



Industry Insight



# Company Car Report

Produced in association with **steer**

# Forward

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The company car is the lifeblood of the motor finance sector and a vital tool for thousands of businesses, but as a market, it is very difficult to pin down.

It often feels as if no two people have the same definition of what a company car is, how many of them there are, or where the sector is going. BVRLA members own and manage hundreds of thousands of company cars, so if anyone can produce a definitive guide to the market, it should be us.

This report is our first attempt to do this. We have produced a definition for a 'company car' and estimated the size of the market and its constituent elements. In doing this, we have also provided some wider business motoring context, looking at the role played by the grey fleet.

The company car market has many facets, and we have explored these. We provide a profile of the different types of user – their ages, jobs, income brackets, car preferences and way they use their vehicles.

There are many different views on how technology, motor finance trends, the tax regime and corporate fleet policies are impacting the company market. Rather than summarising these, we have surveyed both current and former company car drivers to ask them why they use a company car and why they stopped, and whether they will continue to do so in the future.

Much of the research compiled in this report covers the period before the 2020 Budget and the Coronavirus pandemic, both of which will have an enormous and, as yet, largely unknown impact on the company car market. Elsewhere, we have been able to provide some more up-to-date market analysis and case studies to give a current perspective.

The future direction of the company car market is uncertain, but we believe that this report provides a solid baseline assessment of where it stood in early 2020 and a helpful outlook on what issues are driving its future direction.

**Gerry Keaney**

***Chief Executive, BVRLA***

# Acknowledgments

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BVRLA would like to thank Steer and the companies represented by the Steering Group for their contributions to this study.

**Steer** ([uk.steergroup.com](http://uk.steergroup.com)) is an international consultancy working across cities, infrastructure and transport. Steer's specialists in new mobility provide insight for a wide range of clients regarding the changing market for transport with a particular focus on vehicle electrification, shared mobility and emerging services.

The **Steering Group** was made of representatives from the following BVRLA members companies:

- ALD Automotive
- Alphabet
- Avis Budget Group
- Enterprise
- Lex Autolease
- The Miles Consultancy
- Zenith

# Executive Summary (1)

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## Definition of a company car

The company car is an often used but seldom defined term. We worked with our steering group to agree a definition for what we would refer to in this report as a 'company car'. It is:

***“A car made available by an employer to their employee for business and/or personal travel.”***

This definition includes pool cars and those allocated to an individual either as an employee benefit or a job requirement. It includes cars that qualify for Benefit-in-Kind (BiK) tax and those that don't, for example when there is no private use, the car is zero emission or because the employee makes a financial contribution that zeroes the tax liability.

We have also defined the grey fleet as:

***“All personal vehicles that are used for business purposes.”***

## Size of the company car market

The range of definitions means that different data sources have quite different views on the size of the market. For example in 2018 DVLA reported 2.8 million company registered cars. Conversely in 2018/19 HMRC reported 0.87 million BiK recipients (down almost 10% since 2015/16 but noting that the recent years data might be skewed due to non-reporting on payrolling).

The size of the true company car market falls between the two measures.

We have carried out an independent analysis to estimate the true size of the company car market. This is based on MVRIS sales data and member data from BVRLA. This analysis estimates **the true company car market was 1.8 million vehicles in 2019** (down from 2.0 million in 2018).

Similar analysis for previous years shows that the size of the company car market has been declining.

## Grey fleet

Analysis based on reported business miles, carried out independently for the BVRLA, suggests that the grey fleet market is much larger than the company car market, with a total of **10.5 million vehicles**.

77% of these vehicles are used for **private sector** business, 21% by **public sector** employees and 2% are paid for through **cash allowance**.

With average emissions of 111g/km CO<sub>2</sub>, the average leased company car is **18% cleaner** than its grey fleet (131g/km CO<sub>2</sub>) and **29% cleaner** than its cash allowance (143g/km CO<sub>2</sub>) counterparts.

# Executive Summary (2)

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## Profile of the company car driver (1)

In our survey we identify three different categories of company car driver:

### **44% - High mileage essential users**

These drivers said their car was essential for their job and over 60% of their mileage was business-related.

### **32% - Standard mileage essential users**

These drivers said their car was essential for their job and under 60% of their mileage was business-related.

### **24% - Non-essential users**

These drivers said their car was not essential for their job.

The distribution of these categories across **tax brackets** is similar, with a slight trend for non-essential users to fall in the higher tax brackets.

72% of respondents said they had a **lease car** and 22% said their car was **owned by their employer**.

## Profile of the company car driver (2)

Just over half of respondents (54%) fall in the lower **tax brackets** (Basic or Personal Allowance).

The **median salary** is around £50,000 per year – this is the threshold between the basic and higher rate tax brackets.

When it comes to **employers**, the distribution between company size is similar between standard and high usage essential users.

A high proportion of **non-essential users** work as a Managerial/professional occupation – the more classic ‘perk’ user.

**High mileage users** are more likely to be employed in sales and manual roles.

The **average annual mileage** in a company car is between 12,001 – 16,000 miles. 77% of mileage is driven on urban roads or motorways.

Overall, 55% of company car mileage is **business-related**.

## The decision to take a company car

The drivers surveyed said their main motivations for taking a company car were **value for money** and the option to get a **new car**.

Just over 50% of current and former company car drivers said that the costs involved were **simple to understand**.

60% of current and former drivers said that the **amount of tax they would pay** influenced their decision on whether or not to take a company car.

64% of respondents were offered **alternative mobility options** in the form of a pool car, cash allowance, mileage reimbursement or car club membership.

We asked company car drivers what they were planning to do at the **end of their lease**. 69% said that they thought they would get a new company car, 22% said maybe, and 10% said no.

## Executive Summary (3)

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### Why people stop using a company car

We asked former company car drivers why they no longer had one.

52% of respondents said that it was due to either a **change of job or employer**.

16% said it was because of a change in **company policy**.

15% said it was because they chose a **cash allowance** instead.

The majority (67%) of cash allowance recipients received between £101 and £600 a month.

39% of cash allowance recipients said that they **break-even** with the cash allowance covering the cost of the car.

16% said that they have **surplus money** after their car costs.

The remaining respondents (45%) said that they have to make a **personal contribution** to cover their car costs.

### Profile of former company car drivers

We asked former company car drivers whether they currently had access to a car for work-related travel.

50% of former company car drivers own a **new car** – 59% of these people purchased their car outright, the remaining 41% purchased the car via a lease or loan.

26% of respondents said that they bought a **second hand car** – over 70% said they bought the vehicle outright, with the majority of the remaining buying the car using a loan.

18% were relying on the use of a car they **already had access to** in their household.

6% didn't have access to a car.

### Comparing current and former drivers

On average former company car drivers drove 3,400 business miles, compared to 8,300 business miles by current company car drivers. Former company car drivers also drove a **lower proportion of business miles**.

Former company car drivers felt that they travel the **same amount** as when they had a company car.

The **average age** of a company car owner is 49, the average age of a former company car owner is 47.

The divide between urban, suburban and rural living areas for company car owners and former company car owners is very small, with marginally more former company car owners living in **urban areas**.

The average salary of a former company car owner is £55,000, the average salary of a company car owner is £53,000.

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# 1. Introduction

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# This Study

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## Objectives of the Study

BVRLA has commissioned Steer to assist in delivering evidence-based material to support its activities promoting the wider benefits of the company car.

As part of this study we have defined and sized the current company car market. We have reviewed recent trends in the market which have shown a declining trend.

The study included primary research, which has been collected for two key objectives:

- To summarise the current characteristics of company car users.
- To explore reasons for the current decline in company car take-up.

The findings and outputs of the study have been used to: provide a consistent definition and sizing of the market; summarise the characteristics of this market; and identify reasons for the recent market decline.

## Scope of Work

The scope of work for the study is as follows:

- Define the company car
- Review of trends and literature
- Estimate the size of the current company car market and grey fleet
- A survey of current and previous company car users
- Case studies exploring the issues raised in the survey and impacts of recent changes in tax and COVID-19.

## Steering Group

A Steering Group was set up to oversee the study. We engaged with the Steering Group to confirm the review of trends and literature and to agree on a definition of the company car market for the study.

At the end of the study we presented the key findings to the Steering Group for discussion and feedback.

## Approach

The approach to this study followed the scope of work.

The first part focused on defining and sizing the company car market and reviewing the recent trends.

The second part focused on the primary research where we first carried out an online survey focusing on two target respondent groups:

- Current company car driver: People who currently have a company car.
- Former company car driver: People do not have a company car, but previously have in the last three years.

# Context

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## Company car tax

The years running up to 2020 saw a steady rise in Company car tax.

From 2014-18, Government revenues from Benefit in Kind (BiK) tax on company cars rose from £1.35bn to £1.59bn – up by 17% or nearly £250m. Over the same period, the average company car driver saw their annual BiK costs rise by 26% or £350, from £1,421 to £1,786.

HMRC has published provisional data for the 2018/19 tax year showing a continued decline in the number of BiK recipients, down 3% on the previous year and almost 10% over the last three years.

Time will tell if the WLTP adjustments and 0% EV incentive introduced in Spring 2020 result in a stabilisation or return to growth for the company car market.

## Personal Contract Hire (PCH)

From 2014-20 the Personal Contract Hire (PCH) fleet for BVRLA leasing brokers surged 330% to reach nearly 155,000 cars.

OEMs have offered very attractive PCH deals to market less popular, higher emission cars that would have a high BiK tax cost if provided as a company car.

As BiK tax has risen, the PCH option has become more attractive to non-essential company car drivers who can choose a more powerful car and avoid having to pay any Company Car Tax. This may explain the 70,000 reduction in BiK-paying company car drivers from 2014-19.

The net result will be an increase in the amount of non fleet-managed, higher emission, grey fleet travel.

The average PCH car in 2020 had emissions of 130g/km CO<sub>2</sub>, 18% higher than the average company car (108g/km CO<sub>2</sub>).

## COVID 19

Since the completion of this survey COVID 19 has had a massive impact on daily life. Employment levels are falling and there have been large reductions in car travel and public transport use.

Many people have been given the option to continue working remotely and some major employers have indicated that they will be much more flexible in their attitude to home working in the future. A recent analysis by Frost & Sullivan forecasts a 500% increase in global remote working post COVID-19.

Business travel is still restricted for many workers and the swift rebound in car use is more likely to have come from people avoiding public transport than those making work-related trips.

How these short-term trends develop in the coming months and years will have a big impact on the company car market.

## 2. Defining and Sizing the Market

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# What is a Company Car?

Working with the Steering Group we agreed the following definition of a company car:

## Company Car:

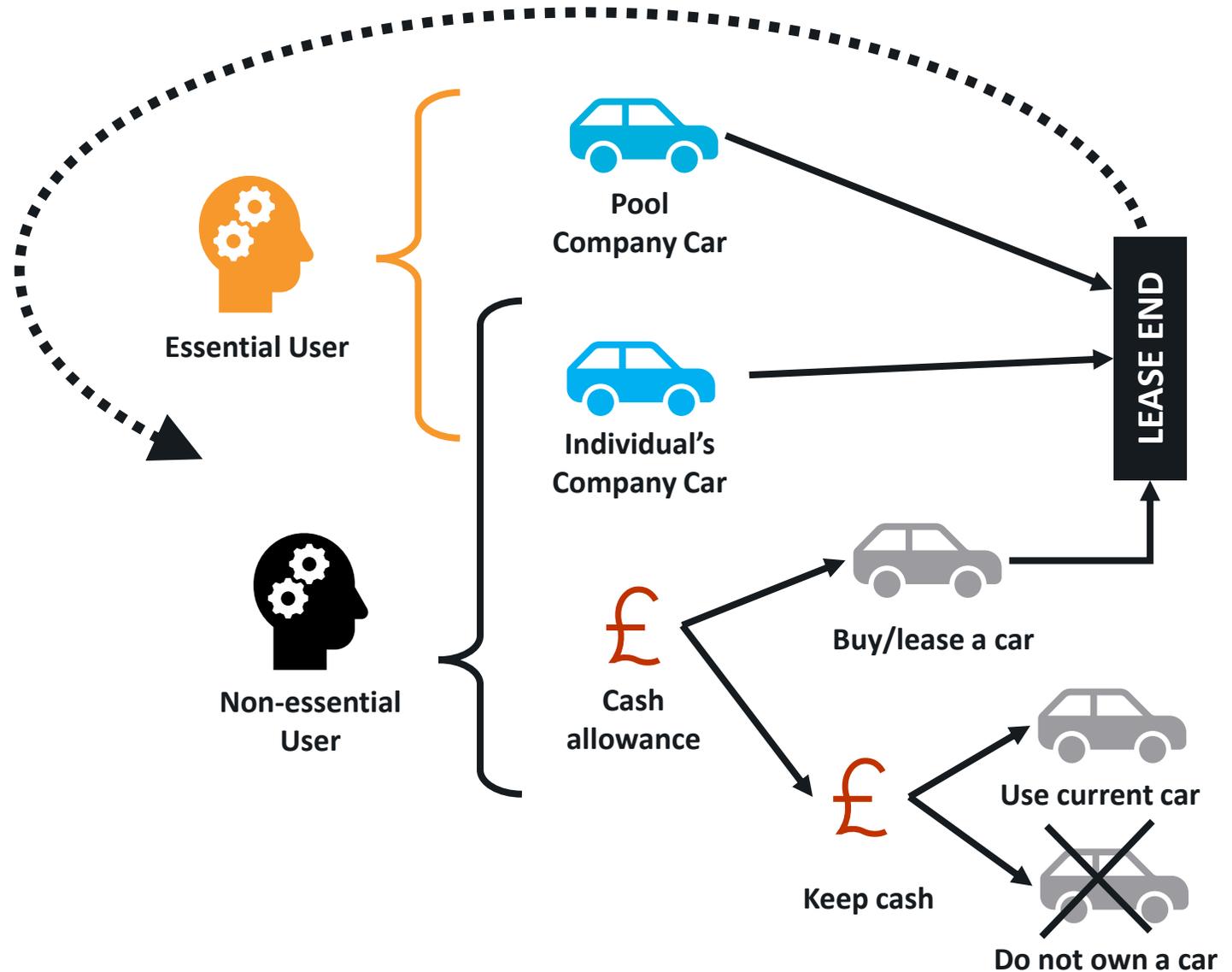
A car made available by an employer to their employee for business and/or personal travel

We also discussed how the decision to have a company car works in practice – and what other options employees are offered. These are illustrated in the diagram on the right.

The alternative to having a company car is to own your own car and use it for company business; this is defined as grey fleet.

## Grey fleet:

All personal vehicles that are used for business purposes



# Company car market sizing

There is no one data source which gives the true size of the company car market. We have compared sources which measure different parts of the market:

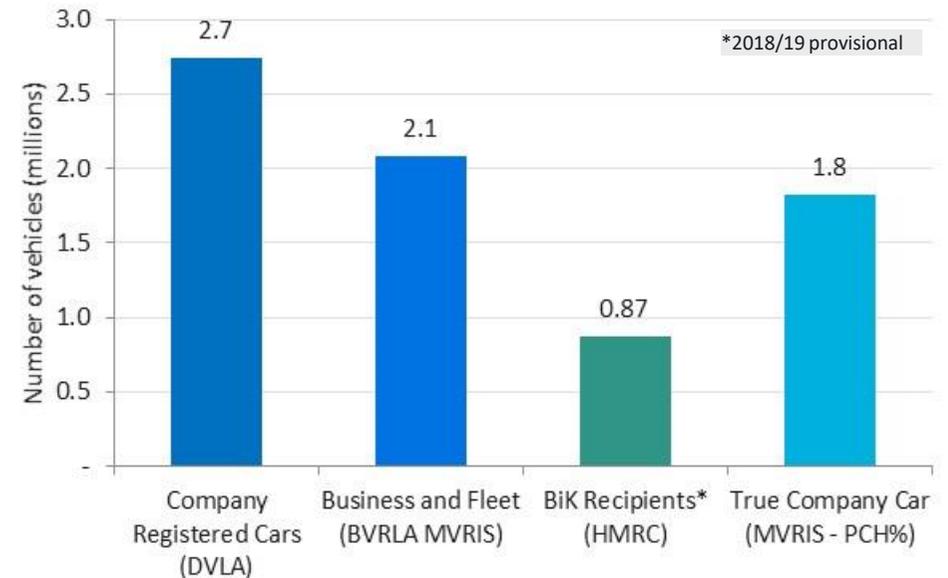
- **Company Registered Cars:** Based on registrations with DVLA.
- **Business and Fleet:** Based on the last 3 years of First Time Registered Cars recorded by SMMT MVRIS sales data.
- **BiK Recipients:** The number of people claiming Benefit in Kind for company cars (based on provisional data for 2018/19).

