

A VISION OF FLEET MANAGEMENT IN 2015

Predictions on how the fleet industry could look in the future

A Leasedrive Velo White Paper



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Our vision of fleet management in 2015

Forecasting what will happen in a year's time in the fleet industry is difficult enough, trying to forecast what will happen several years from now is tougher still. However, organisations can only improve their own performance if they are prepared to anticipate developments in order to be best positioned to meet future market requirements. That applies equally to the fleet industry as it does to the vehicle manufacturers themselves.

Following on from his successful annual predictions (page 14), Roddy Graham, commercial director at the Leasedrive Velo Group and Chairman of the Institute of Car Fleet Management, gazes into his crystal ball.

Consolidation

With some contract hire companies closing their doors to new business during the current economic climate, others losing money and some finding credit lines squeezed, there will inevitably be consolidation in the industry. And as finance houses concentrate on their core activities there may be fewer bank-owned companies.

Prediction:

Consolidation within the fleet industry is set to continue and we expect to see more changes taking place within the mid-market by 2015.

Move to fleet management specialists

We anticipate, as part of a move away from vehicle manufacturer as well as bank-owned backed contract hire companies, a steady rise in fleet management specialists.

While historically medium and large-sized organisations have bought and managed owned vehicles, they are increasingly turning to fleet outsourcing. Specialist fleet management companies can offer a wide range of expertise, backed by the latest in fleet technology, which only the most qualified fleet managers can match. Also organisations are not necessarily as cash rich as they once were and, as they focus on their core activities, they are more likely to be disposed towards outsourcing non-core functions and releasing the funds tied up within.

Prediction:

Over the coming years, we will definitely see a concentration by organisations on core activities, with the outsourcing of non-mainstream specialist services.

Fleet management professionalism will also rise as a consequence, driven by the Institute of Car Fleet Management, which is the UK's only independent 'not for profit' organisation dedicated to furthering the education, recognising the achievements and advancing the profession of car fleet management.

Major fleet issues

Whole-life costs

In the current economic climate, whole-life costs have overtaken risk management as the top fleet issue and are currently the dominant issue in fleet management. This is hardly surprising given the state of the economy. However, even if the UK is the last of the major economies to recover from the current recession, growth should be well and truly on the ascendency by 2015, helped in no small part by the anticipated major recovery in the housing market by 2014, when prices should have recovered to the peaks of 2007 at the latest.

Prediction:

We anticipate that whole-life costs, while always important, will no longer be the dominant issue in five years time. The fleet issues expected to be of greater importance in 2015 are highlighted on the next page.

Risk management

Against an increasing legislative backdrop, exemplified most recently by the UK Corporate Manslaughter (England, Wales and Northern Ireland) and Corporate Homicide (Scotland) Act in April 2008, placing greater onus on organisations to meet their duty of care responsibilities, risk management will remain another major issue at boardroom level. Closely linked to this is management of the grey fleet, which is resulting in more companies revising their car fleet policies and re-launching schemes in a bid to reduce both the rising expense and potential risk of high mileage grey fleet drivers.

Prediction:

Organisations should have got on top of the issue of the risk management of grey fleets by 2015. However, changes to Approved Mileage Allowance Payments (AMAPs) may also have an effect by impacting grey fleets as government links future levels to the CO₂ fleet emissions and age of vehicles, paying higher amounts for lower emitting and newer vehicles and, conversely, lower amounts for higher emitting and older vehicles.

Green fleet

Currently, ranked the third major issue, is greening the fleet as part of an organisation's Corporate Social Responsibilities (CSR).

Prediction:

With every car manufacturer required to achieve average CO₂ fleet emissions of 130 g/km or less by 2015, we expect the environmental impact of company car fleets to top the boardroom agenda in five years time. And given that the UK government is committed to reducing CO₂ emissions by 30 per cent by 2020, this will only give greater impetus to the green crusade.

Products and services

Providers will be constantly developing and refreshing their products and services and adding to their comprehensive portfolios which should already include services such as fuel management; mileage management; accident management; carbon neutral driving and 'at work' driver management to meet companies' duty of care responsibilities.

Creative car schemes

In the future, contract hire companies will need to think more creatively with their 'company car' packages. Even before the recent cost cuts, HMRC had already calculated that the number of company cars had dropped by 500,000 in the last nine years and, unless contract hire companies work smarter, the contraction could continue despite the first year-on-year increase in company cars since 2001/02. Those benefiting from Benefit in Kind (BIK) company cars, according to HMRC, rose from 1.14 million in 2005/06 to 1.16 million in 2006/07. The fact remains there is a perception that company cars cost more in BIK than they actually do.

