

LEX AUTOLEASE



The Future of Transport

2023

Welcome

Nick Williams

Managing Director, Lex Autolease



Welcome to the first Future of Transport report from Lex Autolease.

Published bi-annually, the report will give a timely insight into the opinions, experiences and intentions of UK drivers and fleet managers.

The aim is to understand how travel is changing, and the implications for the environment, the economy and even the nation's health and wellbeing.

Central to the report is the Future of Transport Index, a confidence score that will act as a barometer for change in the types of vehicles people are driving on the UK's roads.

As well as private vehicles, future reports will consider commercial vehicles, such as LCVs, and investigate how we use public transport and active travel, like walking and cycling.

As the UK's 2030 net zero target looms, we need to make progress towards achieving our ambitions for cleaner and greener transport.

Transforming transport

The petrol and diesel engines that currently power more than 95% of the vehicles on our roads will no longer be available in new cars and vans after 2030, while the future for new hybrid vehicles is currently under review.

But driving is only part of the picture; the government has committed £7 billion to improve access to public transport, including lower fares and infrastructure upgrades, as part of its levelling up plan.¹

It's also spending £3 billion to encourage more active travel, with the aim that 50% of all journeys in towns and cities should be walked or cycled by 2030.

At Lex Autolease, we're a significant supporter of the transport sector.

We're one of the UK's leading fleet

management and funding specialist and currently manage more than 330,000 vehicles on the UK's roads.

As part of our sustainability strategy, we have committed to achieve net zero emissions across our customer fleet by 2030.

But reaching net zero is a collective effort, so we want to share the intelligence we are collecting in the hope that it will help us all work together to transition to a new carbon-free future over the coming years.

I hope you find it both informative and inspiring.

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¹ <https://www.gov.uk/government/news/cheaper-and-better-buses-in-7-billion-package-to-level-up-transport-outside-london>

The Future of Transport Index

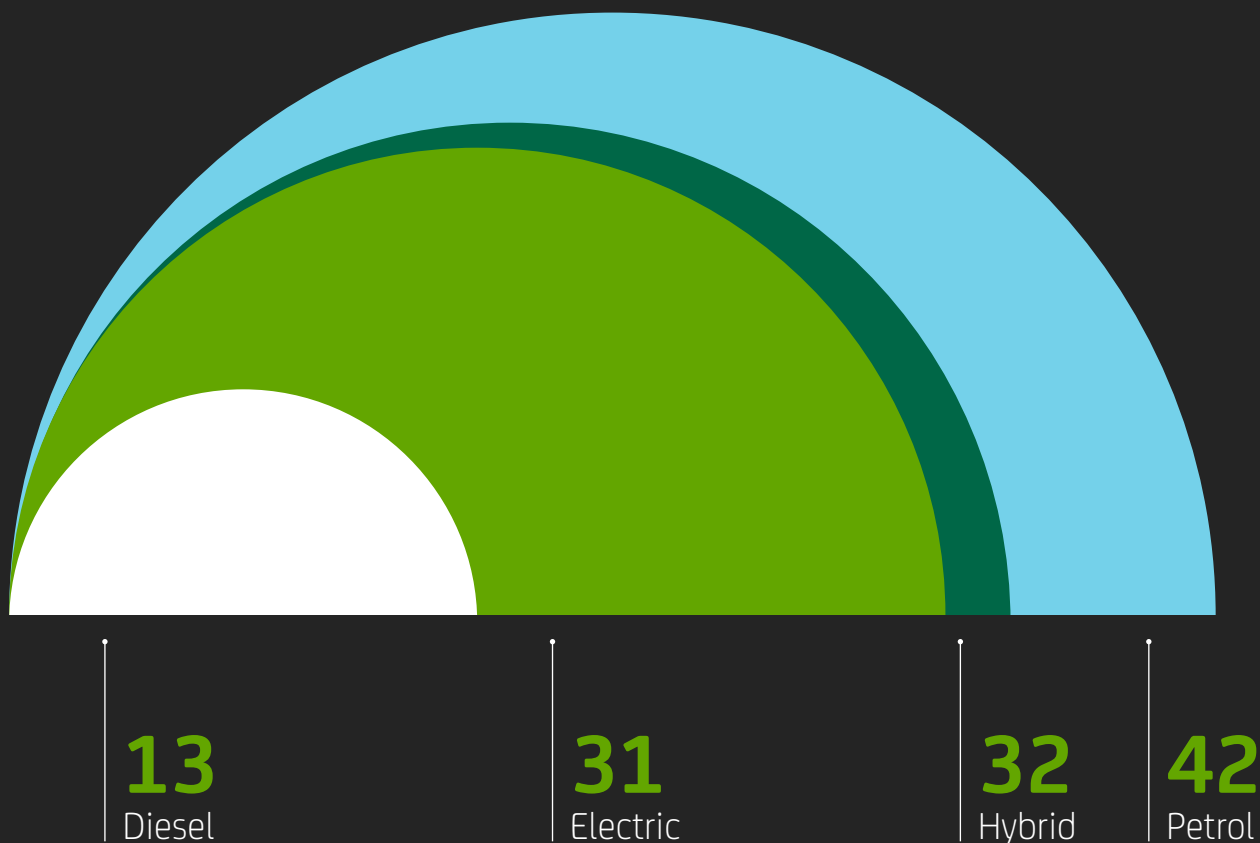
The Index uses a combination of data on driver intentions and real-world purchasing behaviours to track attitudes and confidence levels relating to petrol, diesel, hybrid and electric motoring.

