INDUSTRY OUTLOOK 2025

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INDUSTRY OUTLOOK

BVRLA

Welcome

After 2024 had more than a sting in the tail, what are BVRLA members bracing for in 2025?

A year that was beginning to show signs of positivity and give cause for optimism looks set to end under dark clouds. The triple threats of Budget tax increases, ZEV Mandate uncertainty and regulatory upheaval have combined to make operating conditions for BVRLA members tough, with the effects of each set to bed in during 2025. Our Industry Outlook Report has been developed to help you understand what such developments mean for your business. The market forces impacting our sector are far reaching. Some are well established and ebb and flow every year, others create a short, sharp shock before subsiding. Through in-depth interviews with senior leaders from the vehicle leasing and rental sector, bolstered by a wide-ranging survey across the BVRLA's membership, the Industry Outlook Report gives an overview of what is going on now and what is coming over the horizon. Direct inputs from your peers and detailed analysis outline where the market is heading, where opportunities for development lie, and which topics are growing in importance year on year. This year, our research partners at 360 Media Group have provided an invaluable customer perspective by sharing the views of nearly 100 fleet managers.

The results on the following pages are set up to give you an informed position from which to make strategic decisions in 2025. It is thanks to the valuable input of BVRLA members that we can present this data with confidence. Thank you to all those who have participated in this year's report. If you wish to get involved and join our Industry Outlook Panel, please get in touch with our Head of Research and Insight, Phil Garthside via Phil@bvrla.co.uk.

Gerry Keaney
Chief Executive
British Vehicle Rental and Leasing Association (BVRLA)

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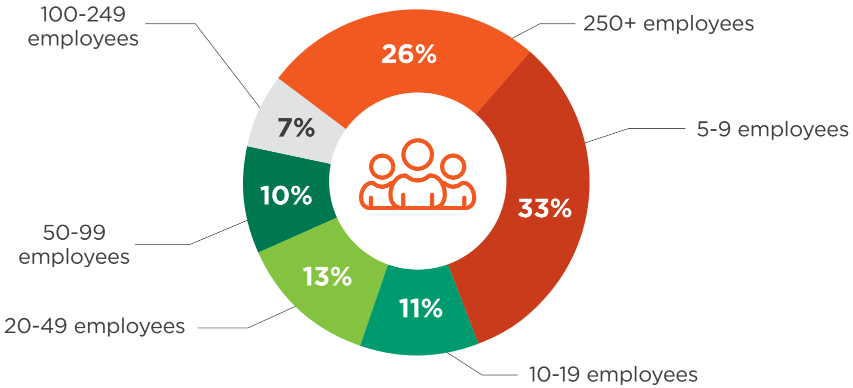
Industry Outlook 2025

This study is based on qualitative and quantitative research among BVRLA members

The data and insights in this report are based on responses from the leaders of 110 leasing, broker and rental companies. The fleet insights (pages 23-26) are based on a survey of 84 fleet decision makers by 360 Media Group.

Special thanks to: ● **Tim Bailey,** fleet director, UK & Ireland, Zigup ● **Andy Bruce,** CEO, Fleet Alliance ● **Malcolm Fryer,** head of European remarketing & UK fleet sales, BYD ● **Ian Hughes,** CEO - corporate and consumer division, Zenith ● **Ryan Johnson,** managing director UK & Ireland, Enterprise Mobility ● **Guy Mason,** director of operations, SG Fleet ● **Vincent St Claire,** managing director, Fleet Assist ● **Per Voegerl,** managing director, United Rental Group ● **Will Voisey,** managing director, Synergy Car Leasing ● **Phil Wilbraham,** group vice president, Pendragon Vehicle Management

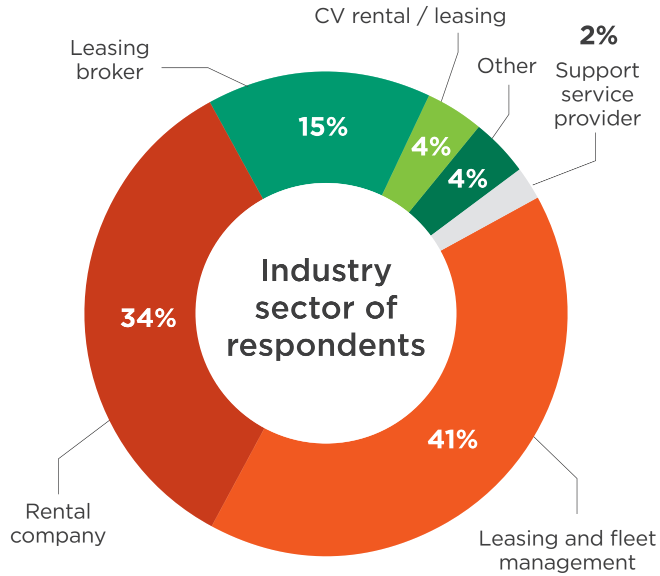
Respondents by employee numbers

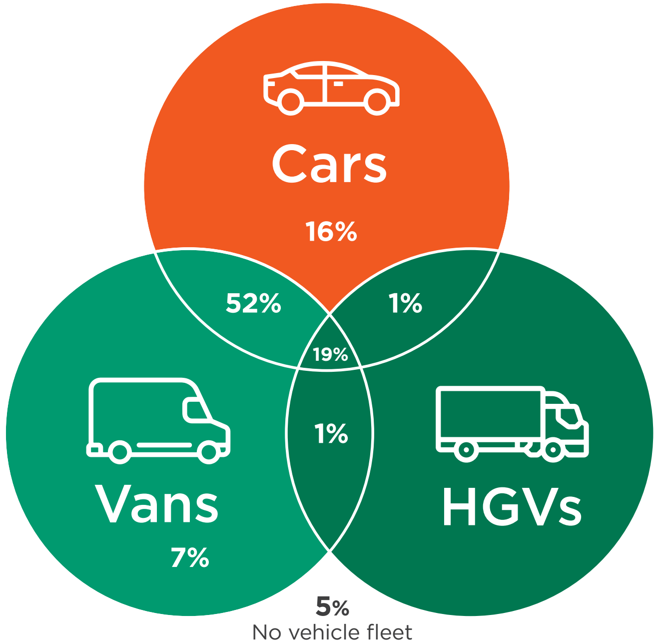


44% of respondents work in firms with fewer than 20 employees

30% of respondents work in firms with 20-249 employees

26% of respondents work in firms with 250+ employees





Executive summary

Many of the industry's vital signs are positive, but regulation and EV depreciation threaten to overshadow 2025

After a year that many in the rental and leasing industry might describe as an 'annus horribilis', following the softening of residual values of both ICE and electric cars and vans, businesses' more optimistic outlook for 2025 is welcome. This is not a prelude to a boom year, with economic forecasts more downbeat now than before October's Budget despite the Government's growth agenda, but executives at least feel that the lows of 2025 cannot be as deep as during the last 12 months. Consequently, in all 11 categories of market perspectives (page 5), the needle on the dial is pointing towards a positive, rather than negative future (page 7). Companies forecast that demand in every product sector will be better next year.

From a distance, the business outlook for 2025 is similarly upbeat, with eight of the 11 categories pointing in a positive direction (last year only six were heading this way). The question is whether the three negatives, alongside the 'elephant in the room', namely EV residual values, undermine these buoyant views.

For glass half full executives, the downward trajectory of interest rates is reducing borrowing costs for rental firms, enabling leasing companies to lower rentals, and restoring confidence to the wider economy. Add into the mix the ready availability of new vehicles, with lead times back to pre-Covid levels, as well as a Government focused on growth, and there is industry optimism for a rise in both supply and demand. The light commercial vehicle sector is particularly optimistic, with the prospect of a construction boom if the Government really does apply a giant pair of scissors to planning red tape. Moreover, sharp price rises for new LCVs over the past three years should lead more businesses to lease, flexi-hire, or rent their vehicles, which helps to explain the positivity in the outlook for these services.

> "For glass half full executives, the downward trajectory of interest rates is reducing borrowing costs for rental firms, enabling leasing companies to lower rentals, and restoring confidence to the wider economy."

For car leasing, the Budget's confirmation of supportive benefit in kind tax rates for electric cars to 2030 should support demand from both company car and salary sacrifice drivers, while private motorists who have delayed replacing their cars during the cost-of-living crisis will surely start to return.

But for glass half empty executives, dark clouds are looming. Regulatory issues are at the forefront of leasing and broker boardroom discussions, following the uncertainty created by the Court of Appeal's recent verdict on commission disclosure, and the impending verdicts in cases involving discretionary commissions. The potential extension of regulatory protections and who might be considered an 'unsophisticated' customer in the eyes of the law, raises further doubts for brokers which have traditionally served this business sector.

The second key area of concern for 2025 is the ability of companies to source the vehicles they want, due to the Zero Emission Vehicle (ZEV) Mandate. This has seen vehicle manufacturers restrict or delay the delivery of cars and vans with internal combustion engines, in order to ensure the penetration of pure electric vehicles (EVs) in their end of year sales figures meet the percentages set by the mandate.

The industry supports the Government's objective to decarbonise UK road transport, but says the mandate is too blunt an instrument to reflect the nuanced operational and commercial pressures faced by different sectors of the market. Leasing companies, for example, report that the share of EVs in orders placed for corporate clients is currently running at twice the threshold of the mandate, while salary sacrifice fleets are approaching 100 percent electrification.

But rental companies, as bulk buyers of cars and vans, view the mandate as extremely challenging. Rental customers show virtually no demand for EVs, electrifying rental stations is eye-wateringly expensive, recharging batteries delays the availability of vehicles for hire, and high depreciation means rental companies have to charge customers more for vehicles that do less. Only in certain small pockets, such as replacement vehicles for EVs off the road for maintenance or crash repairs, is there any rental demand for battery-powered models.

Moreover, the weakness of the retail channel to sell electric cars, due in large part to their higher cost and the absence of financial incentives, is making it harder for manufacturers to achieve their mandated EV percentages. This has initiated distress marketing programmes that have seen OEMs offer large discounts to stimulate demand. The knock-on effect has damaged EV residual values, which were already struggling in an oversupplied market, negatively impacting the entire industry. Some rental firms want an urgent review of the mandate, given the operational impact it is having on their businesses.