Salary sacrifice

With a buying trend towards more fuel efficient and lower polluting cars, the most popular vehicles in future car fleet policies will be those with CO₂ emissions of 120 g/km or less so employees can take advantage of the reduced ten per cent and 13 per cent Benefit in Kind (BIK) tax brackets introduced in the April 2008 budget. With nearly 500 cars on offer under 120 g/km, these tick all the right green boxes for employers by reducing the carbon footprint across the fleet and lowering fuel costs. They also improve an employer's CSR standing and enhance their duty of care.

As a result, salary sacrifice schemes are now firmly back on the fleet agenda. From an employer standpoint, the organisation pays a more tax efficient remuneration and reduced National Insurance (NI) contributions. It costs the employer nothing to introduce a salary sacrifice scheme, providing they put buffers in place to cover early termination, excess mileage, damage, etc. as it is managed as a normal company car scheme. Such a scheme also eliminates the 'grey' fleet risk.

For employees, they can enjoy the benefits of a company car at a lower than expected cost, with the savings on income tax and NI contributions outweighing their BIK contributions. They also enjoy the use of a more fuel efficient, fully serviced and maintained new car for two or three years backed by comprehensive insurance provided by the employer.

Employee car ownership schemes (ECOS)

The future level of AMAPs determined by the UK government may dictate how successful ECOS schemes are in the future.

Reallocation policies

When pro-active organisations seek cost savings, maximising resources is a key area to focus on. With the company car fleet accounting for the second largest overhead expenditure after salaries in many organisations, optimum fleet management is therefore critical to achieving success in maximising resources and achieving costs savings. Implementing a reallocation policy not only allows clients to avoid early termination fees and increased rentals on new vehicles but also to implement a freeze on new car orders. This in turn also helps identify vehicles which are difficult to reallocate and therefore those to avoid when recommencing ordering under a revised car policy.

Prediction:

Company car schemes will become more flexible to better accommodate individual requirements. The 'one size fits all' approach of the past, recently re-adopted in the current recessionary environment, will be dropped more in favour of a 'one size fits one' philosophy as the importance of the company car once again rises as part of the overall reward package. We also believe that human capital will gain greater recognition in boardrooms up and down the country. Again, attracting the best talent will involve more personalised compensation packages.

By 2015, we could envisage the ultimate contract hire scheme, probably negotiated with a single manufacturer by the leasing provider, being a lifestyle scheme where the company car driver has the opportunity to swap his or her designated lease vehicle with another to meet specific ad hoc requirements.

For example, by paying an attractive additional premium, the driver of a compact executive car could arrange to exchange it with an MPV for a two-week family holiday or a luxury car for a weekend away. The company car driver would benefit by always driving the vehicle most suitable for the occasion while the manufacturer would generate greater overall awareness for its extensive product range.

Also, by 2015, we anticipate government to have lowered CO₂ emissions to 90 g/km for those employees wishing to take advantage of reduced BIK tax brackets.

Contract hire lengths

Currently, we recommend shorter two-year rather than longer term contract hire lengths. Faced with the prospect of rising prices at the pumps and higher Benefit-in-Kind (BIK) tax charges from government, company car drivers are ever eager to take advantage of the latest models providing the most economy and lowest CO₂ emissions. It doesn't make sense, with today's technological advances (see later Future Technology section), to necessarily be locked into a car for a four-year period with 'yesterday's' technology, especially as fuel prices will inevitably continue to rise steadily in the long-term and government will continue to lower CO₂ BIK thresholds.

Prediction:

By 2015, we may see the advent of more flexible contracts starting at 18 months and offering an opt-out option on a rising monthly basis up to 48 months. Ultimately, however, contract hire lengths will be determined by a combination of whole life costs, environmental considerations and legislation.

Flexible rental

Reflecting the greater flexibility of the latest company car schemes, vehicle rental has become more flexible too. Besides more flexible short-term rental, medium and long-term rental schemes are increasingly popular, especially to cover employee probationary periods and as an alternative to a pool car fleet.

Where companies rely on pool cars or employees using their own vehicles for business travel, they often overlook the cheaper car rental option. Unless a company is achieving a minimum 75 per cent overall utilisation rate for each individual pool vehicle, the running of a pool car fleet is seldom economical. And where a company relies on employees using their own vehicles on company business they are probably paying more out in expenses than they should and exposing themselves to charges of not fulfilling their duty of care responsibilities.

Prediction:

With the current levels of rental duration flexibility, the only major advance we anticipate in this area is a greater willingness for vehicle rental companies to offer 'part-day' rentals, broken down into hourly segments.

