. Over a fifth of ‘White Van Man’s’ vehicles are between five to ten years old and over one in ten are over ten years old.

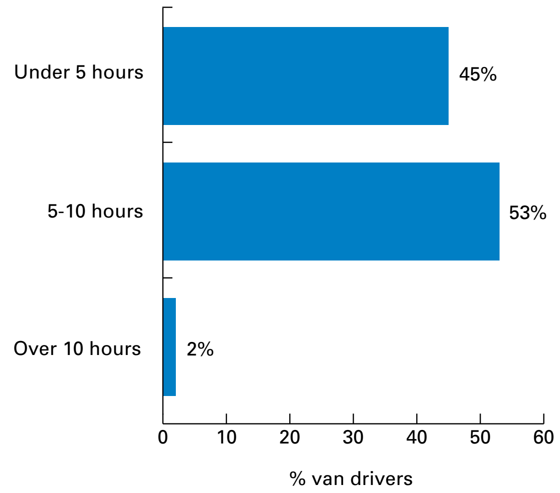
Chart 3.6 The age of vans



Base: All van drivers (103)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

The majority of van drivers drive between five and ten hours per day and ‘Corporate Van Man’ drivers are no different. ‘White van man’ drivers however, are much more likely to drive for less than five hours a day, that is they are more likely to drive in the course of their work rather than as a ‘professional’ driver.

Chart 3.7 Average hours driven per day



Base: All van drivers (103)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Chart 3.8 Average annual mileage

	Van drivers
Up to 10,000 miles	20%
10,000-20,000 miles	15%
20,000–40,000 miles	34%
Over 40,000 miles	28%
Don’t know	3%
Average miles driven	25,000

Base: All van drivers (103)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

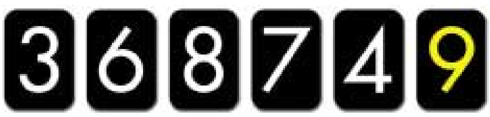
‘Corporate Van Man’ drivers are more likely to complete higher mileages than ‘White Van Man’ drivers – a third of ‘Corporate Van Man’ drivers complete over 40,000 miles per year compared to only one in ten ‘White Van Man’ drivers. Also, ‘Corporate Van Man’ drivers complete on average 27,000 miles per year compared to only 18,000 for ‘White Van Man’ drivers.

Considering the age of many of the vans on the road, the number of hours they are used each day and the mileages that are travelled each year, it is often assumed that vans are in a poor condition. However, over 70% of van drivers say that their vehicle is in very good condition.

Lex Vehicle Leasing Comment

The significant number of vans on the road today is a key reason for industry and government alike to focus attention on van drivers’ behaviours and attitudes.

Most van drivers can be defined as ‘Corporate Van Man’, who make efforts to improve van drivers’ image and road safety. However, we also believe that ‘White Van Man’ is a reality and that the actions of these minority of drivers are tarnishing the overall image of van drivers and threatening the safety of other drivers



3.3 Attitudes and behaviour of van drivers

Van drivers’ attitudes towards negative media coverage of van drivers

Over the last couple of years there has been increased media attention about the actions and behaviours of the ‘White Van Man’. Much of this coverage has been negative, portraying van drivers as having poor driving standards.

Chart 3.9 Van drivers’ attitudes towards the negative media coverage of ‘White Van Man’

"How do you feel about coverage in the newspapers about poor driving standards of ‘White Van Man’?"

	Van drivers
Justified/agree to some extent	27%
Unjustified/disagree	15%
Blown out of proportion/exaggerated	2%
Doesn’t relate to all van drivers/ too much generalisation	24%
Not bothered by it/not affected	18%
It is just van drivers trying to do their job	11%
Don’t know	5%

Base: All van drivers (103)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Van drivers are split in opinion about the coverage of the poor driving standards of ‘White Van Man’. Just under three in ten van drivers claim to agree with the coverage or feel it has least been partly justified. However, more than a fifth of van drivers feel the coverage has been too generalised.

‘White Van Man’ is more likely than ‘Corporate Van Man’ to disagree with the recent coverage and is much less likely to think that coverage has been generalised. In addition, ‘White Van Man’ is much less likely to be affected or bothered by the negative coverage.

Van drivers rate their own driving skills as better than average

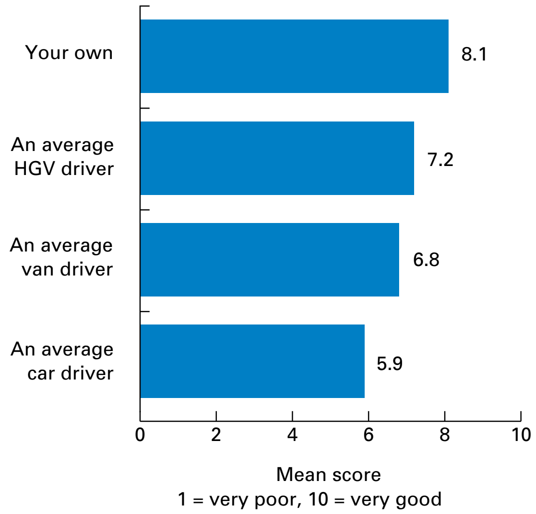
A characteristic of all motorists is that they believe their own driving skills are better than average and van drivers are no different. As chart 3.10 shows, van drivers clearly rate their own driving as better than others.

Van drivers also rate the average HGV driver's skills as better than the average van drivers.

Car drivers are viewed as the worst drivers on the road by van drivers. However, company car drivers in turn view van drivers to be the second most irritating drivers on the road after older drivers (for further detail see chart 4.8, page 40).

Chart 3.10 Van drivers' perceptions of others' driving skills

"How do you rate the driving skills of the following?"



Base: All van drivers (103)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

On average van drivers are less likely to be involved in road rage incidents than company car drivers

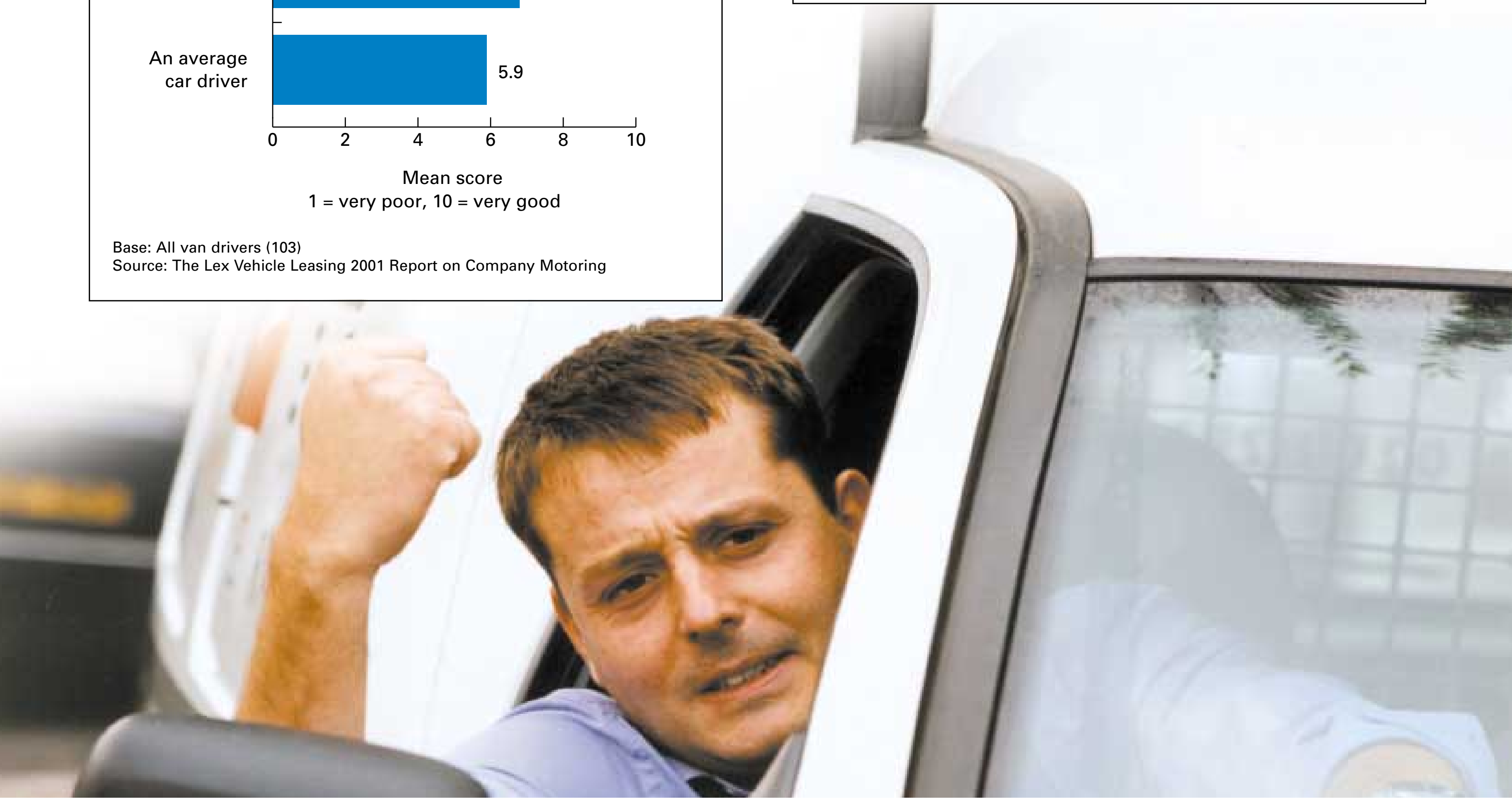
In general it is company car drivers that are more likely than van drivers to have been involved in some kind of road rage incident in the last 12 months. However, 'White Van Man' is more likely than the average van driver to have been involved in a road rage incident.

Over six in ten 'Corporate Van Man' drivers and more than half of all van drivers have not been involved in any road rage incident in the last 12 months. However, more than half of all 'White Van Man' drivers say they have been involved in a road rage incident in the last 12 months.

Chart 3.11 The incidence of road rage

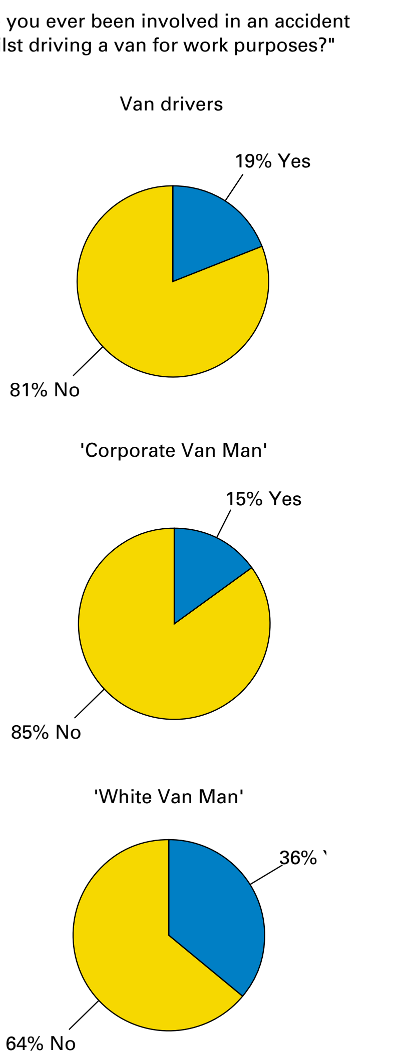
	Company car drivers	Van drivers
Verbally abused/gestured at another driver while still in the van/car	52%	40%
Followed (tailgated) another driver very closely or aggressively for a distance	5%	4%
Forced another driver to pull over or off the road	1%	2%
None of these	44%	59%

Base: All van drivers (103), all company car drivers (300)
Source: The Lex Vehicle Leasing Report 2001 on Company Motoring



Almost 20% of van drivers have been involved in an accident when driving for work

Chart 3.12 The incidence of accidents among van drivers



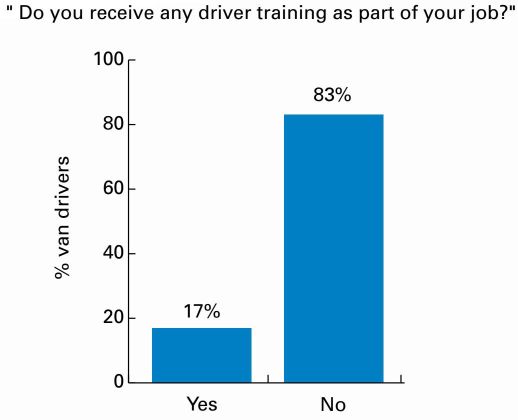
Base: All van drivers (103)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Altogether nearly one in five van drivers have been involved in an accident while driving a van for work purposes.

However, in line with general public belief, 'White Van Man' is more likely to have been involved in an accident. More than 30% of 'White Van Man' drivers have had an accident while driving for work purposes. This compares to just 15% for 'Corporate Van Man' drivers.

Few van drivers receive driver training as part of their job

Chart 3.13 Training among van drivers

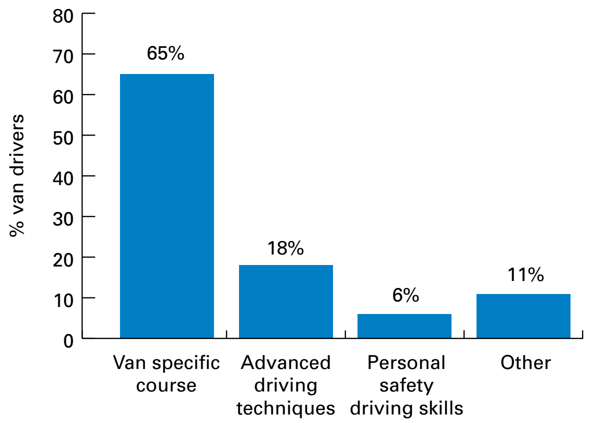


Base: All van drivers (103)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

The level of driver training is low among van drivers in general. Nevertheless, it is significantly lower among ‘White Van Man’ drivers – only one of the sample said they had received any training as part of their job.