They also want clarity on when the ban on the sale of new internal combustion engine (ICE) light commercial vehicles will come into force. The previous Government's decision to extend the phase out to 2035 for cars took the wind from the sails of new and used EV demand. The new Labour Government has pledged to reinstate the 2030 phase out of ICE cars, eliciting mixed reactions from BVRLA members. While businesses with operating models well suited to EVs consider the target achievable, albeit challenging, those facing greater obstacles to EV adoption emphasise the critical need for enhanced Government support to make the transition feasible.

Against this backdrop, there is a forensic focus on strategies to mitigate the depreciation of EVs. Supply is rising well ahead of demand, and while new lease contracts and rental prices reflect today's higher depreciation levels, losses are mounting on existing contracts, jeopardising the industry's ability to play its role at the forefront of EV adoption. Companies are calling for Government support via a VAT reduction on secondhand EVs, a grant for used buyers, and a more positive narrative around battery health. The arrival of new OEMs with lower priced EVs has the potential for companies to offer vehicles with lower levels of net depreciation in the long term, but could undermine values in the short term. Both rental and leasing firms also have concerns about the aftersales support available from these new entrants.

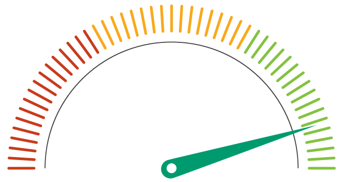
In the face of all of these financial pressures, companies are turning to technology to deliver operating efficiencies and improve customer service, with IT investment high on industry agendas.

Cost reduction is the overriding objective of fleet operators, too, as they are confronted with the higher lease and rental expense of EVs, and the investment required to install workplace charging infrastructure. Car and van fleets are looking for more support from suppliers to navigate these inflationary pressures.

> "Companies are calling for Government support via a VAT reduction on secondhand EVs, a grant for used buyers, and a more positive narrative around battery health."

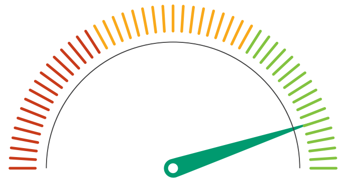
BUSINESS OUTLOOK FOR 2025

Industry forecasts for trading conditions, compared to 2024



Electric car discounting

Worse Same Better



Electric van discounting

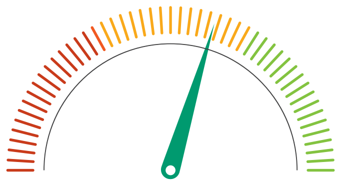
Worse Same Better

Cost of finance

Worse Same Better

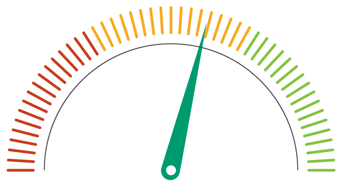
ICE used van market

Worse Same Better



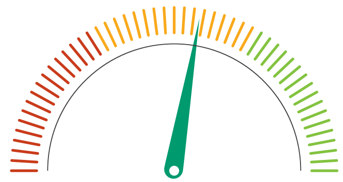
Business demand

Worse Same Better



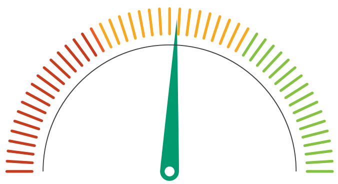
ICE van supply

Worse Same Better



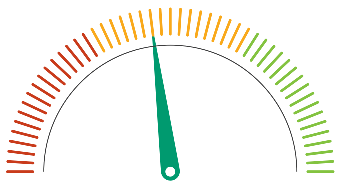
ICE used car market

Worse Same Better



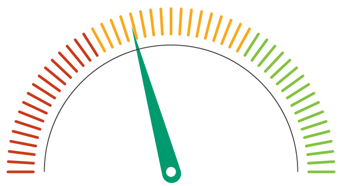
Consumer demand

Worse Same Better



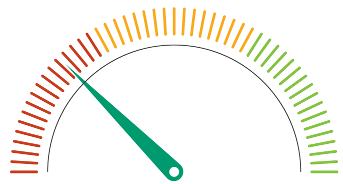
Cash flow/debtors

Worse Same Better



ICE car supply

Worse Same Better

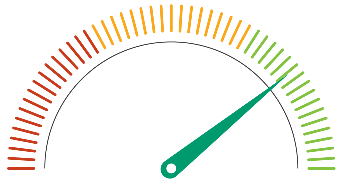


Regulatory/compliance

Worse Same Better

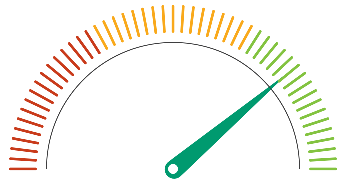
MARKET PERSPECTIVES FOR 2025

Industry forecasts for demand, compared to 2024



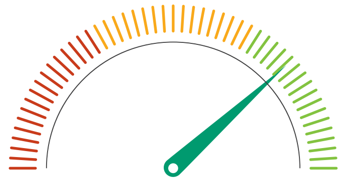
Van flexi-rental

Worse Same Better



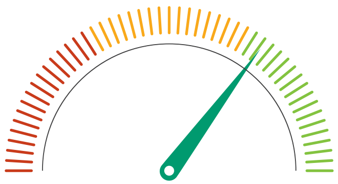
Van rental

Worse Same Better



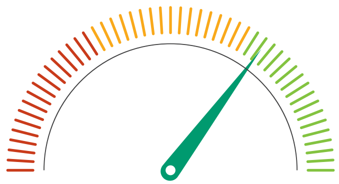
Business contract hire cars

Worse Same Better



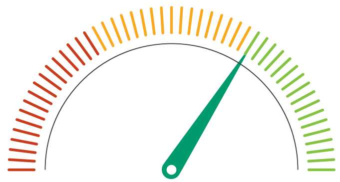
Salary sacrifice

Worse Same Better



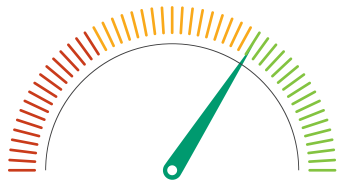
Fleet management

Worse Same Better



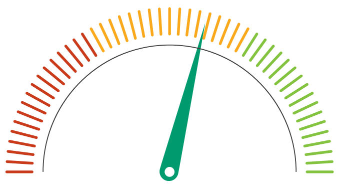
Business contract hire vans

Worse Same Better



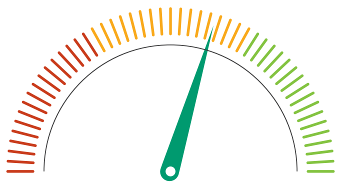
Car rental

Worse Same Better



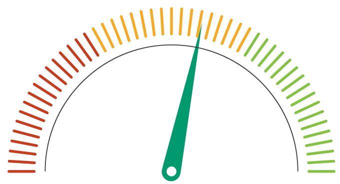
HGV leasing

Worse Same Better



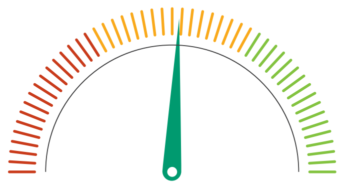
HGV rental

Worse Same Better



Personal contract hire

Worse Same Better



Car clubs

Worse Same Better

Industry primed for growth

Growth in business custom offset weak retail demand in 2024, but what will the recent Budget do for 2025?

A new Government with a mission to kickstart economic growth should be good news for leasing and rental companies. An expanding economy needs more vehicles to keep the wheels of business turning, while green shoots of recovery have historically stimulated retail demand for new cars.

However, leasing companies expect the impact of the recent Budget's increase in employer National Insurance Contributions and the prevailing mood of tax rises to prompt businesses and private households to review all areas of expenditure before committing to assets as costly as new vehicles.

Lead times have returned to normal after the pandemic and semi-conductor crisis, but the impact of inflation is impossible to ignore. Compared to 2019, higher new vehicle prices, raised interest rates and weaker residual values have dramatically increased the cost of new lease rates compared to contracts that are ending. Consequently, both fleets and private drivers have significant volumes of ageing vehicles overdue for replacement.

As a result, nearly half (48%) of respondents expect new vehicle sales to increase next year, with business contract hire leading the way, as in 2024, although there is some optimism for personal leasing demand.

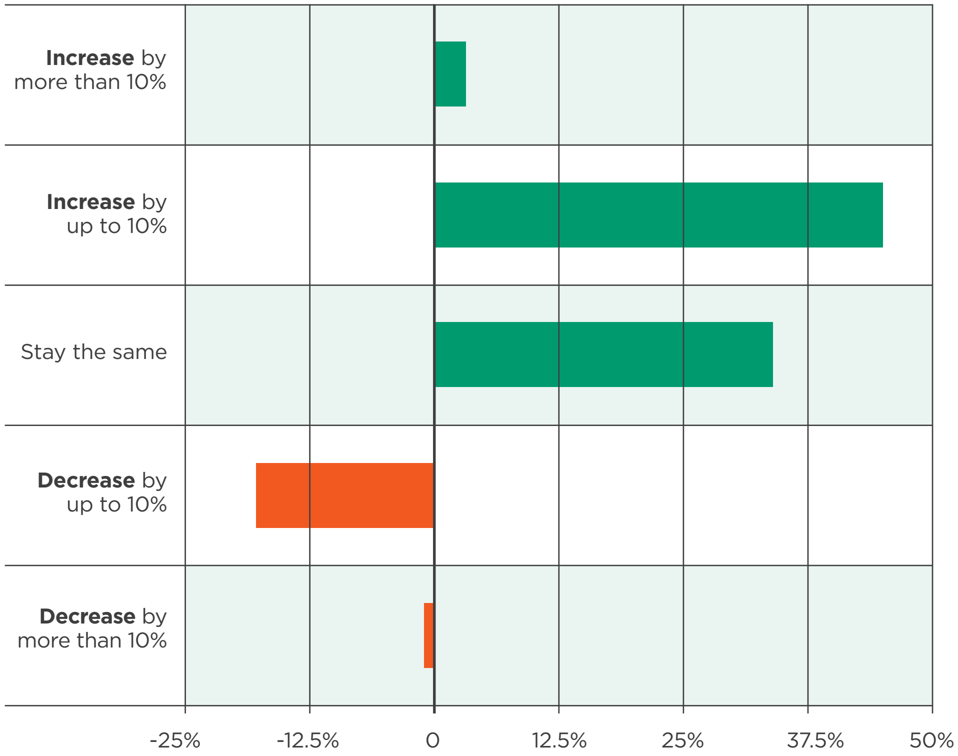
> "Customers who have extended existing leases or have hung onto their vehicles for longer will eventually have to change, so we believe there is an element of pent-up demand that could stimulate growth."
>
> **Managing director, leasing company**

+14.4% **Increase** in fleet car sales (Jan-Oct 2025)

-9.6% **Decrease** in private car sales (Jan-Oct 2024)

Source: SMMT

New vehicle sales forecasts for 2025



Borrowing costs set to fall

Lower interest rates will help firms' own costs and boost consumer confidence

The majority of leasing and rental companies believe that interest rates have peaked and that the cost of borrowing will continue to fall in 2025.