Climate change

Climate change will continue to dominate the world agenda, especially with the 'pro-Kyoto' new US Administration. President Barack Obama is already making his mark on the world stage by championing the green cause. However, the outcome of the Copenhagen Climate Change Summit in December 2009 was disappointing. After all the bickering, the only accord was that global temperatures should not be allowed to rise by more than two degrees Centigrade and to achieve this there must be substantial cuts in carbon emissions.

Closer to home, our own government seemingly is committed to halving carbon emissions and has adopted a CO₂ emissions-based taxation regime when it comes to transport.

The issue of climate change is becoming increasingly critical and companies are looking for ways to significantly reduce their CO₂ emissions as part of their CSR. The facts relating to CO₂ emissions are very clear – road transport accounts for around 20 per cent of UK CO₂ emissions with cars responsible for 11.5 per cent of this. To put this in perspective, deforestation accounts for 20 per cent of global CO₂ emissions! Operating a carbon neutral transport policy is therefore a simple, effective first step towards running a greener fleet.

Prediction:

More organisations will encourage company car drivers towards opting for lower CO₂ emission vehicles, by increasing the money they have available to spend on such vehicles and offsetting the costs involved of adopting such a policy by lowering the spend available on high CO₂ emission vehicles.

Organisations will also increasingly encourage employees to drive more economically, plan their journeys better, reduce their mileage where possible and use the rail and other public transport systems to improve their efficiency and productivity.

Continued focus on low CO₂ emissions – car design/taxation

Given the above, inevitably vehicle manufacturers are focusing their attention on sub-120 g/km cars, with the target of achieving average fleet emissions within the EU below 120 g/km by 2015. Already the most attractive vehicles in the UK are those with CO₂ emissions of 120 g/km or less so employees can take advantage of the previously mentioned lower BIK tax brackets introduced in the 2008 budget.

We have seen that lower emission vehicles hold their residual values better, as demand for them in the used car market rises due to drivers seeking to lower their motoring costs. Conversely, higher CO₂ emitting vehicles have seen sharp falls due to fewer drivers being able to afford or justify these types of vehicle when they become available on the used car market.

The composition of fleets is therefore changing as higher emitting vehicles are not only penalised at the pumps but also hit with the higher Vehicle Excise Duty (VED), currently comprising 13 VED bands, and BIK rates and the reductions in capital allowances.

The rate of Writing-Down Allowance (WDA) is now based on the CO₂ emissions of the vehicle, as is the restriction on allowable lease rentals for businesses that lease or rent cars. Expenditure on cars with CO₂ emissions below 110 g/km continues to qualify for 100 per cent first-year allowances. In addition, expenditure on cars costing less than £12,000 are eligible to go into the main pool and qualify for WDAs at 20 per cent on the reducing balance. However, cars with CO₂ emissions higher than 160 g/km fall into a special rate pool and attract WDAs at ten per cent, down from 20 per cent. Cars with an element of non-business use continue to remain in a single asset pool to allow a private use adjustment to be made but WDAs are similarly determined by CO₂ emissions.

The combination of all the above is seeing a concerted drive within companies towards a 'greener' fleet mix. The government is determined to encourage drivers into less polluting vehicles and company car fleets are becoming greener as a result.

Prediction:

We expect WDAs to be much tighter by 2015, with maybe only vehicles below 90 g/km qualifying for 100 per cent first-year allowances and vehicles above 130 g/km falling into a special rate pool.

Benchmark 130 g/km ceiling

Given the above, the industry has acknowledged that the current natural ceiling for the company car fleet will be a maximum CO₂ emission level of 160 g/km.

Figures released by the Society of Motor Manufacturers and Traders (SMMT) reveal that CO₂ emissions from new cars fell by their biggest margin ever in 2008, the average model emitting 158 g/km, representing a reduction of 4.2 per cent over 2007. Compared to ten years ago, when the average was 189.8 g/km, the figure was 16.8 per cent lower. The SMMT report states that cars now account for just 11.5 per cent of the UK's total CO₂ emissions. This the Society attributes to new technology, improved fuel consumption and better overall consumer awareness. According to the Society, CO₂ emissions have fallen across all car market segments with some of the biggest gains made at the top end.

Meanwhile, BVRLA leasing members, who operate a combined fleet of nearly two million cars, saw the average CO₂ emissions of vehicles coming onto fleet in 2008 fall to 149.9 g/km.

Prediction:

Average CO₂ emissions will continue to fall dramatically. The government is aiming to reduce the average emissions of its own fleet to below 130 g/km by March 2010 while, within the EU, every car manufacturer must achieve average CO₂ fleet emissions of 130 g/km or less by 2015. The UK is even aiming to have average fleet CO₂ emissions of 95 g/km by 2020.