These different sources show the different market sizes depending on the definition (as illustrated in the figure on the right).

We have derived a best estimate of the true company car market using these sources and BVRLA member data. We have estimated the 'true company car' to reflect as close as possible to the agreed definition of a company car for this study.

The **True Company Car** figure is based on the Business and Fleet data from MVRIS with Personal Car Hire (PCH) vehicles removed using BVRLA member data. This shows that ***in 2019 the company car market included 1.8 million vehicles.***

## What is the size of the company car Market in 2019?



# Company car market breakdown

We have broken down the True Company Car Market as estimated on the previous slide into different categories.

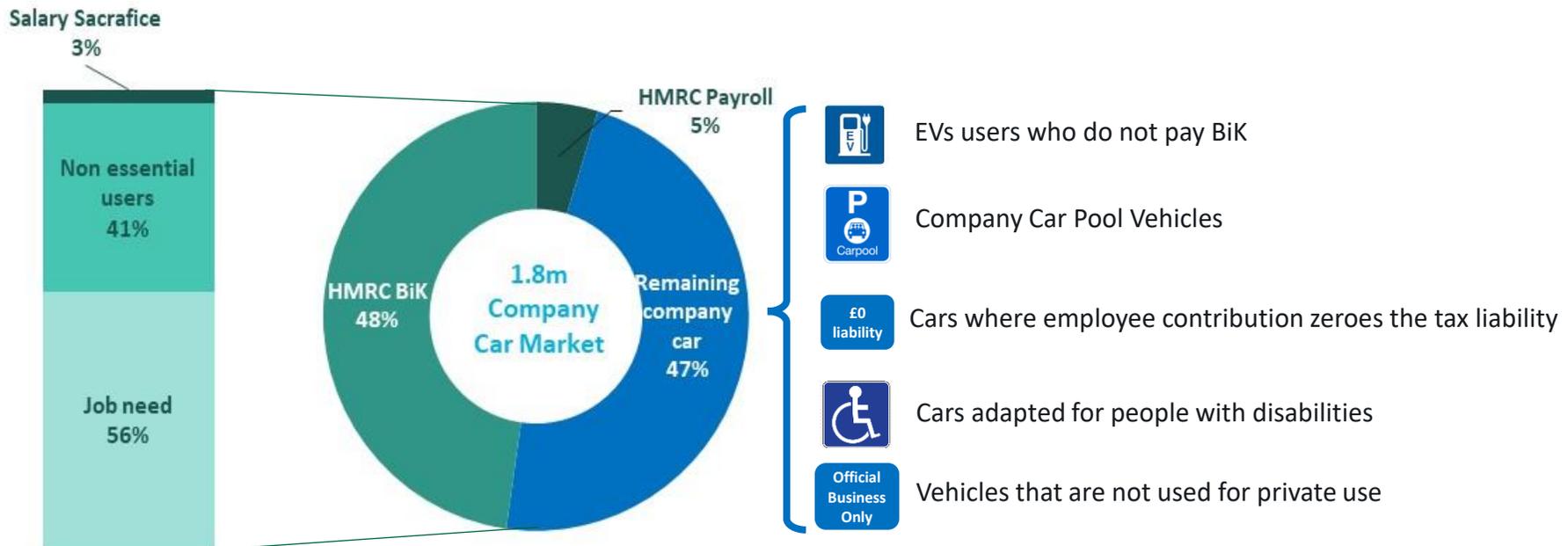
Just over half of the market is recorded by HMRC either through BiK or payroll (salary sacrifice).

Of these users recorded by HMRC, just over half (56%) of the drivers have the vehicle as a job need, with the remaining being non-essential users and those who have the car as a benefit through salary sacrifice.

The remainder of the market is made up of vehicles that do not pay BiK. This includes EVs, and vehicles that are used only for business use – both pool cars and assigned to specific employees.

This accounts for 44% of the company car market – and is currently difficult to monitor because these vehicles are not held by one central source.

## Breakdown of True Company Car Market



Sources: HMRC and Sewells Company Car Driver Opinion Survey June 2018 and BVRLA.

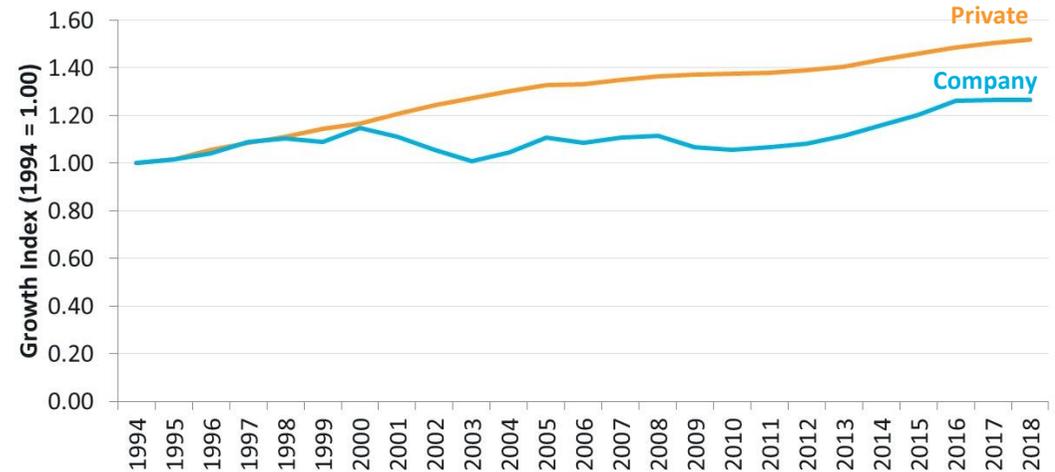
# Trends in the Company Car Market

The number of privately registered cars has been increasing at a faster rate than those owned by companies. In the last two years growth in company owned cars has flattened.

Over the same flatlining period we see that the number of BiK recipients has been declining – mirroring the increases in tax payable. We note that the recent years data might be skewed due to non-reporting on payrolling. We also note that this period under analysis does not include the EV tax breaks which have recently been introduced.

The true company car market (as described previously), has been reducing each year since 2017.

## Changes in DVLA registered vehicles



## Number of BiK recipients



\*Provisional

## Changes in size of the Company Car market



## Grey Fleet Market Comparison

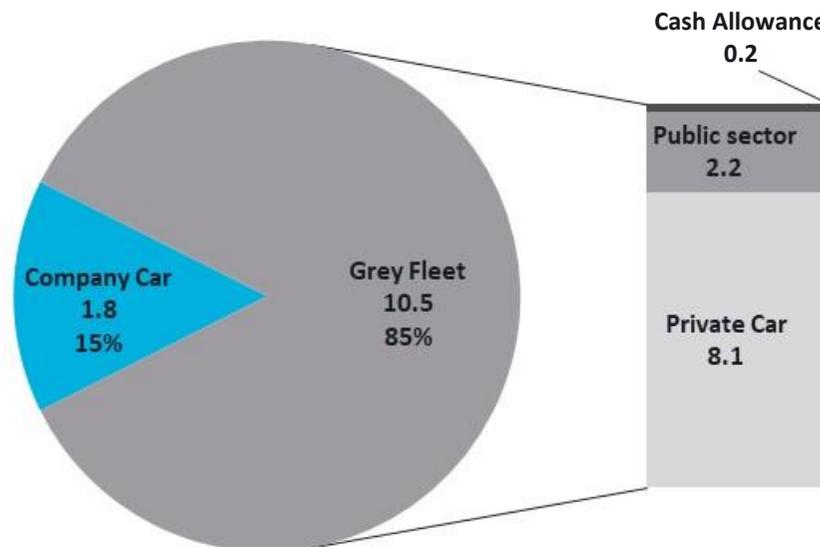
If someone does not have a company car and they use their personal vehicle for business trips, this vehicle is classed as part of the grey fleet.

Analysis based on reported business miles estimated the grey fleet market to be much larger than the company car market. With a total of 10.5 million vehicles. This compares to 1.8 million company cars.

***Therefore the size of the overall numbers of cars used for business travel is 12.3 million. Of this market true company cars which are regulated by employers account for only 15% of the vehicles.***

Focusing specifically on the grey fleet market we see that 77% of these vehicles are used for private sector business, 21% by public sector employees and 2% paid for through cash allowance.

### UK Business Car fleet 2019 (cars are used for business purposes)



Source: Based on independent Grey Fleet analysis carried out for BVRLA on business miles travelled

# Comparison between Company Cars and Grey Fleet

Companies (and government) have a lot less control over the types of vehicles and ages and types of vehicles that make up the grey fleet compared to the company car fleet. It is much more difficult to incentivise the use of low emission vehicles and/or vehicles which meet specific safety standards.

The table below shows the age, CO<sub>2</sub> emissions, and % of cars that are Clean Air Zone (CAZ) compliant. This is based on BVRLA information on cars which are either provided by BVRLA members and the wider UK fleet. We have included lease cars and salary sacrifice cars as examples of company car standards and compared these with cars bought using cash allowance and grey fleet cars. We have also included the UK car fleet metrics for reference.

		Average Age (years)	CO <sub>2</sub> emissions (average g/km)	Clean Air Zone Compliance
Company Car	Lease Car	1.9	111	96%
	Salary Sacrifice	1.5	103	100%
Grey Fleet	Cash Allowance	5.2	143	61%
	Grey Fleet	7.2	131	58%
	UK Car Fleet	8.2	142	62%

Source: BVRLA fleet sustainability table, for cars only.

This shows:

- Company cars, on average, are much newer cars (less than 2 years old) compared to grey fleet (more than 5 years old).
- The average CO<sub>2</sub> emissions per km are much lower for company cars than grey fleet.
- The vast majority of company cars are CAZ compliant, whereas only 60% of grey fleet are.

# Where next for the Company Car market?

Looking ahead, there are two particular influences which are expected to impact the company car market:

- **Tax changes:** Introduction of 0% BiK for EVs, and long-term visibility of BiK rates. These are likely to encourage people back into the company car market.
- **COVID 19:** The COVID 19 epidemic has caused a large, world-wide recession. This is likely to lead to a fall in employment as well as financial challenges for employers and employees. This could put downward pressure on overall new registrations and the company car market as a whole, in the short to medium term.

Consideration of how each of these factors might impact the market are summarised in the table on the right – split into impacts on the employee and the employer.

These factors are explored further in the case studies at the end of this report.

	Employee perspective	Employer perspective
<b>Tax changes</b>	<ul style="list-style-type: none"> <li>• Tax break for EVs will attract more people to EVs for company cars and may encourage greater company car take-up.</li> <li>• As the choice of EVs and infrastructure improves EVs are likely to become a default choice over time.</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of EVs will provide a cost reduction for business mileage compared to petrol/diesel.</li> <li>• Ability to fulfil company Corporate Social Responsibility objectives.</li> </ul>
<b>COVID 19</b>	<ul style="list-style-type: none"> <li>• Financial uncertainty may mean opting for cash allowances will be more attractive to cross-subsidise other costs and make do with an older car.</li> <li>• There could be a reversal of the trend towards private leases and back to a company car as these have less risk/exposure for individuals.</li> <li>• A longer term reduction in commuter/business mileage, may mean the necessity and attractiveness of a company car reduces – and these people are then more likely to opt out of company cars.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced business activity and contraction of the economy could lead to businesses reducing in size with less employees and a lower need for company cars.</li> <li>• Leases likely to be extended, need for flexibility with current contracts in the short term.</li> <li>• Likely to see some rationalisation of company fleets, may be driven by credit ratings of companies.</li> </ul>

## 3. Primary Research

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# Primary Research Approach

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## Primary Research Objectives

The objectives of the primary research were to:

- Summarise the current characteristics of company car users.
- Explore reasons for the current decline in the company car market.

To meet these objectives we carried out an online survey to gather data on current and former company car users to build up a picture of the characteristics of both markets. We also included in the survey specific questions to try to understand: the choices that the respondent had available to them; the reasons that they made the choice the choice that they did; and the factors that were most important to them when making the decision.

## Survey Design

We designed online surveys targeted at both current and former company car users. The survey was structured in four sections:

1. Screening – to identify the respondents that met our recruitment criteria.
2. Current company car – about the vehicle, the trips they make and alternative options offered.
3. Former company car – to understand why the respondent no longer has a company car and explore vehicle ownership and travel patterns.
4. Personal Information – about the respondents and their employer.

## Recruitment

Respondents were recruited to the survey through a market research panel.

There were two ways that respondents could qualify for the survey:

- People who currently have a company car.
- People who have had a company car in the last 3 years. (This sample was further focused on people who chose not to take a company car rather than people whose personal circumstances had changed).

All respondents that met one of these criteria were shown the survey. We did not focus on any specific quotas within these two groups, therefore the responses can be viewed as representative of the sample.

# Survey of Current and Former Company Car users

## Survey Overview

The next slides summarise results of the survey carried out for this study.

Our survey focused on two types of respondents:

- **Current company car driver:** People who currently have a company car.
- **Former company car driver:** People do not have a company car, but have had one in the last three years.

The survey was completed between October 2019 and November 2019.

Since the surveys were completed, there have been some changes to company car benefits, including: the 0% Benefit in Kind (BiK) rate for EVs and longer term perspective on BiK rates.

## Data Cleaning

A total sample of 509 responses were collected. We carried out data cleaning to exclude any non genuine responses. The checks carried out included:

- Checking the time taken to complete the survey.
- Consistency between answers.
- Responses to open questions (for example where the total needed to answer to 100%).

Through data cleaning we removed 21 responses leaving a total sample for analysis of 488 (293 current company car users and 195 former company car users).

	Current Company Car	Former Company Car
Total Respondents	299	210
Data cleaning	6	15
<b>Final sample size</b>	<b>293</b>	<b>195</b>

## Next Slides

We have presented the analysis in three sections:

- A. An overview of the factors affecting the choice to have a company car.
- B. A summary of the characteristics of company car users.
- C. A comparison of the characteristics of former company car users and the current users.