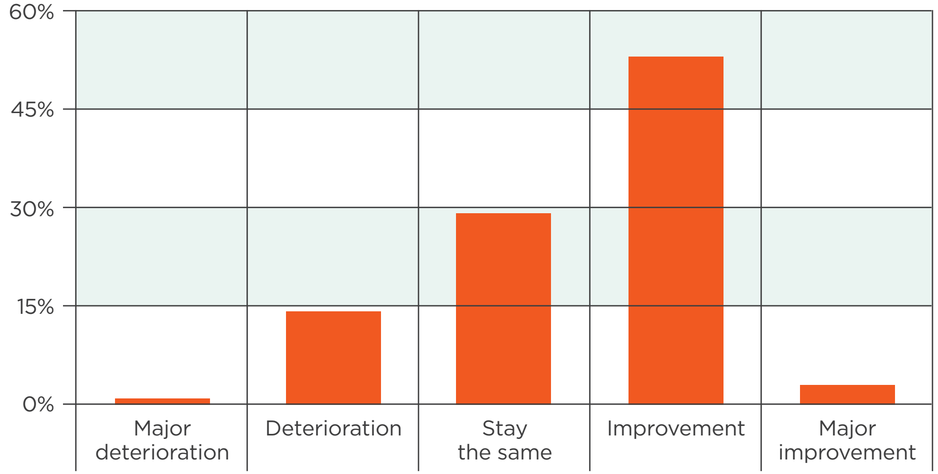
Few (3%) are expecting significant cuts from the Bank of England, but only 15% forecast that the cost of finance will rise, despite the bank suggesting the recent Budget is likely to prompt half a percentage point rise in CPI inflation.

The decline in rates should help firms with their own borrowing costs, and support lower monthly lease rentals. Some directors also forecast that lower interest rates will improve confidence in the wider economy, stimulating demand for big ticket items such as cars, with the potential to boost both the new and used car markets.

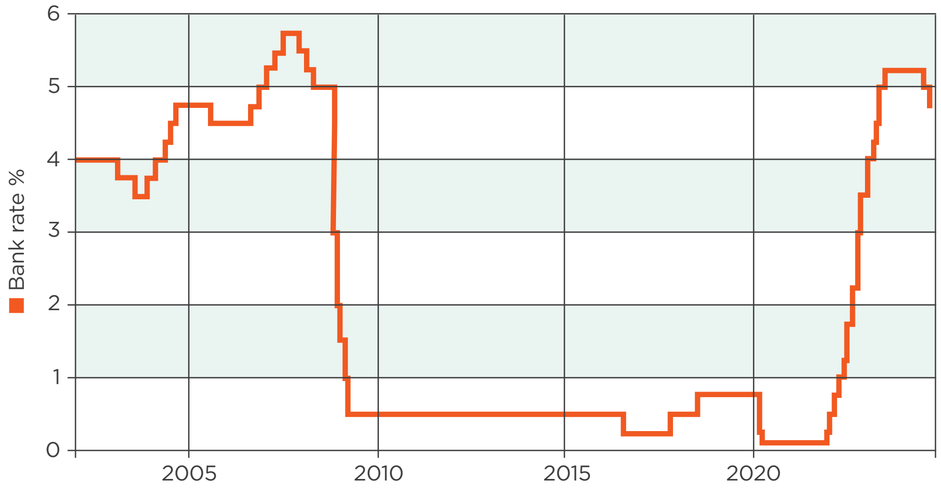
Industry expectations are low of a return to the sub-1% rate that endured through the 2010s, although the current stability is welcome after the turbulence of the last two years when rates frequently rose between leasing companies taking an order and delivering the vehicle.

> "We expect interest rate reductions will not only help to reduce rentals, but increase consumer confidence as more of their monthly budgets are available to lease vehicles."
>
> **Managing director, leasing company**

Forecasts for borrowing costs in 2025



Interest rates



Challenges ahead

Demand for leasing and rental may look positive for 2025, but trading will be difficult

The realignment of used prices for both ICE and electric vehicles during 2024 has made residual values the number one challenge for rental and leasing companies next year. Their fleets include ever higher percentages of battery-powered cars, leaving executives desperately hoping that parity holds between used ICE and EV prices for equivalent models. Used EV prices have slumped to unsustainable levels, jeopardising the UK's decarbonisation ambitions, as the first significant wave of EVs have reached the end of their leases. And research by the BVRLA and Oxford Economics forecasts no improvement without substantial Government support. Currently, the ZEV Mandate is leading to the distress marketing of new EVs, fuelling anxieties that the supply of new, nearly new and used EVs will exceed demand to such an extent that values tumble further. There are also concerns that the mandate will lead to OEMs restricting supply of ICE vehicles to ensure they achieve the required EV percentages, limiting sales prospects for the industry.

Sandwiched between these challenges is the mounting regulatory burden, following the recent Court of Appeal ruling on commission disclosure. Brokers and leasing companies were already braced for the implications of impending verdicts in other cases involving discretionary commissions. Interestingly, none of the top four concerns for 2024 – the cost of finance, customer confidence, vehicle supply, staff retention and support – make it into the top three for 2025, illustrating how agile firms need to be to deal with the tsunami of challenges heading their way.

"It's going to be another challenging year until EV residual values stabilise; OEMs learn how to fix EVs; the cost of money reduces; an assessment of the ZEV Mandate is carried out; and consumer confidence returns."

Managing director, leasing company

Main business challenges for 2025

61%	Residual value risk	41%	Regulatory burden
36%	Supply constraints due to ZEV mandate	32%	Cost of finance
26%	Rising costs & energy prices	21%	Staff retention & support
18%	Maintaining cash flow	12%	IT upgrades & investment
10%	Access to affordable insurance	7%	Supporting vulnerable customers

Industry calls for certainty around ICE ban

Fixed dates for the phase out of petrol and diesel vehicles would boost EV sales and residual values

Certainty first, extension second... the two priorities for leasing and rental companies as the Government reviews the deadline for the end of the sale of vehicles with internal combustion engines. The five-year delay to 2035, announced by the previous Government, weakened the momentum towards electric vehicles, and is partly blamed for undermining the residual values of used EVs. Industry executives say a fixed date would send a powerful message to new and used car buyers, boosting confidence in an electric future.

The new Labour Government has committed to reinstate the 2030 deadline for cars powered solely by internal combustion engines, but rental firms say an end of decade deadline would require additional rental-specific Government support to be achievable, given the difficulties of integrating battery-powered models into their operations.

And rental and leasing companies are united that 2035 (and ideally later) is the earliest any ban should apply to ICE vans. Currently, suitable electric light commercial vehicles and charging solutions are well short of operational needs.

With the promise of a rapid consultation on the ZEV Mandate's flexibilities, rental firms will be looking for changes that will ease pressure on their operations and allow more time for them and their customers to adjust to EVs.

> "Lots of our customers do care about the ESG agenda and are actively putting in measures to green their fleets. They are keen to establish the certainty of the date of the phase out of ICE vehicles."
>
> **Managing director, leasing company**

Preferred phase out date for **ICE vans**

BEFORE 2030	4% Leasing, 3% Rental
2030	11% Leasing, 8% Rental
2035	46% Leasing, 22% Rental
2035+	39% Leasing, 67% Rental

Interim role for hybrids

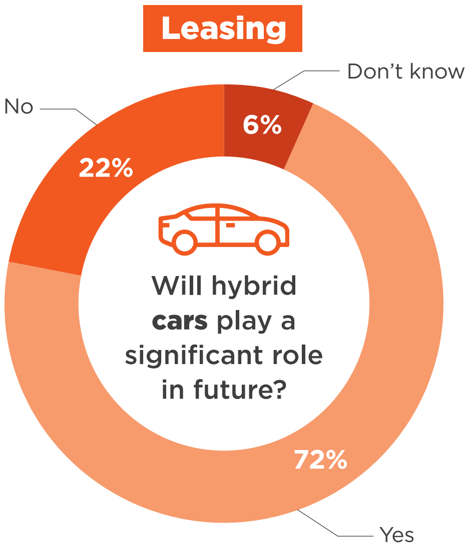
Leasing firms see a longer-term future for PHEVs and hybrids

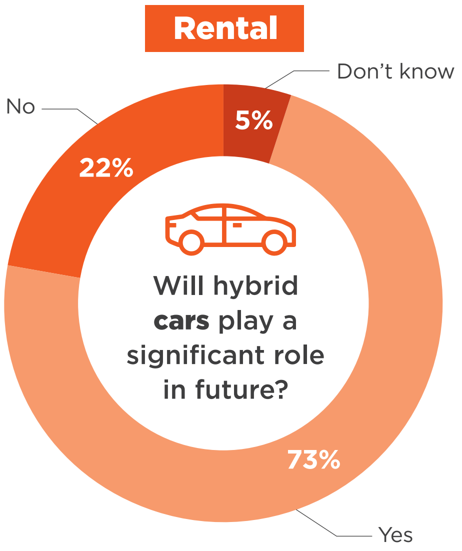
Hybrid engine technology has a significant role to play in the journey to net zero, according to leasing and rental companies. The recent Budget's change to the benefit in kind tax treatment of hybrid and plug-in hybrid cars from the 2028-29 financial year, which will see vehicles with CO_2 emissions as low as 1g/km taxed at 18% (from as little as 2% today), means the longer-term attraction of the technology for company car and salary sacrifice drivers may be limited, although they can still take advantage of low tax rates for one more vehicle cycle. Post-Budget feedback from fleet decision makers indicates that hybrids and PHEVs are still on the table (see page 23).