Of those van drivers who receive driver training, most receive courses that are van specific.

Chart 3.14 The nature of van driver training



Base: Van drivers who receive driver training (17)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

On the whole, van drivers are supportive of methods to improve van drivers’ driving standards

As a result of the increased media attention on van drivers’ driving standards, more attention and debate has been focused on methods of improving van drivers skills – particularly in terms of bringing van driver regulations in line with those for truck drivers.

In general, both van drivers and fleet managers support methods aimed at improving the standards of van drivers and, perhaps not surprisingly, fleet managers are more supportive than van drivers.

Chart 3.15 Methods of improving the standards of van drivers

“How much do you support or oppose the following aimed at improving the standards of van drivers?”

(Mean where 10 = strongly support, 1= strongly oppose)

	Van drivers	Fleet managers
Make it compulsory to have a telephone number displayed on every van	6.8	6.8
Van drivers should be subject to the same regulations as truck drivers	4.8	6.4
Vans should not be allowed to use the fast lane of motorways	4.5	5.9
Van drivers should be required to pass additional examinations beyond or above a regular car driving standard	5.4	6.0
Van drivers should only be allowed to drive for a certain number of hours per day	6.6	7.2

Base: All van drivers (103), all fleet managers (car weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

'White Van Man' is less likely to be supportive of any methods aimed at improving van drivers' driving standards. While both 'Corporate Van Man' and fleet managers are highly supportive of regulations to restrict the number of hours that can be driven per day, 'White Van Man' remains comparatively unsupportive.

Van drivers in general and particularly 'Corporate Van Man' are supportive of introducing compulsory telephone numbers onto the back of vans. Although only 3% of van drivers currently have a 'well driven' sticker or similar on their vans, road users are aware of and respond to such signs. Over eight in ten motorists state they have seen a 'well driven' or similar sticker and just under one in ten motorists claim to have called one of the numbers.

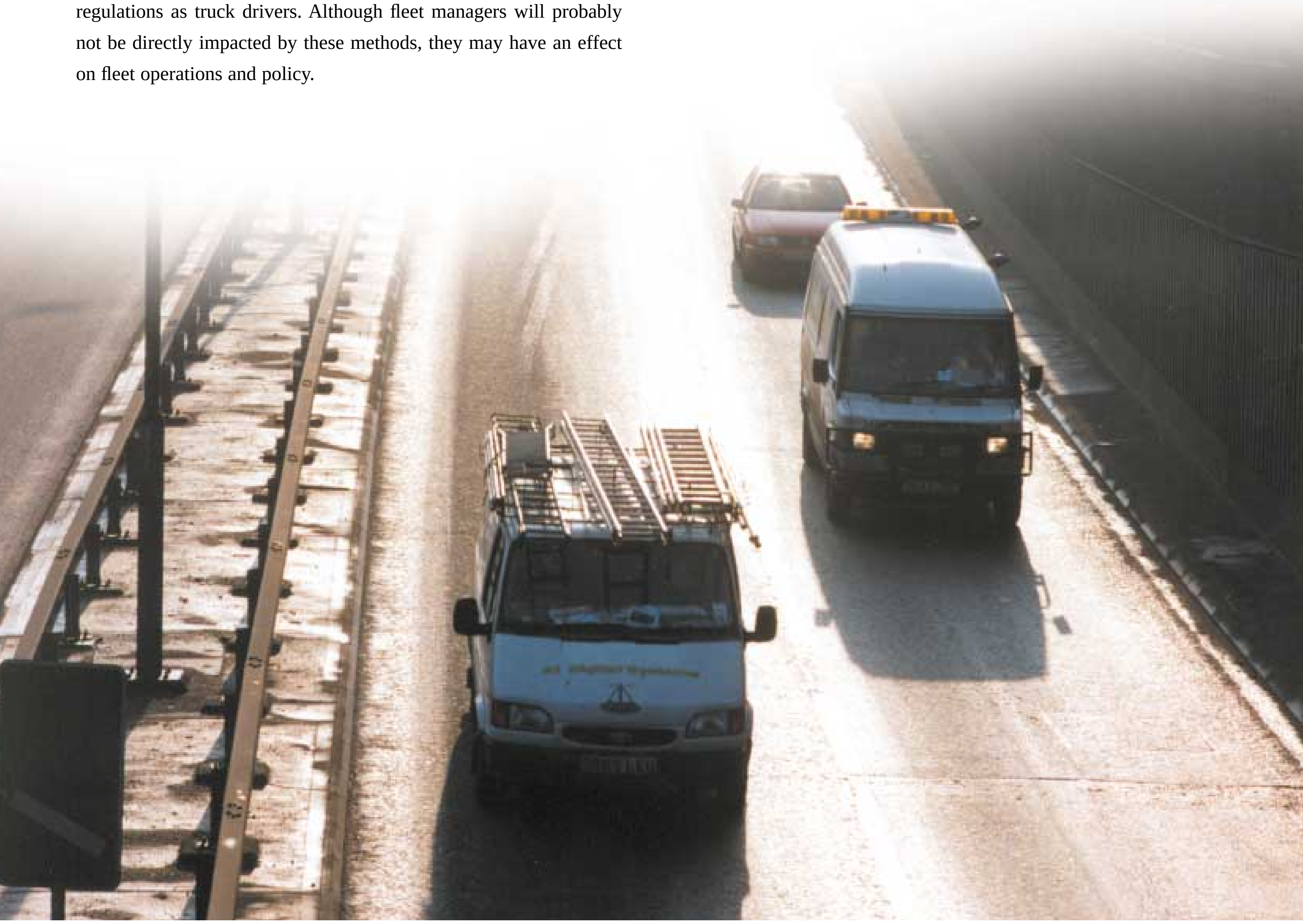
Van drivers also support the introduction of additional examinations, even though this would affect all van drivers both practically and in terms of time and cost.

Fleet managers are supportive of restrictions on van drivers using the fast lanes of motorways and for van drivers to be subject to the same regulations as truck drivers. Although fleet managers will probably not be directly impacted by these methods, they may have an effect on fleet operations and policy.

Lex Vehicle Leasing Comment

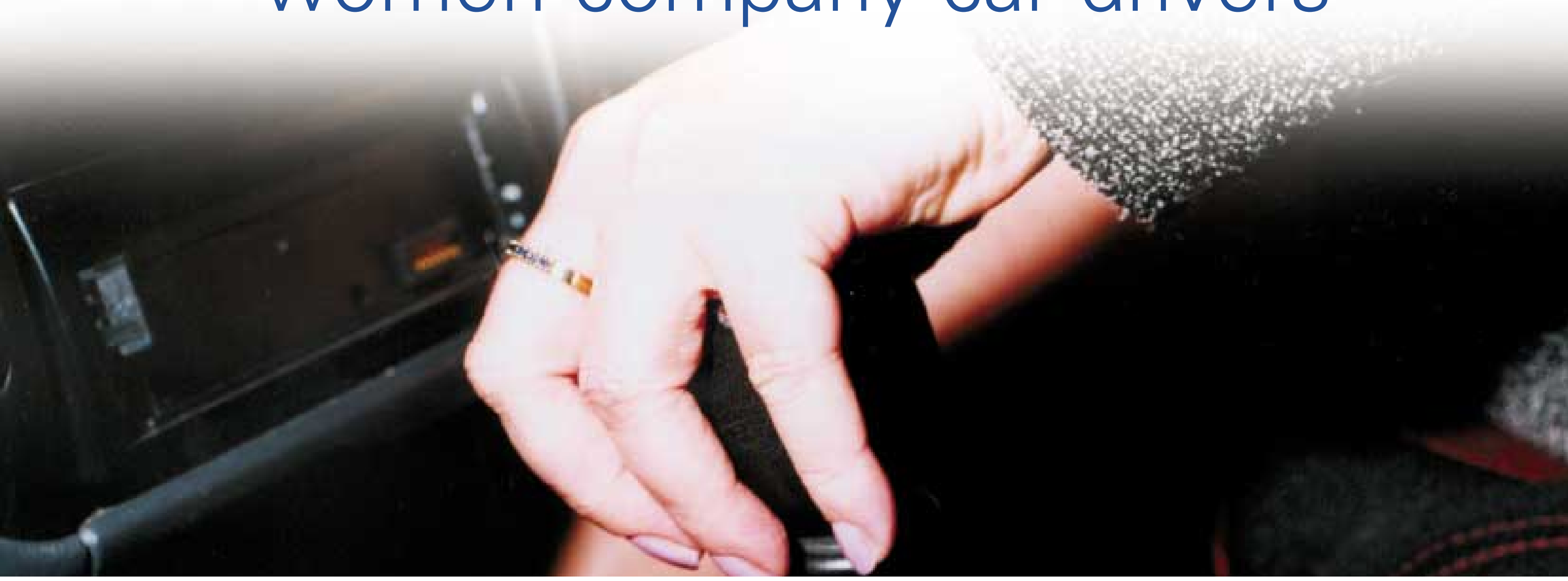
The actions and behaviours of 'White Van Man' make clear the case for tightening the current van driver's regulations. We understand that 'White Van Man' represents a minority of drivers, but yet we still feel that without sufficient regulations the safety of other road users will continue to be threatened.

While truck drivers are subject to numerous safety regulations we feel van drivers have been overlooked. Looking forward, we would like to see the regulations concerning van drivers tightened. In particular, we would welcome efforts to introduce compulsory MOTs every 10,000 miles and enforcing the display of a telephone number and a named individual or corporate identity on every van.



SECTION FOUR

Breaking the myths – women company car drivers



PAGE

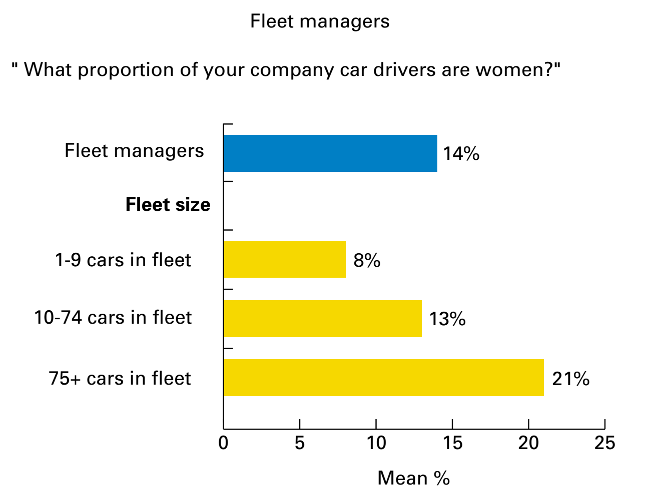
4.1 The importance of women in the company car market

Female company car drivers represent 14% of the total company car market

For many years, any discussion about company car drivers automatically referred to male drivers. However, as the workplace has evolved the number of women in employment and the number of women in professional positions has increased.

Consequently, there are now a significant number of women company car drivers on the road.

Chart 4.1 The number of women company car drivers



Base: All fleet managers (car weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

On average 14% of company car drivers are female. However, 4% of fleet managers say that more than 51% of their company car drivers are women.

Fleet size is an important determinant of the proportion of women drivers – in fleets with more than 75 cars on average 21% of drivers are female, compared to only 8% in fleets of under 10 cars.

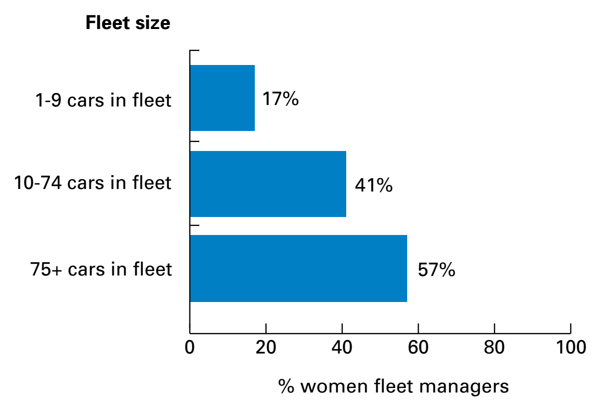
Therefore, assuming that the total number of company cars is three million and that on average 14% of company car drivers are female, then in total there are approximately 400,000 women company car drivers.

Despite the numerical importance of women company car drivers, only 1% of fleet managers say they have specific policies relating to women drivers.

The proportion of company car drivers that receive personal safety driving skills training for example, is few. Of those company car drivers that are in companies that offer any type of driver training (23%), only a third are offered personal safety driving skills training.