Diesel emissions

Euro V emission standards for diesels were adopted for all new models in September 2009 to reduce harmful emissions. But already manufacturers are introducing new models, at a premium price, which will not only meet the even more stringent Euro V1 emission regulations applicable in 2014 but virtually eliminate all harmful nitrous oxides from emissions. On the Audi Q7 Clean Diesel, for example, hydrocarbons are reduced to below 0.1 g/km, nitrous oxides below 0.06 g/km and particulates below 0.005 g/km. Selling the pros and cons of different models and model variants will become a whole lot more complicated.

Prediction:

Given the lower whole-life costs of most petrol cars, diesel allocation will be limited to high mileage company car drivers only, exceeding 20,000 miles per year. Some organisations may undertake complex price comparison modelling, model by model, but overall we will see a petrol fight back.

Future vehicles

Alternatively-fuelled vehicles include ethanol, methanol, compressed natural gas, hydrogen, liquefied natural gas, liquefied petroleum gas and bio-diesel among others. However the three with the greatest future are hybrids, electric and hydrogen fuel cell vehicles.

Hybrids

Spurred on by vehicle manufacturer development, and the 'one-off' adoption by Formula One of the KERS system in 2009, hybrids will start making an entry into the vehicle mainstream supported by strong residuals.

Probably the most successful commercially-available petrol-electric hybrid to date has been the Toyota Prius, which, since the debut of the second-generation version, has risen from a niche product to become Toyota's third-best-selling model in the United States. With 98 per cent of owners declaring themselves satisfied with the car, the third-generation version unveiled at the Detroit Auto Show in 2009 promises to continue the success story. In the UK, it is the only hybrid specified by the government for its ministerial fleet. Overall, by the autumn of 2009, Toyota had sold more than 2m hybrid cars and light trucks worldwide since introducing the Prius in 1997, almost all using nickel metal batteries.

Prediction:

With currently only six different types of hybrid car on sale and the promise of six more becoming available during 2010 in the UK, in the interim, hybrids will continue to occupy a niche sector of the market and may not even make the anticipated breakthrough given the tremendous strides being made by vehicle manufacturers in extracting even greater efficiencies out of the internal combustion engine.

Electric vehicles

Renault believes its next-generation electric vehicle range will appeal to 30 per cent of the buying public, with the opportunity for 30-minute fast charges (versus four to eight-hour home charges) and five-minute battery exchanges widening the range and appeal of such vehicles. Renault predicts that by 2020 between 15 and 20 per cent of cars could be electric. Fleets would lease batteries due to their initial cost, their residual value and the ability to take advantage of the latest battery technology, which is gathering pace. Bosch estimates some 500,000 electric vehicles will be sold by 2015.

Bosch also estimates the cost of batteries would be between £7,000 and £10,000 by 2015. Large scale production and pooling of resources could reduce this by two-thirds and create a battery life of 12 years or 150,000 miles. It should be noted that hybrid and electric vehicles place different demands on batteries. Electric vehicles require batteries with a high energy density, for long distances, while hybrids, which store and discharge at short intervals, require batteries with high power density.

Prediction:

The successful future of electric vehicles depends on a proper re-charging network infrastructure, more acceptable ranges between recharges and lower lithium-ion battery costs.

Hydrogen fuel cell vehicles

Leading the way with the development of hydrogen fuel cell vehicles is Honda with its Honda FCX Clarity, which was named the 2009 World Green Car by 59 World Car jurors from 25 countries worldwide.

The Honda FCX Clarity, a sleek hydrogen fuel cell-powered saloon currently available on a limited lease-basis, is propelled by an electric motor that runs on electricity generated by an on-board fuel cell stack. The vehicle's only emission is water, and its fuel efficiency is up to three times that of a modern petrol-powered car and two times that of a petrol-powered hybrid vehicle.

Honda considers hybrid vehicles the best short to medium-term solution with hydrogen fuel cell technology the best long-term solution. It believes hydrogen fuel cell vehicles should become a practical alternative by 2020.

In September 2009, it was announced that the UK Department of Energy and Climate Change would be offering up to £7.2m of competitive funding in support of hydrogen and fuel cell technology development.

Prediction:

Again, as the success of electric vehicles will depend on an extensive re-charging network infrastructure, hydrogen fuel cell vehicle roll-out will depend on the widespread availability of hydrogen refuelling stations.

There remains considerable debate over the true greenness of hybrid, electric and hydrogen fuel cell vehicles in terms of the cost to the environment of powering them.

By 2015, we expect the composition of fleets will still comprise predominantly petrol and diesel-powered vehicles emitting less than 90 g/km and a ceiling of 130 g/km with a growing percentage of electric and hybrid vehicles and the odd hydrogen fuel cell vehicle.