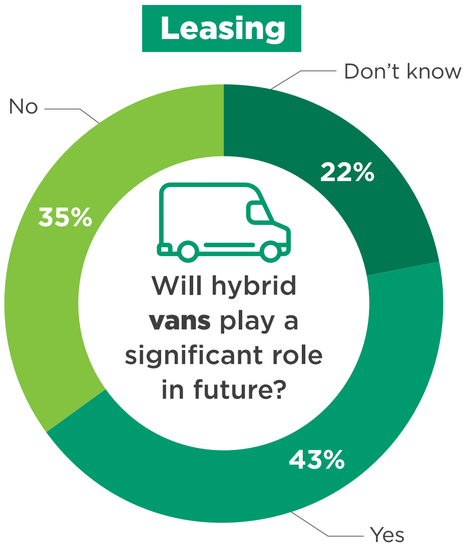
For private motorists, hybrid and PHEV engines provide a stepping stone to full electric vehicles, with lower prices, no range anxiety, and the prospect of new cars offering 70-plus miles of zero emission range.

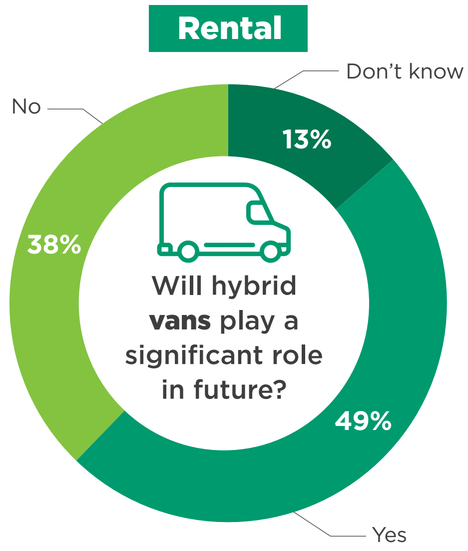
If sales of hybrid electric vehicles are allowed after 2030, as some suggest, they could also offer a workable solution for rental companies, if the economics stack up. The desire to see hybrid vans is more wishful thinking, given the lack of product options now and in the pipeline, but indicates how leasing and rental firms are open-minded about any lower emission technology that is more operationally workable than EVs.

> "For people who don't want an EV, because it's not a usable proposition for them, a PHEV is attractive, because it offers the flexibility of electric and ICE."
>
> **Managing director, leasing company**







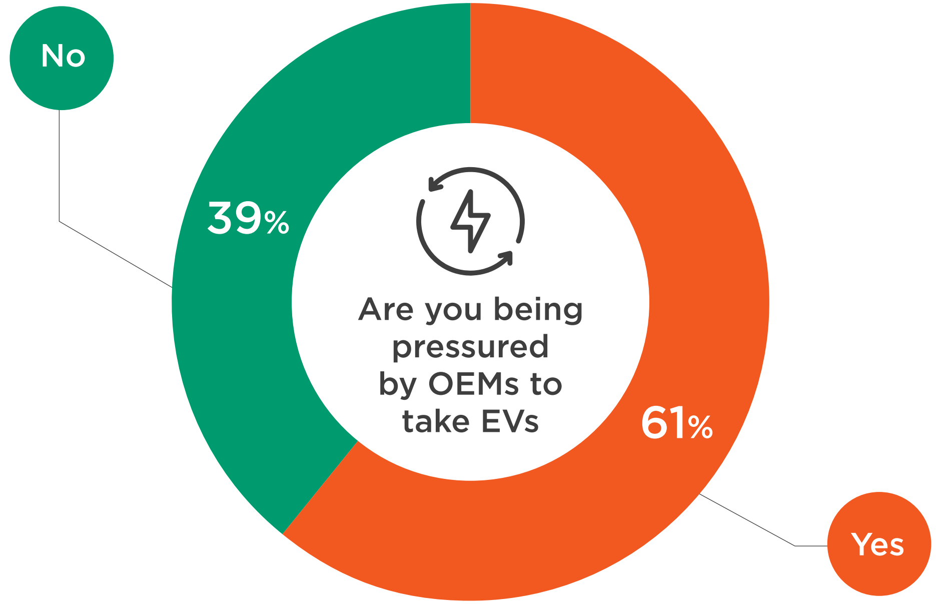


ZEV Mandate's unintended consequences

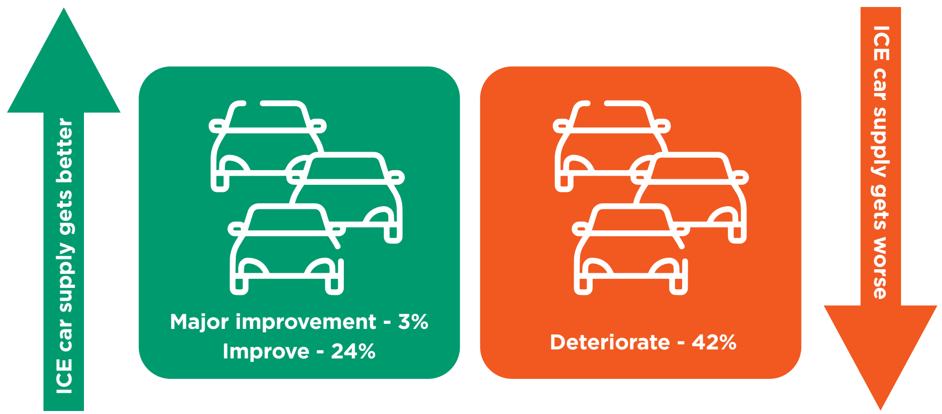
Forcing supply beyond market demand is leaving firms with uneconomic EVs

Every leasing and rental company supports the Government's objective to eliminate greenhouse gases, but the ZEV Mandate is proving to be too blunt an instrument for every firm to accommodate. On the one hand, some large leasing firms can deal with pressure from manufacturers for their orders to reflect the mandate's EV percentages, given that EV penetration of company car and salary sacrifice fleets is running well ahead of the mandate. On the other hand, rental companies are finding it deeply challenging to accommodate EVs (see page 14). And both sectors are encountering difficulties adopting electric LCVs (see page 15). Leasing and rental companies are also deeply concerned about the mandate's impact on the used market. OEMs are responding to the pressure created by the mandate by sharply discounting new sales to entice buyers, but this is undermining residual values. Any early-terminated EV leases are suffering unsustainable levels of depreciation, according to executives, because potential buyers can source a new EV for the same price as its used equivalent. Businesses are electrifying their fleets, but not always at the pace of the mandate, which threatens to deny leasing and rental firms the ability to supply customers, especially private drivers, with the vehicles they want. Over 40% of executives forecast that ICE car supply will worsen in 2025.

> "If OEMs keep offering bigger discounts, then leasing companies will keep reducing their residual value forecasts, and rentals will stay the same for customers."
>
> Managing director, leasing company



How ICE car supply will change in 2025



Rental firms report very weak EV demand

Precious few customers are looking to rent an EV

As bulk buyers of cars and vans, rental firms are facing intense pressure from manufacturers for their orders to match the high and rising percentages of zero emission vehicles stipulated by the ZEV Mandate. Most have added some EVs to their fleets, but they reject the idea that they can accommodate the mandate's EV thresholds of 28% of cars and 16% of vans in 2025.

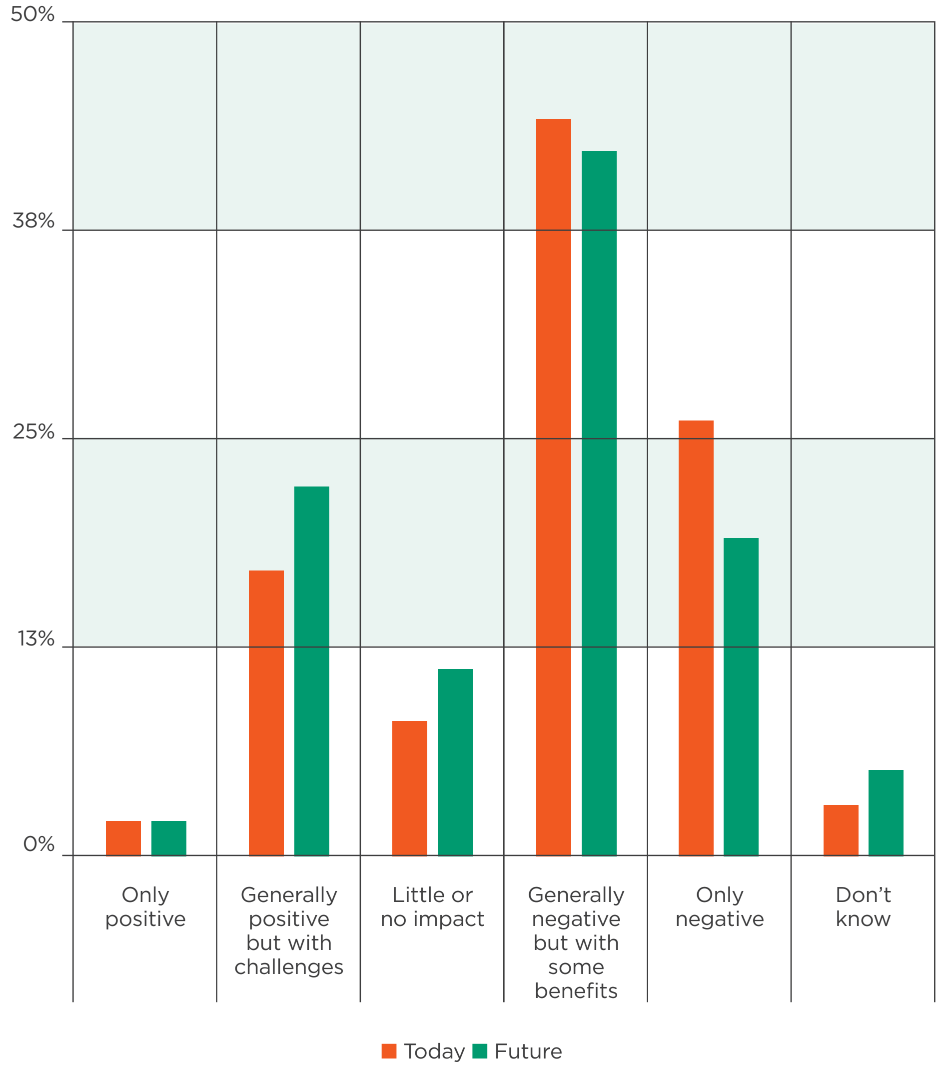
Only a tiny proportion of rental customers want battery-powered vehicles. Demand is non-existent among in-bound tourists and leisure customers, and minimal among business clients. This will need to change if the sector is to transition to EVs.