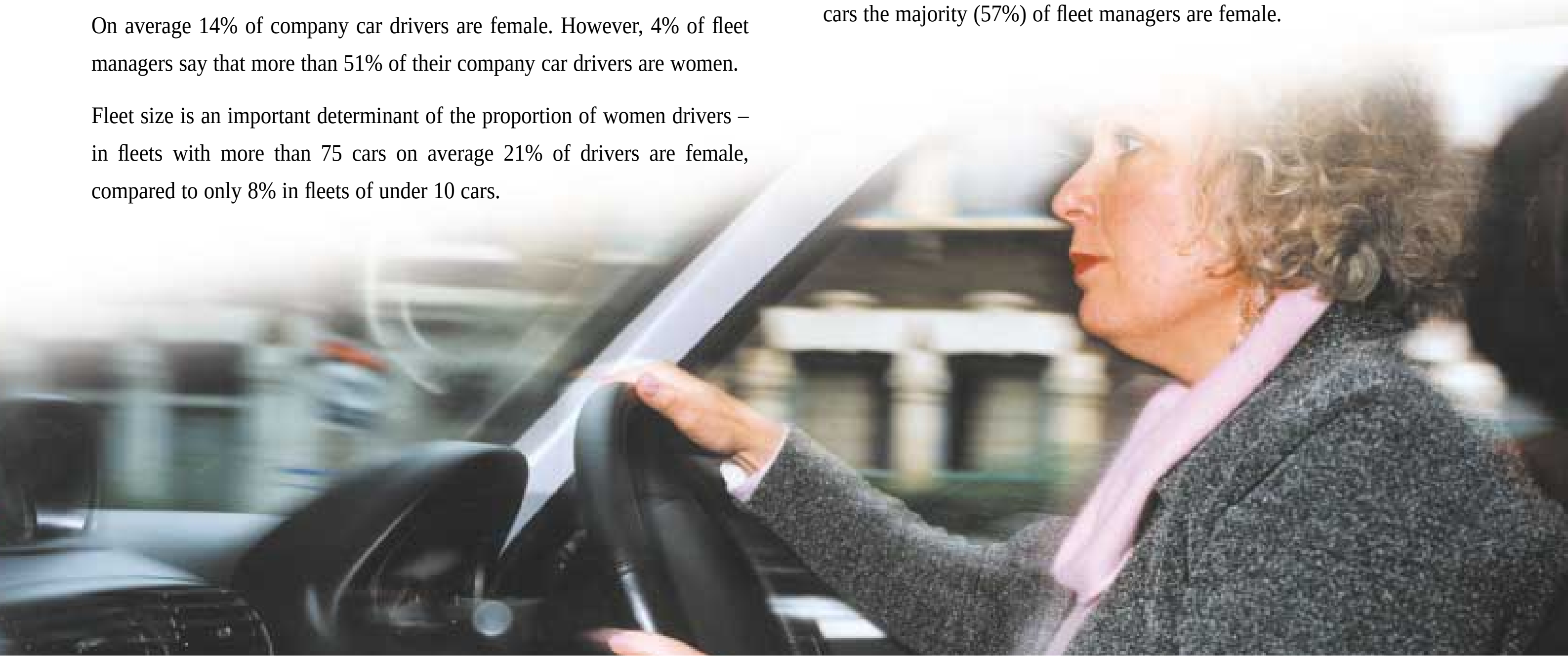
There are also a significant number of women in fleet management positions.

Chart 4.2 The number of women fleet managers



Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2000 Report on Company Motoring

On average, nearly one fifth of fleet managers are women. In larger fleets the number of female fleet managers is even greater. In fleets of more than 75 cars the majority (57%) of fleet managers are female.



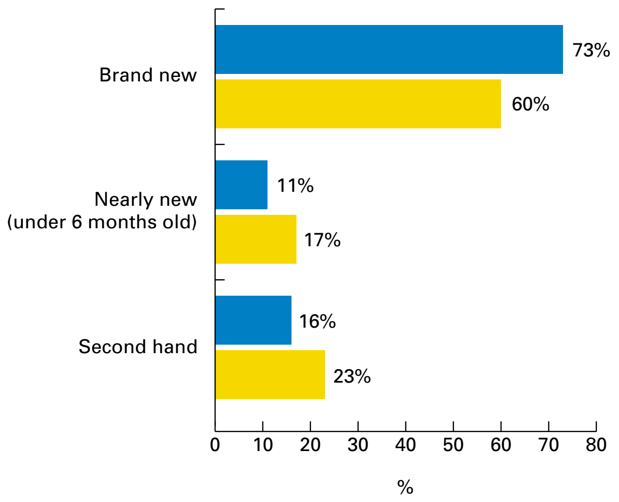
4.2 A profile of women company car drivers

Female company car drivers are more likely to have second hand, smaller engined and lower value cars than male company car drivers

On average, men are more likely to have a brand new company car than females. Over a fifth of women (23%) company car drivers claim that their company car was second hand compared to only 16% of men.

Chart 4.3 New vs second hand

"When you first got your company car was it?"



Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

On average, female company car drivers drive lower value cars than male company car drivers.

Chart 4.4 The value of company cars

"Approximately how much did the car you drive most often cost?"

	Male	Female
Up to £10,000	16%	22%
£10,000-£15,000	28%	26%
£15,000 - £20,000	26%	21%
£20,000 - £25,000	17%	7%
Over £25,000	5%	1%
Don't Know	7%	22%
Average cost	£15,000	£13,000

Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

While 22% of male company car drivers drive a car worth more than £20,000, only 8% of female company car drivers drive a car of this value. However, nearly a quarter (22%) of female company car drivers do not know the value of their car compared to only 7% of male company car drivers.

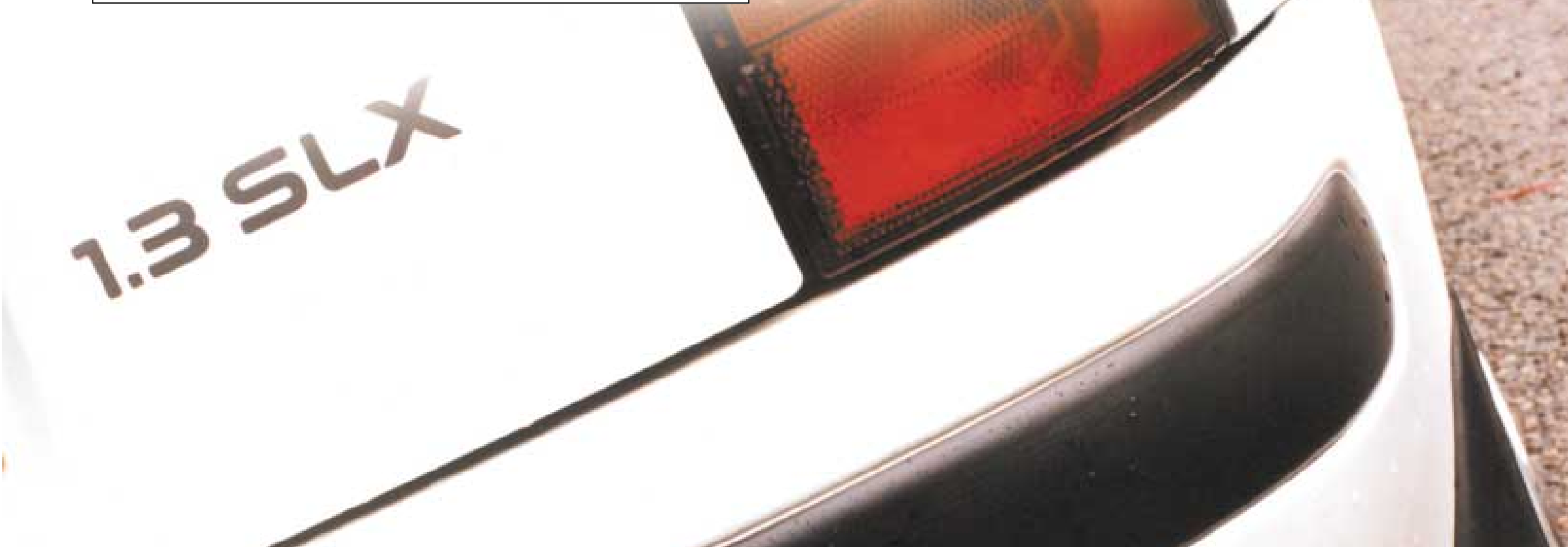
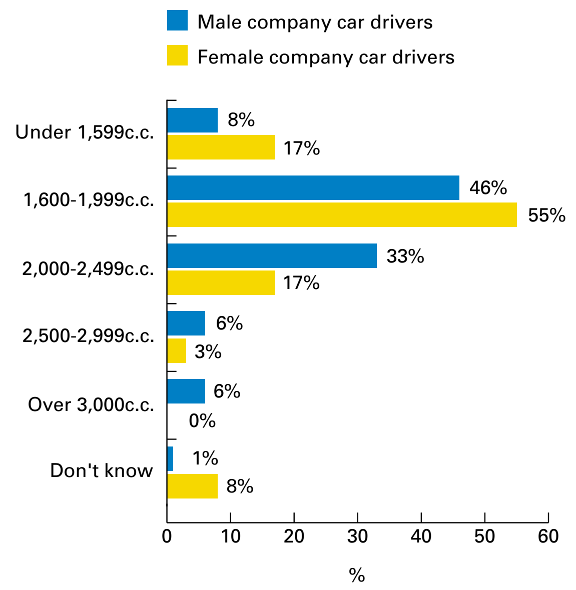
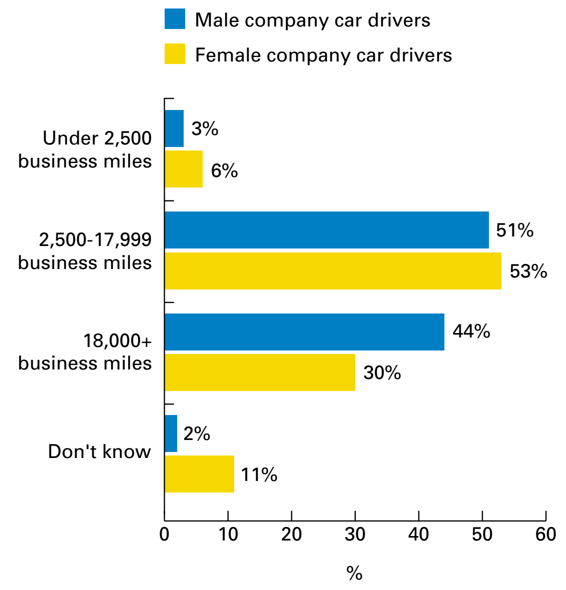


Chart 4.5 Engine size



Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Chart 4.6 Annual business mileage



Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

In general women company car drivers drive vehicles of a lower engine capacity than male company car drivers.

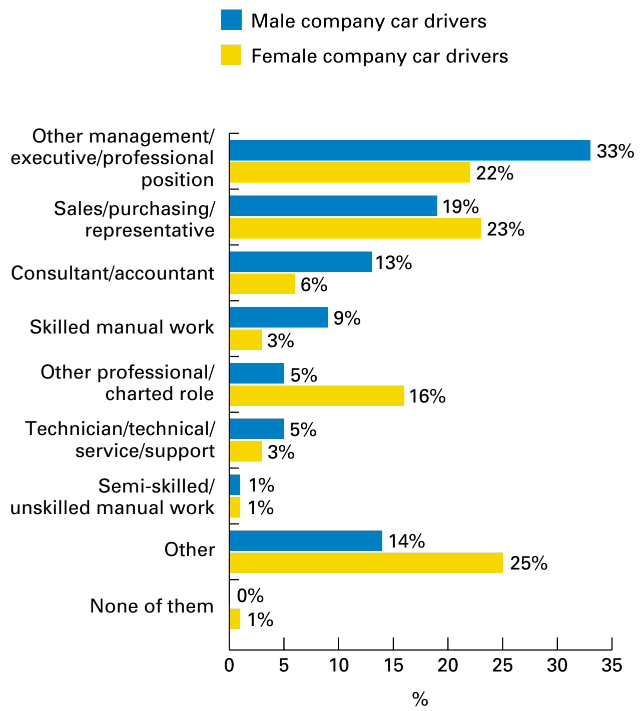
While no female company car drivers said that they drive a vehicle over 3,000c.c., 6% of male company car drivers claim to. Also, a third of male company car drivers drive vehicles with a capacity between 2,000-2,499c.c. compared to less than a fifth of female company car drivers. The majority of women company car drivers drive cars of between 1,600-1,999c.c.

On average, male company car drivers travel 19,000 business miles per year - 4,000 more miles per year than that of female company car drivers, who on average travel 15,000 business miles per year.

The majority of both male and female company car drivers complete between 2,500-17,999 business miles annually. However, 44% of male company car drivers travel over 18,000 business miles per year compared to only 30% of female company car drivers.

As chart 4.7 shows male company car drivers are more likely to be in management, executive or professional positions than female company car drivers. This may explain many of the differences in the cars of male and female company car drivers.

Chart 4.7 The nature of company car drivers' work



Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Lex Vehicle Leasing Comment

Although women represent a minority within the company car market, their importance is increasing. Over the coming years, we believe the number of both female company car drivers and fleet managers will increase significantly. It is important therefore that we are prepared as an industry to recognise and fulfil their particular needs.

4.3 Attitudes and behaviour of women company car drivers

Female company car drivers are less critical of others' driving skills than male company car drivers

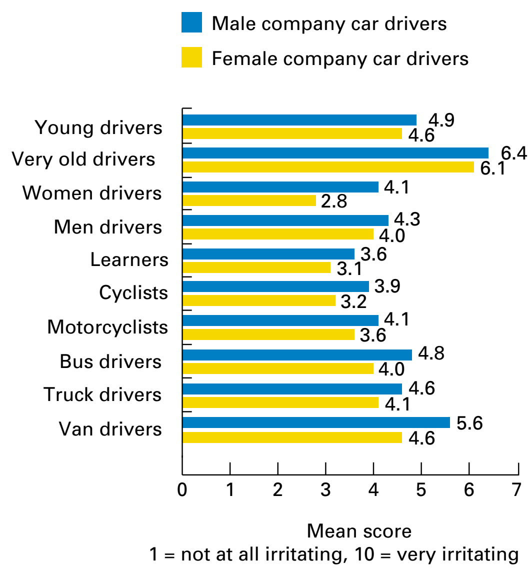
Company car drivers say that the most irritating drivers on the roads are older drivers and that the least irritating drivers on the road are learner drivers.

However there are some significant differences in attitudes between male company car drivers and female company car drivers. In general, male company car drivers are more likely to find other drivers more irritating than female company car drivers do.

