OXFORD ECONOMICS

THE ECONOMIC IMPACT OF THE MOTOR VEHICLE LEASING AND RENTAL INDUSTRY

JULY 2018

An independent report commissioned by BVRLA

TABLE OF CONTENTS

EXECUTIVE SUMMARY

£49 billion

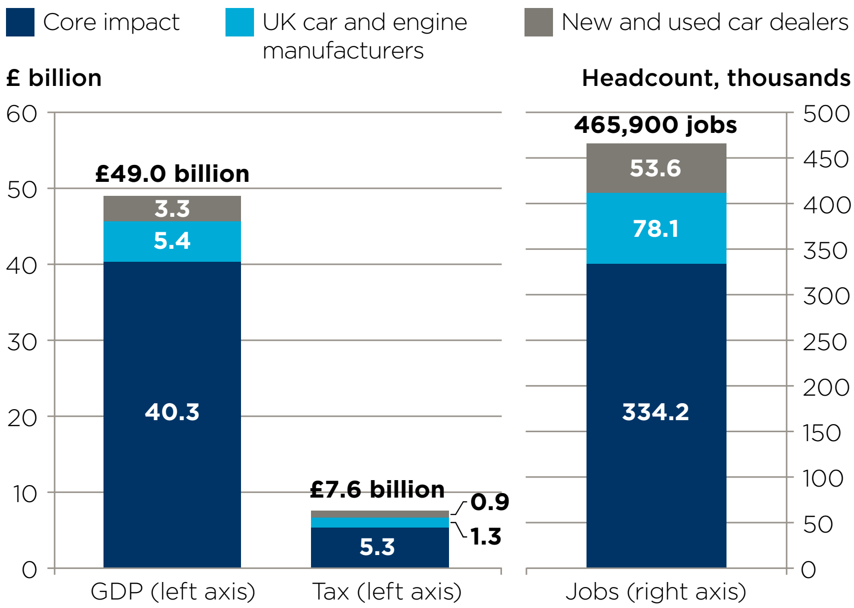
Total contribution of vehicle leasing and rental activity to UK GDP in 2017, through all channels.

The motor vehicle leasing and rental industry accounts for more than one in every seven vehicles on the UK's roads, solving transport issues for businesses and individuals alike. The opportunity to lease and rent vehicles offers firms and households access to modern, fuel-efficient vehicles without the strain of upfront capital expenditure. But beyond the benefits enjoyed by its customers, the industry also contributes a huge amount to the national economy, as outlined in this report.

In total, we calculate the vehicle leasing and rental industry made an annual contribution to the UK economy of £49.0 billion in 2017. In other words, three percent of all economic activity in the UK that year could be traced in some way to the leasing and rental of vehicles.

We also find that 465,900 jobs were supported across the UK by the industry in 2017—significantly more than the 451,000 people who were employed in the city of Glasgow that year. Nationally, this means that one in every 75 jobs could be attributed to some aspect of the vehicle leasing and rental industry, which is also calculated to have generated £7.6 billion in taxation in 2017—£114 for every UK resident.

Fig. 1: Economic contribution of the leasing and rental industry to the UK, 2017



Source: Oxford Economics

465,900

Total jobs supported by every aspect of the industry's activity in 2017.

Vehicle leasing and rentals made these contributions through a combination of the industry's own, day-to-day operations (its "core channels of impact"), and its wider impacts on vehicle manufacturing and distribution across the UK. The contributions of its day-to-day operations break down as follows:

(1) In 2017, firms in the industry earned £37.3 billion in revenue from full-service leasing and rental activities. As a result of this turnover, the industry is calculated to have directly contributed £23.9 billion to the UK economy, employed 52,700 people, and paid £1.1 billion in taxes to the Exchequer.

(2) The industry supported further activity by purchasing £11.7 billion-worth of goods and services from other businesses based in the UK, stimulating activity amongst these firms and, in turn, their suppliers. This "supply chain impact" contributed a further £10.3 billion to the UK economy in 2017, supporting 187,100 jobs and raising £2.5 billion in taxation.

(3) Firms in the industry pay wages to their employees, and so do their suppliers. As the 239,800 people thus employed in 2017 spent these wages, activity was generated across the wider economy. This "induced" impact is estimated to have contributed £6.1 billion to the UK economy in 2017, supported 94,400 jobs, and generated £1.7 billion in taxes.

In total, the UK's vehicle leasing and rental industry contributed £40.3 billion to the UK economy in 2017 through these three core channels of impact—2.4 percent of the UK's total annual GDP. This means that, for every £100 the industry directly contributed to GDP, a further £68 was created elsewhere in the UK, due to supply chain linkages and employee spending. The number of "core" jobs supported—334,200—exceeded the amount of people employed in the city of Bristol in 2017; for every 100 people employed directly in the industry, a further 530 were employed elsewhere. The £5.3 billion of tax receipts generated equated to £81 for every UK resident.

£40.3 billion

Contribution to UK GDP by the industry's "core channels of impact" in 2017.

This supported 334,200 jobs.

131,700

Total number of jobs supported by the industry's "wider impacts" in 2017.

This equates to a contribution to GDP of £8.7 billion.

WIDER IMPACTS OF THE INDUSTRY

However, the economic contribution of the vehicle leasing and rental industry stretches beyond its core channels of impact. These wider contributions (which are added to the core impacts to give our total annual contribution figures) break down as follows:

(1) In 2017, the industry purchased some 304,300 UK-assembled vehicles. This represent 17 percent of all vehicles produced in the UK that year, or 83 percent of all vehicles produced in the UK sold to domestic customers. The £5.4 billion spent by the industry on these vehicles is estimated to have made an annual contribution of £4.5 billion to the UK economy, taking knock-on impacts into account. This was sufficient to sustain 66,100 jobs and raise £1.1 billion in tax payments.

(2) A further 418,900 vehicles purchased by the industry (or 23 percent of total) were assembled overseas, but contained UK-made engines. The purchase of these vehicles contributed £0.8 billion to UK GDP in 2017, supporting 12,000 jobs and generating £0.2 billion in tax receipts for the UK government.

(3) In addition, the industry's purchases of new vehicles—imported as well as UK-made—supports activity and employment in the UK dealerships that handle the transactions. In 2017, the industry spent £30.9 billion on new vehicles, and this expenditure is estimated to have contributed a further £1.6 billion to the UK economy, supporting 25,400 jobs and generating £0.4 billion in tax revenues.

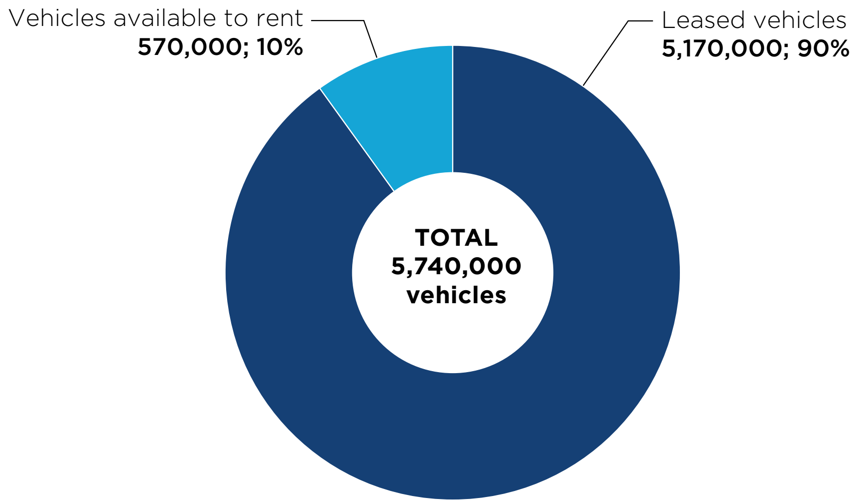
(4) The final impact stems from the industry's disposal of vehicles at the end of their commercial lives—an estimated 1.4 million vehicles in 2017, equivalent to a quarter of the industry's entire fleet. These disposed vehicles enter the used-vehicle market (accounting for 18 percent of all used vehicle transactions in 2017) and support activity at the UK's used-vehicle auctions and dealerships. In total, sales of used vehicles originating in the UK's full-service vehicle leasing and rental industry are calculated to have contributed £1.7 billion to the UK's GDP that year, supporting 28,200 jobs and generating £0.5 billion in tax receipts.