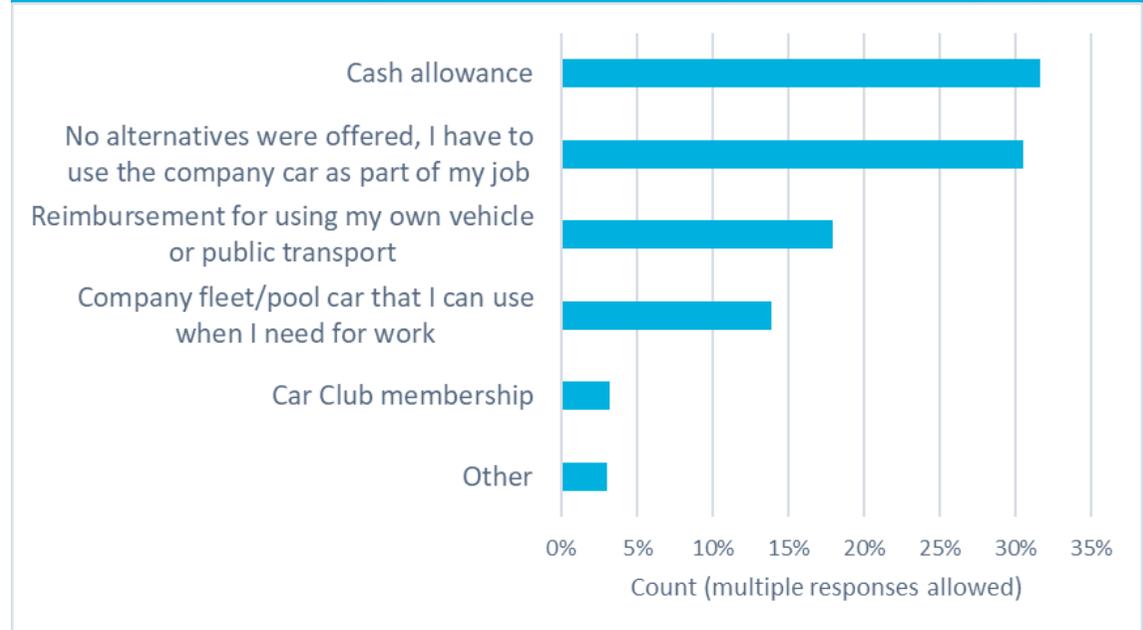
## 3A. The choice to have a company car

## Alternative options to company car

We asked the respondents who currently have a company car what other options were offered to them (respondents selected all applicable options):

- 36% of respondents were not offered an alternative to a company car – indicating that they are likely to be essential users, or simply take the company car option and do not explore the other options available.
- 14% were offered access to a company fleet/pool car – these would also be likely to be essential users.
- 32% stated that they were offered a cash allowance, and a smaller proportion were offered reimbursement for using their own vehicle or public transport (18%), or membership of a car club (4%). The “Other” options include: Leasing a car; Salary Sacrifice; and Used my spouse’s car.
- ***More than half of respondents were offered other options aside from the company car – these options may encourage respondents in future years to opt not to have a company car.***

### What were the other options available when you chose a company car?



Sample = 293 respondents

# Reasons for choosing a company car

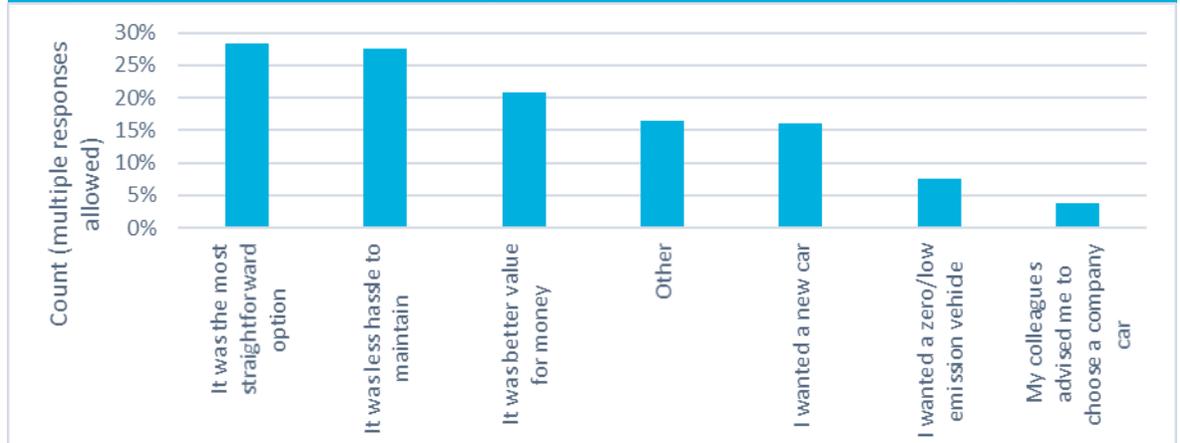
We asked the respondents that said that other options were offered to them why they chose the company car option (respondents could select multiple reasons):

- The most common reasons given were around simplicity (less hassle/straightforward) with 58% of all respondents selecting these options.
- Another common reason was that it was better value for money (21%).
- Less than 10% of respondents said one of the reasons was to get a zero/low emission vehicle.
- The 'Other' category responses to this question include: *"It was best for the business"* and *"I work in sales so a car is a perk of the job"*.

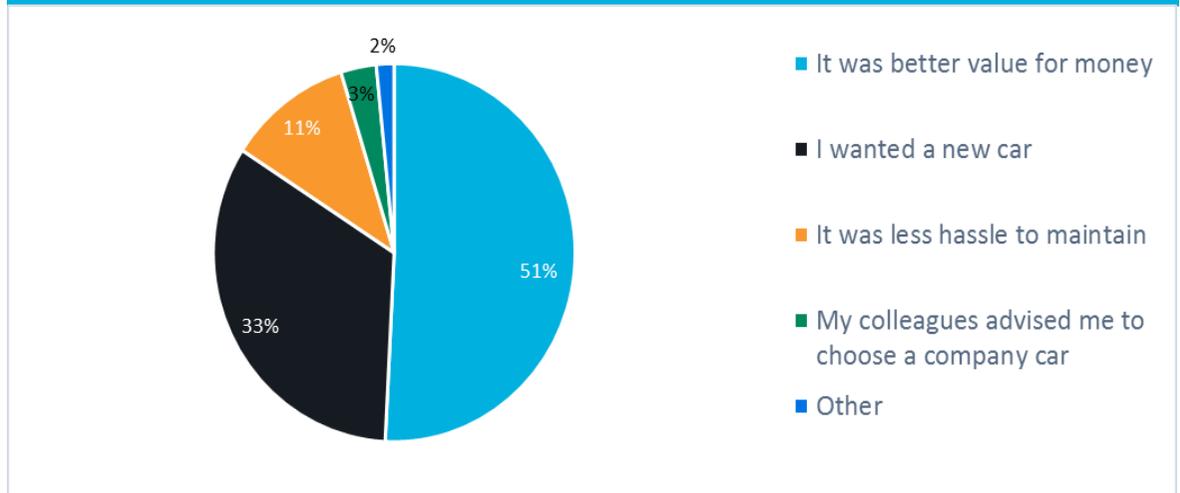
When asked the main reason for selecting a company car, the majority of respondents responded that it was better value for money, followed by wanting a new car.

***The main motivations for choosing a company car are value for money and the option to get a new car. Simplicity and convenience are common reasons but not the reasons driving the choice.***

## Why did you choose a company car instead of one of the other options?



## What was the main reason?



Sample = 293 respondents

# Reasons for no longer choosing a company car

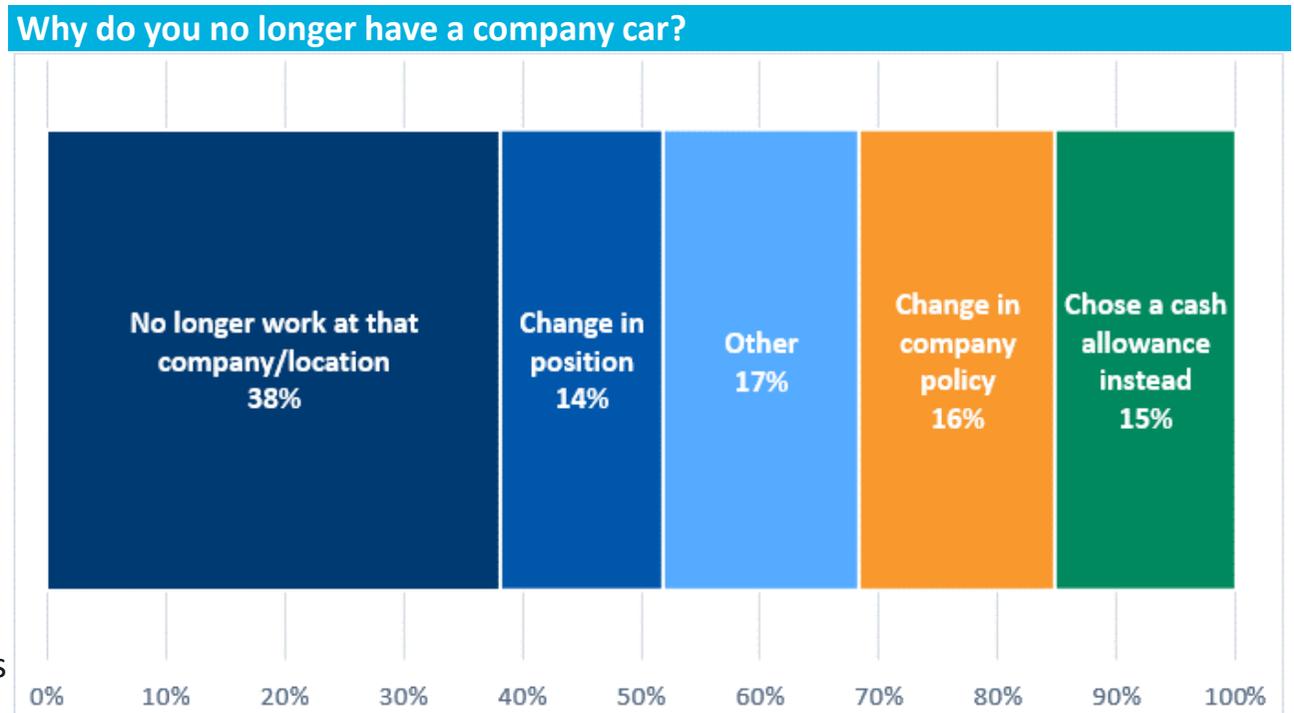
We asked former company car drivers why they no longer choose a company car – the reasons varied amongst the respondents.

We have grouped these responses into three broad categories:

- Change in circumstances (shades of blue): If we include the other category (including maternity and alternative vehicles) this accounts for 68% of respondents.
- Change in company policy (orange): 16% of respondents said that their decision was due to a company policy changes.
- Chose cash allowance: 15% of respondents said that they chose the cash allowance instead of a company car.

***Almost 1/3 of respondents do not have a company car for policy related reasons – this is the part of the market which is leading to the decline in company car users.***

The motivations behind these choices are described further in the former company car section.



**31% could still have a company car – if not for policy/incentive changes**

Sample = 971 respondents

# Factors influencing the decision to choose a company car

We asked the respondents (both current and former company car drivers) how much they agreed with different statements.

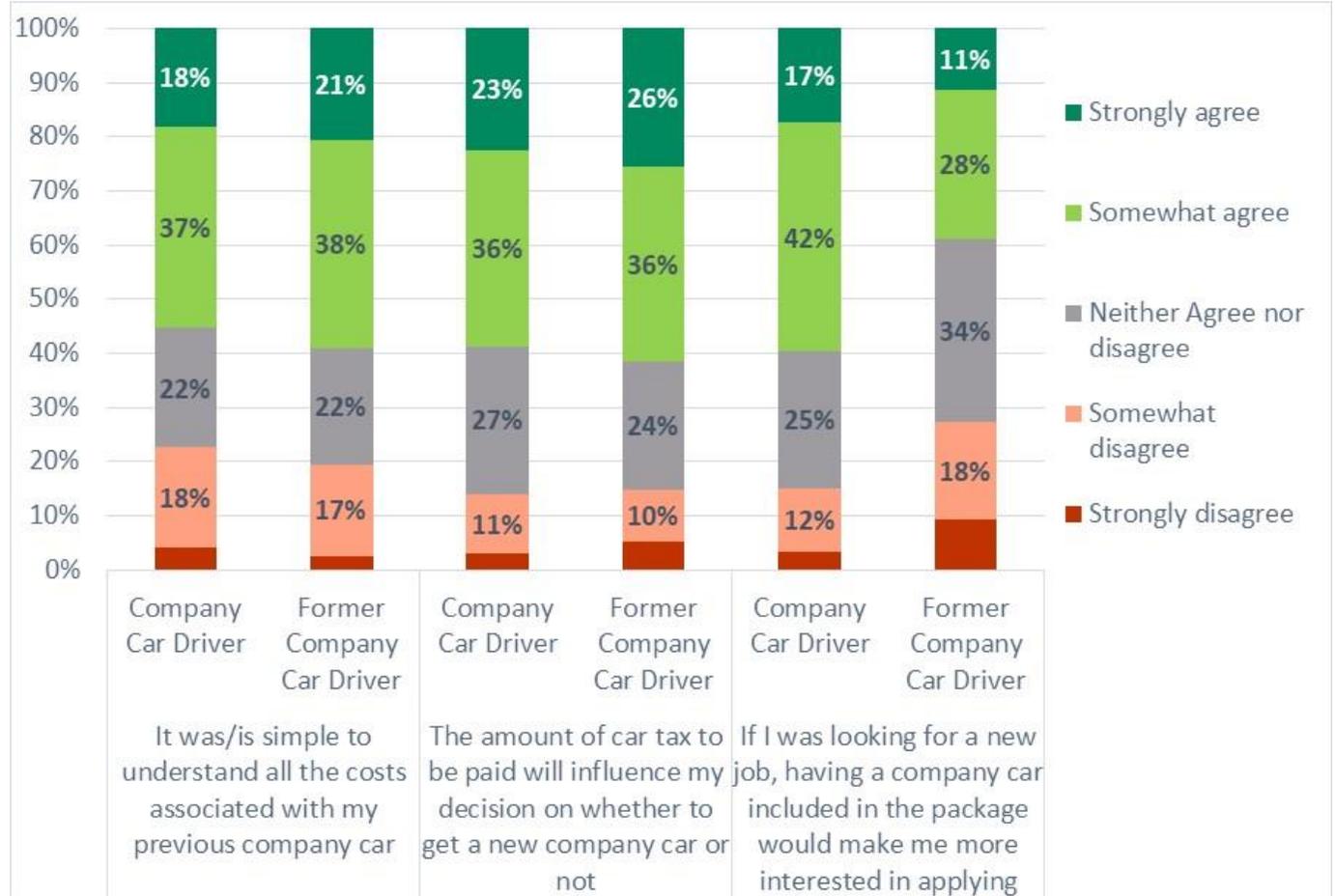
The responses from current and former company car drivers were generally similar:

- Just over half of respondents said that it is simple to understand the costs associated with company cars, ~20% said it was not simple to understand.
- Around 60% said that the amount of tax will influence their decision on whether to have a company car.

However, the importance of a company car if they were looking for a new job was quite different between the current and former company car drivers:

- 60% of current company car users and 40% of former company car users said that having a company car would make them more interested in a job.

## To what extent do you agree/disagree with the following statements?



Sample = 488 respondents

## 3B. Current company car users

## Provision of the company car

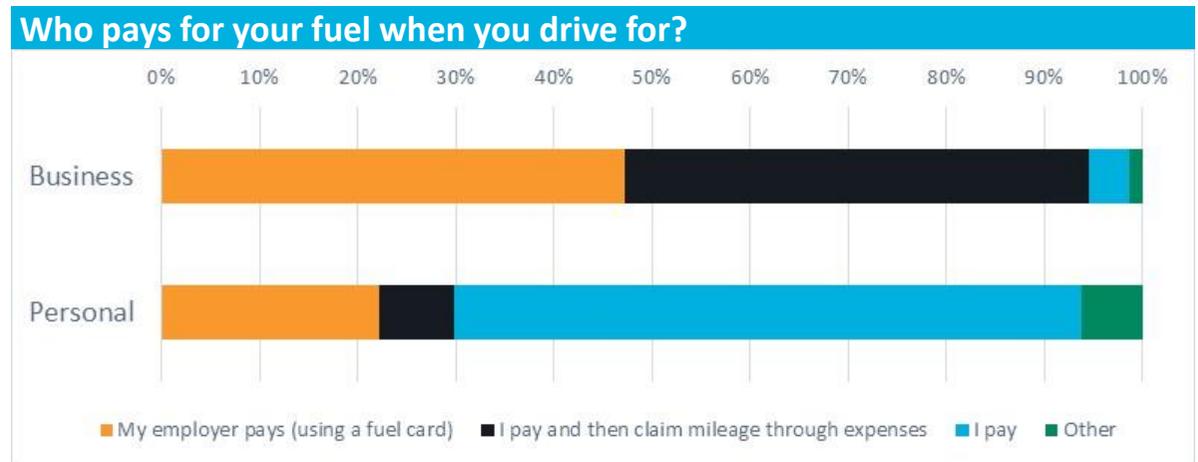
This section of slides focus on the responses from current company car drivers.