Female company car drivers are quick to defend their own driving skills and say that female company car drivers are the least irritating drivers on the road. This is in contrast to males – male company car drivers rate other male company car drivers as more irritating than women drivers, learner drivers, cyclists and motorcyclists.

Chart 4.8 Company car drivers' views on other drivers

"How irritating do you find these different types of driver?"



Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Female company car drivers are less likely than men to have been involved in a road rage incident in the last 12 months

Over half (53%) of female company car drivers say they have not been involved in a road rage incident in the last 12 months, compared to 39% of male company car drivers.

Male company car drivers are also more likely than women company car drivers to have got out of their car and physically threatened or attacked another driver – although only 3% of male company car drivers have physically threatened another driver no female company car drivers say they have done this

Chart 4.9 The incidence of road rage among company car drivers

"Because of feeling angry or stressed, which of these things have you done in the last 12 months?"

	Male company car drivers	Female company car drivers
Verbally abused or gestured another driver while still in the car	55%	46%
Followed another driver very closely or aggressively for a distance	5%	5%
Forced another driver to pull over or off the road	1%	1%
Got out of your car and physically threatened another driver	3%	0%
Got out of your car and physically attacked another driver	1%	0%
None of these	39%	53%

Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Women drivers in general are also more likely not to have any points on their licence than male drivers. However, it can be suggested that because, on average, women drive less miles per year they have fewer opportunities to get points on their licence than men.

The majority (78% for each) of male and female drivers have not had an accident in the last three years. However of those who have had an accident, more than two in ten male drivers claim the accident was completely their own fault compared to only one in ten female drivers.

Lex Vehicle Leasing Comment

Although female company car drivers may be a minority on the road they are already proving to be safer and more responsible drivers.

Reflecting all women drivers in general, female company car drivers are more patient and placid when behind the wheel. In our minds, this is behaviour we should both be promoting and rewarding.

Nevertheless, we must remember that women drivers spend significantly less time on the road than male drivers. In the future – as women spend greater amounts of time on the road and complete higher mileages – it will be interesting to see if their attitudes and behaviour change.

SECTION FIVE

A profile of the UK company car market

PAGE

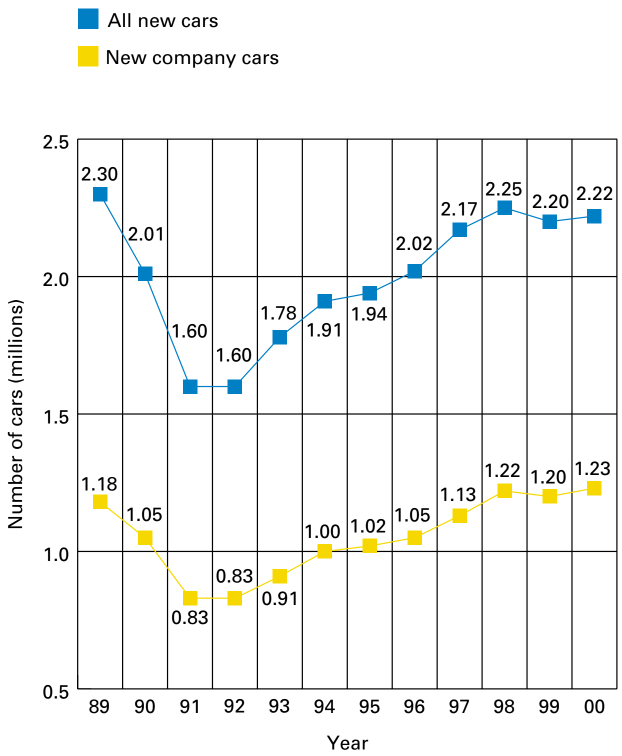
5.1 An overview of market conditions

The company car market is likely to grow over the next few years

Despite a slight slowdown in the car market during 1999, sales in 2000 rose to 2.2 million. This however, is still short of the boom experienced in 1998, when car sales rose to their highest level since 1989.

In turn, company car sales have followed the pattern of total car sales, with 1999 being the first year since 1990 when year on year growth was not recorded. This however, proved an aberration, and in 2000 company car sales recorded a 2.5% growth on 1999.

Chart 5.1 New car sales (millions of cars)



Source: SMMT

Looking forward, the overall picture is fairly uncertain.

With the US and mainland Europe economies continuing to slow and the technology sector looking increasingly threatened, economists are becoming more cautious in their forecasts for the UK.

However, unemployment remains at an all time low and despite lowered forecasts, the UK economy is still growing.

The forthcoming changes to company car taxation may also have positive effects on the market with many ‘non-essential’ drivers choosing to have a company car.

This suggests that some growth in company car sales is likely over the next few years. A conclusion based on detailed econometric modelling carried out by Market Dynamics for Lex Vehicle Leasing.

5.2 Fleet profiles

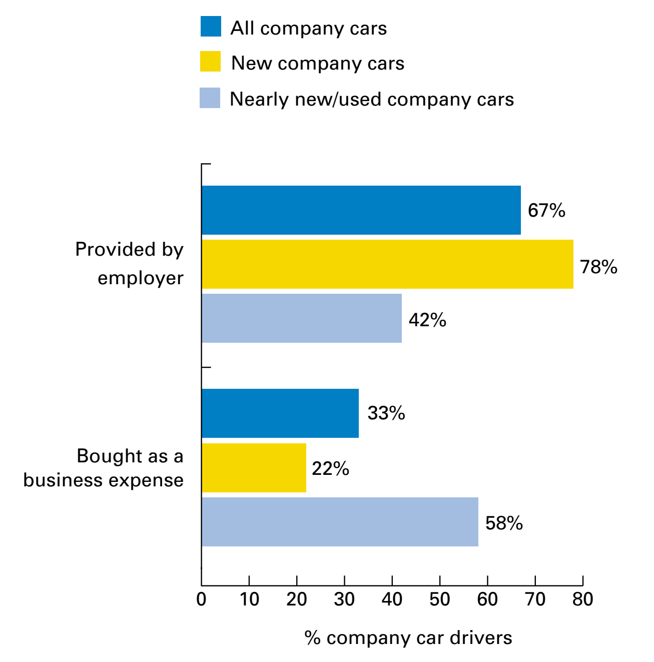
5.2.1 Employer provided versus business expense

Methods of provision for company cars

The majority of company cars are provided by the employer rather than as a business expense.

However, more than half of company car drivers who have used/nearly new cars have their company car provided as a business expense.

Chart 5.2 The provision of company cars



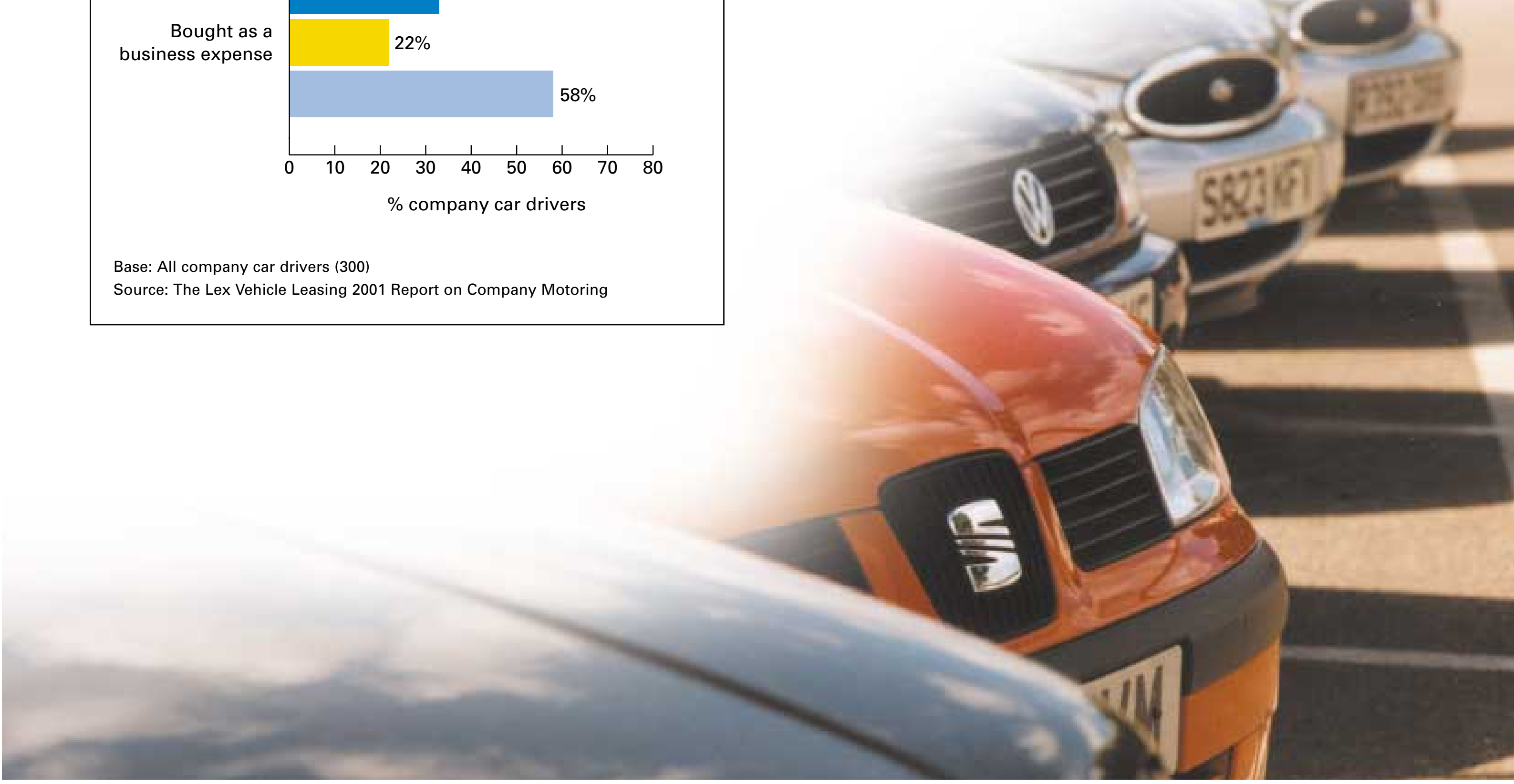
Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

On average, company car drivers have vehicles that are two years old, cost £14,600 and are between 1499-1999c.c. However, drivers who have their company car provided as a business expense are more likely to have lower value, slightly older and larger engine cars than drivers whose company cars are provided by the employer.

Chart 5.3 A profile of UK fleets

	All	Company provided	Business expense
Average age of the car	2.4 years	1.8 years	3.3 years
Average value of the car	£14,600	£15,600	£12,700
Engine size: % under 1400c.c	7%	5%	10%
% 1400-1999c.c	53%	59%	42%
% 2000-2999c.c	33%	33%	32%
% 3000c.c and over	4%	1%	9%
Don't know	3%	2%	7%

Base: All company car drivers (300)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

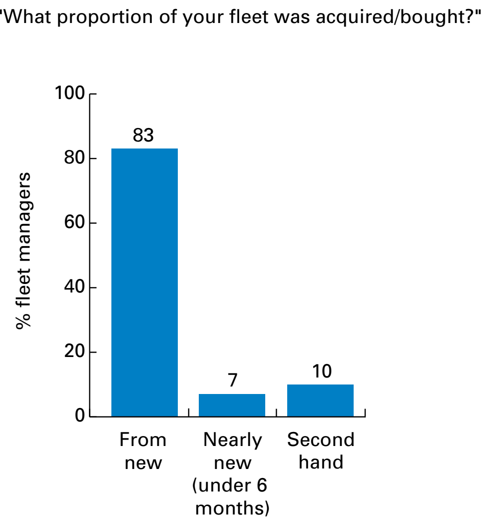


5.2.2 New versus second hand

New company cars are in the majority and growing

The majority of company cars are bought from new. Nevertheless, fleet managers, on average, say 10% of their fleet is acquired second hand.

Chart 5.4 The make-up of the fleet

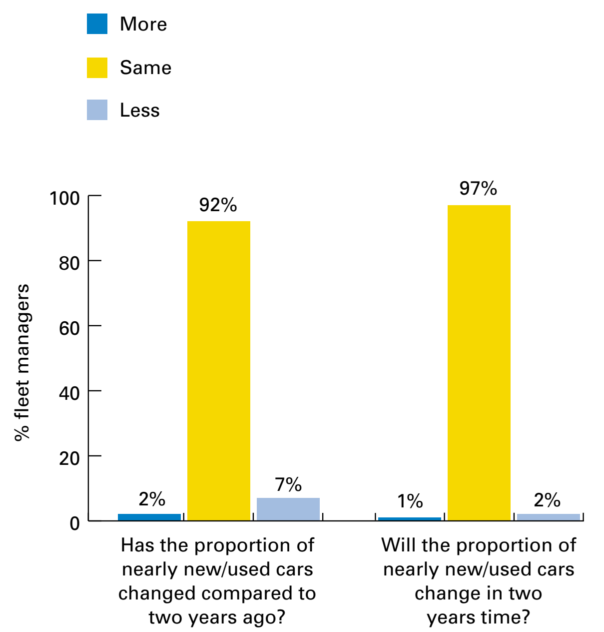


Base: All fleet managers (car weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Although few fleet managers say they will have more nearly new or used cars in the future, few fleet managers say they will have less.

As many of the new car taxation rules and regulations are based around the environmental impact of the car – making the financial burden potentially greater for older cars – it is possible that the number of company cars bought second hand/nearly new will decrease in the future.

Chart 5.5 Changes to the proportion of nearly new/used company cars



Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

5.2.3 Petrol versus diesel

Petrol still the most popular but diesel likely to increase

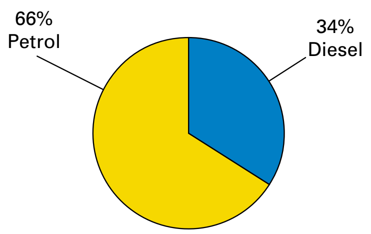
The majority of company cars are fuelled by petrol, however over a third of company cars are fuelled by diesel.