Recyclable cars

New EU legislation states that by 2015 cars must be made of 95 per cent recyclable material, thus governing the types of material car manufacturers will be allowed to use to produce new vehicles. Currently many vehicle manufacturers use non-recyclable glass fibre reinforced polypropylene (a plastic) to make parts such as bumpers and under-trays.

Prediction:

The price of vehicles will continue to rise as vehicle manufacturers have to meet increasing tight legislation on construction, environment and safety.

Future fleet management technology

As technology continues to exponentially accelerate the possibilities for micro-management will become almost limitless.

Prediction:

Drivers will be provided with more direct control over the management of their company cars while on the move with service bookings, mileage recording applications and vehicle ordering available online via smart phones and hand-held PDAs.

Future vehicle technology

Aerodynamics will continue to play a key role in improving the efficiency of vehicles as they travel through the air, assisting handling and improving fuel economy. However, with driver error accounting for over 90 per cent of accidents, there are a whole raft of other safety technological advances in the pipeline, which will all affect the future specifications of vehicles.

ESP

Electronic Stability Programme (ESP), first introduced in 1995 by Bosch to prevent skidding, will become mandatory standard equipment in Europe by 2014. Research shows that ESP can prevent up to 80 per cent of all accidents involving skidding.

Below are listed other hi-tech features which might become standard or optional equipment by 2015.

PEBS

Predictive Emergency Braking Systems (PEBS) reduce reaction times by linking ESP with an adaptive cruise control radar sensor and camera to monitor traffic movement ahead and trigger automatic avoidance or emergency braking.

PCW

Predictive Collision Warning (PCW) uses optical, acoustic signals or brake jerking to warn the driver of an imminent front-end collision and prepares the braking system for an emergency stop, ensuring the shortest stopping distance. PCW could halve severe injuries incurred in rear-end collisions.

EBA

Emergency Braking Assist (EBA) delivers optimal braking support by automatically increasing braking pressure if the driver fails to apply the right amount. EBA could reduce severe injuries incurred in rear-end collisions by 70 per cent.

AEB

Automatic Emergency Braking (AEB) combines PCW with EBA to overcome inadequate driver reaction times by either automatically triggering partial braking to buy more reaction time or applying automatic full emergency braking where a collision is unavoidable. In both instances, the severity of injuries should be reduced.

SCM

Secondary Collision Mitigation (SCM) comes into its own once the airbags have been released in a severe collision by deploying ESP to slow the vehicle down further. This is because in many collisions, the initial impact is followed by further impacts. The secondary automatic braking effect can prevent further collisions or reduce their gravity. In 29 per cent of initial accidents, where somebody is injured, research has shown that the initial impact is followed by further collisions.

LCW

Lane Change Warning (LCW) and Lane Departure Warning (LDW) alert the driver visually and by sensitive feedback of approaching vehicles and unintentional lane deviation.

Head-up displays

Similar to that found in aviation, a Head-Up Display allows the driver to keep his or her eyes on the road at all times while displaying relevant information.

Night vision

Like the night vision used by the armed forces, Night Vision can detect the movement of individuals up to a 1,000 feet away, offering preventive pedestrian safety features. Similarly, adaptive headlights that bend around corners and offer variable light distribution improve road user safety at night.

Around view monitors

Wide-angle cameras beam visual images of the area around the vehicle to a central console to assist the driver when parking or reversing.

Speed limit/warning sign indicators

This technology informs the driver of local speed limits and can also display road sign information of particular relevance.

Speed limiters

With a possible worldwide trend towards the lowering of national speed limits, the introduction of existing technology to limit vehicle speed is just around the corner.

Driver drowsiness detectors

A camera monitors the driver's eye movements and sends an alert when it detects the onset of drowsiness.

Emergency services notification

The capacity for emergency services to be automatically alerted when an airbag is deployed in high speed collisions will be incorporated into more vehicles.

Keyless entry and ignition

Twist and turn ignition will become increasingly a thing of the past.

Voice alerts

SatNav voices will be developed into in-car voice alerts and greetings, more personalised messages and alerts, and pass on efficiency tips such as closing windows and easing off the accelerator.

Smarter 3D navigation systems

Car makers are beginning to offer 3D navigation options ahead of the aftermarket vendors. These systems make use of traffic and accident warnings that the satellite radio communicates to the map on the vehicle's console. Audi's 3D navigation system, for example, features a birds-eye perspective of a map area that also allows the driver to observe real-time traffic problems as they occur ahead thanks to the satellite-radio link. Drivers can also use the joystick control to study buildings in 3D orientation in most major cities as well as the various topographies around the United States.

Car-to-car communication

Data transmission between vehicles via relay stations to alert on positioning.