The majority of company cars (72%) are provided by the respondent's employer through a lease, with a smaller proportion (22%) being bought outright by the employer.

Respondents were asked who pays for the fuel for their company car:

- 94% of fuel for business travel is paid by the employer – with an equal split between claiming through expenses and buying using a fuel card.
- 30% of personal travel is paid for by the employer, either through expenses or a fuel card.

For some, having a company car could lead to potential cost savings on personal travel.



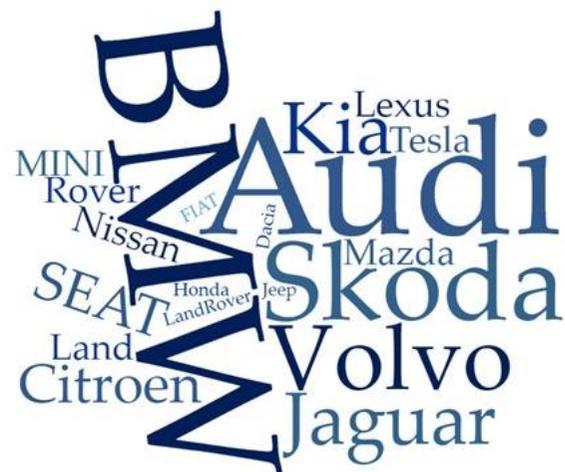
Sample = 293 respondents

# Type of car

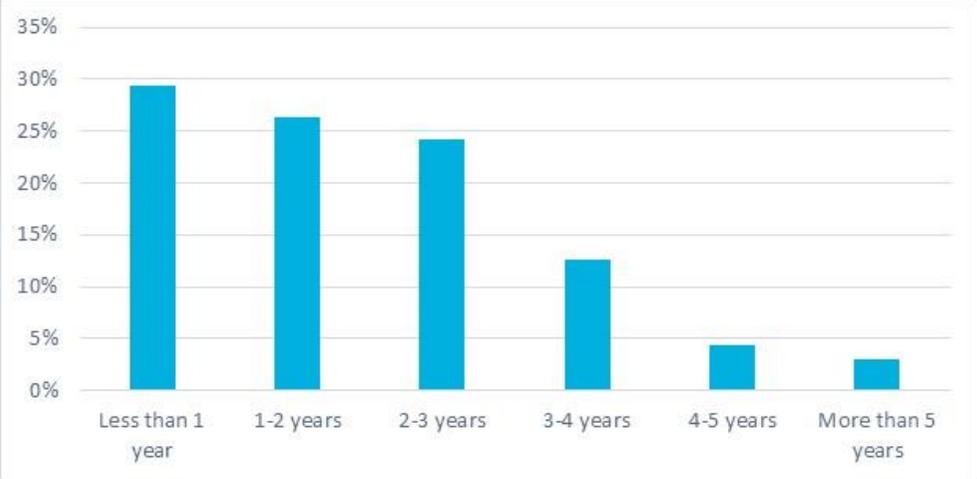
We asked respondents information about their company car:

- BMW and Audi were the most common makes of car.
- When asked how long they have had their company car the majority of respondents answered between 0 and 3 years. This is in line with average lease lengths contract hire cars reported by BVRLA of 39 months. As detailed previously section these vehicles are on average 1-2 years old.
- The fuel type mix from this survey is in line with the proportions recorded by BVRLA for leased company cars: 58% diesel – share which is falling following a legacy of previous incentives; 26% petrol; and 16% hybrids or EVs - share which may increase with the 0% BiK rates for EVs.

## What is the make of your company car?

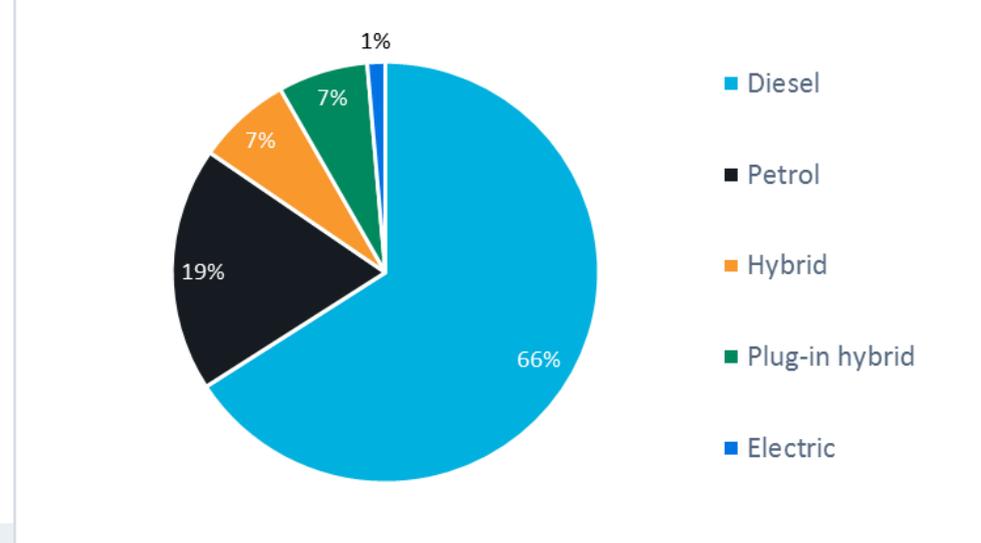


## How long have you had your current company car for?



Sample = 293 respondents

## What is the fuel type?

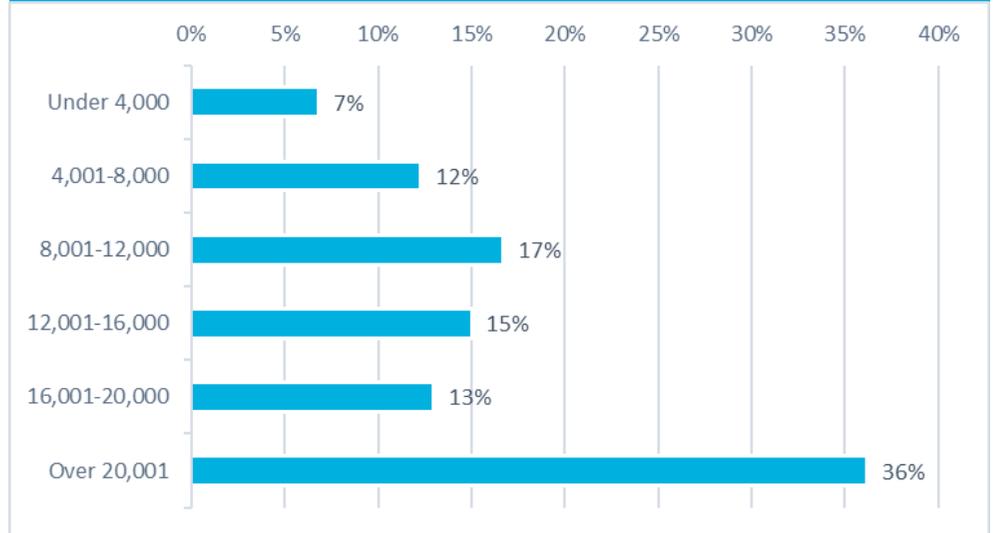


# Car use

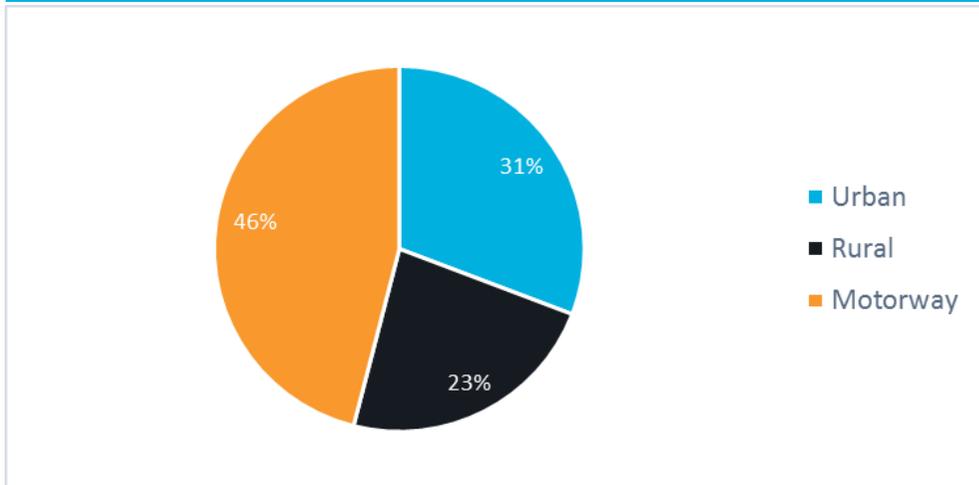
We also asked respondents for information about how they use their company car:

- Over one third of respondents travelled more than 20,000 miles using their company car in the last year. The average number of miles per annum was 12,001-16,000.
- As we would expect, the majority of mileage is made on motorways, followed by urban and then rural roads.
- Over 50% of mileage was made for business purposes – with 12% of respondents only able to use their car for business use. Of the remaining mileage this is quite evenly split between commuting (25%) and personal (22%).

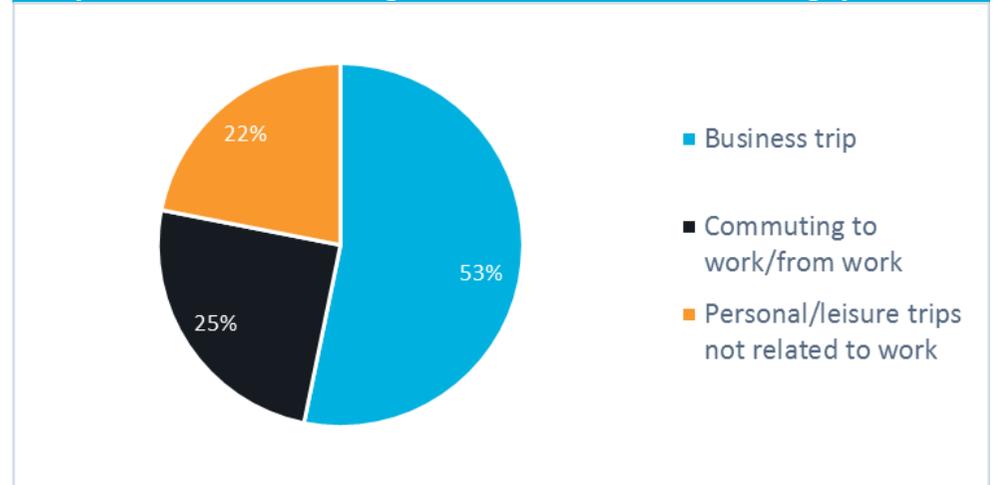
## Annual miles using your company car



## Proportion of the mileage in: urban/rural/motorways



## Proportion of the mileage for : business/commuting/personal



Sample = 293 respondents

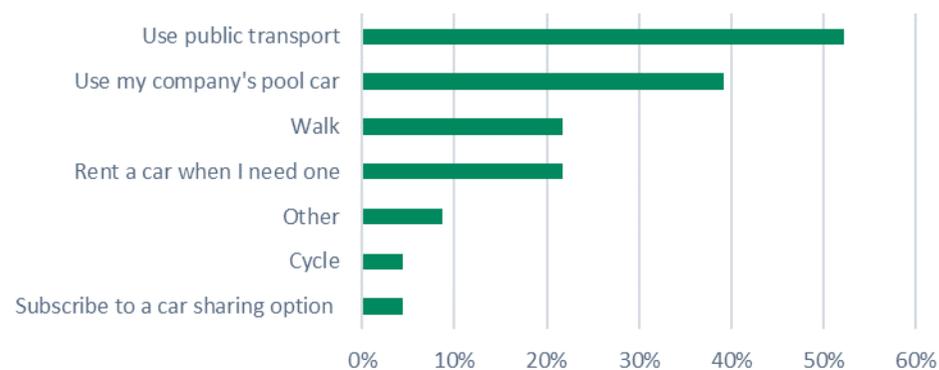
# Company car renewal

We asked respondents what they were planning to do at the end of their lease. 69% said that they thought they would get a new company car, 22% said maybe, and 10% said no.

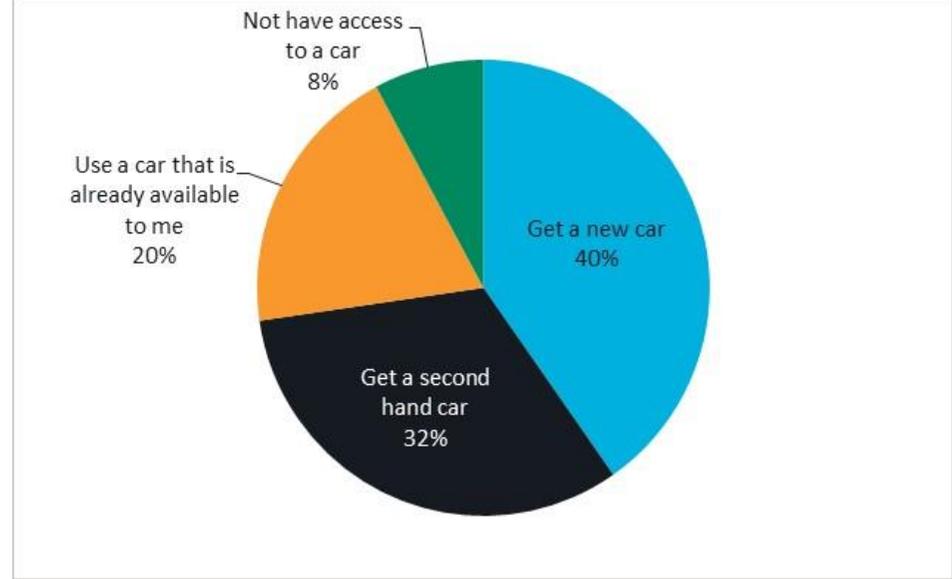
Of the people that said maybe/no to getting a new company car:

- 40% said they would get a new car and 32% a second-hand car. Of these, the most common method for getting a new car was leasing and for second-hand cars was purchasing.
- 19% said they would use a car that they already had access to and 8% said that they would no longer have access to a private car.
- The most common other modes of transport were using pool cars, and public transport.