Alternative fuels such as LPG are not used within company car fleets. Even among larger fleets, where it could be assumed that there use would be more widespread, under 1% of company cars run on alternative fuels.

Chart 5.6 The use of different types of fuel

"What proportion of your fleet are fuelled by?"

Mean average



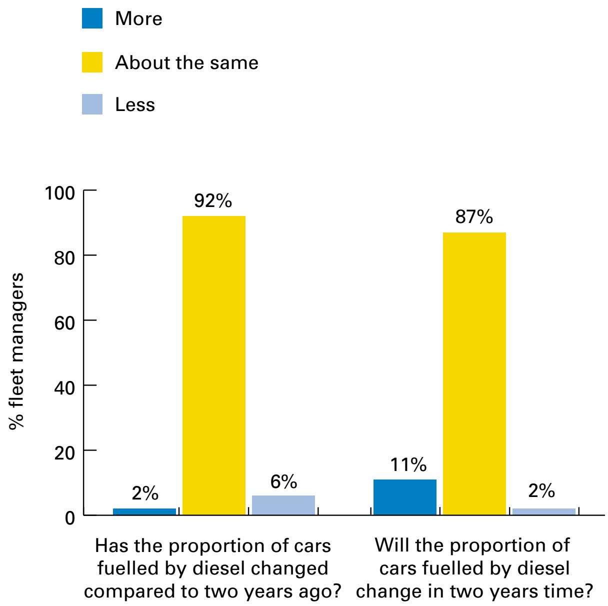
Base: All fleet managers (car weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

The use of diesel among company car fleets is likely to grow.

Compared to two years ago the majority (92%) of fleet managers say the proportion of diesels is about the same. However, in two years time more than one in ten fleet managers say that the proportion of diesels will increase – in larger fleets this figure is greater with more than a third of fleet managers saying that the proportion of diesels will increase.

This increase in the use of diesel could in part be explained by the forthcoming changes to company car taxation. Although, diesel vehicles producing the same emissions as petrol vehicles will be more heavily taxed, on average diesel engined cars produce less emissions than petrol ones. Therefore, a driver with a large engined car could switch to a diesel version and be taxed less as it produces fewer emissions than the petrol version.

Chart 5.7 The use of diesel among company car fleets



Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Nearly four in ten fleet managers offer all of their drivers the option of different fuel types.

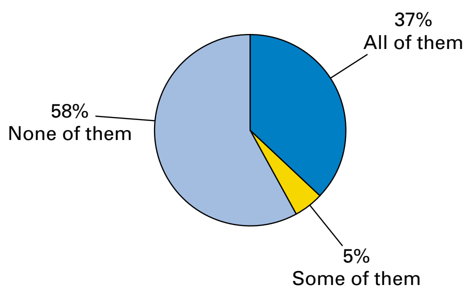
In larger fleets, it is more likely that some company car drivers will be offered the option. This may be a reflection of the employee's position within the company.

Among smaller fleets the option of different fuel types is offered less, but where it is offered, it is more likely to be offered to all company car drivers.

Chart 5.8 The level of choice regarding fuel type

"Do you offer your drivers the option of different fuel types?"

Fleet managers



Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

5.3 Financing and acquiring company cars

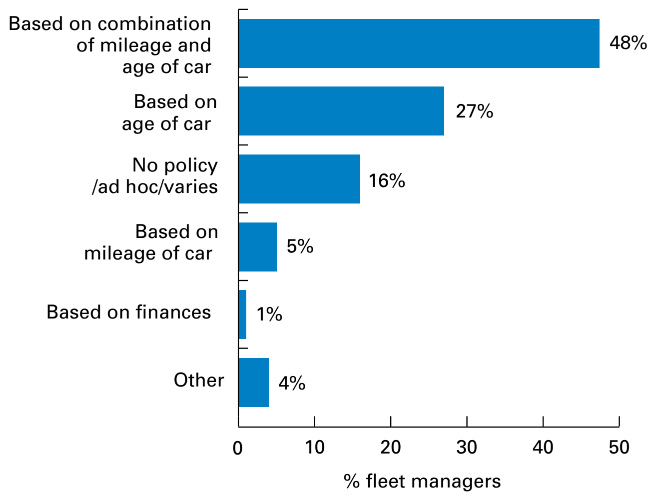
5.3.1 Replacement policies

Evidence that replacement policies have lengthened

Nearly half of all fleet replacement policies are based on a combination of the mileage and age of the car and nearly a third are based solely on the age of the car.

Nevertheless, 16% of company cars are not subject to any type of replacement policy and tend to be replaced in an ad-hoc fashion.

Chart 5.9 The nature of fleet replacement policies

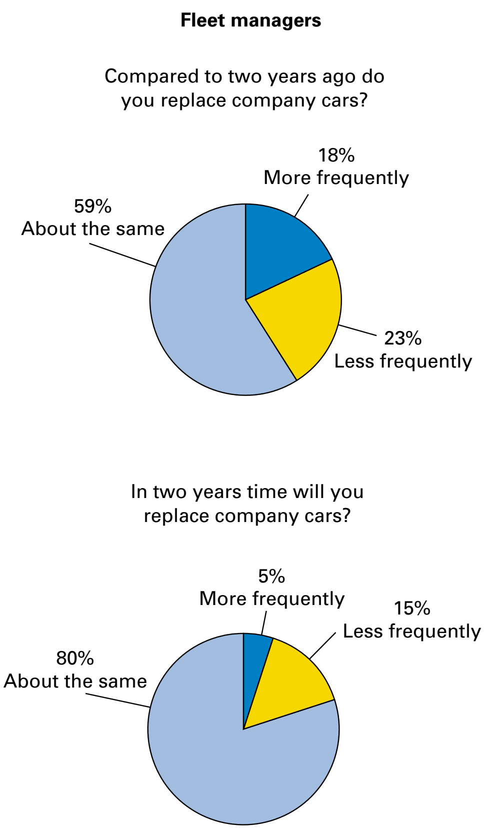


Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Compared to two years ago, nearly a fifth of fleet managers say they replace company cars more frequently. However, nearly a quarter also say they replace their company cars less frequently. This suggests that replacement cycles have increased in the last two years.

Looking ahead two years, the majority of fleet managers (80%) say their replacement policies will remain the same.

Chart 5.10 Replacement cycles



Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

5.3.2 Source of acquisition

Leasing/contract hire companies are the most common source of acquisition for company cars

By far the most common sources of purchase are direct from a leasing or contract hire company and from local dealerships. Other sources of purchase are relatively unimportant in comparison.

Fleet managers state that on average 43% of cars are sourced through leasing or contract hire companies – an increase from 1998 when only 36% of cars were purchased from this source. It is larger fleets that are more likely to purchase cars from this source than smaller fleets. Among smaller fleets, purchases are most likely to be through a local dealership.

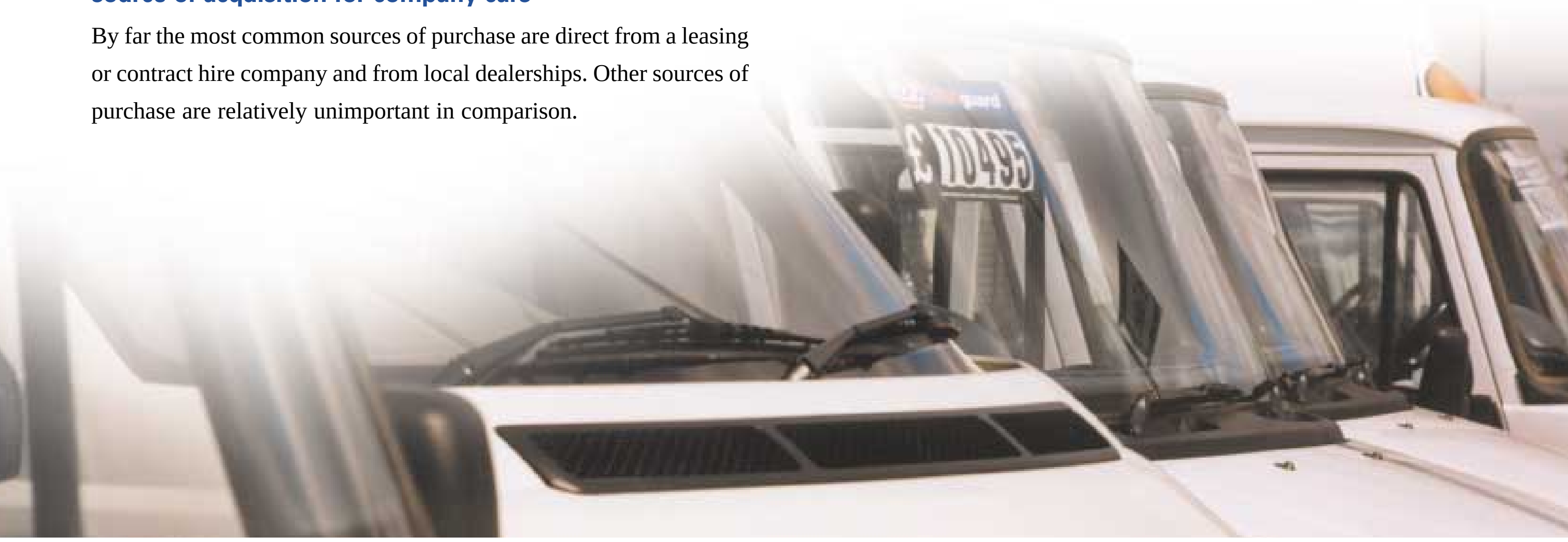
Chart 5.11 Sources of purchase

"What proportion of your fleet do you acquire from each of the following sources?"

		Fleet size		
Mean percentage	All	1-9	10-74	75+
Sourced direct from a leasing or contract hire company	43%	16%	51%	59%
From a local dealership	38%	65%	31%	19%
Direct from a manufacturer	8%	2%	5%	15%
From a national dealership group	5%	4%	7%	4%
From an auction	2%	6%	1%	0%
Supplied by your own company head office via a wider company deal	1%	0%	2%	1%
From Europe/ European dealers /European countries	0%	0%	1%	0%
Other	3%	7%	2%	2%

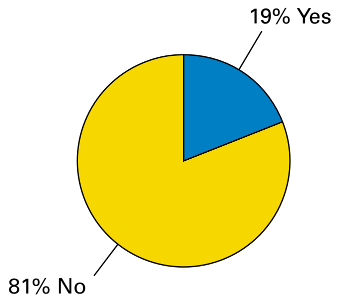
Base: All fleet managers (car weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Larger fleets are also able to use their greater buying and bargaining power to negotiate purchase deals direct from the manufacturer. On average, 15% of cars in fleets with over 75 cars are sourced direct from the manufacturer. This is a significant increase from 1998 when only 2% of cars in fleets of over 50 vehicles were sourced in this way.



The use of third party brokers to source cars is relatively common among fleet managers – nearly a fifth of fleet managers say they have used third party brokers.

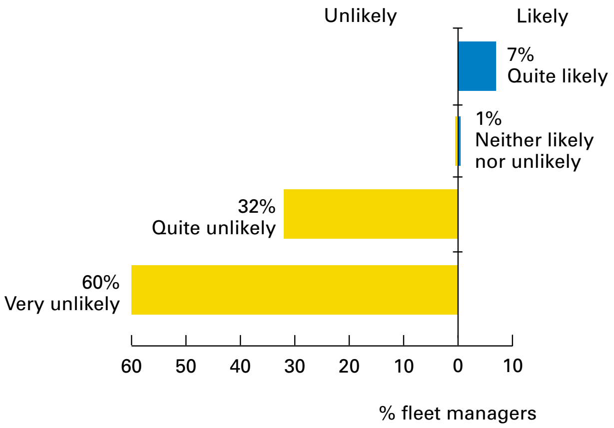
Chart 5.12 The use of third party brokers



Base: Fleet managers who have never used a third party broker (fleet weighting) (315)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

However, among larger fleets third party brokers are used more frequently – nearly one in three fleet managers in fleets of over 75 cars have used third party brokers.

Chart 5.13 The use of third party brokers in the future



Base: Fleet managers who have never used a third party broker (fleet weighting) (315)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Looking to the future, it is unlikely that third party brokers will become a more common element of the purchasing process. More than nine in ten fleet managers say it is unlikely that they will consider using a third party broker in the future. Even in the largest fleets only 2% say it is likely that they will consider using third party brokers in the future.

5.3.3 Methods of finance

Contract hire is the most popular method of financing company cars

Chart 5.14 Methods of finance

"What percentage of your fleet is currently financed by the following methods?"

		Fleet size		
Mean	All	1-9	10-74	75+
Contract hire	37%	15%	49%	48%
Cash	34%	49%	23%	29%
Finance leasing	13%	7%	17%	16%
Hire purchase	10%	20%	6%	3%
Bank loans	3%	8%	1%	0%
Contract purchase	2%	2%	2%	2%
Other method	2%	0%	3%	3%

Base: All fleet managers (car weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

The method used to finance company cars is largely dependent upon the size of the fleet.

Within smaller fleets it is more likely that traditional methods of finance such as hire purchase and cash are used. Fleet managers within fleets of 1-9 cars say that a fifth of their company cars are financed through hire purchase compared to only 3% in fleets of more than 75 cars.

However, fleet managers of fleets with fewer than 10 cars also say they finance 15% of their cars by contract hire.

In larger fleets, contract hire remains the most popular form of finance, but a significant proportion of cars are still funded by cash.

In general, it is fleet managers in larger fleets who are more likely to want additional services from their contract hire or leasing company.