It has been calculated by analysing the latest Lex Autolease vehicle figures alongside customer data from Black Horse – the consumer car finance arm of Lloyds Banking Group.

Together with qualitative business data, research from more than 1,500 private car drivers and 100 business fleet decision makers was carried out and added to the scoring.

The Index will be published quarterly, meaning that over time we'll be able to identify and track shifts and trends. For this first one, the scores give us a line in the sand.

The scale runs from -50 to +100 – a reading of -50 would mean confidence in that fuel type was at its lowest, while a score of +100 would indicate confidence was at its highest.



Confidence score by fuel type

Drivers

Around 90% of cars in the UK are privately owned, so drivers will be key in the transition to net zero.

And while the environmental benefits of switching to electric are easy to understand, practicality and cost barriers remain.

The government is currently using a push and pull approach to phase-out fossil fuels in transport, but is it working?

The current picture

Just one in 25 (4%) of the drivers we surveyed already drive an electric vehicle, while 64% drive a petrol car, 27% diesel and 6% hybrid.

But more than half (53%) of drivers tell us they are walking more than the same time last year, and one in five (20%) are cycling more, likely reflecting the health and wellbeing, sustainability and cost benefits that these bring.

Indeed, over half (54%) said the cost-of-living crisis has made them drive less.

Interestingly, a quarter (26%) are using public transport including buses, trams and tubes more, and one in five (20%) are using trains more, despite the well-reported issues around service reliability.

But it seems drivers are well informed about the environmental impact of driving and would like to switch to an electric vehicle if they could.

Two thirds (66%) say it's important that the vehicle they drive helps them reduce their environmental impact as much as possible and almost as many (63%) feel that the transition to electric vehicles is important to help the UK reach net zero.

So, what's putting them off making the switch?

The current cost-of-living crisis is certainly one factor making people more prudent.

Half (50%) told us they put off the purchase of a vehicle because of this, while a similar number (52%) say it has made them more likely to buy second-hand.

But drivers are pretty evenly split over whether the cost-of-living crisis has made them more likely to buy an electric vehicle, which are significantly cheaper to power, tax and maintain, though the initial purchase price is higher.

While 31% said it had made them more likely to buy, 38% disagreed and 31% were on the fence.



Looking ahead

It's good to see two in five (40%) drivers say it's likely their next vehicle will be electric, though 56% will still favour a petrol car.

And it seems progress will be slow; those considering an electric vehicle expect they won't get one for an average of five years yet.

It's noticeable that the main factors encouraging people to buy an electric vehicle are mostly related to cost of ownership, while the majority of factors preventing people from going electric are the cost of purchase and practical issues.

Drivers think going electric will help them avoid Ultra Low Emission Zone costs (35%), for example, and will mean cheaper running costs (34%).

And while the top barrier to buying an electric car was the upfront price of the vehicle (60%), there were also concerns around charging point availability (52%), charging time (41%) and the logistics of installing charging infrastructure at home (31%)

Indeed, half (50%) said their property was not suitable for charging an electric vehicle, though 44% said it was.