## What other modes of transport will you use?



## If you do not get a company car what will you do?



## How will you acquire your next car?



Sample = 293 respondents

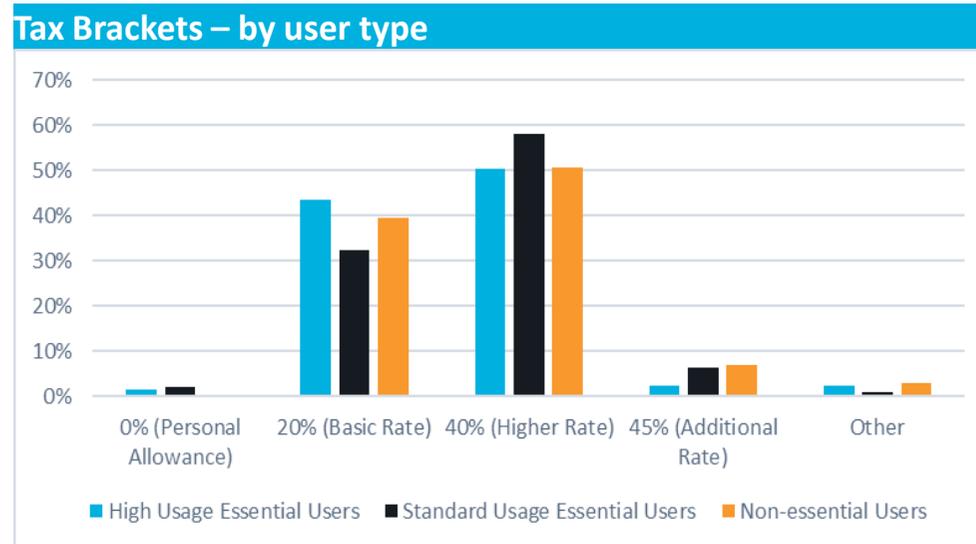
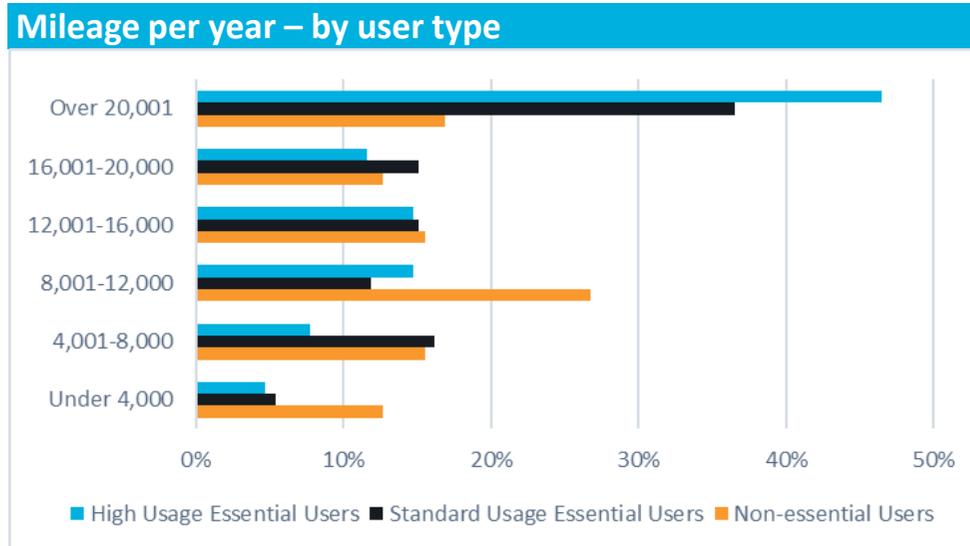
# Types of user

Within this analysis the following user types were defined:

User Types	Description	%
<b>High usage essential users</b>	Users who stated that a car was essential to their job, whose business mileage exceeds 60% of their total annual mileage.	44%
<b>Standard usage essential users</b>	Users who stated that a car was essential to their job, whose business mileage is less than 60% of their total annual mileage.	32%
<b>Non-essential users</b>	Users who stated that having a car was not essential to their job.	24%

These user segments were analysed by mileage per annum and tax bracket:

- The high usage essential users also have the highest proportion of total mileage over 20,000. As would be expected this was followed by the standard usage essential users.
- For non-essential users the majority of mileage fell in the 8,000-12,000 miles bracket, with 70% driving less than 16,000 miles per annum.
- The distribution across tax brackets is similar between the user segments – with a slight trend for the non-essential users to fall in the higher tax brackets.



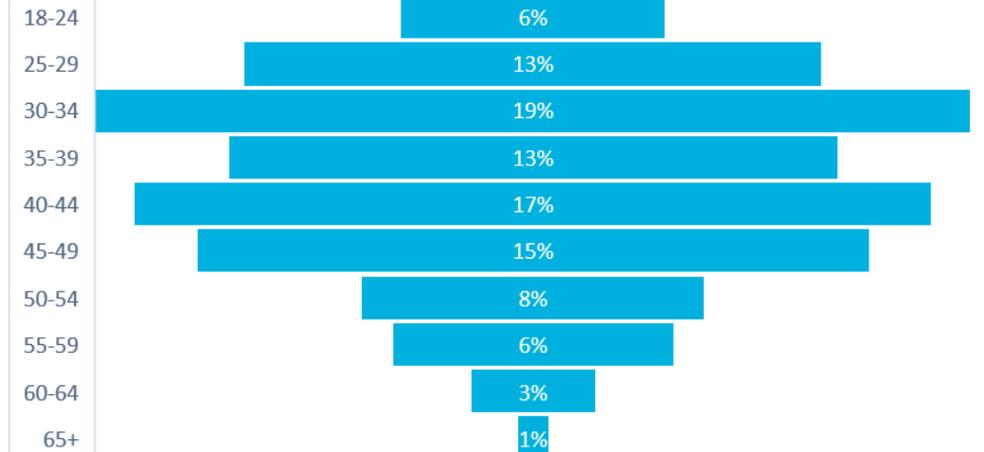
Sample = 293 respondents

# Person characteristics – Demographics

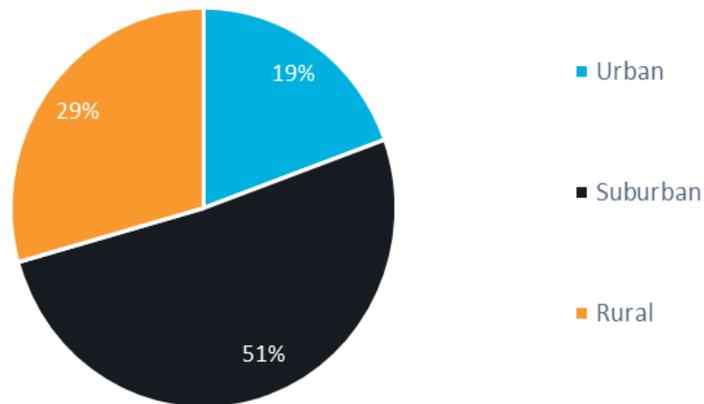
We asked respondents demographic information about their age and where they live:

- All age groups are well represented, as we would expect, with under 30s slightly less represented as they are at the start of their career.
- Just over half of respondents said they lived in suburban areas.
- The respondents are fairly evenly split across the different regions in the UK.

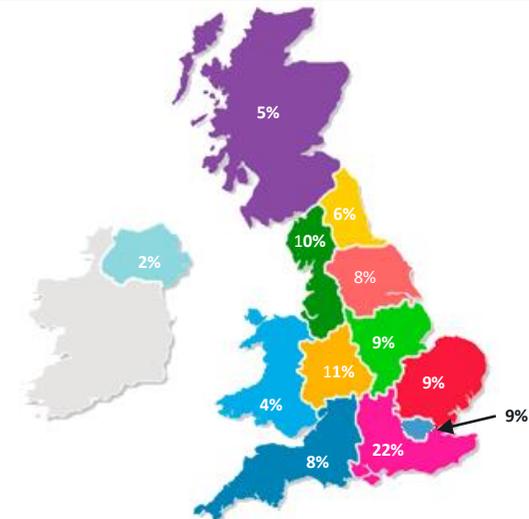
## What is your age?



## Where do you live?



## Which region do you live in?



Sample = 293 respondents

## Person characteristics – Income

We asked respondents information about their income and tax bracket. The plot on the left shows the detailed breakdown.

We grouped the incomes into the four tax brackets:

Tax Bracket	Description	Colour	Share
<b>Additional Rate</b>	Salaries over £100,000 pay 45% tax.	Blue	3%
<b>Higher Rate</b>	Salaries between £50,000 and £100,000 pay 40% tax.	Black	42%
<b>Basic Rate</b>	Salaries between £12,000 and £50,000 pay 20% tax.	Orange	51%
<b>Personal Allowance</b>	Salaries under £12,000 pay 0% tax	Green	3%

Key findings:

- The median salary is around £50,000 per year – this is the threshold between the basic and higher rate tax brackets.
- Just over half of respondents (54%) fall in the lower tax brackets (Basic rate or personal allowance).

### What is your annual salary?



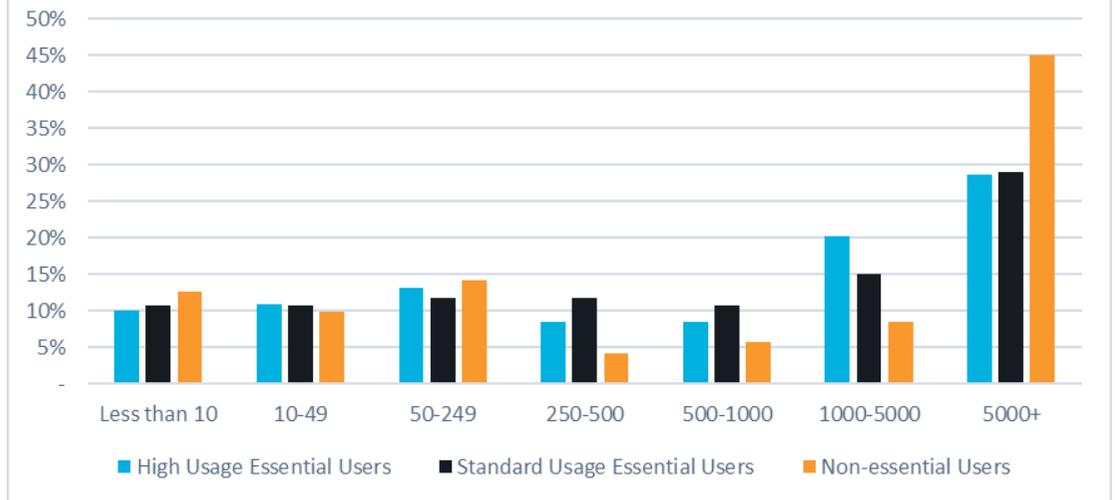
Sample = 293 respondents

# Person characteristics - Employment

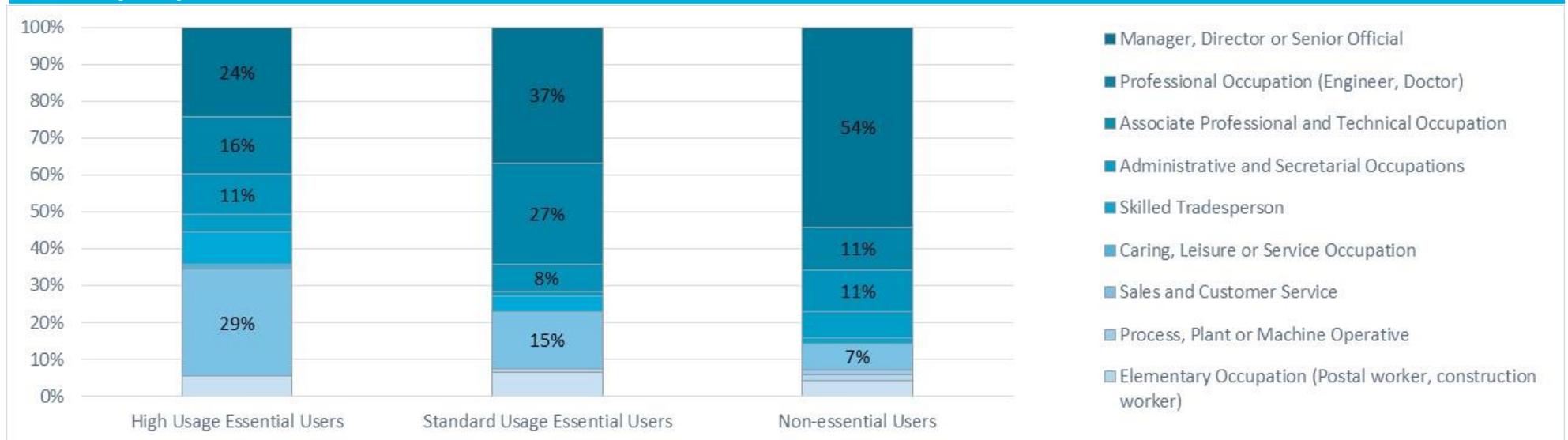
Respondents told us information about their employer:

- The distribution between company size is similar between standard and high usage essential users. 45% of non-essential users work in large organisations with more than 5,000 employees.
- A high proportion of non-essential users work as a managerial/professional occupation – the more classic ‘perk’ user.
- Whereas the high usage users tend to fall into the sales and manual roles.

## How many people work in your organisation?



## What is your job role?



Sample = 293 respondents

## 3C. Former company car users

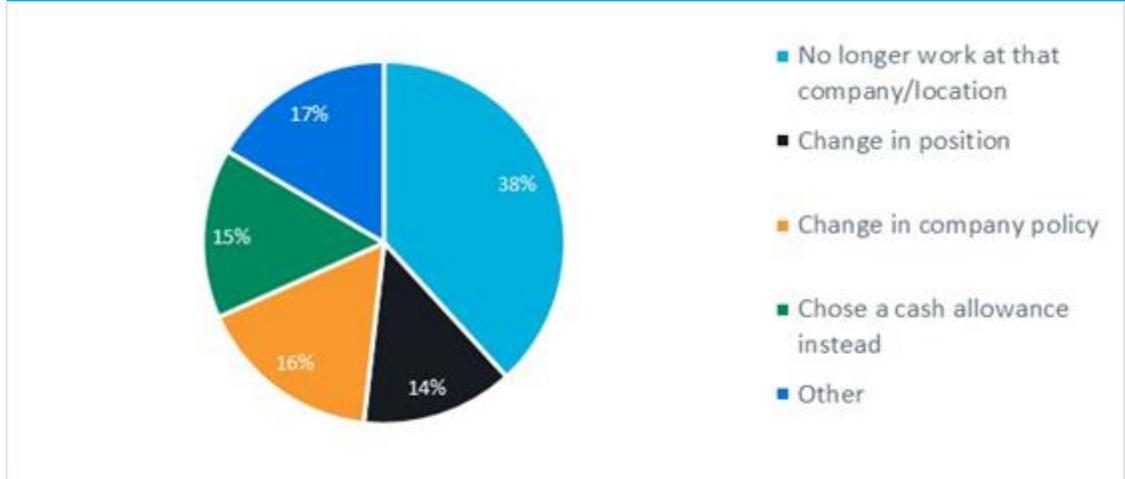
# Motivations for not choosing a company car

As discussed previously, the main reason respondents no longer have a company car was a change in circumstances (68%) – this is dictated by other factors.

Focusing on the remaining respondents who could still have a company car but don't, the main reasons for this are financial:

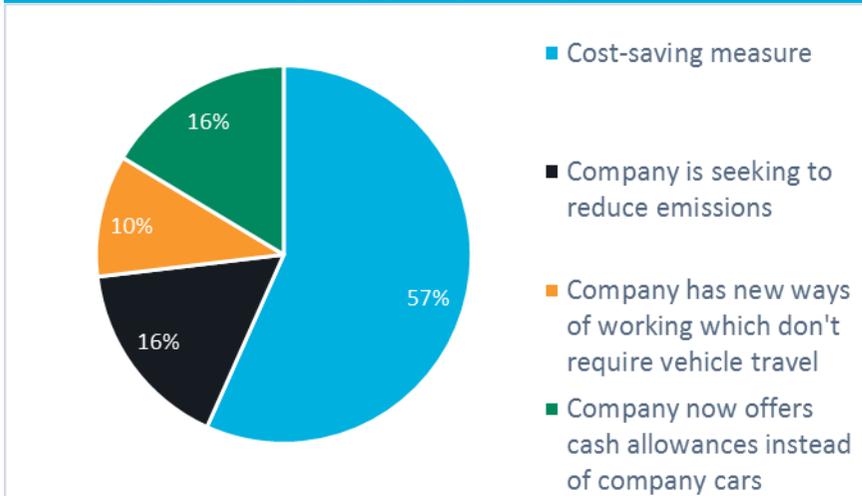
- Change in company policy (16%) - the majority said that company cars were no longer offered to save costs.
- Chose cash allowance (15%) - the main motivation was that cash allowance was better financially.