Within smaller fleets (under 10 cars) the main need is a buy back and re-hire service – with nearly four in ten of these fleet managers saying they would ideally like this type of service.

Chart 5.15 Preferred services from contract hire/leasing company

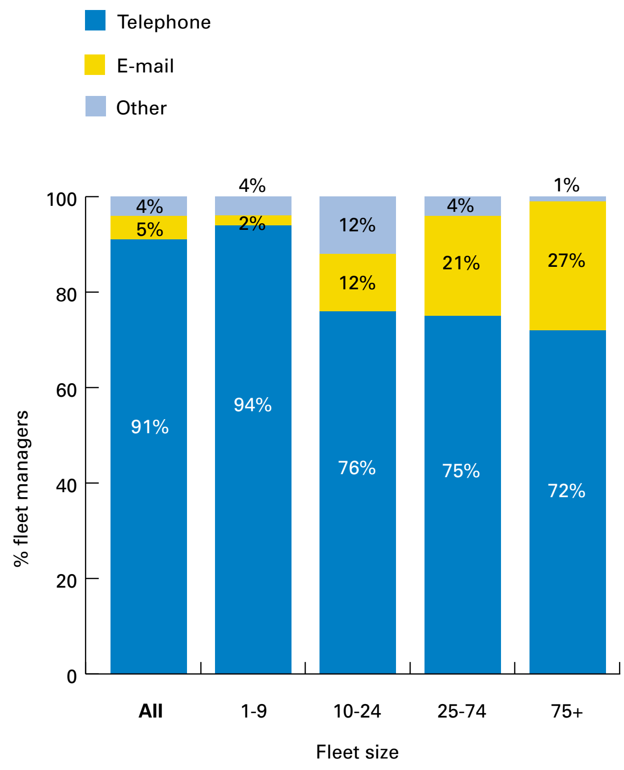
"Which of these services would you ideally like your leasing/contract hire company to provide?"

	Fleet size			
	1-9	10-24	25-74	75+
Fleet management software	6%	22%	30%	41%
Outsourced fleet management	4%	10%	13%	36%
Daily rental	8%	32%	25%	38%
Used or nearly new cars	16%	24%	22%	22%
Buy back and re-hire	39%	24%	24%	21%
A customer specific Internet service giving financial, servicing and fleet information	10%	24%	33%	44%
None of these	52%	39%	44%	33%

Base: Fleet managers who use a contract hire/leasing company (car weighting) (204)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Among larger fleets, the services most commonly desired are a specific Internet service that provides financial, servicing and fleet information, fleet management software, a daily rental service and outsourced fleet management.

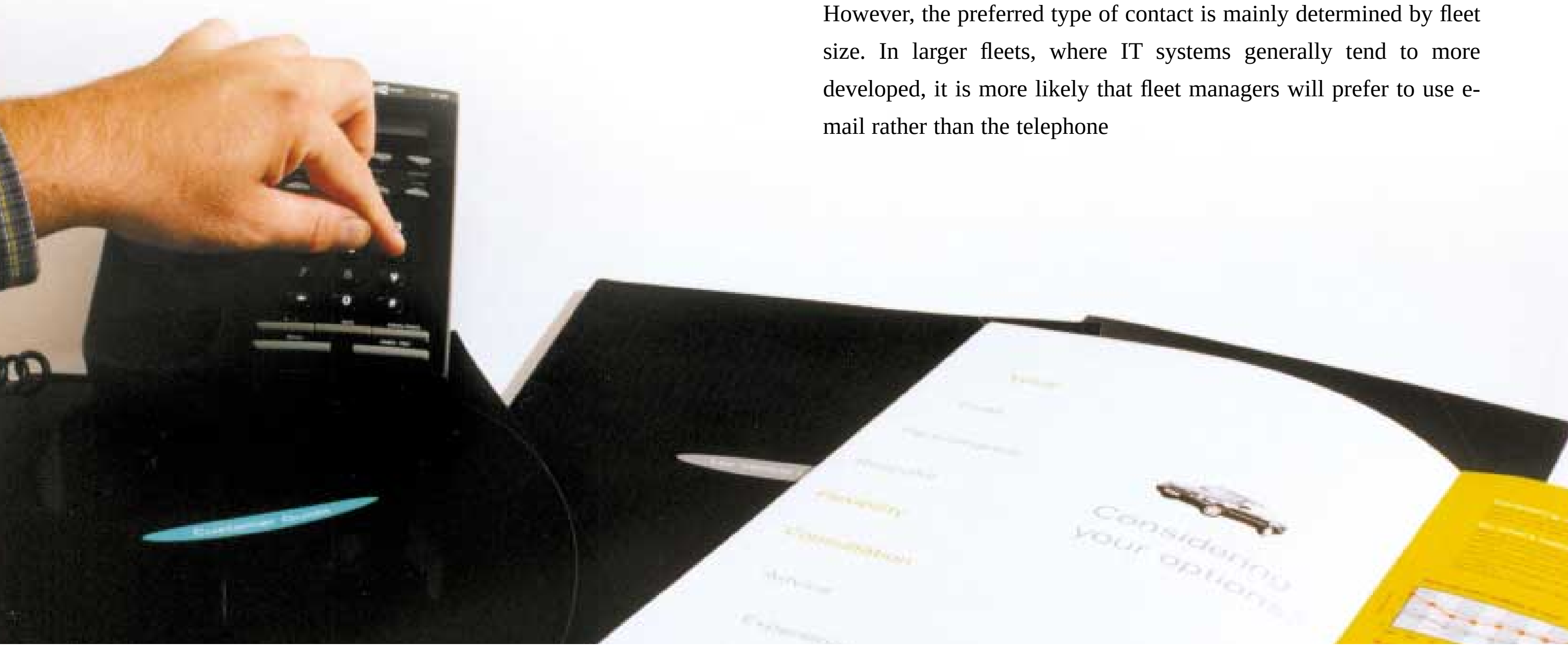
Chart 5.16 Preferred methods of communicating with contract hire/leasing companies



Base: Fleet managers who use a contract hire/leasing company (fleet weighing) (204)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Despite the many technological developments to facilitate communication, (such as e-mail), more than nine in ten fleet managers say that their preferred method of day-to-day contact is the telephone.

However, the preferred type of contact is mainly determined by fleet size. In larger fleets, where IT systems generally tend to more developed, it is more likely that fleet managers will prefer to use e-mail rather than the telephone



PCP and ECOP schemes likely to grow in the future

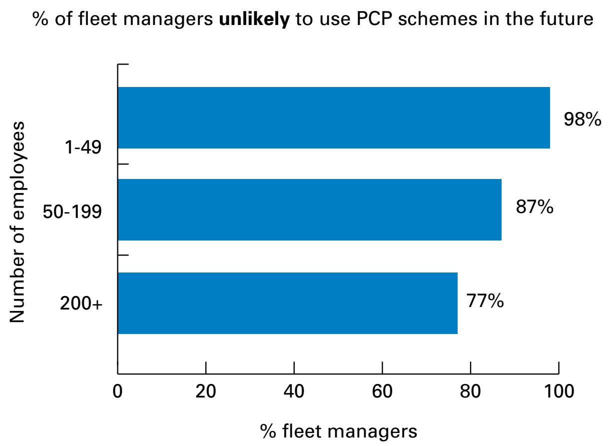
As the changes to company car taxation approach, there have been discussions about alternative methods of providing company cars that will lower the individual tax burden and/or the tax burden on the employer. Two popular schemes discussed are Personal Contract Purchases (PCPs) and Employee Car Ownership Plans (ECOPs)

Often companies offer employees a cash allowance as an alternative to a company car. However, the employee is not provided with any assistance towards obtaining a car. Under a PCP scheme the employer combines the provision of the cash allowance with an introduction to a third party who will provide a PCP option to the employee.

ECOP schemes are where ownership of the vehicle is switched to the employee and the company pays them an allowance, which covers the cost of funding the car from the employer or a third party.

Currently there are very few companies that offer PCP schemes or ECOP schemes. However, in general, ECOP schemes seem to be used more widely than PCP schemes.

Chart 5.17 The use of PCP schemes in the future



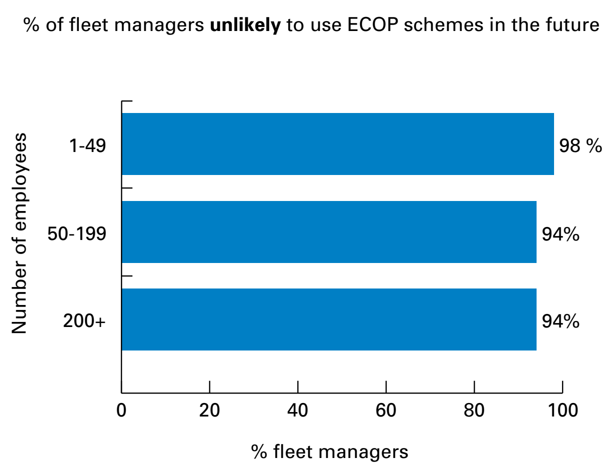
Base: Fleet managers who do not source cars for employees through PCP schemes (fleet weighting) (347)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Nevertheless, fleet managers are considering the use of PCP schemes – particularly those within larger fleets. In fleets with over 75 vehicles, nearly four in ten fleet managers have considered offering employees a car through a PCP scheme.

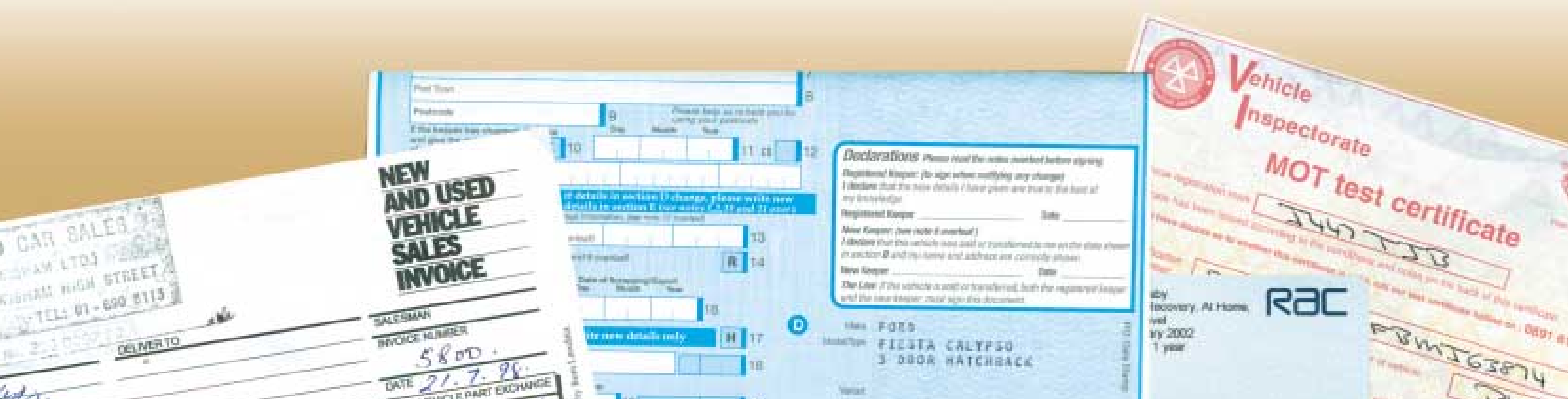
In the future the use of PCP schemes is likely to be more widespread, especially among larger companies. In companies with more than 200 employees, nearly a fifth of fleet managers say they will use PCP schemes in the future - this compares to only 1% of fleet managers in companies with fewer than 50 employees.

In contrast, ECOP schemes are unlikely to be used that commonly in the future – even in larger companies.

Chart 5.18 The use of ECOP schemes in the future



Base: Fleet managers who do not provide employees with cars under a ECOP type scheme (fleet weighting) (371)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring



5.4 Fleet management and outsourcing

The cost of motoring is increasing

Fleet managers state that the cost of motoring has increased over the last two years.

Chart 5.19 Costs per car over the last two years

Fleet managers

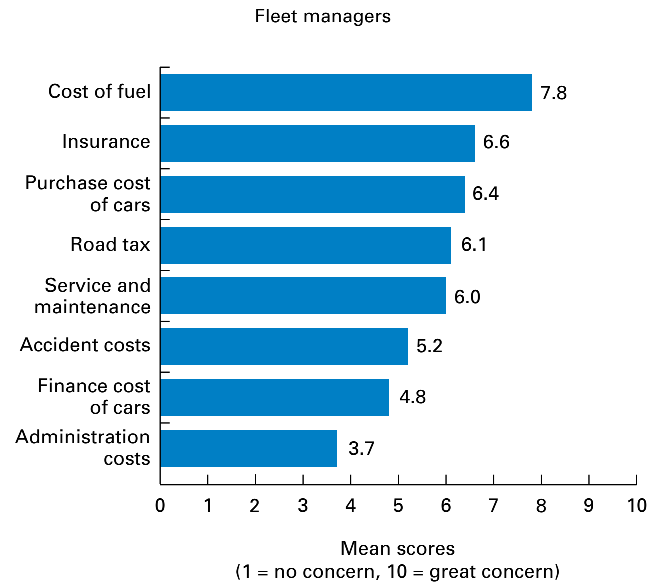
	Risen	Fallen	Stayed the same	Don't know
Cost of fuel	85%	1%	14%	0%
Insurance	63%	5%	23%	9%
Road tax	48%	9%	34%	9%
Service and maintenance	47%	9%	39%	5%
Purchase cost of cars	40%	20%	35%	5%
Finance cost of cars	21%	20%	52%	7%
Administration costs	21%	1%	73%	5%
Accident costs	19%	5%	58%	18%

Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Most commonly, fleet managers say the cost of fuel has increased - over eight in ten fleet managers claim the cost of fuel has increased over the last two years.