Currently, the only rental opportunities for EVs lie in supplying replacement vehicles for battery-powered cars and vans that are off the road for maintenance and repair, and for the limited number of companies operating eLCVs that are looking for a flexi-hire supply agreements. Neither of these categories matches the volumes stipulated by the ZEV mandate.

Moreover, the simple economics aren't working. The higher depreciation levels of EVs, compared to ICE vehicles, dictates higher rental fees, which means customers are booking cheaper ICE cars and vans. The cost of installing sufficient charging infrastructure at rental stations to recharge a fast turnaround fleet is prohibitively high, and securing power capacity to rapid charge scores or even hundreds of vehicles is eye-wateringly expensive. Plus, recharging vehicles at the end of a hire period delays their availability to the next customer.

Rental companies say demand for their vehicles reflects the powertrain mix of the UK's total vehicle parc. If their fleets are to reflect the EV percentages of the ZEV mandate, the entire ecosystem – depreciation, vehicle capabilities, and charging infrastructure - needs to improve rapidly, alongside targeted support from the Government.

Impact of the ZEV mandate on rental and leasing firms



ZEV Mandate for LCVs looks too difficult to meet

Higher prices and lower practicality undermine eLCV demand

The light commercial vehicle sector faces the greatest threat from the ZEV mandate. LCV fleets and rental companies are struggling to make electric LCVs work from either a cost or duty cycle perspective, so the prospect of 16% of their new vans next year having to be electric is ringing alarm bells.

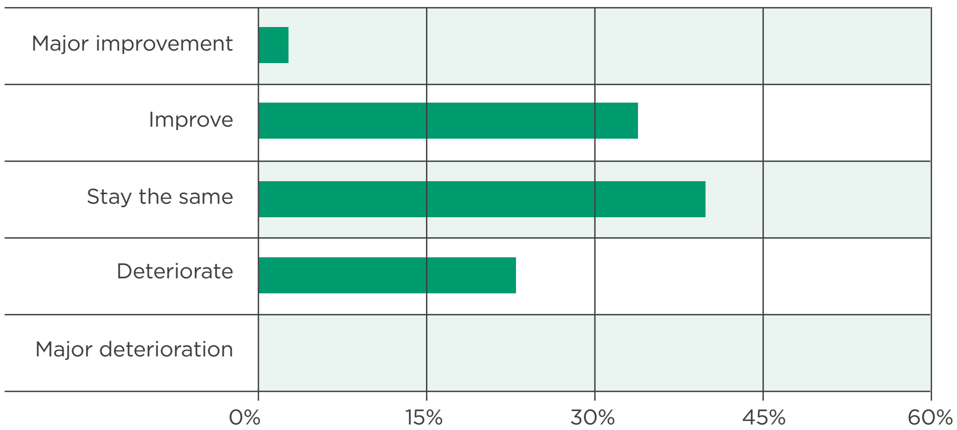
Beyond short stop urban applications, operators lament eLCVs' shortfall in range and payload, and want significantly better products from OEMs. They also need public charging infrastructure better designed for vans. The majority of van drivers do not have off-road parking to charge at home, and the high cost of installing chargers and securing grid capacity at depots is delaying investment.

Leasing companies report minimal demand and are pessimistic about eLCV future residual values. If buyers of new vans don't want them, why would used van buyers go electric? The anxiety is even more acute for rental firms. "Why would a customer pay more to rent a van that's less practical?" asked one rental managing director.

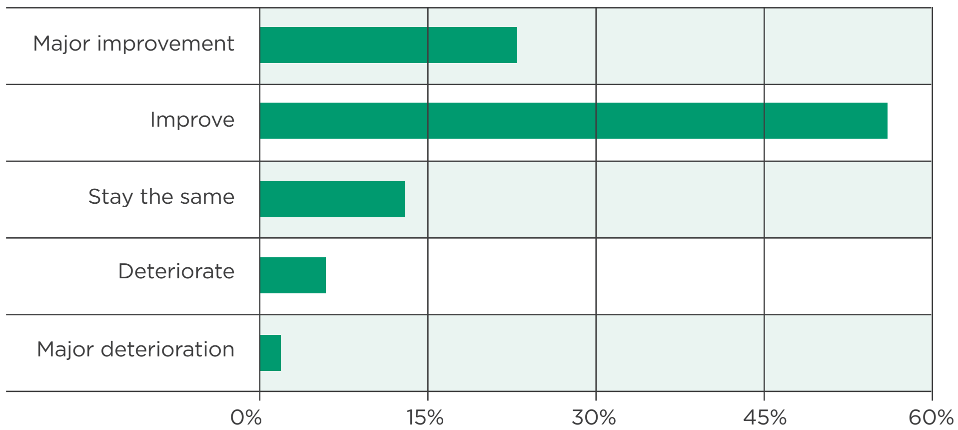
> "The ZEV Mandate is driving the wrong behaviour from OEMs. We've already reached the tipping point of restricted van supply, and the base cost of EVs remains prohibitively high."
>
> **Managing director, rental company**

Furthermore, the economics of eLCVs mean they only work over much longer holding periods than their diesel equivalents, limiting the potential for the rental sector to absorb the ZEV percentages that OEMs need to achieve year after year.

How **ICE van** supply will change in 2025



How **eLCV** discounting will change in 2025



Tactics to mitigate EV residual value decline

Contract extensions, price rises and insurance are all on the agenda

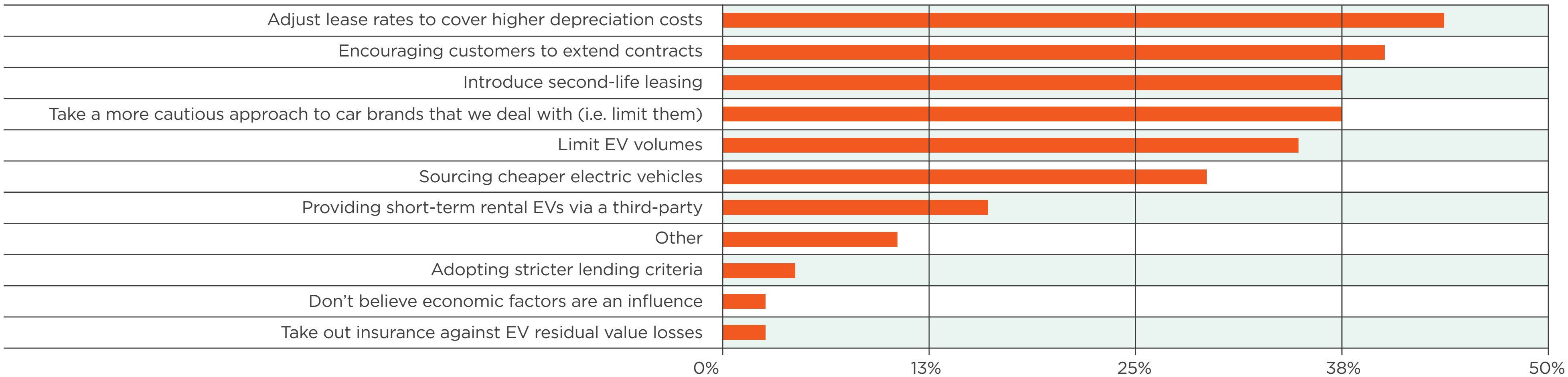
Leasing companies are engaged in a series of initiatives to mitigate the rapid and savage decline in disposal values of battery-powered cars, with EVs bought three years ago underperforming the forecasts made at the start of their contracts.

> "We've now reached used car price parity between EVs and ICE, but how do you go one step further and persuade a consumer to choose the EV? We would like to stimulate that market with a VAT reduction and a realignment of VAT on public charging."
>
> **Managing director, leasing company**

Extending contracts and developing second-life leasing products are the two most popular means to offset the crisis, enabling businesses to depreciate the assets further, while hoping the market recovers. Lease rentals for new EVs have been adjusted upwards to cover the higher depreciation costs, while leasing and rental firms say they are now taking more realistic (pessimistic) views on future EV values.

Leasing firms have been at the vanguard of EV uptake, but their rising anxiety about the risk concentration of having too high a proportion of EVs on their fleets is leading them to consider dialling back their EV volumes rather than pushing ahead at full speed. They all want the Government to stimulate demand for used EVs via buyer grants, education campaigns to dispel EV myths, the removal of VAT from used EVs, and a cut in VAT on public charging to domestic rates.

Mitigation tactics against EV residual value decline



Second-life leasing and rental

Companies are looking for longer and multiple lives from EVs

More than two-thirds (68%) of leasing companies see growth prospects for the second-life leasing of used electric vehicles. Amortising depreciation over a longer period helps avoid the financial losses and turbulence of the current used car market, and increases lending opportunities. But it's not without its difficulties and complications.

Short-term marketing programmes by OEMs have lowered the monthly lease rentals on new EVs to such a degree that it is hard for leasing companies to set a rate for a used EV that is both profitable and attractive. Brokers report that competing with manufacturer captive finance houses is extremely difficult for all EV leasing products.

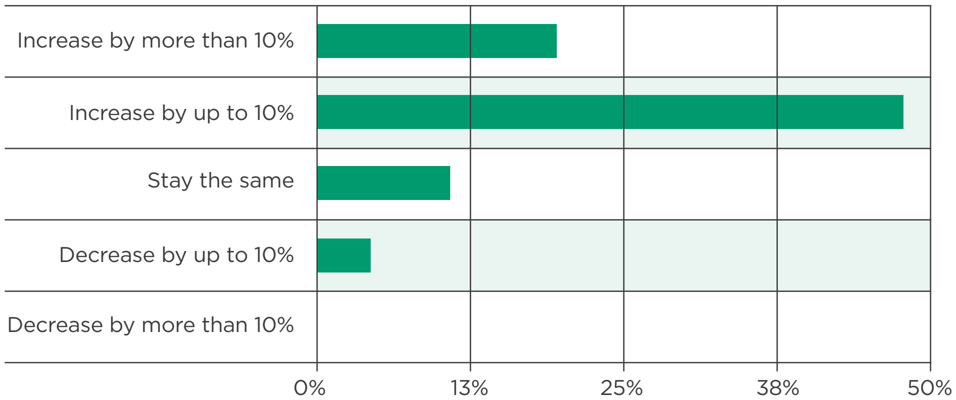
However, in sectors such as salary sacrifice, executives are enthusiastic that the offer of a substantially cheaper used EV could attract even more lower paid workers into schemes, including those who are currently excluded due to minimum wage rules.