## Why do you no longer have a company car?

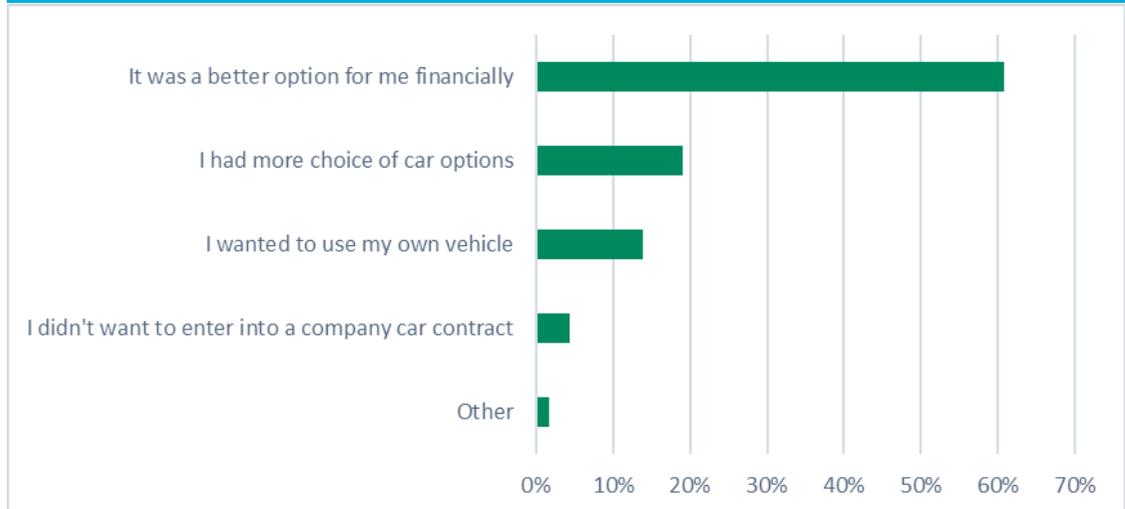


Sample = 971 respondents

## How has your company policy changed?



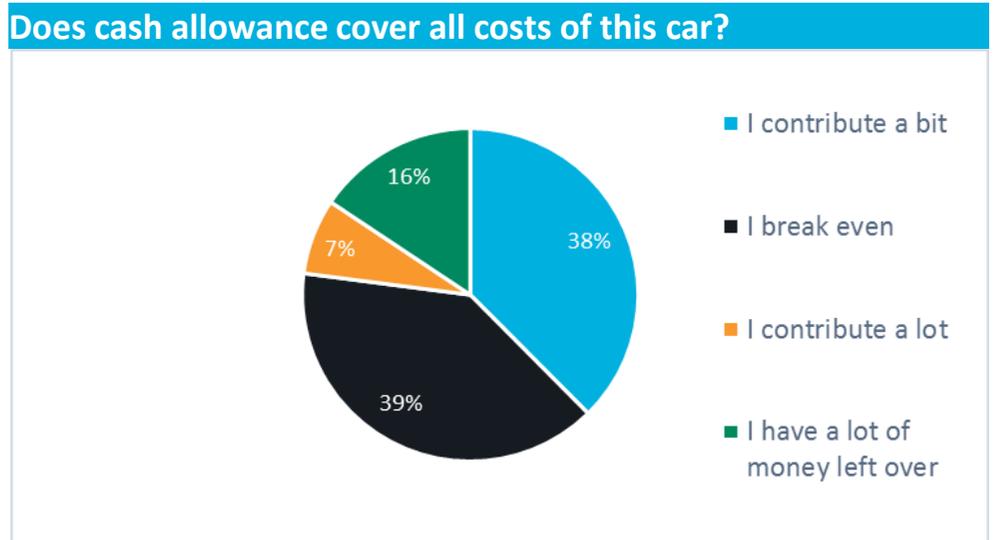
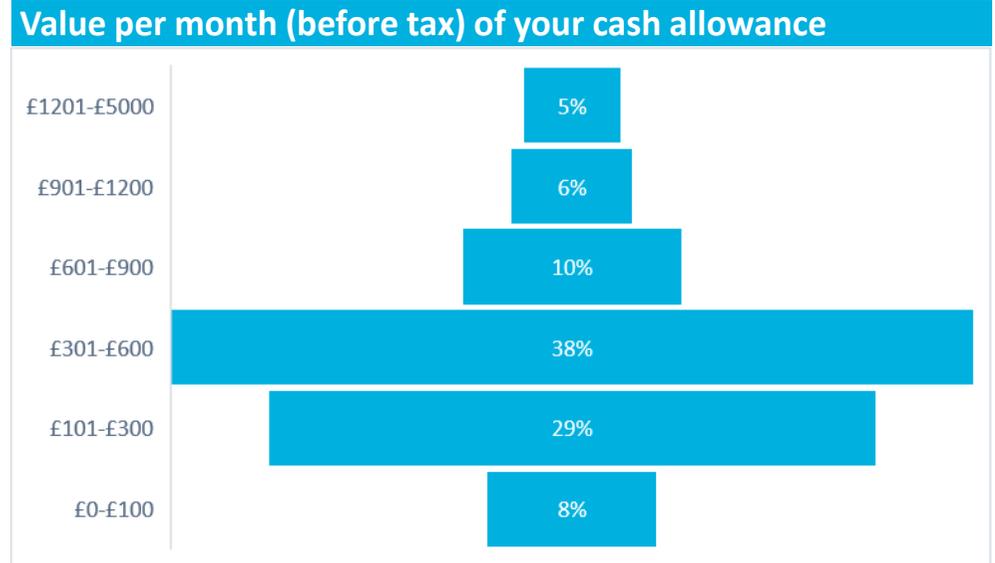
## Why did you choose to take a cash allowance instead of a company car?



# Cash allowance

We asked some follow-up questions to those who opted for a cash allowance:

- The median cash allowance (before tax) was between £300 and £600 per month .
- The majority (67%) of cash allowance recipients received between £101 and £600 a month.
- 39% of cash allowance recipients said that they break-even with the cash allowance covering the cost of the car.
- 16% said that they have surplus money after their car costs.
- The remaining respondents said that they have to contribute some money to cover their car costs: 38% said a small amount and a lower, 7% said they had to contribute a lot.



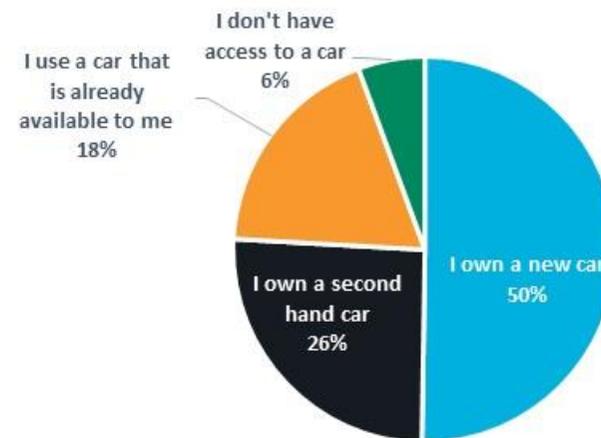
Sample = 115 respondents

# Car ownership

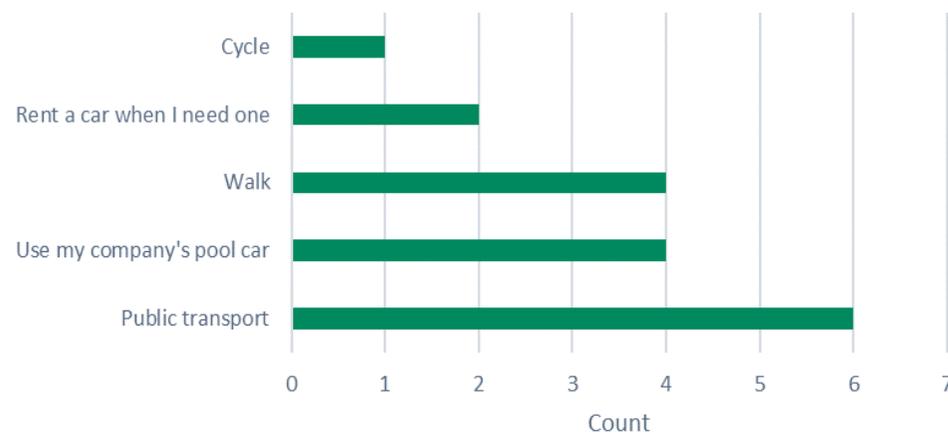
We asked the respondents that previously had a company car about their current car ownership:

- 50% of respondents own a new car – 59% of these people purchased their car outright, the remaining 41% purchased the car via a lease or loan. This is a lower share of leasing than the responses from current company car owners.
- 26% of respondents said that they bought a second-hand car – over 70% said they bought the vehicle outright, with the majority of the remaining buying the car using a loan.
- The most common alternative for those people without access to a car was public transport.

## Do you currently have access to a car for work related travel?



## What other modes of transport do you use?



The 6% that did not have access to a car

## How did you acquire this car?



Sample = 195 respondents

# Type of car

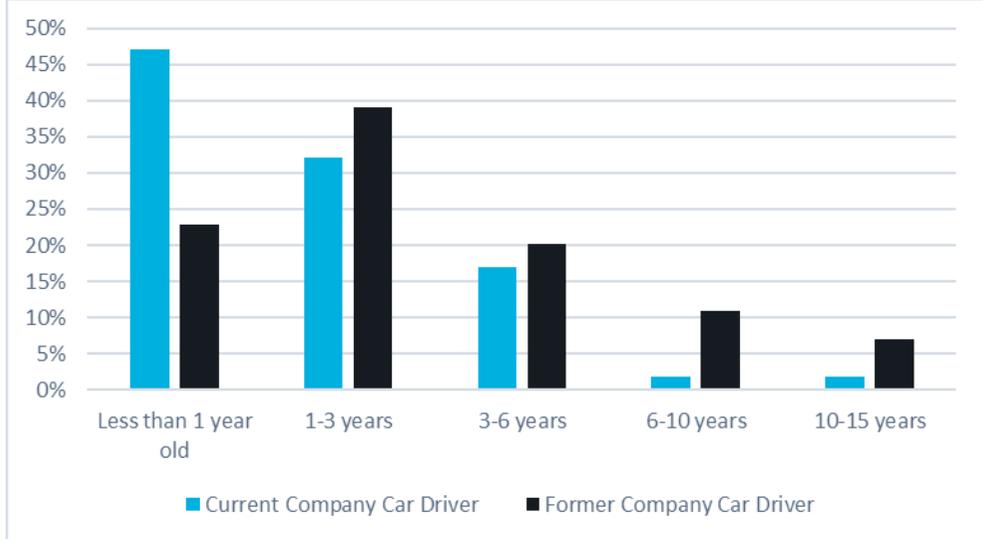
We asked respondents for information about their current private car – these form part of the grey fleet:

- Ford and Audi are the most common makes of car, compared to the company car models BMW is a lot less common.
- The average age of private cars tends to be older than company cars (2 years versus 5 years)\*. The majority of new private cars were 0-3 years old and the majority of second-hand cars were at least 4 years old.
- Grey fleet has a higher share of petrol vehicles and fewer diesel (related to previous incentives for diesel vehicles). Grey fleet vehicles are less likely to be alternatively fueled.

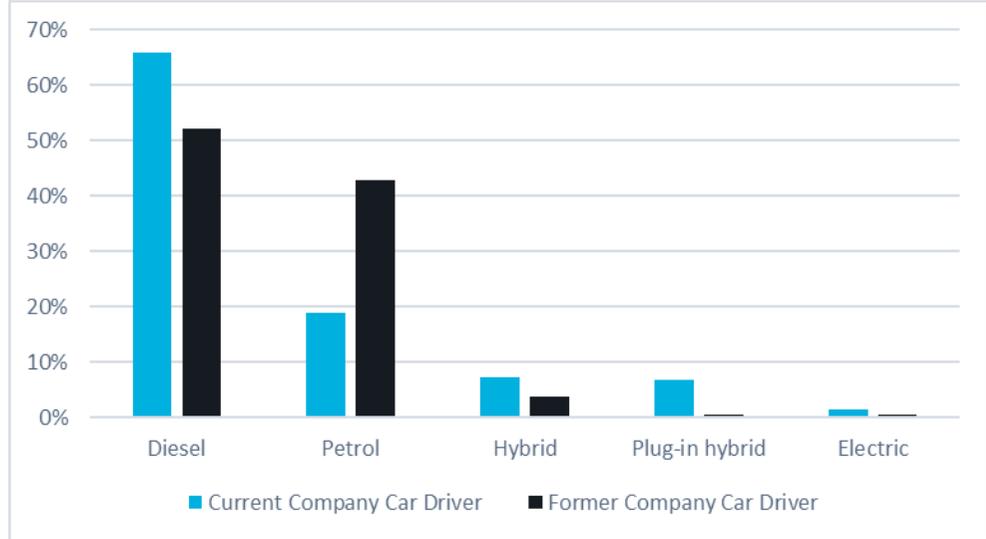
## What is the make of your current car?



## What is the age of your current vehicle?



## What is the fuel type?



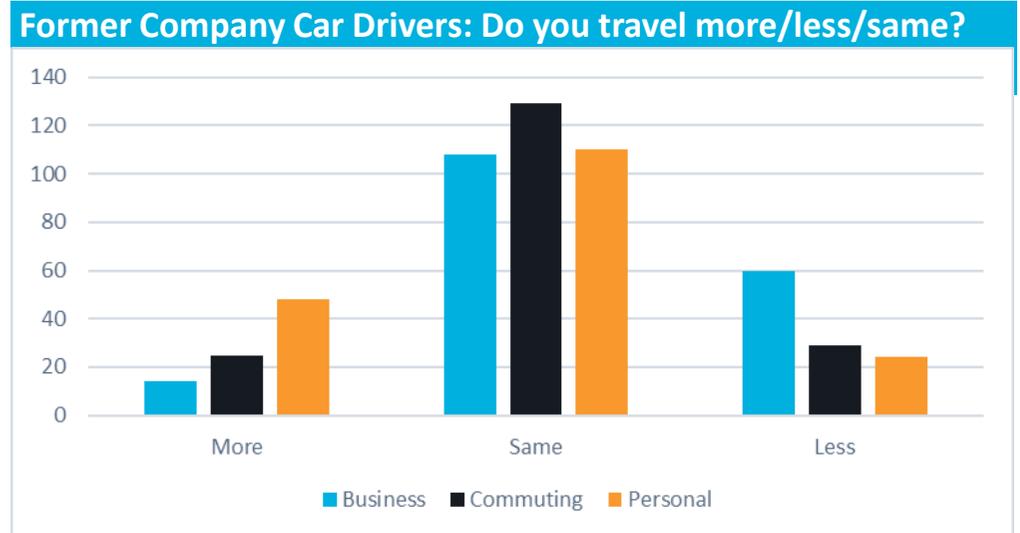
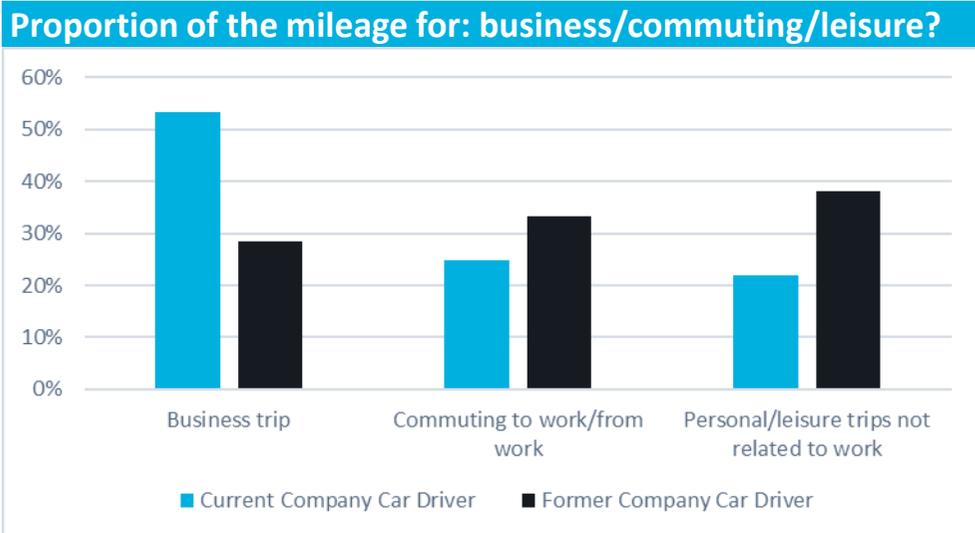
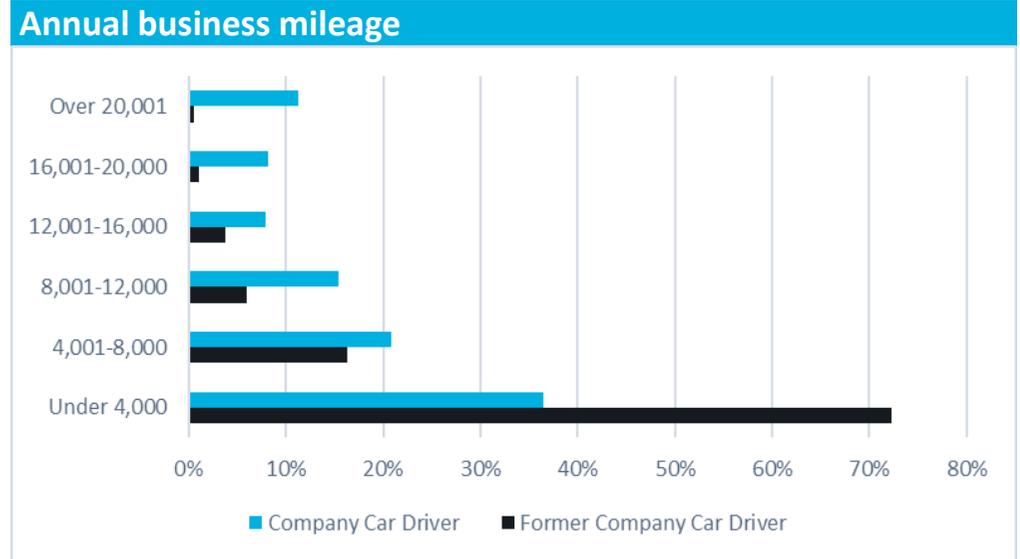
\*This survey invited people who had had a Company Car in the last 3 years – therefore the average age of all grey fleet vehicles is likely to be older.