FlexRay

FlexRay is the communications superhighway for the cars of tomorrow being developed by a consortium comprising BMW, Daimler, Philips and Motorola, which they hope will become the standard industry protocol to handle the myriad sensors, actuators, servos, electronic control and software delivering the many advanced safety features described above. It could even be used for drive-by-wire in the future.

Voice control/audible alerts

Switchgear and stalks could become a thing of the past with the introduction of voice-activated controls and finger sliders, both at an advanced stage of development by Seat. Conversely, with many safety systems, built-in audible as well as visual alerts warn the driver of the need for action.

Navigation systems

Future navigations systems will not only guide drivers along the most fuel-efficient and traffic-free route but warn of obstacles ahead and modify engine speed to the traffic conditions. They could even warn of too fast an approach to a bend.

Remote diagnostics

Current telematics technology is capable of informing fleet managers of the state of company vehicles from load weight and distribution on light vans and HGVs to low oil pressure or high coolant temperature. Other information can include mileage tracking for maintenance scheduling.

Passive safety

Future passive safety features include inflatable metal airbag protection, which creates more crash protection while occupying less space than conventional crumple zones; sensor-triggered inflatable side bolsters that move passengers inwards away from the detected point of impact; and rear-seat centre console inflatable airbag for improved passenger safety in side impacts.

Oil

Advances in engine oil technology prolong engine life and enhance fuel efficiency. The latest example is Shell's fully synthetic low-viscosity Helix Ultra E, which independent trials have shown can reduce fuel consumption by over two per cent, by reducing friction between moving parts, and cutting annual carbon emissions. Expect continued advances to keep coming from other oil manufacturers too.

Driverless cars

The ultimate future vehicle technology involves driver less cars. GM is hoping to be at the forefront when it comes to mass production of such vehicles. GM is currently developing technology for a driverless vehicle that can navigate itself and alert the driver regarding possible collisions and blind spots. Eventually, it is hoped that a vehicle will be mass produced that can slot itself at a safe distance behind other vehicles, like coaches on a train, to maximise space on motorways. GM plans to test drive this technology by 2015 and get commercially available vehicles on the road by 2018.

Prediction:

The sky's the limit with current advances in technology. However, more pertinent are budgetary constraints which will not see mass take up of many of the above features by 2015. The latest technological 'bells and whistles' will be confined to top-end cars driven by those in the rarefied atmosphere!

Future outlook

Vehicle status symbols

The last few decades have seen certain types of company car – a top-of-the-range luxury or high performance sports car – as the ultimate status symbol. As we move into a greener era, where all our actions will be measured against their global environmental impact, the cost of these to the neighbourhoods where we live may prove too high.

Prediction:

Top-of-the-range luxury and high performance cars may attract social disapproval, which may result in greener vehicles becoming the new status symbols.

Insurance premium increases

Increased flood damage caused by the change in climate over the coming years will continue to push vehicle insurance premiums up further.

Prediction:

More an absolute certainty, insurance premiums will continue to rise although these rises may be mitigated by the move towards smaller cars.

Road pricing

The first phase of testing the technology and processes required for a road pricing scheme, based on time, distance and place travelled, is underway with specific, road pricing trials due to begin in 2010 in Buckinghamshire, Essex, Leeds, Milton Keynes, North Yorkshire, South West London and Suffolk. In each trial area, 100 drivers will have their vehicles fitted with a black box satellite-tracking system monitoring exactly where they have driven. If the trials prove successful, it could result in drivers paying up to £1.30 per mile to use major roads at peak times. Travel on quieter routes would be free.

While road pricing is unlikely to be in place by 2015, as full testing of a ground-based infrastructure will not take place until 2014, it is likely to be introduced shortly thereafter. Indeed, the Committee for Climate Change in its 2009 report called for the introduction of road pricing tied to no reduction in fuel duty or VED in order to significantly reduce emissions.

Prediction:

Expect a dog's breakfast given the government's track record with investment in technology. There will be failures in equipment leading to loss of revenue, numerous contested charge appeals, etc., which could all be avoided by the more simple and fool-proof expedient of charging at the pumps through increased fuel duty.

Workplace charging

In 2009, Nottingham City Council was given the go-ahead to introduce workplace parking charges. From April 2012, the council will charge employers £253 per space per annum for ten spaces or more, rising to £350 per space two years later.

Prediction:

We expect workplace parking charges to become far more commonplace by 2015 as councils seek to replenish their coffers after being hit during the recession.

Charging points/drop-in centres

According to a survey by the RAC Foundation, a fifth of the UK's 34 million drivers would consider or are planning to buy an electric car within the next five years. This follows an announcement in April 2009 by the Department for Transport (DfT) that grants of up to £5,000 would be offered to purchasers of electric-powered vehicles from 2011.