1. INTRODUCTION

With 5.7 million vehicles, the UK's leasing and rental industry accounted for 15 percent of all vehicles on the UK's roads in 2017.[1] Some 27 vehicles in every 200 were leased, with a further three rented by the firms in the industry. The British Vehicle Rental and Leasing Association (BVRLA) trade body represents many of the firms offering vehicle leasing and rental services. In 2017, its 931 members had 4.4 million vehicles on lease—84 percent of the UK total—and 470,000 vehicles available for rental, some 82 percent of the total.

The high proportion of UK vehicles operated by the industry demonstrates the important service that it provides to both individuals and businesses. Leasing can enable private customers to overcome financial barriers to vehicle access, while rental can help provide transport solutions in the short-term. Businesses can utilise lease agreements to use vehicles without the need to post collateral, or to handle the myriad of housekeeping issues associated with operating a vehicle fleet. Small and medium-sized enterprises in particular can benefit from the additional services offered by full-service leasing agreements.

Fig. 2: Breakdown of industry vehicles by type of contract in 2017



Source: BVRLA, Oxford Economics

But the industry's impact on the UK extends beyond the benefits enjoyed by its customers. As they supply services to their clients, the UK's vehicle rental and leasing firms generate economic activity, support employment and raise tax revenues. Equally, their spending with their supply chain, and their employees' wage-funded consumer spending, stimulates activity elsewhere in the economy.

This report seeks to quantify these impacts across the UK in 2017. The economic contribution the industry makes through its own activities, through its day-to-day spending with UK suppliers, and through the wage-induced spending of employees, is explored in Chapter 2. Chapter 3 then analyses the wider impact of the industry's purchases and disposals of vehicles. Chapter 4 looks at the impact of the industry across the UK's nations and regions. Chapter 5 highlights some additional benefits for society ('catalytic' impacts) which cannot be quantified in monetary terms. Chapter 6 concludes, while an appendix provides further details on the methodology used in the study.

[1] Total licensed vehicles from Department for Transport, *Vehicle licensing statistics: 2017*, 2018. Leased and rental vehicles are scaled up from data on the BVRLA member fleet, based on estimates that the BVRLA share of the market is 84 percent for leased vehicles and 82 percent for rental vehicles.

BVRLA SURVEY 2018

A survey of BVRLA member companies represented on its board formed a crucial input into this study by providing key insights into the characteristics of the industry in 2017. The survey asked respondent companies to provide information on financial performance, procurement, fleet size, acquisitions and disposals in that year.

Thirteen companies provided data on their fleets. These companies reported having 1.8 million vehicles, including cars, vans, and trucks.

Six companies responded to the financial part of the survey. These had a combined fleet of nearly 1.4 million vehicles, or 24 percent of the total industry. Three were solely engaged in leasing activities, while the other three operated rental fleets. Cars accounted for 65 percent of these companies' vehicles, and light commercial vehicles for most of the remainder.

The financial and fleet surveys, combined with financial accounts from Companies House, enabled Oxford Economics to estimate the economic contribution of the total industry. We did so by scaling up the financial figures for the companies with data available, to the total for the BVRLA, and from there to the industry, based on fleet size.[2]

[2] BVRLA, *BVRLA membership grows in 2017*, 2018, and BVRLA members' market share as estimated by the BVRLA.

2. THE CORE IMPACT OF VEHICLE LEASING AND RENTAL ACTIVITY IN THE UK

The vehicle leasing and rental industry stimulates economic activity in the UK through its own activity, and through its procurement of inputs of goods and services from UK-based suppliers. The wages and salaries paid by the industry, and by its supply chain, generate additional activity by supporting the consumer spending of those working in these fields. The contribution to gross value added, jobs and taxes, made by each of these three channels of impact, can be estimated using a standard economic impact assessment.

This chapter first describes the principles involved in carrying out such an assessment. It then sets out the estimated contribution of the vehicle leasing and rental industry to the UK economy. This contribution is estimated by using the survey of BVRLA members, and other datasets, to gauge the industry's own GDP, jobs and tax payments, and its procurement and wage payments. The values for procurement and wage payments are then fed into a standard economic impact assessment model, to work out the value of supply chain and employee spending effects.

2.1 MEASURING ECONOMIC IMPACT

This study employs a standard economic impact assessment framework and considers three channels by which the industry impacts on the UK economy (Fig. 3). These are:

- The direct effect, representing the activity generated by all businesses active in the vehicle leasing and rental industry.
- The indirect effect, capturing the impact on the activity of UK-based suppliers of the industry's day-to-day purchases of goods and services (i.e. excluding vehicle purchases and other capital outlays).
- The induced effect, which encapsulates the activity created across the wider economy, as people employed in the industry and in its supply chain spend their wages on consumer goods and services.

The scale of the industry's impact is measured using three metrics:

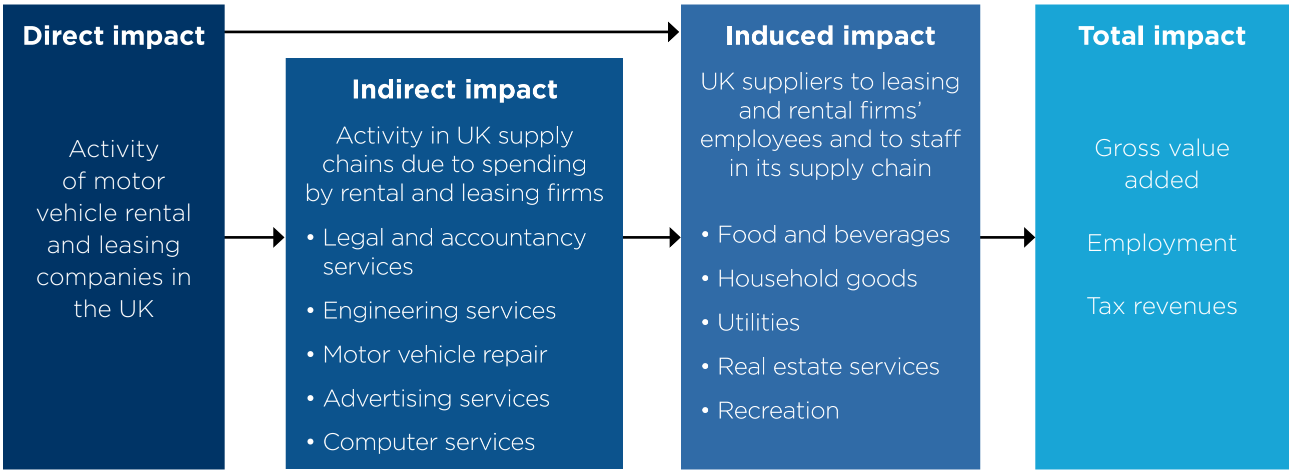
(1) The contribution made by the industry to the nation's gross domestic product (GDP). This is technically termed the industry's gross value added, or GVA.[3]

(2) Employment. This is measured in terms of headcount rather than on a full-time equivalent basis, to enable comparisons to be made with the Office for National Statistics (ONS) employment statistics.

(3) Tax receipts, including all of those paid on employment income, on business profits, property and purchases, and on sales to consumers.

[3] An industry's gross value added is measured at the 'basic price' received by the producer, excluding sales taxes such as VAT, and is the sum of its employment costs, capital costs, and net profits. In most cases this value will be very similar to sales revenues minus purchases of goods and services from other sectors. At the national level, the 'headline' measure of net output—GDP—is valued at the 'market price' paid by the purchaser, including sales taxes.

Fig. 3: The channels of economic impact



2.2 DIRECT IMPACT OF THE VEHICLE LEASING AND RENTAL INDUSTRY

The industry earned an estimated £37.3 billion in turnover through its leasing and rental activities in 2017 (Fig. 4). Leasing of vehicles provided the most business for the industry, accounting for 85 percent of the its revenue. Cars were the biggest earner compared to other vehicle types, with customers leasing or renting cars delivering 66 percent of total revenue.