The majority of fleet managers say that the cost of insurance has risen - over six in ten fleet managers believe the cost of insurance has risen over the last two years.

Chart 5.20 Level of concern for the costs of motoring



Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

However, there is split opinion among fleet managers about the purchase and finance cost of cars. While four in ten fleet managers say the purchase cost of cars has risen and just over two in ten say the finance cost has risen, a fifth of fleet managers, in both cases, say the costs have fallen.

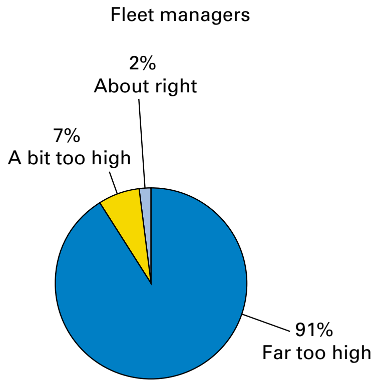
Concerns about the cost of motoring are high.

Fleet managers are most concerned about the cost of fuel, but there is also high concern for the cost of insurance and the purchase cost of cars.

In contrast, fleet managers are least concerned about the finance cost of cars and administration costs

Chart 5.21 The level of duty on fuel

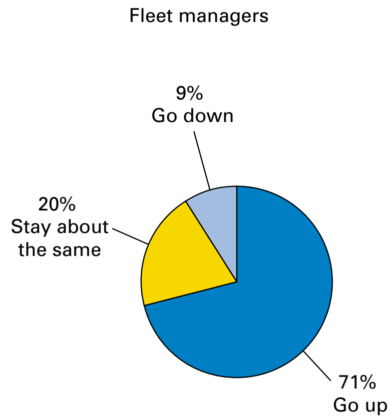
"Do you now feel that the level of duty on fuel is?"



Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Chart 5.22 Expectations for fuel duty in the future

"During the next parliamentary term what do you expect will happen to fuel duty?"



Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Fleet managers are almost united in claiming that the current level of duty on fuel is far too high – there are no fleet managers that feel the current level is too low and only 2% believe duty on fuel is set at about the right level.

However, fleet managers also expect (although they do not want) fuel duty to increase further during the next parliamentary term - seven in ten fleet managers say they expect fuel duty to go up, while fewer than one in ten fleet managers expect it to go down.

Alternatives to the company car are more likely to be offered to company car drivers in larger fleets, yet take-up is higher within smaller fleets

On average, the majority of fleet managers do not offer their employees an alternative to the company car. Fleet size is the main determinant of whether or not an alternative is likely to be offered.

Less than one in ten fleet managers within fleets of fewer than 10 cars say they offer any of the alternatives shown in chart 5.23 but in fleets with over 75 vehicles, this figures rises to more than three in ten fleet managers.

Chart 5.23 The provision of alternatives to the company car

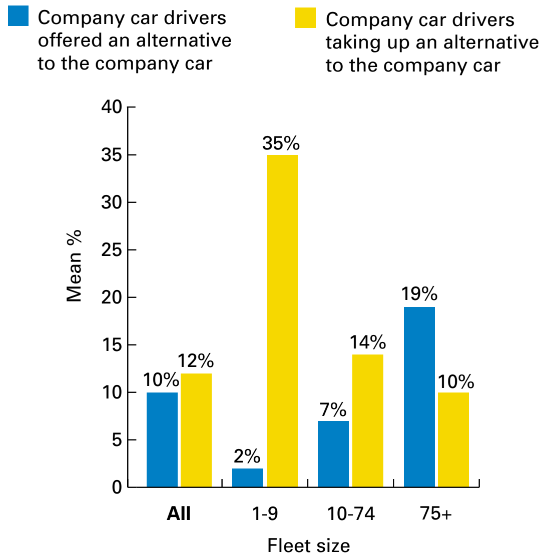
Fleet size	All	1-9	10-24	25-74	75+
A lump sum alternative	1%	1%	11%	4%	31%
Extra salary	6%	5%	18%	15%	35%
A smaller car and extra salary	0%	0%	6%	3%	11%
A loan to cover the cost of a public transport season ticket	0%	0%	3%	0%	7%
An essential car user allowance	1%	0%	8%	14%	18%
Any other incentive	0%	0%	0%	2%	1%
None of these	92%	94%	67%	71%	38%

Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Among larger fleets the most common alternatives offered to employees instead of a company car are a cash lump sum and extra salary. Nevertheless, there are still a significant proportion of fleet managers – nearly a fifth in fleets with more than 75 vehicles – that offer an essential car user allowance.

Although many companies offer employees an alternative to the company car, it is not offered to all employees. Therefore on average, only one in ten company car drivers have been offered an alternative to the company car in the last 12 months.

Chart 5.24 The provision of and take-up of alternatives to the company car

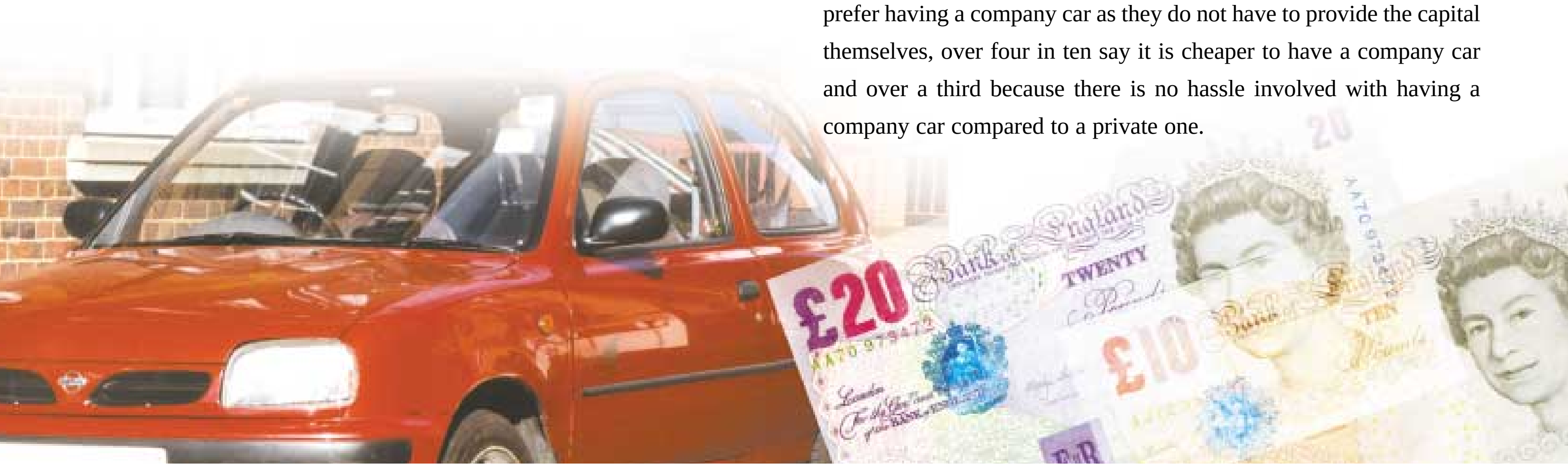


Base: Fleet managers (car weighting)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Fleet size is again a determinant of the proportion of employees who will have been offered an alternative. In fleets with fewer than 10 cars only 2% of employees have been offered an alternative compared to 19% in fleets with over 75 vehicles.

Where alternatives have been offered, on average just one in ten company car drivers have taken up the alternative – the equivalent of just 36,000 company cars. It is significantly more likely that company car drivers in smaller fleets (who have been offered an alternative) will take-up an alternative than company car drivers in larger fleets. Over a third of company car drivers in fleets with fewer than 10 cars who were offered an alternative have taken up one compared to only one in ten in fleets with more than 75 vehicles.

The research also looked at why employees choose to keep their company car when they are offered a lump sum or increase in salary as an alternative. It showed that over half of company car drivers prefer having a company car as they do not have to provide the capital themselves, over four in ten say it is cheaper to have a company car and over a third because there is no hassle involved with having a company car compared to a private one.

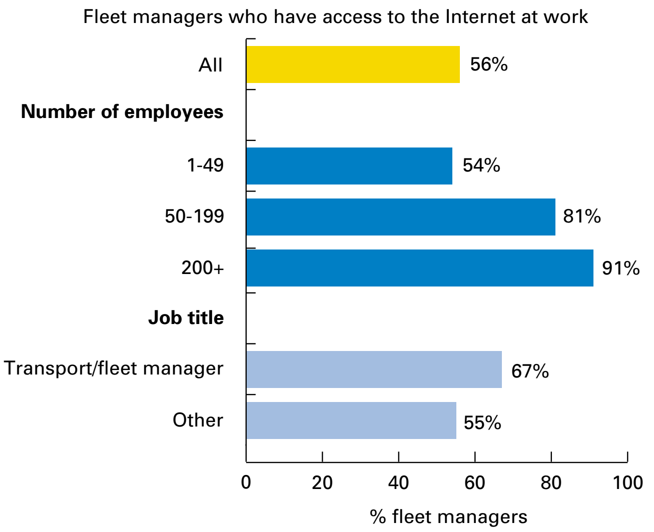


Just under three in ten fleet managers would consider buying a car over the Internet

The majority of fleet managers (56%) have access to the Internet at work – however this figure is even higher in larger companies. In companies with over 200 employees, over nine in ten fleet managers have access to the Internet at work.

Professional fleet managers are also more likely to have Internet access than non-specialist fleet managers.

Chart 5.25 Internet access

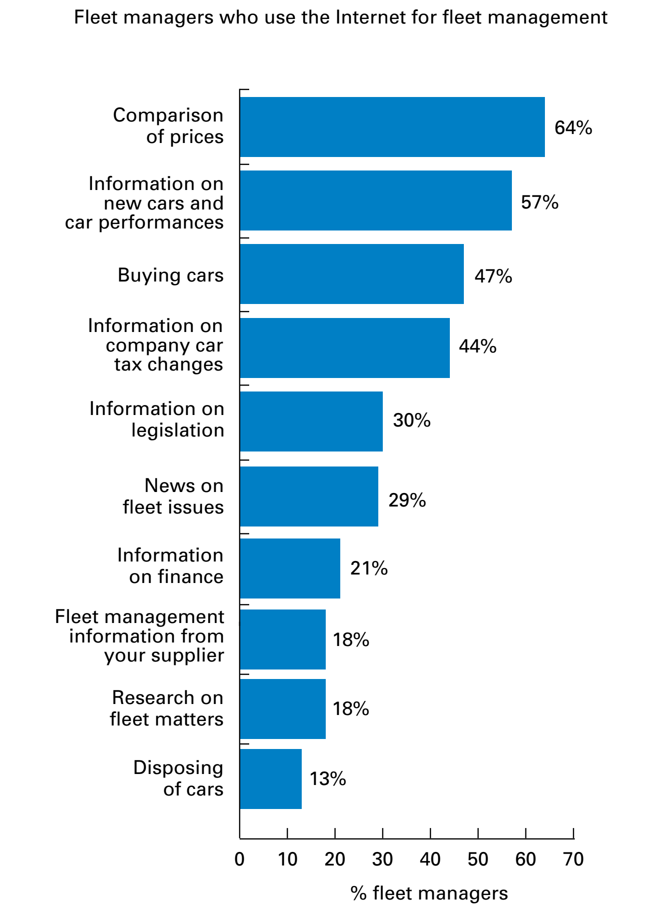


Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

In general, the use of the Internet in fleet management is low. Of those fleet managers who have access to the Internet at work, over nine in ten say they do not use the Internet within their fleet management role.

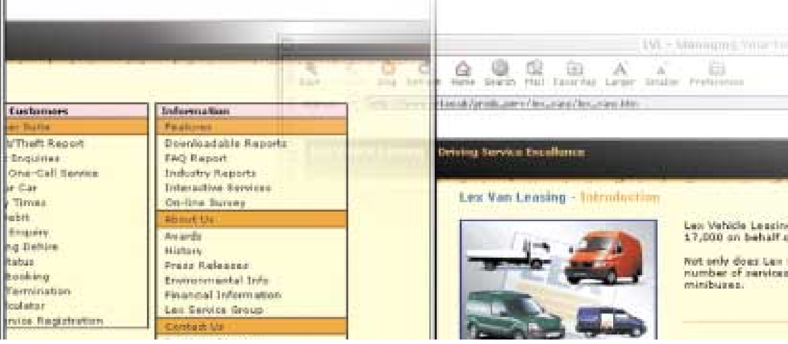
Of those who do use the Internet for fleet management, it is most commonly used for comparing prices and finding information – 64% of fleet managers who use the Internet within their fleet management role compare car prices and 57% find information on new cars and car performances.

Chart 5.26 The use of the Internet in fleet management



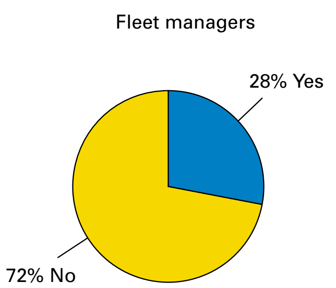
Base: Fleet managers who use the Internet within their fleet management role (fleet weighting) (43)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

The Internet is also used for finding out information on legislation and regulation changes – 44% and 30% of fleet managers (who use the Internet for fleet management) respectively find information on company car tax changes and information on legislation.



Nearly half of fleet managers who use the Internet for fleet management purposes also use it, to purchase cars. Furthermore, nearly three in ten fleet managers say they would consider buying a car over the Internet without speaking to an individual at any stage.