In the autumn 2009 Pre-Budget Report (PBR), it was announced that from April 2010 company car drivers who opt for the electric option will receive a five-year break from Benefit-In-Kind (BIK). Currently, they have to pay nine per cent BIK on their electric cars. Even van drivers are being given a five-year holiday for going electric plus a 100 per cent writing down allowance for the first year.

However, even by the government's own calculations, electric vehicles will not be available as mass market alternatives until 2017 at the earliest. Electric van sales may become more popular initially pro-rata than electric car sales as local delivery drivers opt for the cheaper, greener electric van route.

Widespread adoption will depend on a viable public re-charging point infrastructure. Government and local councils will need to lead the way with initiatives if they want to ensure cleaner air in our towns and cities. Currently, in the UK, the Energy Technologies Institute (ETI) has announced that a number of UK major cities are to gain charging points for electric and hybrid fuelled vehicles under an £11m development plan. ETI has announced that the Joined-Cities Plan will initially set up charging points in a total of nine UK cities comprising Birmingham, Coventry, Glasgow, London, Middlesbrough, Milton Keynes, Newcastle, Oxford and Sunderland. Mayor of London, Boris Johnson has declared he wishes to see 25,000 charging points in the Capital by the end of 2015. And the government announced in November 2009 the Plugged-In Places initiative which will fund charging points in streets, car parks, commercial, retail and leisure facilities to the tune of £30m in three to six UK regions before a nationwide roll-out.

Prediction:

Lack of a nationwide infrastructure, lack of a decent range between recharges and high cost of batteries will all combine to make the electric car dream more of a nightmare other than for those confining their motoring to driving around urban areas. For the average salesman, it will be a non-starter.

Average speed cameras

Official figures show that an average 100 lives are saved each year by around 6,000 speed cameras up and down the country. Meanwhile, the increased number of electronic speed advisory signs is known to reduce speed by an average two to three miles per hour.

Official statistics show that the percentage of drivers who regularly break the 30mph speed limit has been lowered from 75 per cent to 49 per cent. Obviously, there is a long way to go but UK road deaths dipped below 3,000 per annum for the first time in over 80 years.

Prediction:

We anticipate the next step will be the deployment of average speed cameras not only in roadworks but across selected major road networks in the form of a spider's web.

It is known that government is also looking at lowering speed limits and we anticipate that by 2015 the national speed limit may well have been lowered to 60mph and limits in residential areas and inner cities reduced to 20mph to not only lower road deaths and serious injuries still further but also to reduce overall carbon footprints. Inevitably, along with increased congestion, travelling times on the road will lengthen in the future.

Drink-driving

In the UK, the current drink-driving limit is 35 micrograms of alcohol in 100 millilitres of breath or 80 milligrams of alcohol per 100 millilitres of blood or 107 milligrams of alcohol per 100 millilitres of urine.

In most European countries, the drink-driving limit is 50 milligrams of alcohol per 100 millilitres of blood with some former Eastern bloc countries such as the Czech Republic and Hungary having a zero tolerance. Interestingly, in Germany the limit reduces to 30 milligrams if taken at the scene of a road traffic accident. The average limit in Continental Europe equates to one small beer.

Prediction:

We consider it likely that, given the British Medical Council's strong views on unhealthy alcohol consumption and its efforts to have all alcohol advertising banned across the board, this will be the trigger to bring current drink-driving limits more into line with Continental Europe.

Drug-driving

The first UK drug-driving television ad campaign appeared in 2009. Given the prevalence of drug taking, it was well overdue. The new drug-driving campaign is costing £2.3m and highlights the fact that the Police can and will stop drivers suspected of driving while under the influence. Anyone found guilty faces the same tough penalties as those convicted of drink-driving – a minimum 12-month ban, heavy fine and criminal record.

Latest research shows that one in ten young male drivers admit to having driven after taking an illegal drug. Company car drivers are much better, only two per cent having admitted doing so in a separate piece of research. Probably more worrying still is that one in five drivers killed in a road accident may have taken drugs.

The government is looking at changing the law so that it simply becomes an offence “to drive after taking illegal drugs, which can impair the ability to drive” – a subtle and important change from the “to drive or attempt to drive while unfit through drugs.”

Prediction:

We expect that by 2015, drivers will face roadside drug tests by the Police equipped with a device for detecting illegal substances in saliva. Indeed, Police in North Wales are set to trial drug testing equipment, collecting data purely for statistical purposes to gain an insight into the true scale of the problem. In addition, we understand that the government plans to have a roadside device developed to detect legal sleep-inducing drugs such as sleeping tablets and cold cures sold over the counter that can result in impaired driving. Any new ‘drugalyser’ would be able to detect drugs such as cocaine and amphetamines.