From its turnover, the industry generated £23.9 billion in gross value added for the UK economy. The industry's reliance on rapidly-depreciating capital goods to deliver its services means that it experiences rates of depreciation far higher than found in other, less capital-intensive industries. As the revenues required just to offset capital depreciation form part of the industry's gross value added, the proportion of industry turnover accounted for by value added (64 percent) is far higher than the average for the UK non-financial business sector (34 percent).[4]

Placed in a wider context, the vehicle leasing and rental industry makes a significant direct contribution to UK GDP. The value added it creates is greater than that of food product manufacturers, insurance and pension funding, and manufacturers of basic metals and metal products (Fig. 5). It is not that far short of the value added produced by the civil engineering sector.

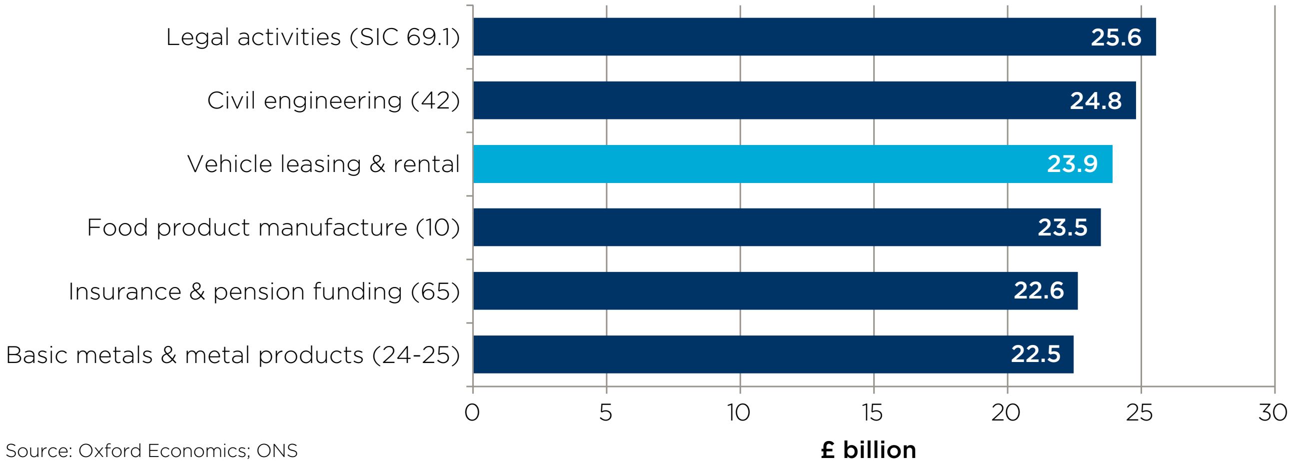
Fig. 4: Key metrics of the vehicle leasing and rental industry in 2017

Indicator	Value
Turnover (£ million)	37,278
Gross value added (£ million)	23,929
Jobs	52,700
Wages and salaries (£ million)	1,377
Bought-in goods and services (£ million)	13,621
Of which, from UK suppliers	86%
Taxes paid, £ million	1,097

Source: Oxford Economics

[4] ONS, *Annual Business Survey: UK non-financial business economy, 2016 revised results*, 18 May 2018.

Fig. 5: Gross value added in the vehicle leasing and rental industry compared to other industries in the UK in 2017

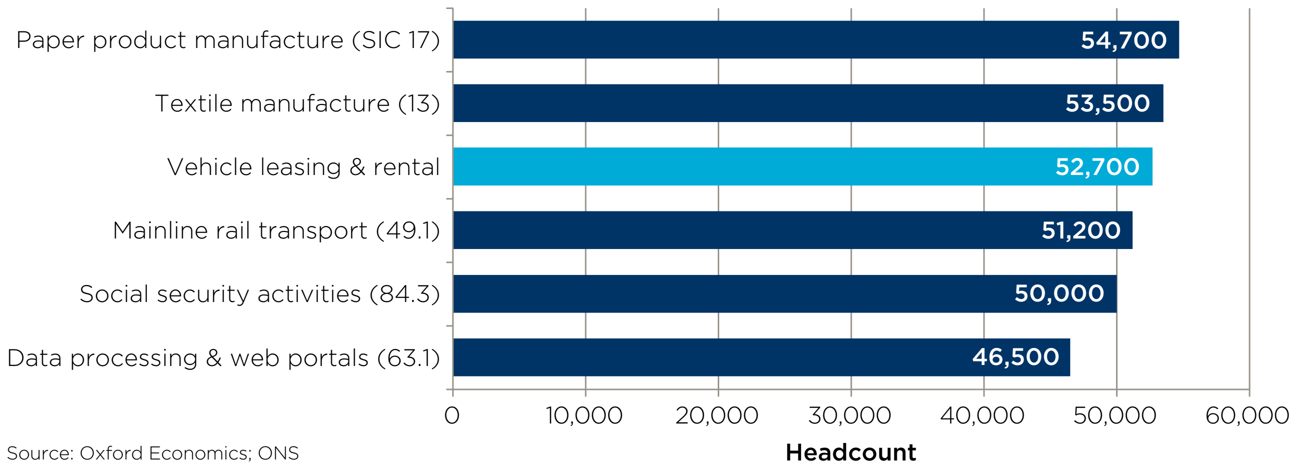


Source: Oxford Economics; ONS

It is estimated that the vehicle leasing and rental industry directly employed 52,700 people to deliver its services in 2017 (Fig. 6). This makes it a larger employer than the UK's mainline rail transport services sector, with its job headcount not far short of that in the textile manufacturing sector.[5]

Furthermore, it is estimated that businesses in the industry, and its employees, paid a total of £1.1 billion in taxes to the Exchequer in 2017. This comprised £0.5 billion in corporation tax, £0.2 billion in employers' national insurance contributions, £0.3 billion in employees' income tax, and £0.1 billion in employees' national insurance contributions.

Fig. 6: Employment in the vehicle leasing and rental industry compared to other industries in the UK in 2017



Source: Oxford Economics; ONS

[5] The comparison is with jobs in the latest ONS Business Register Employment Survey. This relates to 2016. It includes all employee jobs and working proprietors in registered firms, but excludes other self-employed work.

2.3 THE SUPPLY CHAIN IMPACT OF THE VEHICLE LEASING AND RENTAL INDUSTRY

While sizable, the direct contribution of the vehicle leasing and rental industry is only part of the industry's full impact on the UK's economy. Its procurement of goods and services from other firms stimulates activity in those businesses, and in their supply chains in turn. When the industry's suppliers are based in the UK, this supports UK GDP, employment and tax receipts.

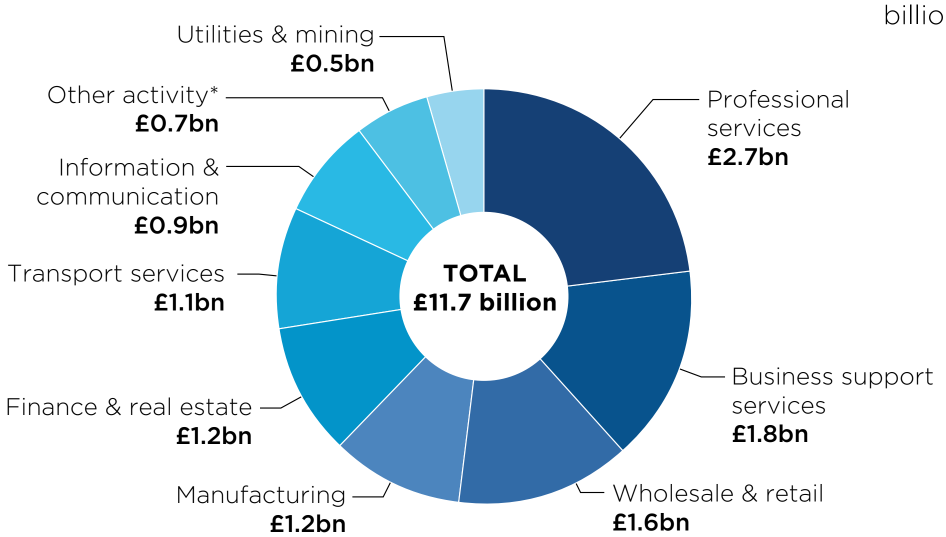
It is estimated that the industry spent £13.6 billion on inputs of goods and services—excluding purchases of vehicles and other capital outlays—in 2017. A clear majority of these purchases were domestically sourced, with survey respondents indicating that 86 percent of spending on brought-in goods and services were sourced from UK-based suppliers.