> "In all cases, we're seeing that the average maintenance invoice value for EVs is less than it is for ICE, and that's linear with age and mileage."
>
> **Managing director, leasing company**

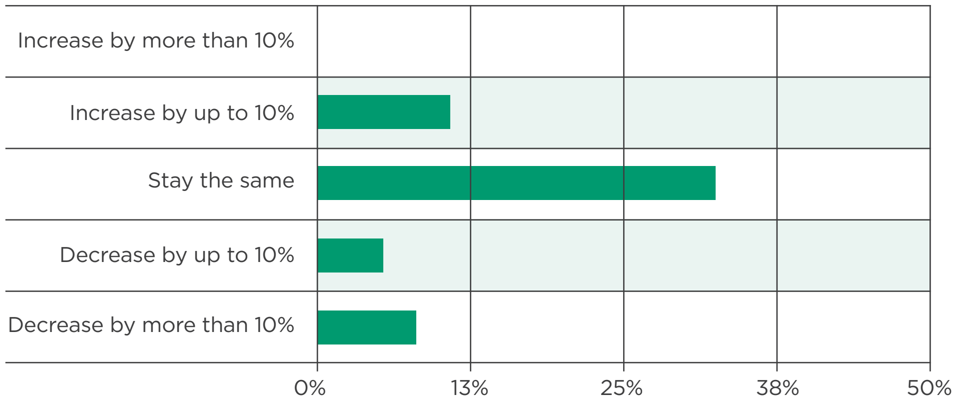
One cautionary note is that second-life leases take vehicles into uncharted maintenance territory, beyond vehicle warranties, although the initial years of EV experience show battery-powered vehicles to be cheaper to keep on the road than their ICE equivalents.

Rental companies anticipate keeping EVs longer than ICE vehicles, and are not looking to source used EVs for their hire fleets. Pressure from OEMs for orders to reflect the ZEV Mandate thresholds means rental firms will acquire new rather than used EVs.

Growth prospects for used EV leasing



Growth prospects for used EV rental



Opportunity and threat of new entrant OEMs

Cheaper EVs are welcome, but are not without their risks

The arrival of new entrant vehicle manufacturers poses a significant challenge for established OEMs as well as leasing and rental companies. At a macro level, the availability of cheaper electric vehicles applies downward pressure to new EV prices, with a knock-on effect on residual values. But it also creates opportunities for leasing companies to offer lower priced rentals into sectors such as salary sacrifice and personal leasing, where many EVs are currently proving too costly.

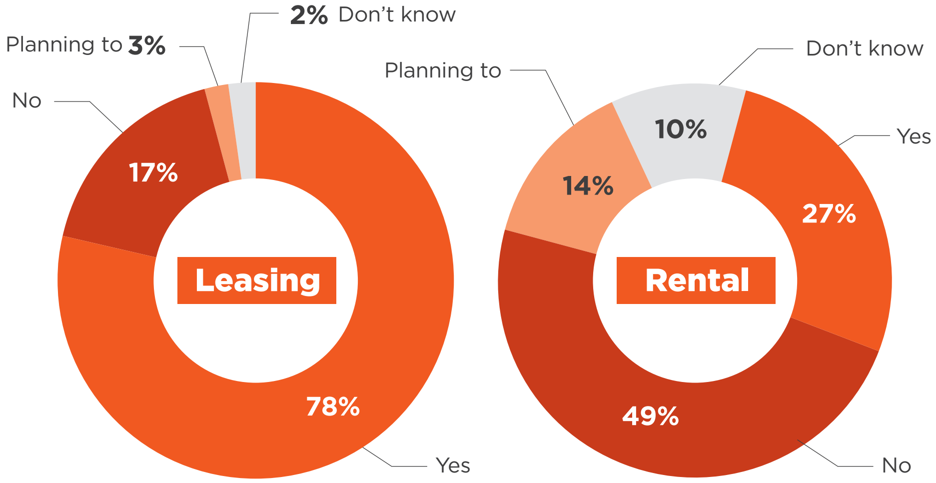
Two-thirds of leasing companies are either doing business or planning to do business with new entrants, but rental companies are more reticent because of the commercial requirements to take their ZEV mandate share of EVs from OEMs that are supplying their ICE cars and vans.

There are residual value risks, too. Forecasting values for brands with no history and no dealers to absorb used cars is a challenge. Plus, the short-lived experience of Fisker served as a cautionary reminder of how little value is left in cars with no maintenance, parts or software support, should a brand cease trading.

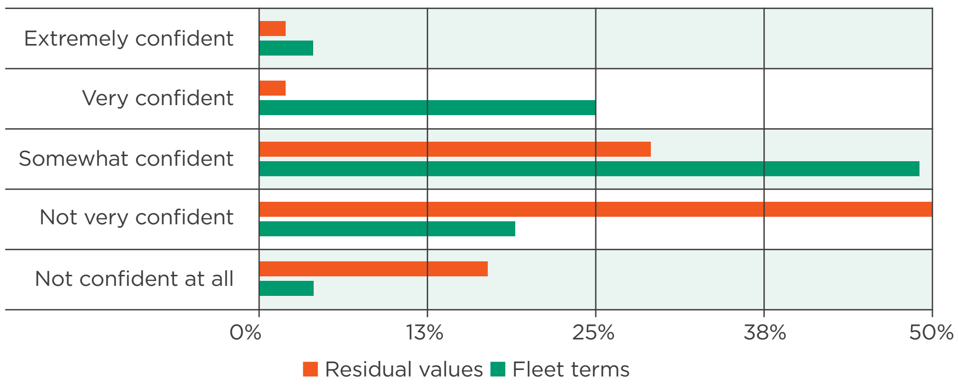
For OEMs with a history of selling ICE vehicles, the arrival of lower-priced EV competitors presents a greater threat. At a time when they are struggling to meet the ZEV Mandate terms, external competition for the market's limited EV demand makes business even more difficult.

> "We could be a showroom for these new brands to launch their products, but how will other manufacturers react and how do lenders set their residuals?"
>
> **Managing director, leasing company**

Are you doing business with new entrant manufacturers?



Confidence in fleet terms and RVs of new OEMs



Industry has aftersales concerns with new OEMs

Nationwide service, maintenance and parts support is vital for customers

The customer care and aftermarket support of new entrant manufacturers are significant causes for concern among leasing and rental directors. Their strong impression is that new entrants are more focused on sales than the creation of a nationwide service and maintenance network.

Telling a driver in Cardiff, for example, that they have to drive to Birmingham to have a fault corrected is unacceptable from a customer service perspective.

In the light commercial vehicle sector, where every minute of downtime is a black mark against leasing and rental service level agreements, new entrants pose a particular risk.

"When you buy a van, you buy the service opportunities as well.

> "We're not overly concerned with new OEMs' technology, but we do have concerns about their aftersales care and how they would deal with any issues or failures."
>
> **Managing director, leasing company**

Some international players may be cheaper upfront, but they cannot offer support from a warranty and dealership network, and this is vital for LCVs, especially for specialist vehicles like a tipper, drop side, or Luton with a tail lift," said one director.

Confidence in new OEMs' aftermarket support

Confidence in new OEMs' parts availability

Compliance burden builds

Consumer Duty followed by finance commission cases are weighing on leasing firms and brokers

Leasing companies and brokers are feeling a heavier weight of regulatory compliance in their businesses, with the recent Court of Appeal verdict (in cases involving finance commissions brought against Close Brothers and Firstrand Bank) following the first anniversary of the new Consumer Duty.

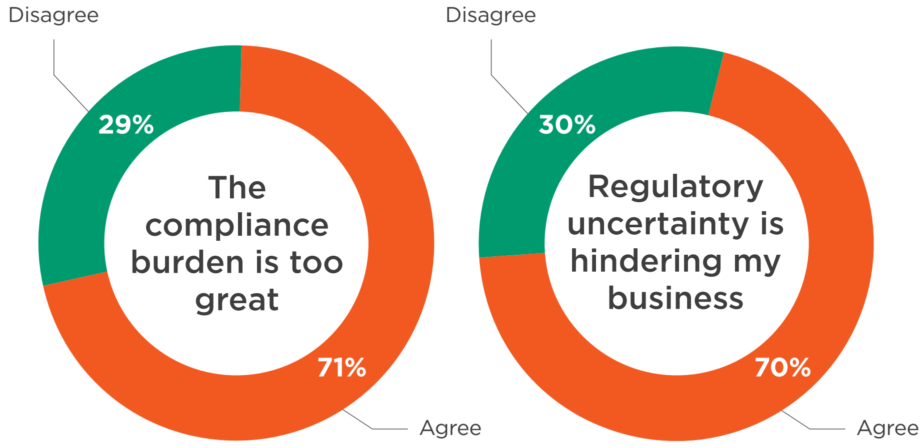
Firms accept the need for consumer protections in financial services and universally speak of the benefits of Consumer Duty as a prompt to ensure every element of their business is customer focused, even if the process was costly in terms of time and resource.

But the implications of the Court of Appeal case are more serious, with banks temporarily ceasing lending, the prospect of huge payouts, and the uncertainty of whether an SME business client might be viewed by the regulator as 'unsophisticated' and therefore be covered by the same protections as private customers. The blurring of regulated and unregulated business is unsettling.