That's important because charging an electric vehicle at a public charging point is subject to VAT at 20%, while charging it at a private home attracts a reduced rate of five per cent.

And only a quarter (24%) said there were enough easily accessible public charge points in their area.

Policy

While close to half (44%) of the drivers we spoke to support the government ban on the manufacture of new petrol and diesel engines from 2030, a third (33%) do not.

And two thirds (65%) think government departments and policy makers should do more to encourage electric vehicle adoption among drivers.

Our survey was conducted after the Chancellor, Jeremy Hunt, announced in the 2022 Autumn Statement that electric cars would be subject to vehicle excise duty, in line with petrol, diesel and hybrid vehicles, from April 2025.

That attracted some criticism, as a primary barrier to adoption is the upfront cost of electric vehicles.

The Chancellor also announced that electric cars costing more than £40,000 would no longer be exempt from the expensive car supplement, charged at £355 a year from the second to sixth year of a vehicle's life.

The average price of an electric car is currently close to £50,000, though we can confidently expect that to fall over time thank to efficiencies from economies of scale and advances in battery technology.

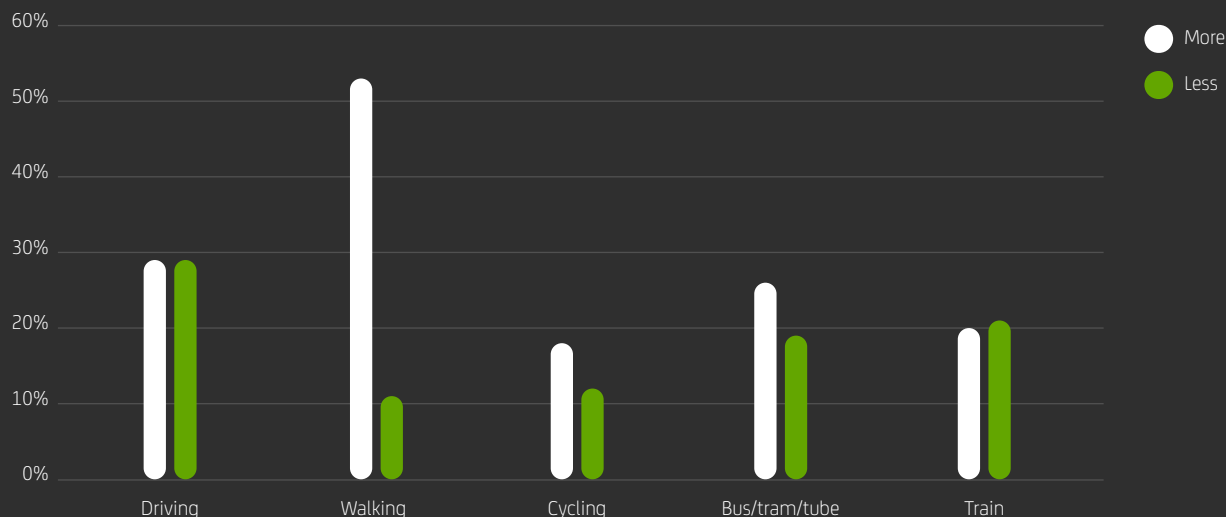
Still, almost half (47%) of drivers told our survey that government funding and incentives should focus on the expense of an electric vehicle (47%)

They would also like to see government action on the availability of charging points (48%), and the logistics of installing charging infrastructure at home (31%).