A wide range of UK-based industries supply the vehicle leasing and rental industry. But some 23 percent of purchases by value are from professional services firms (e.g. legal and accountancy work, consultancy and advertising), with 15 percent from business support service providers (e.g. cleaning, security, and employment agencies), and 14 percent from firms classified to the retail, wholesale and motor trades sector (which includes vehicle repair and servicing (Fig. 7)). Some 9 percent of expenditure is on information and communication services, reflecting the industry's growing use of IT and digital services.

These purchases create value added, support employment and generate tax receipts in the firms supplying the industry. Activity is also supported in the firms supplying those immediate suppliers, and so on down the supply chain. These inter-linkages between firms are mapped by the 'input-output tables' produced for the UK by the ONS.[6] These enable the entire UK-based supply chain of the vehicle leasing and rental industry to be traced, and the indirect activity supported by the industry to be gauged.

Following this approach, it is estimated that the industry's procurement of inputs of goods and services supported an indirect gross value added contribution to GDP of £10.3 billion in 2017. This is estimated to have supported 187,100 jobs throughout the UK, and to have raised £2.5 billion in tax receipts.

Fig. 7: Purchases of inputs of goods and services from UK suppliers in 2017



Source: Oxford Economics *Construction, personal & community services, catering & agriculture.

[6] ONS, *United Kingdom input-output analytical tables, 2014*, 2 March 2018.

2.4 THE IMPACT OF WAGE-FINANCED SPENDING

In total, almost 240,000 people were directly or indirectly employed by the vehicle leasing and rental industry in 2017. The £7.3 billion these individuals earned in wages and salaries supported spending across a basket of consumer goods and services.

In addition to mapping supply chains across the country, input-output tables also show the spending profile of UK households. This enables the economic impact of wage-financed consumer spending to be mapped. In other words, the tables show how the spending employees undertake, for example at leisure and retail outlets, flows through to the rest of the economy. This allows the induced value added, employment and tax impacts of the industry to be estimated.

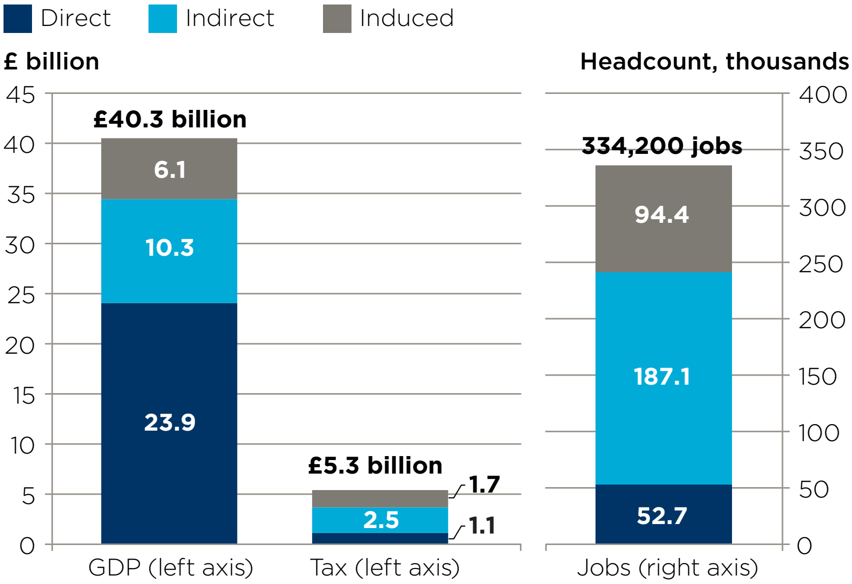
The wage-financed expenditure supported by vehicle leasing and rental companies, including that of their own staff, and that of workers in their supply chain, supported a £6.1 billion gross value added contribution to GDP in 2017. This would have been sufficient to sustain a further 94,400 UK jobs, and to have delivered £1.7 billion in tax receipts to the Exchequer.

2.5 THE VEHICLE LEASING AND RENTAL INDUSTRY'S CORE ECONOMIC CONTRIBUTION

Across its direct, indirect, and induced channels, the vehicle leasing and rental industry is estimated to have made a gross value added contribution to UK GDP of £40.3 billion in 2017 (Fig. 8). To place this in context, this is equivalent to 2.4 percent of UK GDP. In other words, £1 in every £40 of UK GDP is in some way dependent on the day-to-day activities of vehicle leasing and rental businesses. For every £100 that the industry itself contributed to the economy in value added, £68 was created elsewhere in the economy due to supply chain linkages and employee spending effects. The industry is therefore said to have a GDP 'multiplier' of 1.68.

Including direct, indirect, and induced impacts, the vehicle leasing and rental industry is estimated to have supported 334,200 jobs in the UK in 2017. This equated to one job in every 105 in the UK, and was over 10 percent more than total employment across the city of Bristol. The industry had an employment multiplier of 6.3, meaning that for every 100 jobs in the industry itself, a further 530 were supported elsewhere in the UK economy. Finally, across all three channels of impact, the industry supported an estimated £5.3 billion in tax receipts, equivalent to £81 for every person in the UK.

Fig. 8: The core contribution of the vehicle leasing and rental industry to the UK economy in 2017



Source: Oxford Economics

3. THE WIDER IMPACT OF LEASING AND RENTALS VIA VEHICLE MANUFACTURE AND DISTRIBUTION

The economic contribution of the leasing and rental industry stretches beyond the core impact described in the previous chapter. Every year the industry makes significant purchases of vehicles, but as these capital purchases lie outside of the standard economic impact assessment framework, they are not included in its core impact. However, these purchases have a substantial impact on the UK economy, even where the vehicles are not made in the country. Equally, when vehicles reach the end of their useful life for the industry, their disposal generates further activity in the UK.

This chapter analyses four additional types of economic contribution made by the UK vehicle leasing and rental industry. In each case the impact is quantified in terms of the gross value added contribution to GDP, employment, and tax receipts.

3.1 UK-ASSEMBLED VEHICLES

The leasing and rental industry purchases a significant number of vehicles each year in order to maintain the quality of its fleet. It is estimated that the industry spent more than £30 billion on the purchase of over 1.8 million vehicles in 2017. Cars dominated this acquisition, accounting for 88 percent of units purchased, and 87 percent of the value.

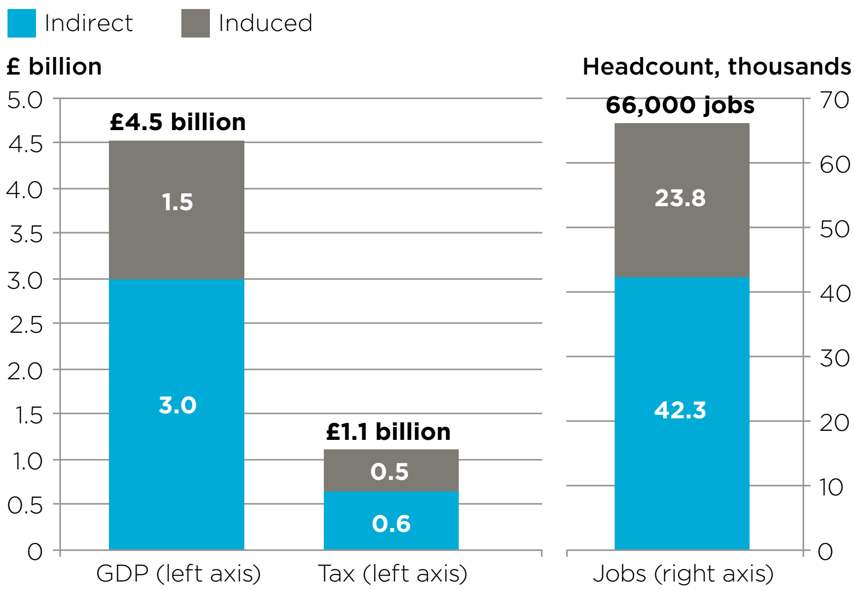
UK-assembled vehicles are popular, accounting for 17 percent of all purchases. As such, the industry is an important customer for the UK's motor industry: the 304,000 UK-assembled vehicles purchased by the industry represented 17 percent of all vehicles assembled in the country in 2017.[7] They comprise 83 percent of all vehicles assembled in the UK sold to domestic customers.