Sample = 195 respondents

# Car use

Respondents were asked about how they use their current car and we compared this with the current company car driver use:

- On average former company car drivers drove 3,400 business miles, compared to 8,300 business miles by current company car drivers. Former company car drivers also drove a lower proportion of business miles.
- Former company car drivers felt that they travel the same amount as when they had when they had a company car – **suggesting they have not changed their behavior but that it is these lower usage drivers that are more likely to stop using company cars.**

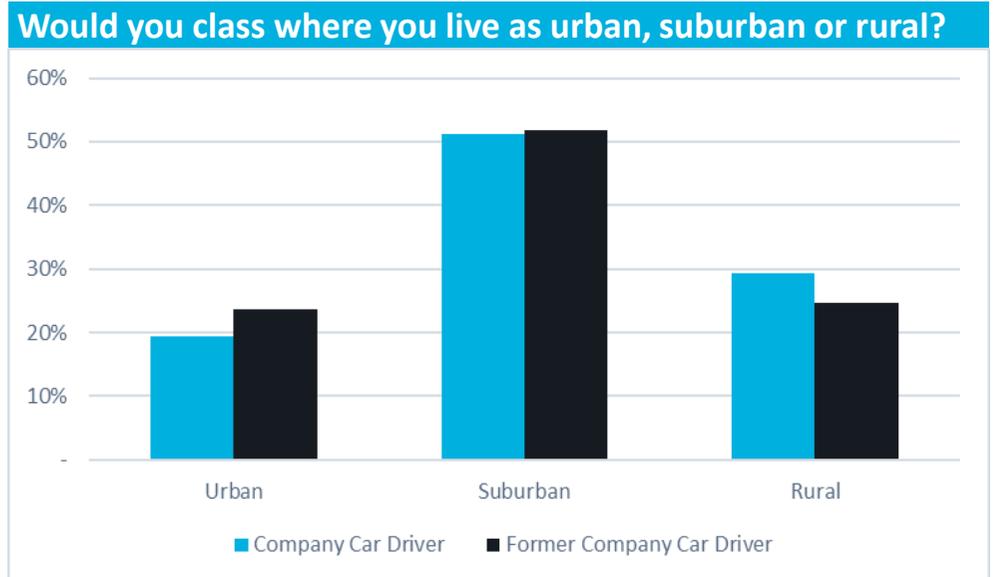
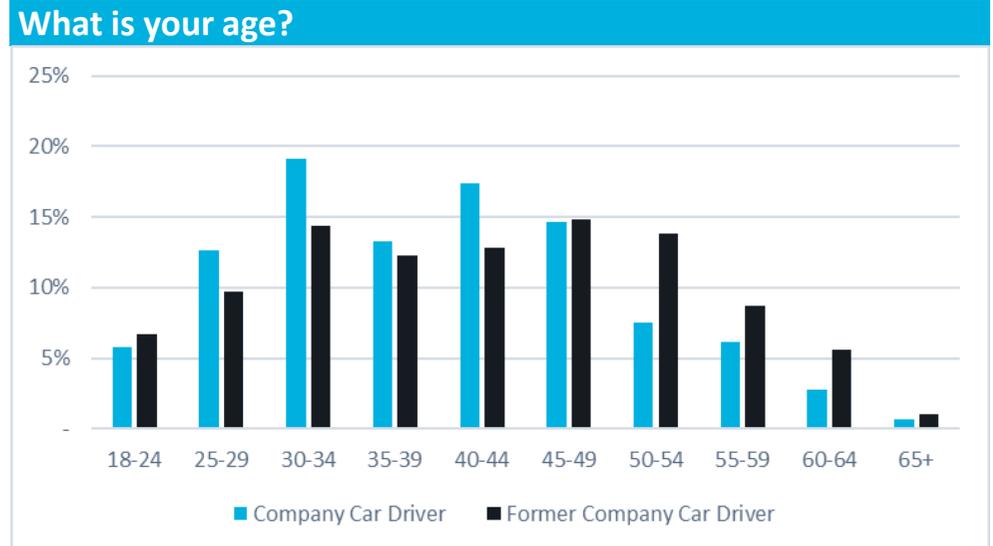


Sample = 488 respondents

# Person characteristics – Demographics

The demographics of the former company car owners surveyed were similar to the company car respondents:

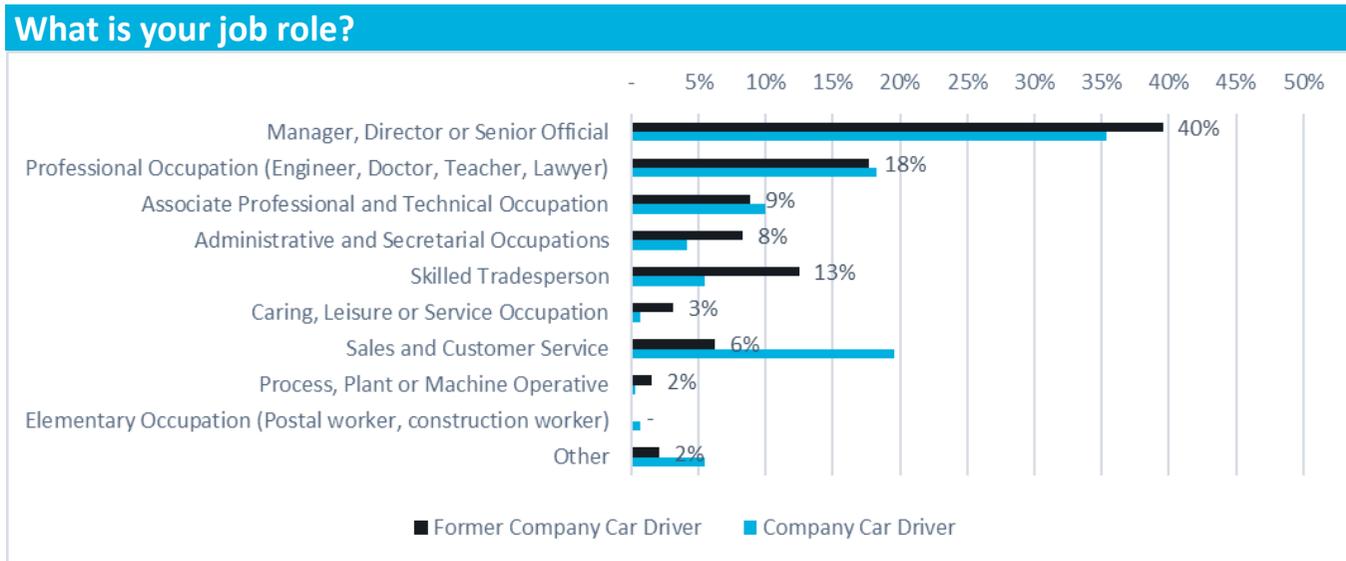
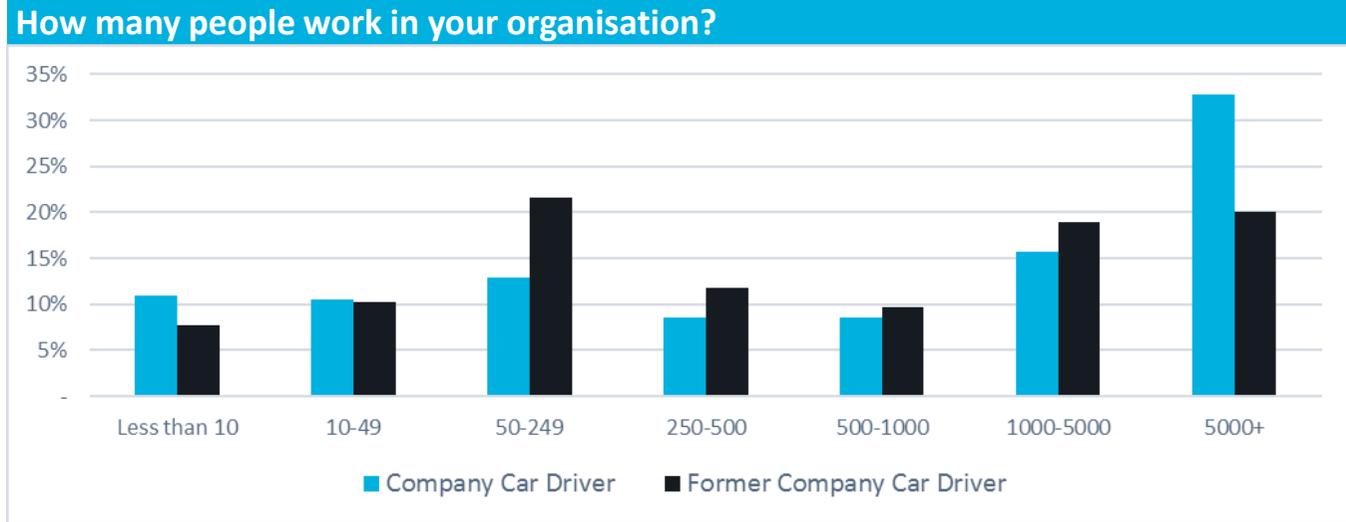
- The average age of a company car owner is 49, the average age of a former company car owner is 47.
- The divide between urban, suburban and rural living areas for company car owners and former company car owners is very small, with marginally more former company car owners living in urban areas.



Sample = 488 respondents

# Person characteristics - Employment

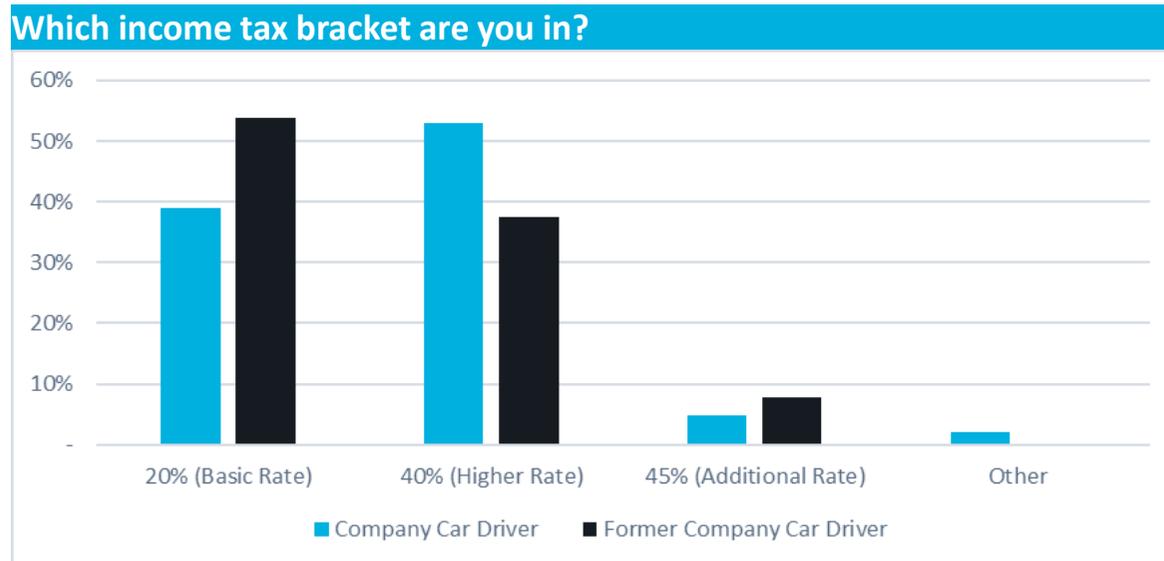
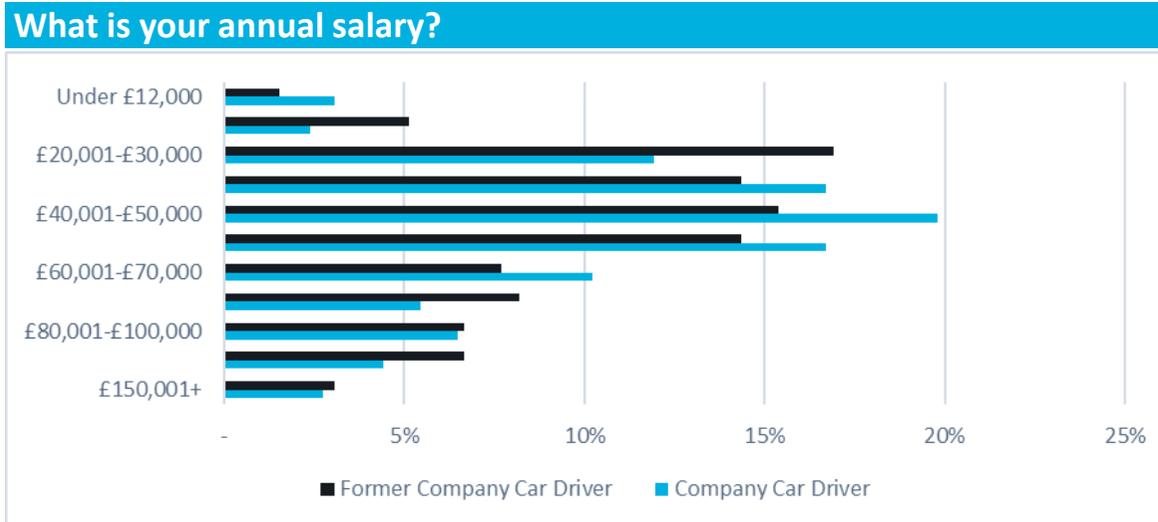
- A higher percentage of company car owners (33% compared with 20%) work in large companies (5,000+).
- Job roles for both company car owners and former company car owners are similar, the main difference being that a higher percentage of company car owners (20%) work in sales.
- There are more former company car users in real estate (3% compared with 0%) and information and communication (10% compared with 6%) when compared with company car owners.
- 5% of former company car users work in the primary sector whilst 80% work in the tertiary (service) sector. The split between sectors is almost identical when compared to company car users.