Chart 5.27 The proportion of fleet managers who would consider buying a car over the Internet



Base: All fleet managers (fleet weighing) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

Third party suppliers are used most commonly for specialist areas of fleet management

Chart 5.28 The use of third party suppliers

Fleet managers

	In-house	Contracted out	Both
Purchase of cars	94%	2%	4%
Disposal of cars	89%	7%	4%
Risk management	98%	2%	0%
Maintenance and servicing	59%	40%	1%
Roadside assistance/ breakdown cover	50%	45%	5%
Accident management	71%	29%	0%
Road tax	84%	15%	1%
Insurance	82%	18%	0%
Management reporting	99%	1%	0%
Fleet strategy and policy setting	99%	1%	0%
Fuel cards and administration	98%	1%	1%
Fleet administration	99%	1%	0%

Base: All fleet managers (fleet weighting) (381)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

There are specific aspects of fleet management where, in general, fleet managers use third party suppliers. Over four in ten fleet managers contract out maintenance and servicing, roadside assistance and breakdown cover and over two in ten contract out accident management. This is not surprising as they are specialist areas of fleet management which would require substantial resources if they were to be maintained in-house.

However, size is a major determinant of whether a company outsources their activities or keeps them in-house. Among larger fleets it is more likely that fleet managers will outsource some of their fleet management functions.

Compared to last year, the proportion of fleet managers outsourcing different activities has on the whole remained static. However, there are a number of areas where noticeable changes have occurred.

Chart 5.29 Trends in outsourcing

	2000 In House	2000 Contracted out	2000 Both	2001 In House	2001 Contracted out	2001 Both
Risk management	87%	13%	0%	98%	2%	0%
Insurance	95%	5%	0%	82%	18%	0%
Incident/ breakdown support	56%	44%	0%	51%	45%	4%
Maintenance	61%	38%	1%	59%	40%	1%

Base: Fleet managers (fleet weighting)
Source: The Lex Vehicle Leasing 2001 Report on Company Motoring

A greater proportion of fleet managers now outsource maintenance, incident breakdown and support, and insurance than compared to last year.

However, there is also a significant decrease in the proportion of fleet managers outsourcing risk management. In 2000 13% of fleet managers contracted out their risk management activities compared to only 2% in 2001.

Contracting out specific aspects of fleet management has not had a substantial impact on staffing levels. Of those fleet managers who contract out any part of their work, none of them claim to have transferred any staff to the third party supplier.

Appendix 1

Basis of the research

The report includes the results of four specially commissioned market research studies conducted by Sample Surveys and Swift Research on behalf of Lex Vehicle Leasing, as well as looking at data from past surveys to make trend comparisons.

1. Fleet managers

A survey among a sample of 381 fleet managers, including a boosted sample of 100 fleet managers in Scotland. The survey was conducted by telephone in July 2001. These data have been weighted to give a representative sample of fleets ("fleet weighting") and company cars in the UK ("car weighting"), according to the best available estimate of the proportion of fleets of different sizes:

Fleet size	% of cars	% of fleets
1	20%	83%
2-4	7%	9%
5-24	14%	5%
25-49	11%	1.3%
50-99	14%	0.8%
100+	34%	0.4%
	100%	100%

The "fleet weighing" gives a representative view of fleet managers (where there is a much stronger weighting towards the more numerous smaller fleets). The "car weighting" gives a representative view of these managers weighted to reflect the size of their fleet (where there is a stronger weighting towards those fleets with large numbers of cars).

2. Company car drivers

The second survey was conducted by telephone among 300 company car drivers in July 2001, including a boosted sample of 150 women drivers. The survey was weighted according to the best estimate of the ratio of male to female drivers (4:1).

3. Van drivers

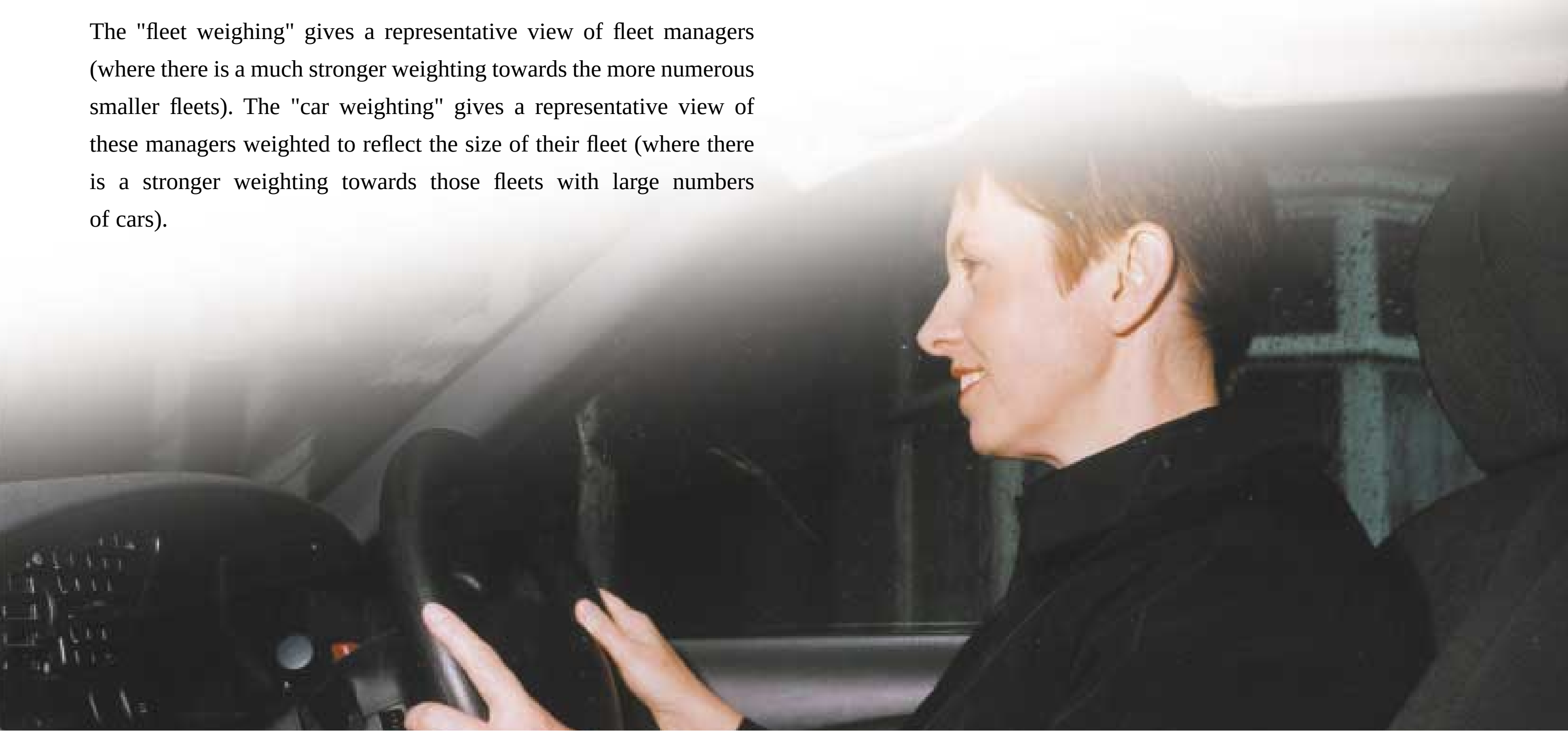
A survey was conducted by telephone among a random sample of van drivers. 103 van drivers were interviewed in July 2001.

4. All drivers

The last survey was an in-depth study of a representative sample of 1,378 drivers, including a boosted sample of 200 company car drivers. This research was done as part of the RAC Report on Motoring. The interviewing was completed face-to-face in October/November 2000.

All bases and sub groups in the tables are unweighted - that is the actual number of people interviewed in the group.

"Don't know" responses are not shown in the report unless this was a significant and/or meaningful response. When comparisons are being made between different samples, answers have, where appropriate, been re-percentaged excluding "don't knows" in order to give directly comparable results.



Appendix 2

Statistical reliability

Any figure taken from a sample can never be taken as a precise indication of the actual figures for the total population being sampled. The figures shown give an estimate, within a small margin of error, of the actual figures.

The error margin varies with the sample size; the larger the sample is, the lower the error will be. It also varies with the actual proportion answering, so that the error is lower for a 90/10 result than it is for a 50/50 result. In order to illustrate the use of varying sample sizes and their effect on the statistical significance of results, the table below outlines the degree of statistical error broadly associated with different sample sizes from the car drivers' survey.

Sample size	Percentage error 90/10 result	50/50 result
1,600	+/- 1.5	+/- 2.5
1,000	+/- 1.9	+/- 3.1
800	+/- 2.1	+/- 3.5
600	+/- 2.4	+/- 4.0
500	+/- 2.6	+/- 4.4
400	+/- 2.9	+/- 4.9
300	+/- 3.4	+/- 5.7
200	+/- 4.2	+/- 6.9
100	+/- 5.9	+/- 9.8

For example, from a sample of 1,600, if 50% answered in a particular way, the true range is between 47.5% and 52.5%.

Appendix 3

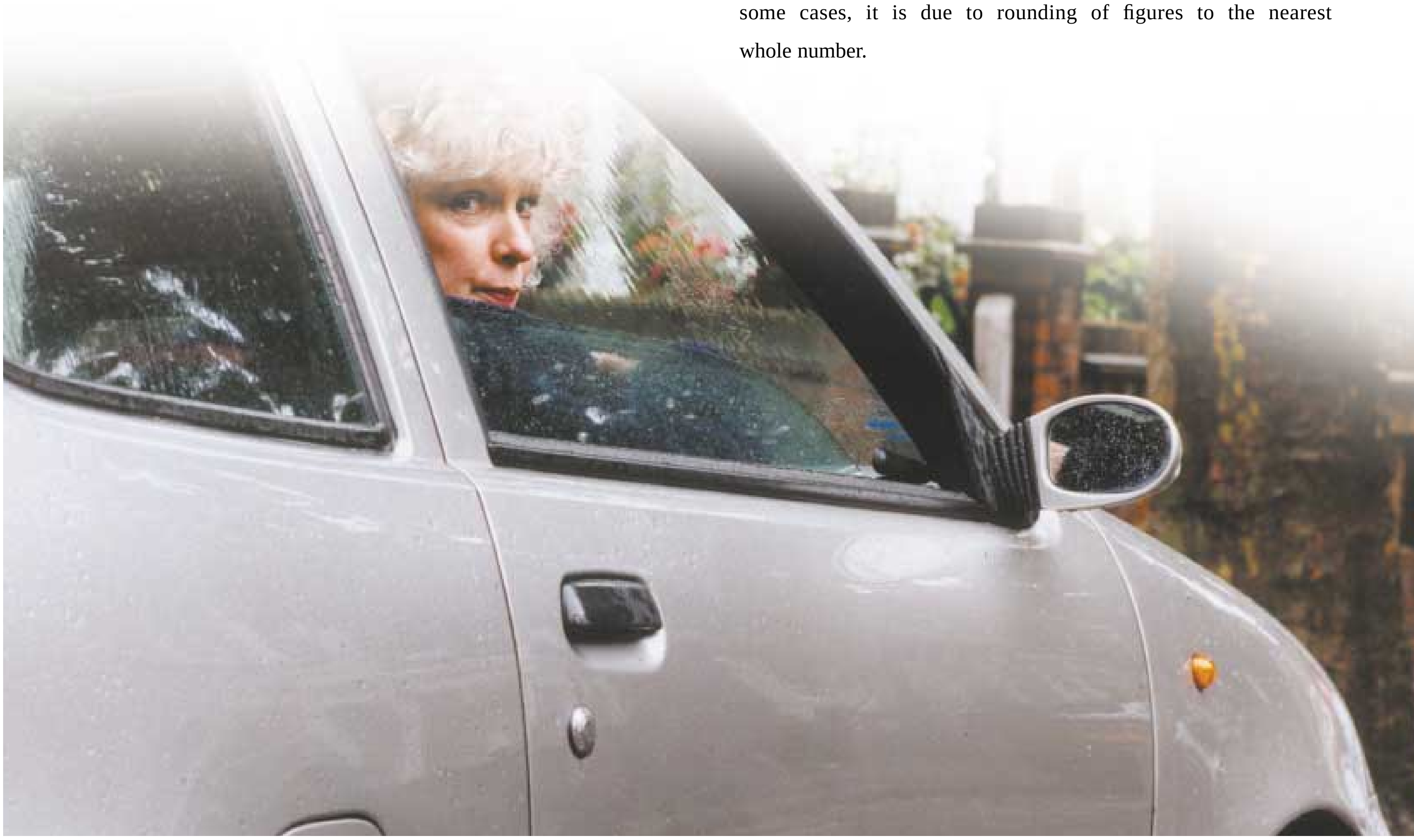
Magnitude of the figures being compared

For reasons similar to those given in Appendix 2, when comparing results between two areas of the country, or between two sub groups (e.g. company versus private car drivers), one cannot be confident that differences are genuine unless they are of a certain minimum size. If the differences are larger than those given in the table below, then there can be 95% confidence that the difference is genuine.

Size of sample being compared	10% or 90%	20% or 80%	30% or 70%	40% or 60%	50%
1,000-1,000	+/-3	+/-4	+/-4	+/-4	+/-4
500-500	+/-4	+/-5	+/-6	+/-6	+/-6
500-250	+/-5	+/-6	+/-7	+/-7	+/-8
250-250	+/-5	+/-7	+/-8	+/-9	+/-9
250-100	+/-7	+/-9	+/-11	+/-11	+/-12
100-100	+/-8	+/-11	+/-13	+/-14	+/-14

Strictly, these margins relate to random samples, where each member of the population has the same chance of selection. In practice, the accuracy of good quota samples has been found to be at least as good as random samples of this size.

It should be noted that where percentages do not add up to precisely 100% that this could be due to the exclusion of "don’t know" responses or because the question allowed for multiple answers. In some cases, it is due to rounding of figures to the nearest whole number.



Appendix 4

Sources and acknowledgements

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