By purchasing UK-made vehicles, the vehicle leasing and rental industry supports activity in the UK's motor vehicle manufacturing industry. This generates value added, sustains employment and raises tax revenues not only in the industry itself, but also in the domestic supply chain from which the motor vehicle industry purchases inputs. Employees in the vehicle manufacturing industry itself, and throughout its supply chain, will also spend their wages on goods and services, adding to the upstream economic impact of the industry's vehicle purchases.

In 2017, the vehicle leasing and rental industry spent an estimated £5.4 billion on new UK-made vehicles. This created over £2.9 billion in gross value added for the UK vehicle manufacturers supplying the rental and leasing industry, and for their UK-based suppliers. In addition, the resulting wage-funded spending by staff working in those industries supported a further £1.5 billion of value added across the wider economy—taking the total gross value added impact of new UK-made car purchases to £4.5 billion (Fig. 9).

[7] SMMT, *Motor industry facts 2018*, May 2018.

Fig. 9: The impact of purchases of UK-made vehicles in the UK in 2017



Source: Oxford Economics

The associated number of jobs can be put at around 66,000. Many of the vehicle manufacturing jobs will have been located at major plants such as at Ellesmere Port, Sunderland, Oxford, and Swindon.[8] However, jobs further along the supply chain will be more diversely spread across the UK.

This activity supported tax receipts worth around £1.1 billion to the Exchequer.

3.2 UK-MADE ENGINES IN IMPORTED VEHICLES

The impact on the UK motor industry of the leasing and rental firms' purchase of vehicles is not limited to just those made domestically, as the UK is a major manufacturer of vehicle parts, particularly engines.[9] In 2017, 2.8 million engines were manufactured in the UK. Many of these will have been exported, but then incorporated into cars exported back to the UK. We estimate that nearly 418,900 such vehicles were purchased by the UK leasing and rental industry during that year.

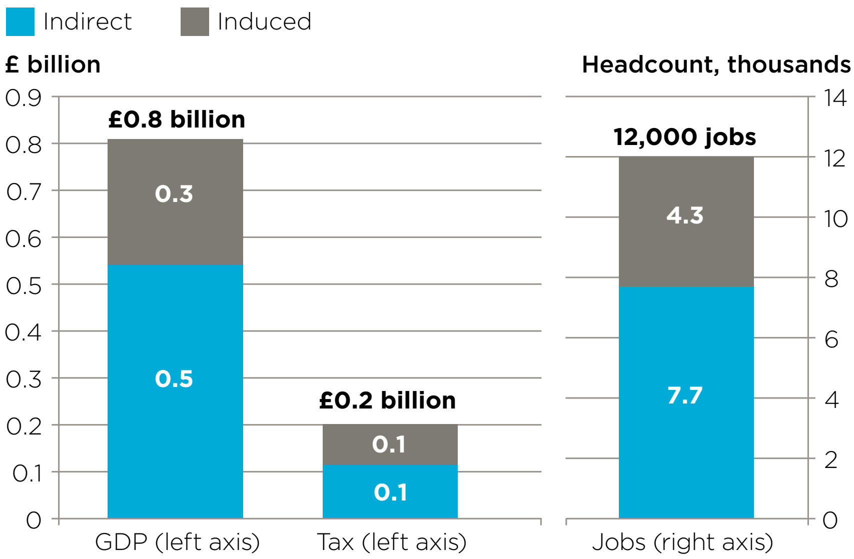
The purchase of these vehicles creates economic activity at the UK engine plants, such as at Bridgend and Dagenham in the case of Ford engines, and Hams Hall in the case of BMW. This UK manufacturing activity also supports further indirect activity, along the rest of the UK-based supply chain, and an induced effect through the wages of employees in both engine manufacturers and their suppliers.

The purchase of imported vehicles with UK-made engines is estimated to have supported a £0.8 billion gross value-added contribution to GDP, 12,000 jobs, and £0.2 billion in tax receipts in 2017 (Fig. 10).

[8] The locations of where various vehicles are made are sourced from Society of Motor Manufacturers and Traders, *SMMT motor industry facts 2018*, 2018.

[9] UK manufacturers of other parts used by foreign vehicle assembly operations will also benefit. But it has not been possible to quantify the scale of these impacts due to the lack of data.

Fig. 10: The impact of purchases of imported vehicles with UK-made engines in the UK in 2017



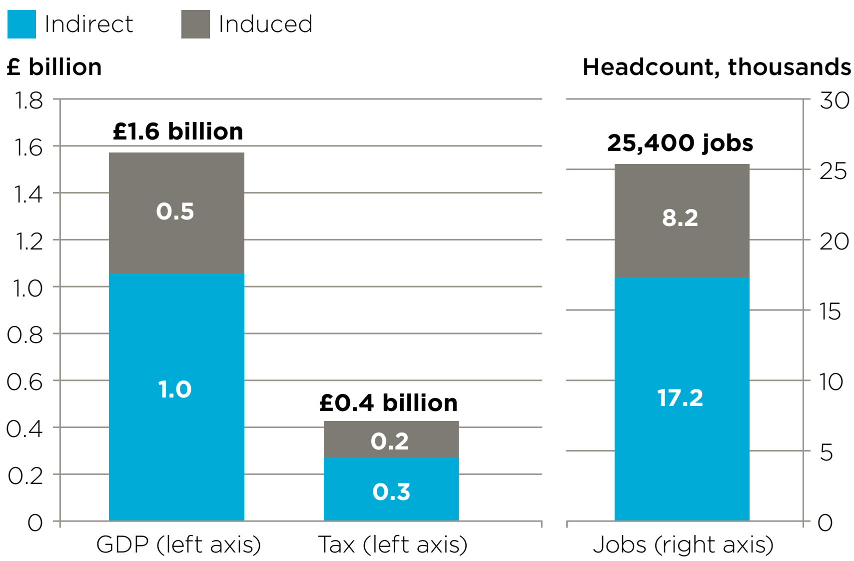
Source: Oxford Economics

3.3 DEALERSHIPS' SALES OF NEW VEHICLES

The vehicle leasing and rental industry's purchases of new vehicles—imported as well as UK-made—supports activity at UK-based dealerships. In 2017, the industry spent £30.9 billion on new vehicles in total.

This expenditure would have generated economic activity and employment at UK-based dealers in new cars, and amongst their suppliers in turn, with a consequent wage-funded staff spending impact. In total, these effects are estimated to have supported £1.6 billion in gross value added, 25,400 jobs, and £0.4 billion in tax receipts for the UK Government, in 2017 (Fig. 11).

Fig. 11: The impact on UK car dealerships of purchases of new imported and UK-made vehicles in 2017



Source: Oxford Economics

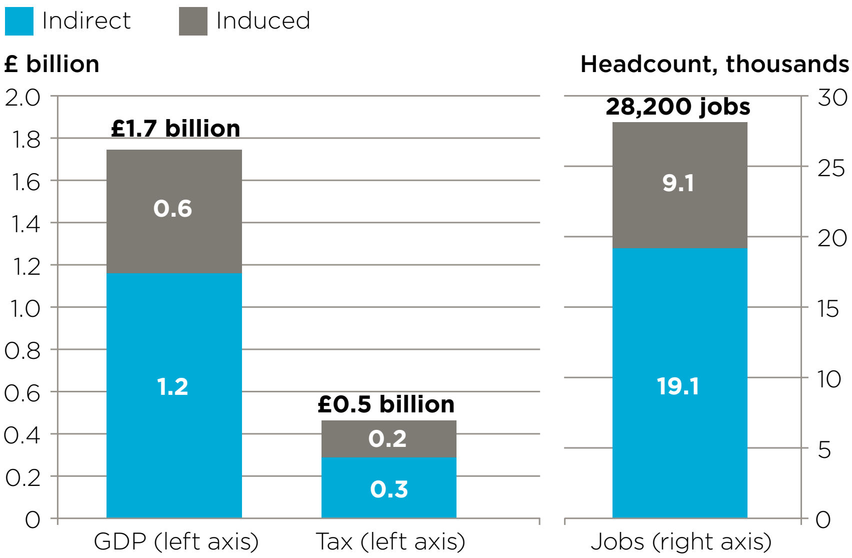
3.4 AUCTIONEERS' AND DEALERSHIPS' SALES OF USED VEHICLES

The leasing and rental industry regularly refreshes its fleet to ensure that its vehicles represent the highest quality and fuel efficiency available. It is estimated to have replenished 25 percent of its fleet in 2017. This high level of vehicle churn means that the industry is a major supplier of vehicles into the UK's used vehicle market through used-car dealers and car auctioneers. There were some 8.1 million used car sales in the UK in 2017.[10] So the 1.4 million cars disposed of by the industry represent 18 percent of this total.