Sample = 488 respondents

## Person characteristics – Salary

- There are more former company car drivers earning less than £30,000 (24% compared with 17%).
- The average salary of a former company car owner is £55,000, the average salary of a company car owner is £53,000.



Sample = 488 respondents

# User type comparisons

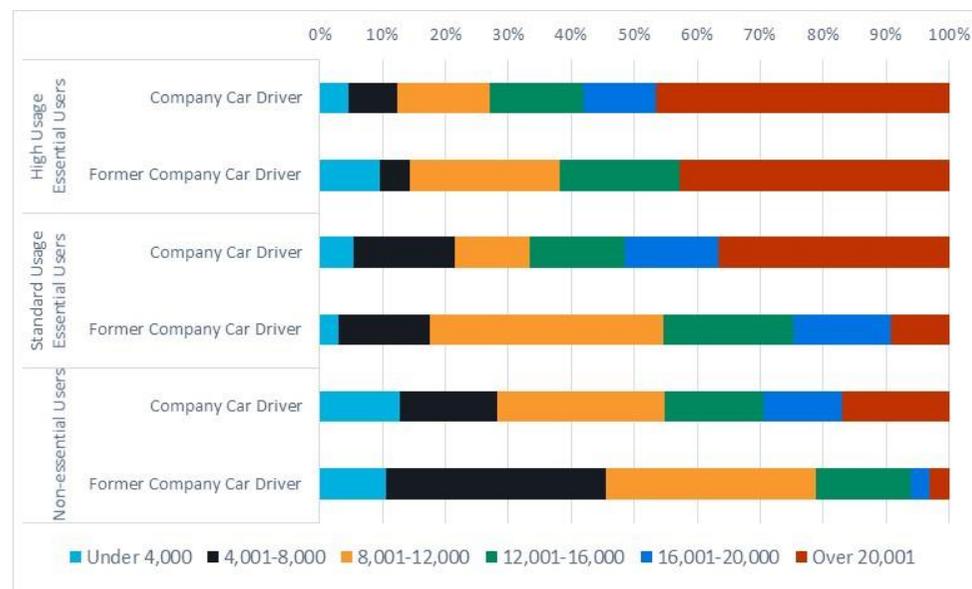
We split the former company car respondents into the same segments that were defined for company car users:

User types	% CC driver	% Former CC driver
UT1: High usage essential users	44%	11%
UT2: Standard usage essential users	32%	51%
UT3: Non-essential users	24%	38%

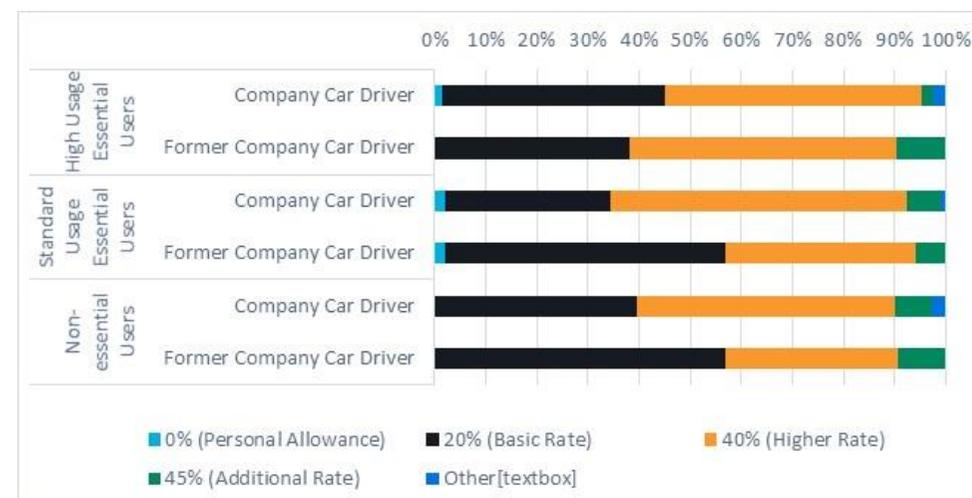
A much lower proportion of former company car drivers fall into the high mileage essential user category. We compared the analysis by mileage and tax bracket between the two groups:

- Almost half of the high mileage essential users drive more than 20,000 miles per annum. This is the case for both current and former company car drivers.
- Of the standard mileage essential users and non-essential users, the former company car drivers drive less.
- The income distribution for high mileage essential users is similar between the current and former company car groups. With low mileage essential users and non-essential users the former company car drivers have a lower proportion of higher rate tax payers. ***This suggests that it is the lower usage, lower income people who are opting out of company cars.***

## Mileage per annum – by user type



## Tax rate – by user type



Sample = 488 respondents

## 4. Case Studies

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# Overview

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## Objective

The primary research described in the previous section was collected in 2019 – before the COVID-19 pandemic and the WLTP adjustments and 0% EV incentives.

Given these more recent changes, and to explore some of the issues from the survey in more depth, we carried out some case studies with both employees and businesses.

The purpose of these case studies is to:

- Explore the factors considered when choosing a Company Car, including the option of an EV.
- Explore the alternatives offered to Company Cars and the motivations for choosing or not choosing a Company Car.
- Understand the impacts of COVID-19 on travel and how this might impact Company Car use.

## Case Studies

We carried out four case studies in total. Two focused on individuals and their choices around having a company car and two focusing on businesses making decisions on which company cars to provide.

We carried out four case studies:

- **Case Study 1:** High Mileage Essential User: Will, Field Service Engineer
- **Case Study 2:** Former Company Car User: Jane, Field Research Company
- **Case Study 3:** Employer with Company Cars: Ashtons, York Estate Agents
- **Case Study 4:** Employer with Company Cars: Pavers, UK Retailer

These case studies are summarized on the next slides.

## Key Themes

Across the case studies we focused on the following key themes:

- **Choice Factors:** Factors considered when choosing a company car.
- **COVID-19:** Recent and future impacts of COVID-19.
- **Electric Vehicles:** Appetite and practicality of using Electric Vehicles as a Company Car.

## Next Slides

The case studies are summarized on the next slides.

Each case study is covered in two slides. The first slide describes the challenge faced by the individual/business, and the second slide describes the results.

### Challenge:

### Choosing a suitable new vehicle for high mileage, essential user

Will works as a Field Service Engineer covering the South West of England. His role undertaking servicing work can involve **travelling 300+ miles a day** to a series of residential properties.

Will started his role 18 months ago and at that time, was allocated a company car from the existing company fleet, a **diesel Vauxhall Astra eco-range** so had no choice regards to fuel type or engine size. In 2019, Will travelled 35k miles but in 2020, due to COVID-19, he expects this to fall to ~20k miles.

The company is currently in the process of changing their leasing provider, a decision of Will has no control over. As a result of the change in lease car provider, when Will's Astra comes to the end of its lease period, he will choose from a **selection limited to Ford vehicles** and related to his grade.

Given his current mileage and location he is **likely opt to for a diesel powered car**, even though petrol and hybrid vehicles are offered as options. Diesel alternatives suit colleagues in London who travel within the Ultra Low Emission Zone rather than those like Will who travel longer distances and are doing higher mileages.

### Result:

Limited selection of cars from which to choose, his main consideration is financial.

*Will's company encourages the use of company cars* and only offers a cash allowance alternative in special circumstances. He anticipates that his next car will be a Ford Focus. He gets little or no choice on the make/model but limited options around engine size, specification and colour. His main consideration when choosing between the limited options will be **minimising any additional tax** that he will need to pay.

As Will explains:

***"I would not typically choose a Ford and the limited choice available to me is quite restrictive. However, I am less concerned about reliability or value for money because having a company car means I do not have responsibility for maintaining the vehicle."***

Will **seldom uses his company car for private journeys** as the company car is a second car in his household. He keeps a record of personal miles in his company car and has to pay 12p a mile to his company. This does not fluctuate and means that the value of using the Company Car for personal travel depends on the comparison with current fuel prices.

Will is conscious of the impact driving a diesel has on the environment and would be **tempted to drive a hybrid vehicle if the cost difference was less than say 20%** extra per month. However, the current company policy on personal mileage means that any fuel savings would not be passed to him so there is less no financial incentive for him to avoid petrol or diesel powered cars.

Will **likes the idea of having an electric vehicle however this would not be practical**. His job generally requires parking at clients' houses where he does not have the time or the relationship to use their charging facilities and to his knowledge there is a limited charging infrastructure currently in the south-west.

#### Challenge:

Is it worth renewing a company car when mileage has reduced due to COVID-19?

Jane a Client Services Director at an international field research company has had a **company car for the last eight years**. Managers at her level generally drive an Audi A3/A4.

Jane drives **less than 10,000 miles per year**, traveling a couple of times a week to locations in London. For the occasional meeting further afield depending on the location she may drive or when possible take the train.

A company car is not the low-cost option. However, the **flexibility of driving a company car** means if she changes jobs or circumstances, she does not have a personal car/lease to deal with.

Jane's company **car lease came to an end during the COVID-19 initial lockdown period** (May 2020). The lockdown period meant a lot less business and personal travel and raised the question of whether she really needed the luxury of a company car.

#### Result:

Weighing up having a car available for infrequent use against the cash allowance and reduction in tax, Jane decided to opt out of her company car lease.

Based on her current travel requirement it is **more cost effective for Jane to take a cash allowance** instead of a company financed car. The timing of the lease expiration coinciding with lockdown was the main driver for her decision to opt out. She also has the knowledge that should circumstances change she will be able to reassess the situation, weigh up the costs and benefits and could well opt to have a company car once again.

Personal transportation was a consideration as **Jane does not currently have access to a car** in her household. Her current plan is to use a combination of public transport, car clubs and short term rentals for business and personal travel.

Buying a car privately is not an attractive proposition. Jane feels that when having a car is more convenient and cost effective for her travel purposes, then rather than buying a car privately **she would opt back into a company car scheme**. This is because she values the levels of flexibility and convenience a company car provides.

Jane is currently happy with her choice to opt out of having a company car and feels better-off financially. For this reason, she acknowledged that having got used to the additional income **she might consider buying and running a car of her own**.

Jane explains:

***“If I were to buy my own car, I would look to buy a vehicle that is less than one year old but keep for a longer period than a lease (3+ years). I would be interested in an electric vehicle and think that the range would not be an issue, but as I live in a block of flats I think I would have an issue accessing a charging point.”***

### Challenge:

Renew a fleet of company cars which will be compliant with upcoming vehicle restrictions within York City Centre

Ashtons is an Estate Agency based in the centre of York. After 6 years of running a small fleet of Nissan Jukes it was **time to refresh the fleet**. As an outright purchased fleet the Jukes had been well used. Their purpose was not only to transport staff and customers to and from appointments but also to help Ashton's promote their business. The Jukes did this by being bright yellow and ugly.

The fleet also operate as **pool cars with different members of staff using the car at different times of the day**. They are also required to be real workhorses – and from a company perspective they need to be utilised as much as possible.

The replacement fleet needed to do much the same but with the added challenge of complying with the potential forthcoming **restrictions being placed on the use of internal combustion engine (ICE) vehicles within the City centre** where the main office is located. The expectation is that ICE's will be banned from the city centre in the next 2 years.

#### Result:

Ashtons opted to lease 6 Hyundai Kona's. The choice was based on an assessment of: availability, range/battery life, practicality and cost of ownership.

The need to replace now, discounted one manufacturer's model, access to the rear seats and mileage range when utilising services like air conditioning or the heater ruled out others. Hybrids were also discounted as the overall fuel economy for the journey types undertaken was little better than a standard ICE.

***The move from ICE's to EV's took considerable thought and planning.*** Ashton have access to a local car park and worked with the parking provider to install charging points close to the office. An analysis of mileage travelled showed that whilst the distances were small the battery life needed to be sufficient to cover several days' worth of work as well as adequate usable mileage.

Ashton's also switched from buying their vehicles outright to a leasing plan. The new Hyundai Konas have a three-year lease. ***This offers a known cost solution to a relatively new technology*** and provides an easier and cost-effective exit at the end of the lease period.

***"It is early days but so far all feedback is positive around the decision to go for full BEV's. The mileages done by the cars are relatively small, perhaps just 35 to 40 miles a day, but they are in constant use. Most charging will be done overnight for the pool cars returned to the office in the evening or at home. We've established that the Kona's will be able to go for three or four days between charges if needs be and anticipate that some of the fleet may well get short sharp bursts of charge, in the morning when the teams meet up to plan the day or over the lunch time period. Our team are an adaptable workforce and so have embraced the technology and are excited to move on from the aging Jukes and embrace EV usership"***

### Challenge:

### Upgrade to electric company cars to help Pavers become a carbon neutral company

Pavers operate a high street chain of shoe shops across the UK. Having ***strong green credentials is important*** to the company and is a priority for the board, employees, and customers. Therefore, Pavers aims to be ***carbon neutral within the next three years***, including upgrading their existing fleet of company cars to electric vehicles.

Pavers current ***company car fleet profile consists of 19-20 cars*** that are provided to essential users with approximately 10% of staff requiring a car to complete their job effectively. Pavers prefer to offer British built cars. Cars are allocated against a price banding system where more senior members of staff get a greater allowance. Opting out of a company car and into a grey fleet vehicle is not an option.

Those with a company car travel between 15k and 45k per annum and many will travel to multiple locations in a single day. ***Much of the fleet is diesel, but they are operating two pure electric cars at present*** and have installed charge points at their head office. The typical car lease length is three years. Given the location of stores in outlets/retail parks it is not practical to substitute driving with public transport – except for central London locations.

Pavers are a ***non-essential retailer and were severely impacted by the COVID-19 pandemic*** and have seen a large reduction in miles travelled for their business. They do expect activity to recover and for essential business trips to continue to be a core part of the business, but there is currently great uncertainty around when this will recommence.

As part of a review of the company car policy Pavers were keen to ***investigate the opportunity of putting all staff using a company car into an electric vehicle (EV)***. Autohorn were commissioned to explore the costs and practicalities of such an upgrade. They considered the current use of company cars, mileage travelled, number of visits made each day and locations visited and the facilities available at each stopping point. ***Current company car usage was evaluated against the vehicles available on the market***, the lease cost and the ability of the vehicle to do the job required of it between defined price points.

#### Result:

EVs are an unsuitable replacement for all Pavers company cars at this moment in time. Further advances in technology, better infrastructure, and a reduction in running costs will see this change in the next few years.

For many company car drivers at Pavers the ***EV option was impractical primarily due to cost and usability***. For EVs to be a usable solution there needs to be price parity, better range, and faster charging. Therefore, diesel remains the fuel of choice at present.

Reasons why EV not practical at this stage:

- Bottom-line cost to Pavers was likely to be an additional £150 per month per car which represents an increase of around 25% on the current cost base.
- Hybrid vehicles were considered but required staff to compromise significantly on the current level of vehicle specification. For drivers travelling 45,000 miles a year this was not acceptable.
- An EV was ideal for commuting to a single location where it could be recharged, but for area managers (typically travelling over 30,000 miles a year) and traveling from shop to shop this was not a viable option.
- Many of the sites staff visit are on the high street with limited parking. Even if the shops were fitted with charging points, they would be difficult to access.
- Time is a factor for area managers, as schedules are already hectic. Taking an additional 40 minutes out of each working day to charge an electric vehicle was not seen as an effective use of time.

***“We are committed to delivering a carbon neutral organisation within the next three years but are at the start of that journey. The installation of charge points at our head office demonstrates that we are serious, even though EVs for all company car drivers might still be a few years away from being a reality.”***



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