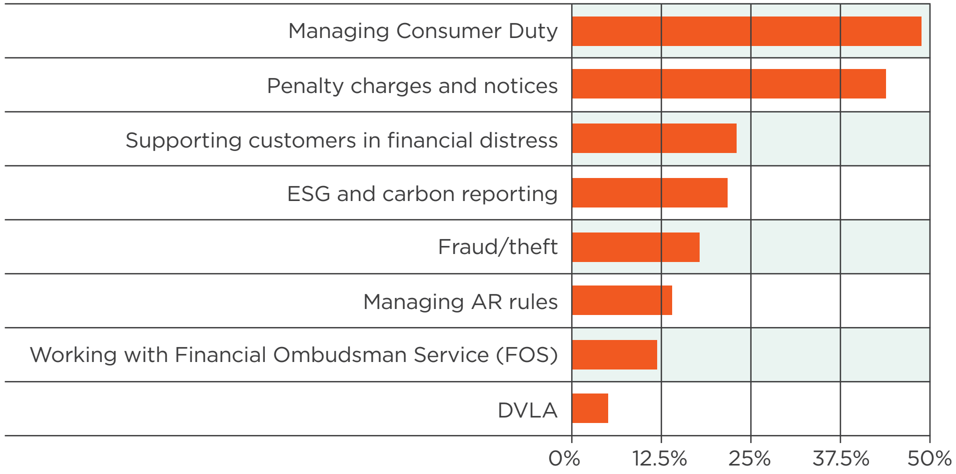
Overall, 71% of BVRLA members think the regulatory burden has become too great, and 70% say it is negatively impacting their business.

As one broker said, "Regulation has increased to a level where small businesses are almost expected to employ a full time compliance manager, which is crazy expensive (if you do) or massively time consuming (if you don't)."

> "Our approach to Consumer Duty has been to fully embrace it and bring the entire team along. If it benefits the customer, we believe it ultimately benefits us all."
>
> **Managing director, leasing company**



The biggest compliance challenges for 2025



IT and digital budgets rise sharply

The combination of connected vehicles and AI offers exciting efficiency gains

IT investment is high on the agenda for BVRLA members as they seek productivity efficiencies, and explore the opportunities of artificial intelligence. More than two-thirds expect to increase their systems spend next year.

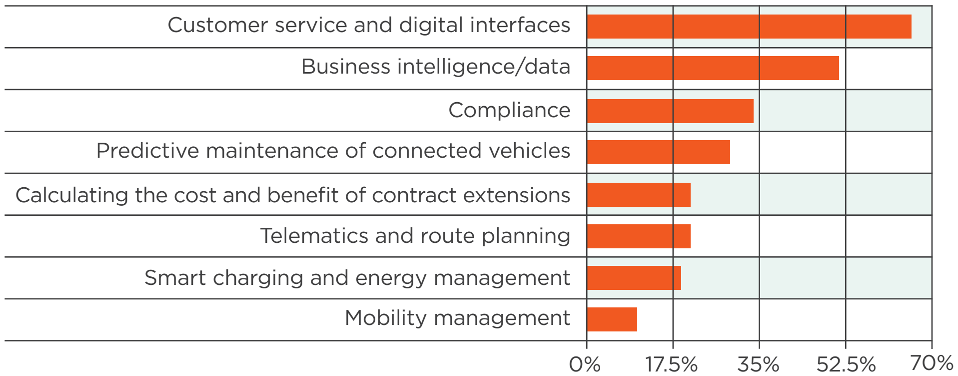
Self-serve portals for company car and salary sacrifice drivers are key areas of focus, alongside similar arrangements that give fleet managers instant access to their fleet data and reports.

Meanwhile, the transition of vehicles from industrial equipment to tech platforms is creating new opportunities and challenges. Connectivity, for example, enables rental companies to record mileages and fuel status as soon as vehicles arrive at the hire station, saving staff time and bringing greater accuracy and transparency to any recharges. But data protection means any personal details that a hirer may have installed on a car via Apple CarPlay or Android Auto have to be erased before the next hire.

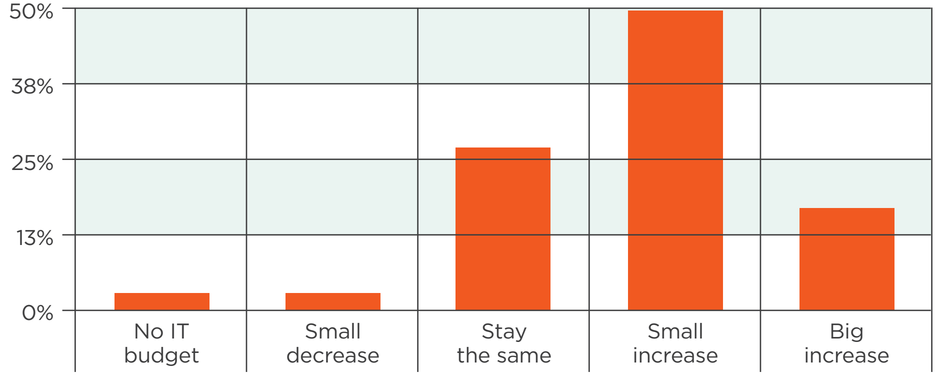
The hot topic of AI is already being deployed to analyse rental and lease rates, but its role in preventative maintenance is more complicated. Who is liable if the system flags a fault, but the driver ignores a warning light and request to book the car in for maintenance? For rental companies, fixed service intervals are easier to manage. There's also a shortage of data to support sophisticated predictive maintenance, that might identify early signs of an impending breakdown, such as engine temperature or vibrations, although this holds exciting opportunities as more vehicles become connected.

> "We've already implemented AI and robotics for tasks like fines processing and cost prediction, and there are numerous opportunities to further automate our process flows."
>
> **Managing director, rental company**

Priorities for technology solutions



Change to IT and digital infrastructure budget in 2025



HR challenges set to ease in 2025

Staff motivation and engagement overtake recruitment and retention as priorities

Last year's HR pressures, which saw employers step in to help staff through the cost of living crisis, appear largely to have dissipated. Recruitment and retention are no longer the top priority, as they were in 2024, while reducing headcount has risen up the agenda, albeit an objective for only 9% of companies.

The BVRLA survey coincided with the new Budget, so the full impact of the rise in employer National Insurance Contributions from next April have yet to hit corporate cost bases. It will be interesting to monitor how these extra costs influence staff numbers and pay rises next year.

In the current outlook, leasing and rental firms identify staff motivation and engagement as their primary HR challenges for 2025.

It is also encouraging to see well-being and mental health slip down the list of challenges, cited by 21% of rental and leasing firms this year, compared to 27% last year. Diversity and inclusion are swiftly becoming embedded features of many firms' cultures and practices, and as one director said, "It's the right thing to do for staff; the right thing to do for customers; put bluntly, it's simply the right thing to do."

> "It's all about trusting our teams, fostering a high-performance culture, and removing obstacles. We're building a blended team by combining diverse skill sets and personalities to create a more dynamic, well-rounded workforce."
>
> **Managing director, leasing company**

HR challenges for 2025

Survey of end-user fleet attitudes

The following pages are based on quantitative and qualitative research by 360 Media Group

Following the Budget, 360 Media Group conducted a survey of 84 fleet decision makers, exploring business plans for 2025. Among the principal findings were:

64% of fleets say cost reduction is their number one strategic priority for 2025.

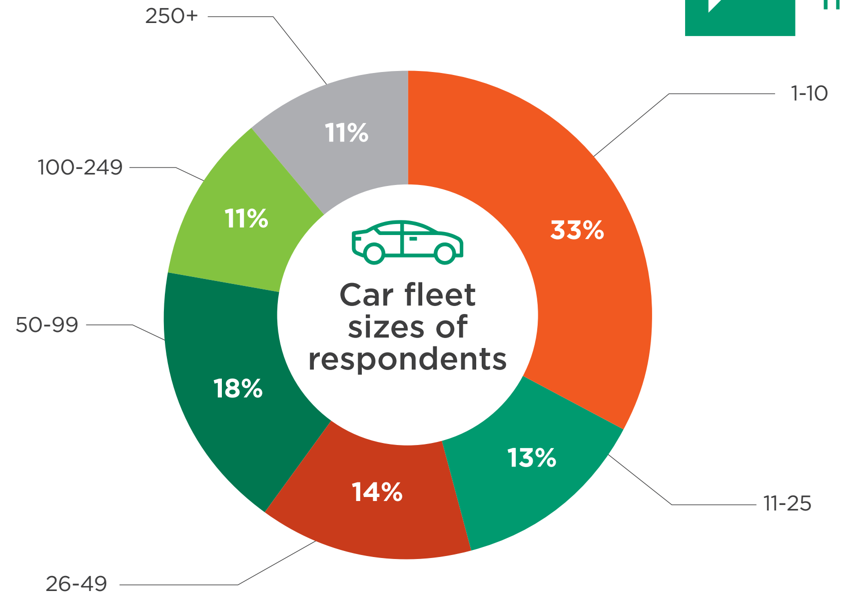
51% expect to increase their volumes of electric cars, but 27% still do not have any EVs.

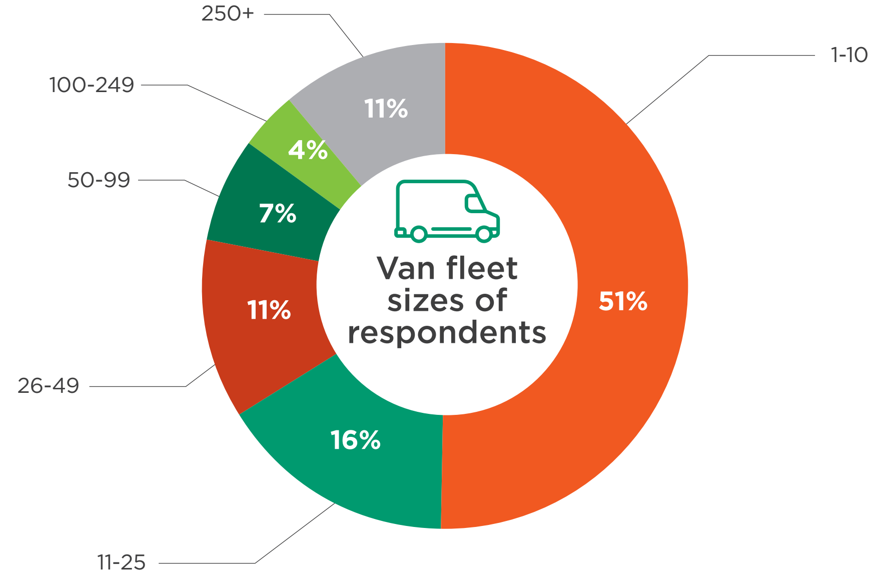
45% are still considering hybrids and PHEVs, despite the Budget's BiK tax changes.

66% favour a 2030 deadline, or sooner, for the phase out of the sale of ICE cars.

66% plan to install workplace charging infrastructure in the next 12 months.