By channelling disposals into the used vehicle market, the industry increases the availability of vehicles for UK consumers. Also, by providing that market with relatively new ex-rental vehicles, incorporating improved fuel efficiency and environmental standards, and with well-maintained but slightly older ex-leased vehicles, it helps to raise the overall quality of used vehicles available.

The sale of these vehicles also supports economic activity for auctioneers and car dealerships selling used vehicle, and their supply chains. Taking into account wage-funded employee spending too, sales of used vehicles originating from the vehicle leasing and rental industry supported an estimated £1.7 billion gross value added contribution to UK GDP in 2017. This was associated with 28,200 jobs and £469 million in tax receipts (Fig. 12).

Fig. 12: The impact on auctioneers and car dealerships from selling ex-lease and ex-rental vehicles in UK in 2017



Source: Oxford Economics

[10] Society of Motor Manufacturers and Traders, *UK used car market stays strong in 2017*, February 2018.

4. REGIONAL ECONOMIC IMPACTS

4.1 WHERE DOES THE INDUSTRY HAVE THE GREATEST ECONOMIC IMPACT?

The motor vehicle leasing and rental industry operates across the length and breadth of the UK. But the economic contribution made by its own operations, its expenditure, and the impact it has on motor vehicle manufacturing and dealerships is not evenly spread across the country.

The motor vehicle leasing and rental industry (including the activity it supports in motor vehicle manufacturing and dealerships) supported the largest gross value added contribution to GDP in the South East at £6.7 billion or 13.7 percent of the total (Fig. 13). The contribution made to the North West (at £6.7 billion or 13.6 percent) and London (at £5.5 billion at 11.3 percent) rank second and third in scale.

Relative to the size of the economy in each of the countries and nine English regions, the industry made the largest relative contribution in the North East and Northern Ireland. It supports 4.8 percent of the North East's GDP. This compares to 4.2 percent in Northern Ireland.

Fig. 13: The gross value-added contribution supported by the motor vehicle leasing and rental industry in 2017, by region

Region/country	Gross value added supported by the industry (£ billion)	Region's share of the gross value added supported (%)	Total gross value added (£ billion)	Industry supported gross value added as a share of total (%)
South East	6.7	13.7%	247	2.7%
North West	6.7	13.6%	159	4.2%
London	5.5	11.3%	391	1.4%
West Midlands	5.3	10.7%	122	4.3%
South West	4.7	9.6%	122	3.9%
East of England	3.8	7.8%	140	2.7%
East Midlands	3.6	7.4%	96	3.8%
Yorkshire and The Humber	3.5	7.2%	106	3.3%
Scotland	3.1	6.3%	127	2.4%
North East	2.5	5.2%	48	5.3%
Wales	1.9	3.9%	57	3.4%
Northern Ireland	1.6	3.3%	35	4.5%
UK	**49.0**	**100%**	**1,649**	**3.0%**

Source: Oxford Economics, ONS Annual Business Survey

The motor vehicle leasing and rental industry (including the jobs it supports in motor vehicle manufacturing and dealership) supports the most employment in the West Midlands and the North West. In 2017, some 55,100 or 11.8 percent and 53,800 people's jobs or 11.5 percent were dependent on the industry in the West Midlands and the North West (Fig. 14). It had the next greatest employment impact on the South East and the South West.

By contrast, the industry's employment is most important to the North East and Northern Ireland. The 36,500 and 23,000 workers employed by the motor vehicle leasing and rental industry or supported by its expenditure, made up 3.3 percent and 2.8 percent of total employment in the region and country, respectively.

Fig. 14: The employment supported by the motor vehicle leasing and rental industry in 2017, by region

Region/country	Employment supported by the leasing and rental industry (people)	Region's share of the employment supported (%)	Total employment (000s)	Industry supported employment as a share of total (%)
West Midlands	55,100	11.8%	2,690	2.0%
North West	53,800	11.5%	3,373	1.6%
South East	46,700	10.0%	4,342	1.1%
South West	41,100	8.8%	2,576	1.6%
East Midlands	39,300	8.4%	2,202	1.8%
East of England	38,800	8.3%	2,816	1.4%
Yorkshire and The Humber	37,400	8.0%	2,394	1.6%
North East	36,500	7.8%	1,091	3.3%
London	36,400	7.8%	5,221	0.7%
Scotland	29,800	6.4%	2,650	1.1%
Wales	27,900	6.0%	1,384	2.0%
Northern Ireland	23,000	4.9%	812	2.8%
UK	465,800	100%	31,549	1.5%

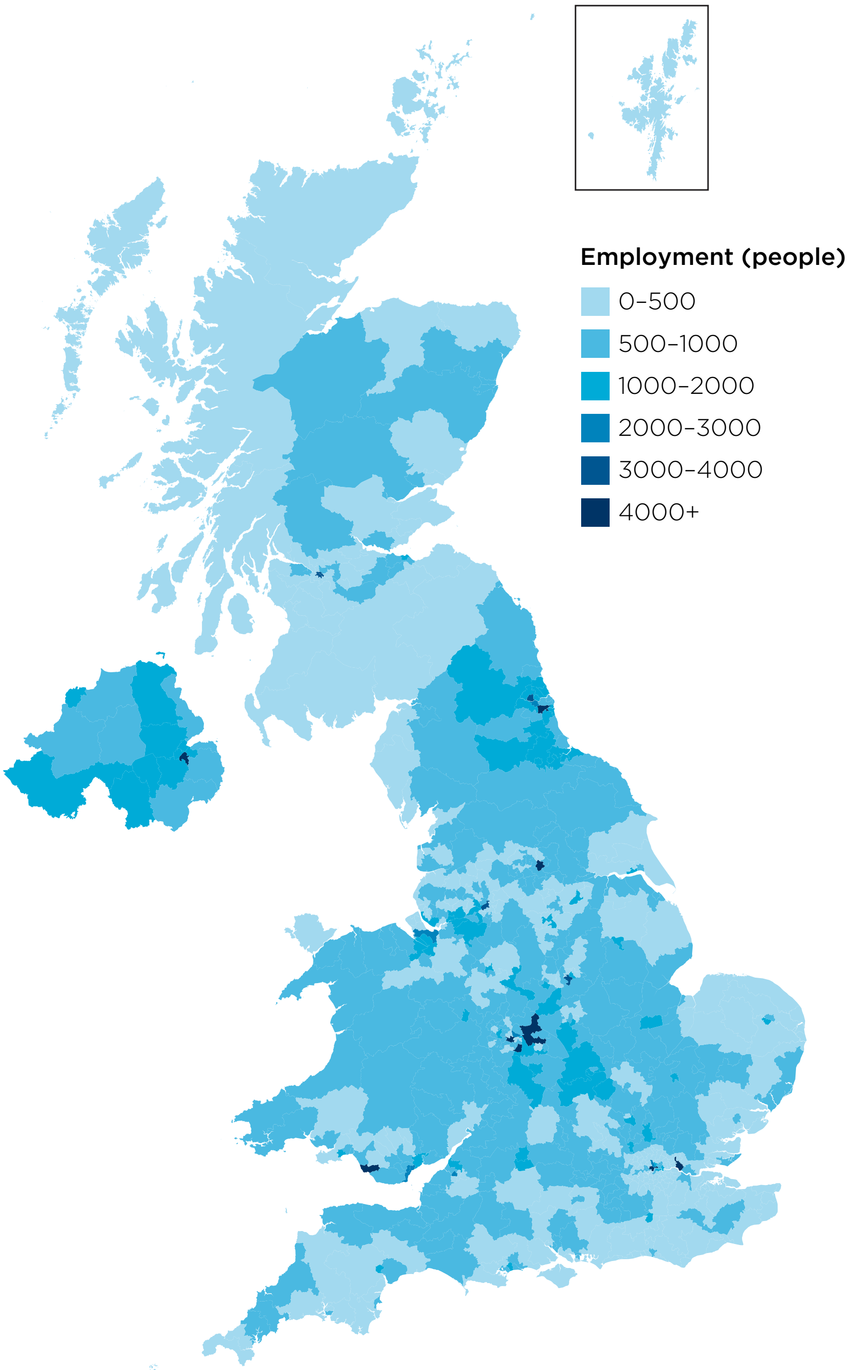
Source: Oxford Economics, ONS Business Register and Employment Survey

4.2 WHICH PARLIAMENTARY CONSTITUENCIES DOES THE INDUSTRY MAKE THE GREATEST ECONOMIC CONTRIBUTION TO?

The heatmap shown in Fig. 15 shows how the employment supported by the leasing and rental industry (including the jobs it supports in motor vehicle manufacturing and dealership) by parliamentary constituency. It is evident the industry impacts constituencies across the UK.