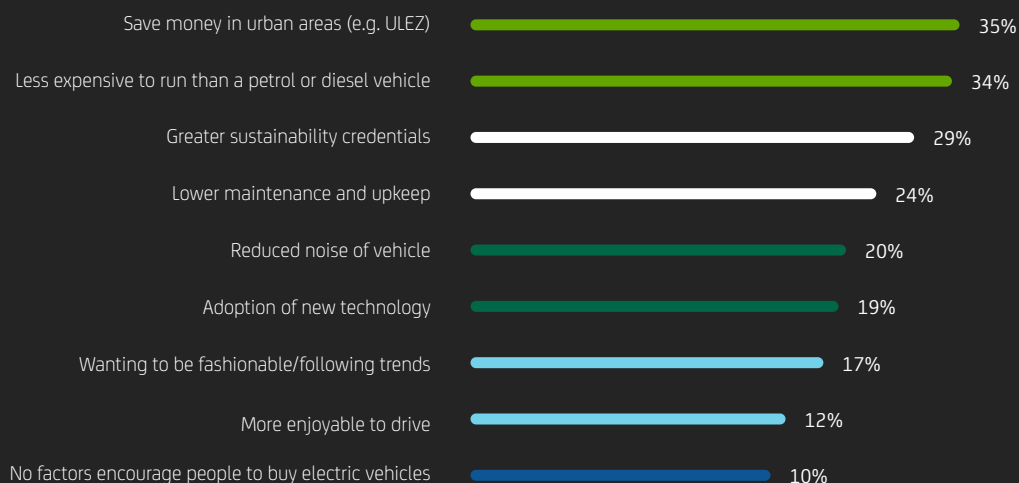
And a two-thirds (67%) majority said that hard targets for installing electric charge points – that mean the government could be held to account if it failed to deliver – would help give them the confidence to make the switch.



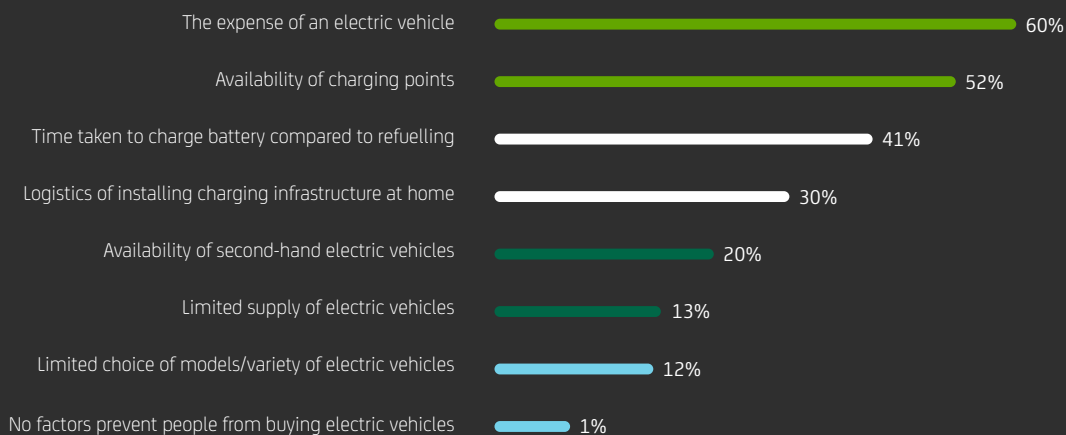
Are you doing more or less of the following modes of transport than you were this time last year?



What, if any, do you feel are the main factors that are encouraging people to purchase an electric vehicle?



What, if any, do you feel are the main factors that are preventing people from purchasing an electric vehicle?



Fleet managers

Almost half of the new cars that take to Britain's roads every year are part of a fleet.

And fleet managers have found themselves at the forefront of the switch to more sustainable forms of transport.

Tax incentives designed to stimulate demand for hybrid and electric vehicles have proved popular with company car drivers and in 2022 two thirds of new electric cars were registered to fleets and businesses.

And fleets will continue to be fundamental to the future of transport, so we set out to understand what's driving decision making in this sector by surveying 100 fleet managers operating fleets of more than 100 cars.

The current picture

Fleet managers told us that an average of 44% of their fleet vehicles are already electric and two thirds (66%) of managers have grown the number of electric vehicles in their fleet in the last year, by an average of 19%.

While this is a longstanding strategy for most, 45% said they had ramped up investment in electrification in response to the cost-of-doing-business crisis, though 53% say it has had no impact.

When charged at an employee's home, the running costs of an electric car are around half that of a petrol or diesel car.

And cost is a key reason for businesses to electrify their fleets, seemingly far more so than environmental sustainability.

When we asked fleet managers what the main factors encouraging them to invest in electric vehicles were, they cited lower maintenance and upkeep costs (30%), the reduced noise of vehicles (30%), engagement from employees (28%) and lower running costs than petrol or diesel vehicles (26%).

And it was perhaps surprising to see that more fleet managers are investing in electric cars because they think it's trendy (24%) than because of its impact on the environment (22%).