To access the 360 Media Group research, please visit **fleetwise.online/reports-custom**, or email **marketing@360mediagroupltd.com**





Cost reduction tops fleet agenda

Sustainability is well down the list of business priorities for 2025

Reducing cost overshadows every other strategic priority of car fleets for 2025. Inflation in vehicle acquisition costs and lease rates, compared to the vehicles they are replacing, have made budgetary concerns the number one issue for fleet decision makers.

As a result, reducing overall costs is a strategic priority for 64% of fleets, accorded almost twice the importance as any other priority.

The quest to access more affordable insurance, cited by 36% of respondents, reflects the relentless inflation impacting repair costs. According to the Association of British Insurers, total repair costs in Q3 2024 were 26% higher than the same quarter in 2023.

The transition to electric cars is only the third placed strategic priority for fleets, highlighting the fact that companies are prioritising their own sustainability as viable businesses well ahead of environmental sustainability.

Overall, 80% of the companies surveyed are confident they will not have to order EVs in order to source the vehicles they want due to OEMs applying ZEV Mandate pressure (and only 27% are encountering difficulties ordering the cars and vans they want). This perhaps reflects the research's bias towards fleets running fewer than 100 vehicles and the fact that the mandate is largely impacting larger fleets.

Top 10 strategic priorities for car fleets in 2025

64%	Reduce overall costs	27%	Manage supply constraints due to ZEV mandate
36%	Access affordable insurance	26%	Free up cash from vehicles (refinance)
35%	Transition to electric cars	26%	Reduce fleet administrative burden
30%	Manage residual value risk	23%	Invest in fleet management software
27%	Seek greater flexibility in funding arrangements	15%	Recruit and retain staff

Fleets associate EVs with higher costs

Higher lease rates and acquisition prices overshadow 'fuel' and tax savings

End user fleets are exploring multiple strategies to control the cost of electrifying their cars and vans.

Electric vehicles may offer competitive total costs of ownership when their tax advantages are taken into account, assuming that business mileages can be reimbursed at domestic charging rates. But their higher immediate impact on P&L budgets, due to more expensive lease rentals or purchase prices compared to ICE equivalents, and especially compared to the cost of vehicles being defleeted, is a source of anxiety for decision makers.

To mitigate these elevated costs, 49% of the businesses surveyed by 360 Media Group said they have either started or are actively engaged in sourcing used EVs for short-term leases.

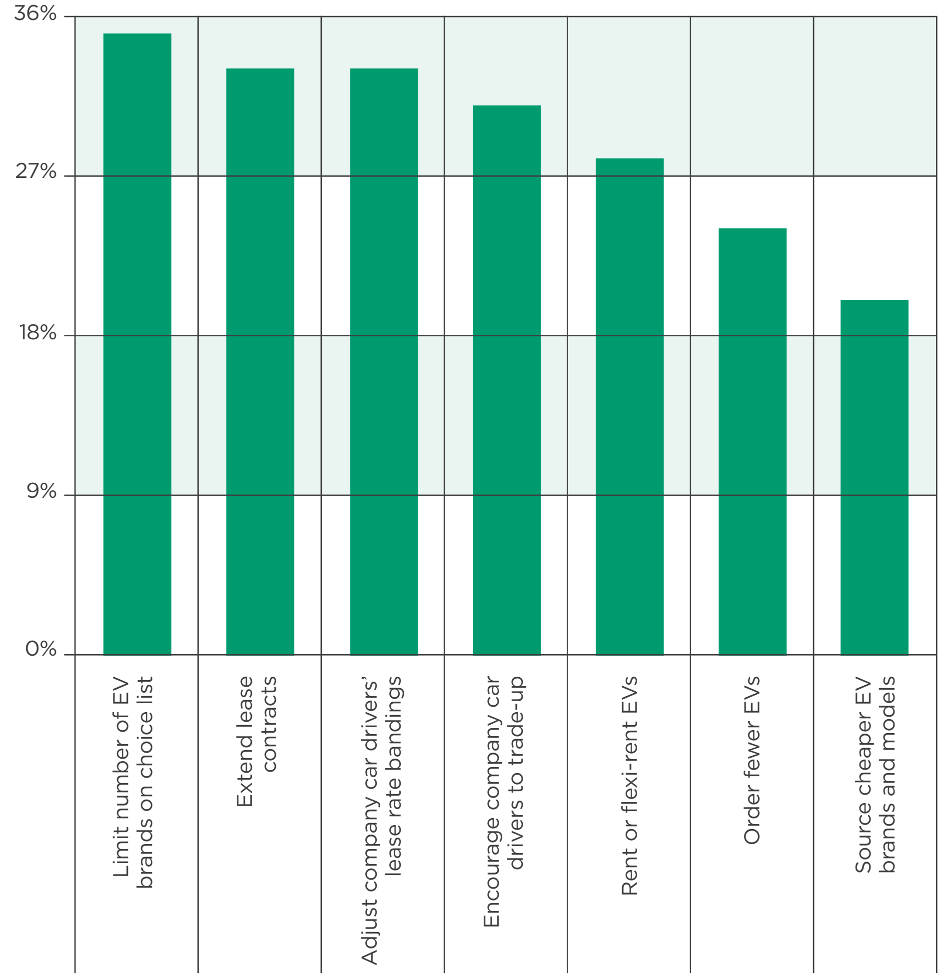
A further 31% of fleets intend to limit the brands on their company car choice lists, and only 30% are planning to adjust their lease rate bandings to reflect the higher rentals. A similar number are encouraging drivers to contribute to the cost of their new company cars, using some of the benefit in kind tax savings from switching out of an ICE car.

Sourcing cars from new entrant OEMs also forms part of cost-cutting plans for 43% of fleets, although one-third lack confidence in these new players' dealer networks and aftersales support.

Moreover, more than half (54%) also expect bigger discounts on EVs from established manufacturers due to their efforts to meet the terms of the ZEV Mandate.

> "End user fleets are actively investigating all options to reduce the cost of electrifying their vehicles."
>
> **Ian Richardson, managing director, 360 Media Group**

Fleet plans to navigate higher costs of EVs



Van fleets search for cost cutting strategies

Flexi-hire products, efficiency drives and electrification high on 2025 agendas

Economic uncertainty is leading fleets to seek greater flexibility in their vehicle finance arrangements. While there is little that businesses can do about the impact of interest rates on their bottom line, 42% of fleet decision makers blame inflexible payment terms for driving up fleet costs and 39% point the finger at early termination penalties.

Flexible terms are particularly important in the light commercial vehicle sector, where 42% of the businesses surveyed forecast that they will have greater demand for van rental over the next 12 months, while 30% said their need for LCV flexi-rental solutions will be stronger or much stronger next year.

Among the top 10 strategic priorities for van fleet operators, eight are focused on cost cutting and efficiency, highlighting the price sensitivity of the market. The relatively high priority accorded to the transition to eLCVs and implementing charging solutions will surprise leasing and rental firms, which have yet to see this interest develop into demand.

> "How could a leasing company improve its offer? A reduction in the maintenance element of eLCVs, more flexibility around contract termination, and better management of 'vehicle off road' times."
>
> **Fleet manager, 2,500 vehicle utility fleet**

Top 10 strategic priorities for van fleets in 2025

55%	Reduce overall costs
46%	Transition to electric vans
37%	Implement charging solutions
36%	Reduce the fleet admin burden
30%	Reconfigure journey planning and payloads
28%	Invest in fleet management software
28%	Improve employee productivity
20%	Secure greater flexibility in vehicle funding method
11%	Free up cash from vehicles (refinance)
10%	Access in-vehicle diagnostic data

Fleets want supplier support to cut costs

Businesses need help with fleet management and charging to mount efficiency drive

End-user fleets are seeking more support from suppliers as they attempt to navigate the inflationary pressures impacting their cost bases.

The survey by 360 Media Group indicates that fleet decision makers are looking for data and insights to drive efficiencies, reduce expenditure and avoid costly errors. The legacy of first generation workplace charging infrastructure haunts some fleets, with ‘dumb’ chargers unable to communicate their state of health, sync with driver apps, or allocate charging costs to relevant departments.

The research found that 38% of businesses expect to have a stronger demand for fleet management in 2025 (only 9% anticipate weaker demand), and 37% are looking for third-party support to install workplace chargers.

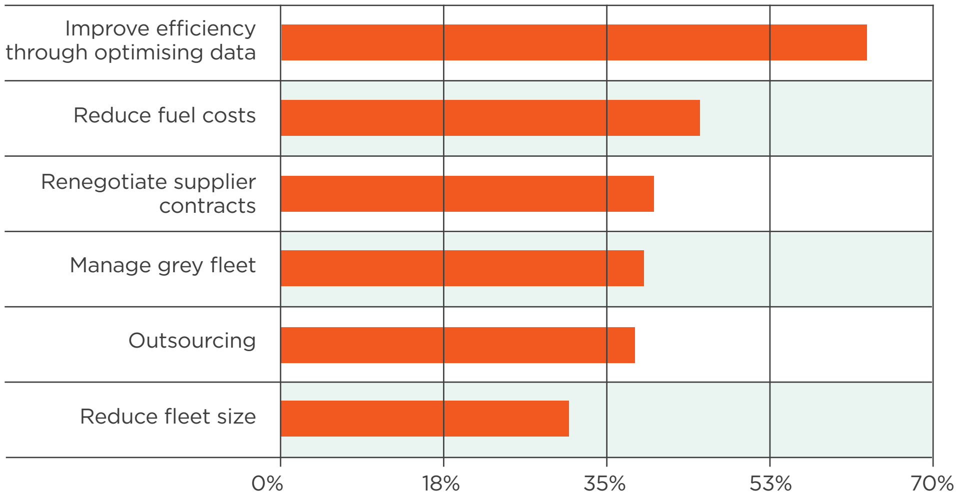
Current cost-cutting strategies are based on data analysis, fuel economy drives, renegotiating contracts and tighter management of grey fleet expenditure.

There is also a groundswell of opinion among fleet customers that leasing companies hold the answer to these challenges, and they are looking to suppliers for the data and insights to drive future strategies.

“We need a way to work with good-quality data and combine it with other good-quality data from other suppliers to provide actionable insights. We need suppliers willing and able to make the connections,” said the manager of a 1,000-plus vehicle fleet.

> “Our workplace charging hasn’t kept up with modern needs. We face challenges reporting costs, managing queues and reconciling usage with cost centres.”
>
> **Fleet manager, construction sector, 400 vehicles**

Current fleet strategies to reduce costs



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