It is estimated the constituencies on which the industry has the largest employment impacts are those that contain the major vehicle manufacturing and engine plants. The impacts of the industry's purchases of new domestically-produced cars are centred on relatively few sites. In contrast, the industry itself and the dealerships, their supply chains, and wage consumption impacts are far more broadly spread across the UK.

Fig. 15: Heatmap of the industry's employment impact on parliamentary constituencies



5. WIDER CATALYTIC BENEFITS

There are a number of benefits to leasing that cannot be quantified in the context of gross value added, employment and tax contributions, but which are nonetheless important for the industry's clients, and for the wider UK economy.

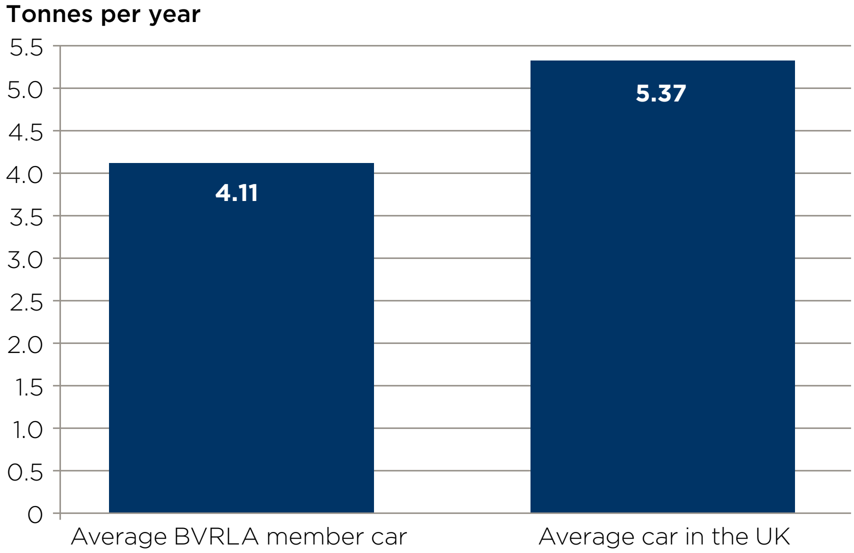
5.1 ADDITIONAL TAX RECEIPTS

The industry's clients purchase fuel for their vehicles, generating significant tax revenues in the form of fuel duty and VAT. The average annual mileage of a leased or rented car in 2017 was approximately 14,600 miles. Using the fuel efficiency of the industry's vehicle stock it is possible to estimate that the industry's clients spent an estimated £8.3 billion on fuel in 2017. Some £5.9 billion of this was comprised of tax revenues; £5.0 billion in fuel duty, and £836 million in VAT.

5.2 LOWER CO_2 EMISSIONS

With around a quarter of BVRLA members' cars replenished each year, the typical member car is almost certain to be newer than the average car in use on the UK's roads. And that will have a positive environmental impact, as new cars emit less carbon dioxide than the average car in use. According to the SMMT, the average car in use on the UK's roads emitted 149.6 grammes of CO_2 per kilometre (g/km) in 2016, whereas the average new car emitted 120.1 g/km in that year, and 121.0 g/km in 2017.[11]

Fig. 16: Annual CO2 emissions of the average BVRLA member car, and the average UK car, driven 22,300 miles per year



Source: Oxford Economics, BVRLA member survey, SMMT

[11] SMMT, *New car CO_2 report 2018.*

For BVRLA member cars specifically, we estimate that CO_2 emissions averaged 114.6 g/km for all cars, in 2017. Taking into account average annual mileage, also reported by some survey respondents, we estimate the average annual CO_2 emissions of BVRLA member cars to be 4.11 tonnes. By contrast, an average UK car emitting 149.6 g/km would produce 5.37 tonnes of CO_2 annually, if it were driven the same number of miles—22,300—as the average BVRLA member car. The average BVRLA car therefore emits 23 percent less CO_2 than the average UK car, thanks to the practice of regularly renewing the fleet.

5.3 OTHER BENEFITS

The opportunity to lease and rent vehicles provides firms with the ability to access modern, fuel-efficient vehicles, without the strain of up-front capital outlays. It also gives them some certainty about their costs going forward. These benefits can be particularly important for small and medium-sized enterprises.

The practice also allows firms to focus on their core business activities. Paying a specialist to take care of 'housekeeping' issues, like insurance and vehicle maintenance, reduces the time that companies are required to dedicate to these issues. This enables them to better focus their resources on their core competences, enabling an improvement in productivity performance.

Leasing also provides benefits to private customers. Credit-constrained households may be unable to afford to purchase vehicles outright, leaving them with limited access to private transport. And in some circumstances, the lack regular, unimpeded access to a car can adversely affect an individuals' employment prospects.[12] Leasing can help households to overcome these barriers, by providing affordable access to vehicles.

The leasing industry also delivers wider benefits to the UK by enhancing its capital market competitiveness.

[12] Raphael, S. and Rice, L., *Car ownership, employment, and earnings*, 2000, and Gautier, P. and Zenou, Y., *Car ownership and the labour market of ethnic minorities*, 2010.

6. TOTAL IMPACT OF VEHICLE LEASING AND RENTAL

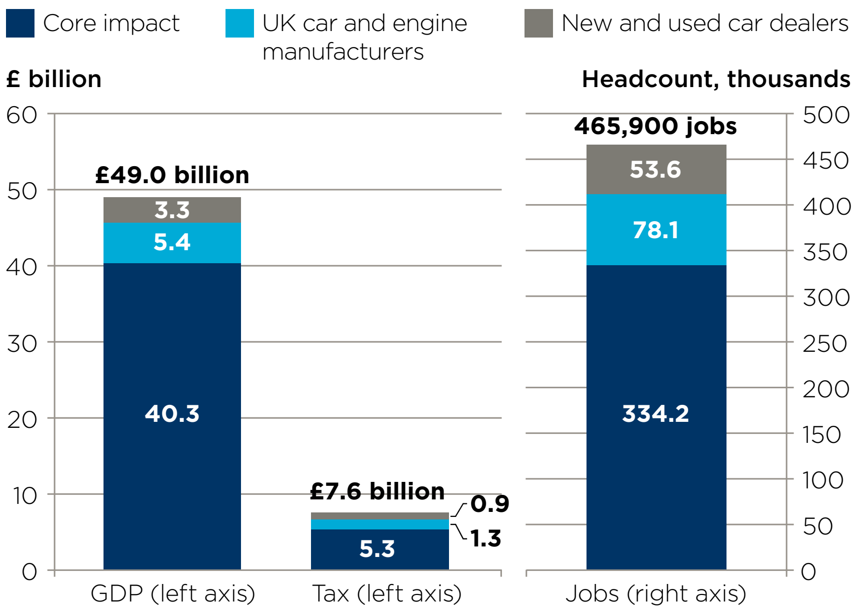
The UK's vehicle leasing and renting industry makes a significant impact on the UK economy. The industry, its supply chains, and the wage-financed spending of their employees, generated a gross value added contribution to UK GDP of £40.3 billion in 2017. This supported the jobs of some 334,200 people and raised £5.3 billion in tax receipts for the Exchequer.