That said, two thirds (67%) said electrifying their fleet was important for their sustainability targets and three quarters (75%) said it was important to support employee engagement and recruitment.

So, it seems the environmental, commercial and practical benefits of electric vehicles are well understood.





Looking ahead

During 2023 we expect to see similar growth in electric fleets to the previous year, with two thirds (67%) of fleet managers saying the number of electric vehicles in their fleet would increase, by an average 19%.

And 100% said their fleet will ultimately be entirely electric at some point in time, though on average this will take until 2030 – the year that the sale of new petrol and diesel cars is to end.

Interestingly, almost a third (31%) of firms expect it will take a decade or more to go 100% electric.

And every one of the fleet managers we surveyed said there were barriers to them investing in electric vehicles.

A third (33%) cite the availability of charging points – a well-known bugbear for electric vehicle drivers.

At the time of writing, there are just over 690,000 battery-electric cars on UK roads², but just 38,982 public electric vehicle charging points across the UK, across 23,066 locations.

And there are concerns about their distribution, as 44% of all charging points in the UK are in London and the South East.³

However, there is a concerted effort to improve the network and the number of charging points has increased by 35% in the last year.⁴

And when we asked fleet managers whether there were adequate electric vehicle charging points to help the transition towards an electric future for transport, four in five (78%) agreed.

We've already covered the fact that 28% of fleet managers are investing in electric vehicles because it helps to foster better employee engagement, but slightly more (33%) said employee engagement was actually a barrier to investment.

This likely reflects the diversity of opinion around electric cars, with some worrying that vehicle range limitations and the availability of charge points could limit their lifestyle and working lives.

Further factors of concern to fleet managers include battery charging times (29%), the limited supply of electric vehicles (28%), the logistics of installing charging infrastructure at home (27%), the availability of second-hand electric vehicles (25%), the upfront cost of electric vehicles (24%) and the limited choice of models (21%).

² <https://www.zap-map.com/ev-market-statistics/>

³ <https://www.zap-map.com/statistics/#points>

⁴ <https://www.zap-map.com/statistics/#points>

Policy

Fleet managers are clearly convinced that the government has an important role to play in enabling the widespread adoption of electric vehicles.

They think the most effective actions policy makers could take to further encourage the adoption of electric vehicles among businesses would be to make funding or subsidies available, including for on-site charging (38%).

They would also like to see more investment in public charging infrastructure (34%), a fuel tax on company petrol and diesel vehicles (32%), increased electric vehicle grants for businesses (31%), more tax breaks for businesses adopting electric vehicles (31%) and better education about the business benefits of electric vehicles (23%).

And they would like concrete commitments that allow them to invest with confidence.

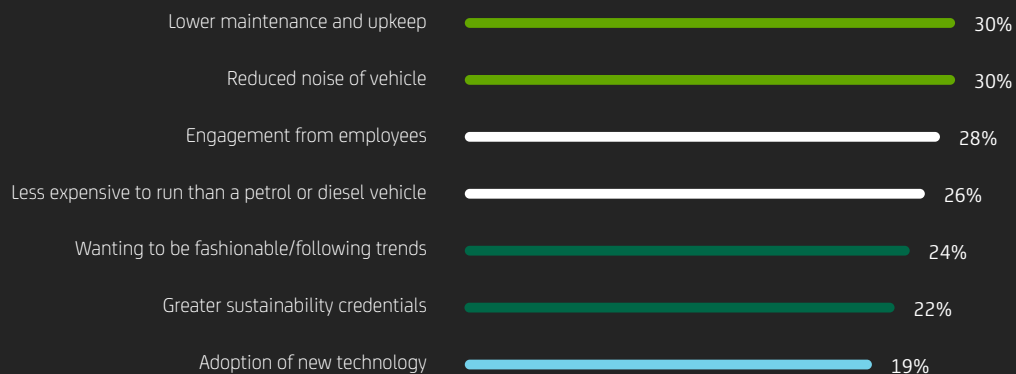
78% say they would like to see the government set a mandate for the number of charge points it has to deliver.

But the government published Taking Charge: The Electric Vehicle Infrastructure Strategy just days after our survey closed and, disappointingly, it falls short of an official mandate for installations.