When the industry's purchases and disposals of vehicles are also considered, its impact grows further still. Including these channels, in total the industry contributed an estimated £49 billion to UK GDP in 2017 (Fig. 17).

These activities are estimated to have supported 465,900 jobs in 2017, representing one job for every 75 people employed in the UK. That can be compared with, for example, the 451,000 individuals employed across the city of Glasgow. And the tax receipts collected by the Exchequer, from activities supported by the industry's presence, were equivalent to the payment of an additional £114 in tax by every UK resident—some £7.6 billion in total.

But the benefits that the UK economy derives from the leasing and renting of vehicles extend beyond those quantified above. Importantly, the services offered by the vehicle leasing and renting industry provide a means for credit-constrained businesses and households to access vehicles, increasing their productivity and ability to work, respectively. Moreover, by maintaining a fleet of modern vehicles, the industry is a key player in reducing the environmental impact of vehicles on the UK's roads.

Fig. 17: The total economic contribution of the UK's vehicle leasing and renting industry



Source: Oxford Economics

APPENDIX 1: METHODOLOGY

Methodology for capturing direct impacts

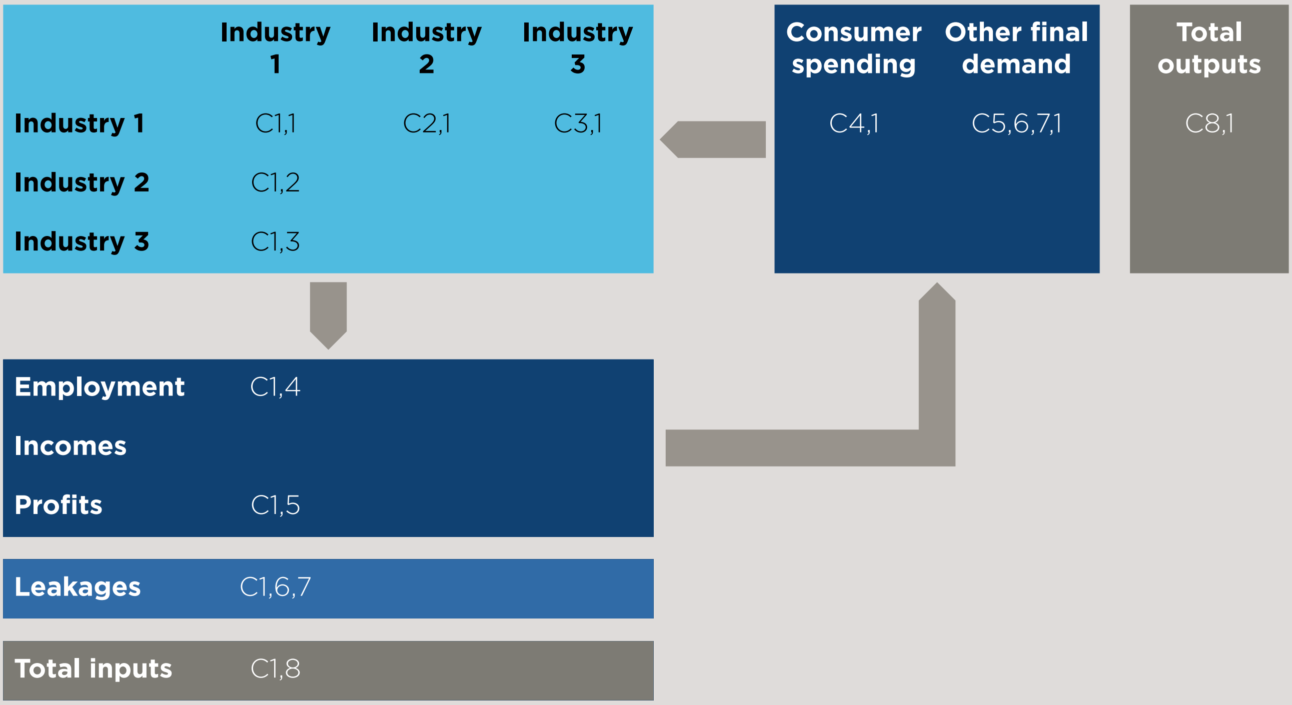
The direct impact of the UK's vehicle leasing and renting industry—including gross value added, jobs created, and taxes paid by the businesses and employees—were estimated from financial accounts from Companies House, collected for 14 companies, together with financial data provided by six BVRLA members. Together, these firms account for 32 percent of the total market by fleet size. Estimates for the total industry were obtained by scaling up for the missing percentage, using fleet size.

Methodology for capturing indirect, induced, distribution and manufacturing impacts

To estimate the indirect, induced, and catalytic impacts of the vehicle leasing and rental industry, Oxford Economics utilised an input-output model of the UK economy, using the latest official UK input-output table published by the ONS.[2]

An input-output model gives a snapshot of an economy at any point in time. The model shows the major spending flows from 'final demand' (i.e. consumer spending, government spending investment and exports to the rest of the world); intermediate spending patterns (i.e. what each sector buys from every other sector – the supply chain in other words); how much of that spending stays within the economy; and the distribution of income between employment income and other income (mainly profits). In essence an input-output model is a table which shows who buys what from whom in the economy.

Fig. 18: A simple input-output model



The total value of the vehicle leasing and rental industry's purchases of goods and services, and their pattern by sector and location of supplier, was estimated by Oxford Economics taking into account data provided by the BVRLA member survey and wider economic data sources. This was fed into the model to arrive at total sales throughout the UK supply chain, by sector of supplier. The indirect gross value added contribution to GDP was worked out from there, using gross value added-to-turnover ratios for each industry. The indirect employment impact was calculated in turn from there, using gross value added-to-jobs ratios for each industry.

The induced sales figure was worked in two stages. The impact relating to spending by employees in the supply chain was worked out alongside the indirect impact, taking the vehicle leasing and rental industry's procurement as the starting point. This calculation used an extended part of the input-output model, which takes into account the pattern of UK household consumption as well as intra-industry transactions. The impact relating to spending by the leasing and rental industry's own employees was modelled separately, using estimates of their spending power—the sector wage bill net of employees' tax and national insurances—as the starting point. The two estimates of induced sales, on an industry-by-industry basis, were added together and the induced value added and jobs impacts estimated from there.

Finally, tax contributions were estimated taking into account sales, value added and employment by industrial sector, and applying various appropriate tax-to-expenditure and tax-to-income ratios, sourced from HM Customs and Excise and other official datasets.

OXFORD ECONOMICS

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on more than 200 countries, over 100 industrial sectors and 4,000 cities and locations. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Headquartered in Oxford, England, with regional centres in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington DC. We employ over 300 full-time people, including more than 200 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists. Our global team is highly skilled in a full range of research techniques and thought leadership capabilities, from econometric modelling, scenario framing, and economic impact analysis to market surveys, case studies, expert panels, and web analytics. Underpinning our in-house expertise is a contributor network of over 500 economists, analysts and journalists around the world.

Oxford Economics is a key adviser to corporate, financial and government decision-makers and thought leaders. Our worldwide client base now comprises over 1,500 international organisations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.

July 2018

The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

To discuss the report further please contact:

Pete Collings:
petecollings@oxfordeconomics.com

Oxford Economics
Broadwall House,
21 Broadwall,
London,
SE1 9PL, UK

Tel: +44 203 910 8000


KIA
L200

OXFORD ECONOMICS

Global headquarters
Oxford Economics Ltd
Abbey House
121 St Aldates
Oxford, OX1 1HB
UK
Tel: +44 (0)1865 268900

London
Broadwall House
21 Broadwall
London, SE1 9PL
UK
Tel: +44 (0)203 910 8000

New York
5 Hanover Square, 8th Floor
New York, NY 10004
USA
Tel: +1 (646) 786 1879

Singapore
6 Battery Road
#38-05
Singapore 049909
Tel: +65 6850 0110

Europe, Middle East and Africa

Oxford
London
Belfast
Frankfurt
Paris
Milan
Cape Town
Dubai

Americas

New York
Philadelphia
Mexico City
Boston
Chicago
Los Angeles
Toronto
San Francisco
Houston

Asia Pacific

Singapore
Sydney
Hong Kong
Tokyo

Email:
mailbox@oxfordeconomics.com

Website:
www.oxfordeconomics.com