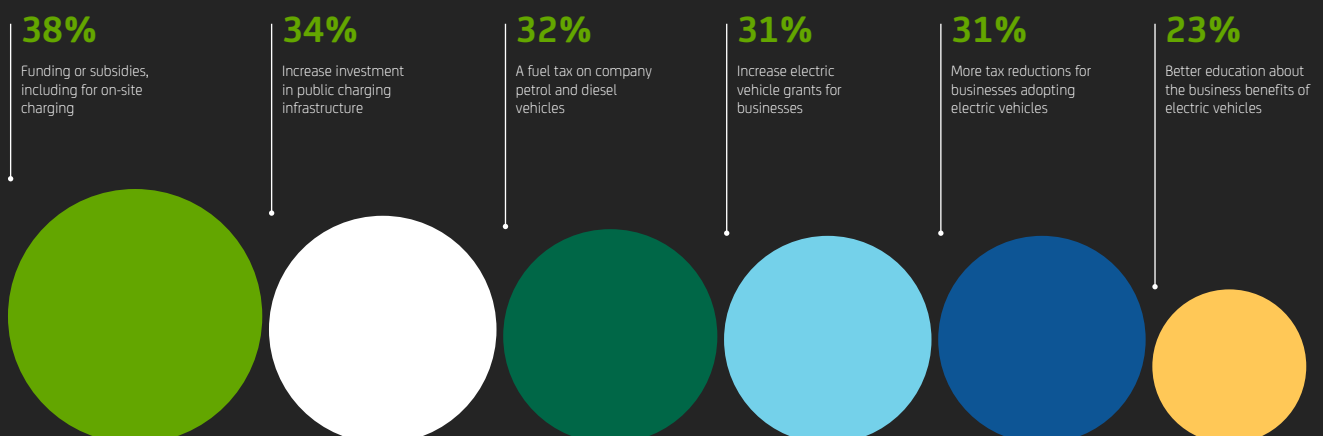
While almost half (46%) of fleet managers think policy makers are doing enough to encourage electric vehicle adoption among businesses, the same proportion neither agree nor disagree.

And they all (100%) think the government could do more to boost the uptake of electric vehicles overall, among private drivers and businesses (see chart).

What, if any, do you feel are the main factors encouraging businesses to invest in electric vehicles?



What do you think policy makers should do, if anything, to further encourage adoption of electric vehicles among businesses?



Closing statement

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The topic of transport has never been so hotly debated.

There's no doubt that action is needed to reduce transport emissions and there is also an opportunity for infrastructure improvements to help 'level up' the regions and increase productivity.

But the way we work has changed since the pandemic; people are commuting less and staying in their own neighbourhoods more, making active travel an option for more of the journeys we make.

That's helped innovative ideas like 15-minute cities and Low Traffic Neighbourhoods gain traction, though they are not without their opponents.

And there's no silver bullet for sustainable travel.

Big picture

Reliable, affordable buses and trains will be part of the puzzle.

And enabling more active travel, like walking and cycling, will not only reduce congestion and pollution, but bring health and wellbeing benefits.

Electric vehicles are certainly part of a low-traffic, low-carbon future too.

The recent launch of the government's consultation on the Zero Emissions Vehicle mandate, reaffirms the commitment to ban the sale of new petrol and diesel vehicles from 2030.

Yet, with more EVs entering the roads, we need a supporting charging infrastructure that is able to withstand the increased demand if we are to truly deliver on the UK's electric ambitions.

In it together

The respondents to this survey agree that infrastructure is certainly an issue.

And our data backs up the need to accelerate the rollout of appropriate charging points across the UK.

That said, huge amounts of money have been committed to the future of transport and the sector is at an exciting inflection point in its evolution.

Going forward, the Future of Transport Index will hold a mirror to the industry, providing a regular, reliable measure of its progress.

I look forward to working with you as we build the future of transport together.”



Nick Williams

Managing Director, Lex Autolease

Methodology

To gather representative data, Lex Autolease commissioned independent market research consultancy Censuswide to survey 100 UK business fleet managers/decision makers in businesses with fleets of 100+ cars. It also separately surveyed 1,547 private UK drivers. All surveys took place between 13 and 20 March 2023.

The Index score has been calculated by analysing survey data alongside Lex Autolease and Black Horse vehicle figures from January to March 2023 – both as a percentage of the fleet and percentage change quarter on quarter.