Well before 2015, responsible fleets will have a policy in place relating to drug-driving, as they already do for drink-driving.

Smoking ban

Smoking is already banned in company cars as well as in public places.

Prediction:

The smoking ban introduced for company owned vehicles in 2007 will be extended to include private cars with smokers caught at the wheel being issued with similar penalties to mobile phone offenders.

Community car clubs

Car club numbers have doubled from a membership total of 32,000 members in 2007 to 64,000 by the end of 2008. The research conducted by TRL showed that 39 per cent of those surveyed had lowered their carbon footprint as a result of car club membership, by reducing the number of vehicles operated and presumably by running around in smaller, more fuel efficient and lower polluting vehicles.

Although membership numbers are small, membership is not just confined to private individuals as companies are joining too. As an alternative to pool car schemes for the latter, or as an alternative to private vehicle ownership for the former for those living in towns and cities with good public transport infrastructures, the appeal is considerable.

Prediction:

Perhaps as the person responsible for making the first commercial car club in the UK a reality I am biased but we remain convinced that car clubs have an important role to play in our future transport infrastructure, especially in towns and cities.

Integrated transportation

While waiting for the UK government to come up with a comprehensive and practical totally integrated transport policy, one idea which we believe has mileage relates to community transportation.

Prediction:

Looking at the typical movements of commuters, parents on school runs and community transportation, we foresee a time when community electric minibuses may be used to reduce car journeys and relieve towns and suburbs of parking congestion. These electric minibuses would be used to pick-up and drop-off commuters between 06.00 and 07.30.

Left at the rail station, they would then be collected and used by parents for school runs before being turned over for community transport runs during the day. Mid-afternoon, the minibuses would once more be used by parents for school runs before being returned to the rail station late afternoon for returning commuters on the final leg of their journey.

Home working and virtual meetings

According to the Office of National Statistics, around 7.5 per cent of the UK's workforce works from home at least one day a week. This figure is set to increase further with more flexible working practice, two parent working families, a desire for a better work/life balance, further advances in technology and increased costs of motoring and rising commuting travelling times.

Prediction:

Home working and virtual meetings will continue to increase, resulting in a drop in annual mileage for company car drivers.

The prime focus in 2015 will be the environment with a concerted effort by the UK government, local councils, organisations and individuals to reduce their carbon footprint. This will inevitably have a major impact on the future mix of the corporate fleet and how organisations arrange transportation. Alternative fuel vehicles will start to emerge as potential serious alternatives to the internal combustion engine and a government CO₂ emissions-based taxation regime will heavily influence the most popular cars driven and how we all go about our business.

Appendix

The following annual predictions were also made by Leasedrive Velo's commercial director Roddy Graham at the start of 2008 and 2009. Here's how he fared:

2009 fleet industry predictions

1. Consolidation

"With some contract hire companies closing their doors to new business, others haemorrhaging money like there's no tomorrow due to plummeting residual values, and others finding credit lines squeezed, inevitably there will be winners and losers. While there will be some contract hire companies following car dealerships and going to the wall, there will be the opportunity for well-positioned players to cherry-pick competitors. We will definitely see consolidation and maybe fewer bank-owned companies as finance houses concentrate on their core activities."

There were definitely some big moves – notably at the top!

Creative Car Schemes

"Contract hire companies will need to think more creatively with their 'company car' packages. Even before the belt really tightens, HMRC had already calculated that the number of company cars had dropped by 500,000 in the last nine years and, unless contract hire companies work smarter, the contraction is set to continue."

The trend down has been reversed and salary sacrifice schemes such as Leasedrive Velo's EnviroDrive™ are gaining in popularity.

2. Oil/Dollar Stability

"From a high of \$147 in July the price of oil had dropped by over \$100 in mid-December to a near four-year low. However, we should see less volatility in the oil markets next year with barrel prices expected to hold steady at around \$50, mainly due to anxiety among the oil producing nations over world economic prospects. However, if China gets caught up in the economic woes of the US, Japan and Europe, barrel prices could fall by half according to some dire predictions."

After dropping, oil barrel prices are steadily rising again.

3. Climate Change

"Climate change will continue to dominate the world agenda, especially with the incoming 'pro-Kyoto' new US Administration. Expect Barack Obama to make his mark on the world stage by championing the green cause. For him, it's much easier to make an impact with a total U-turn than trying to sort out the mess of the Bush legacy in Afghanistan and Iraq. The only concern is that economic woes will no doubt push some green initiatives onto the back burner. At least our own government seemingly still seems committed to halving carbon emissions and has adopted a CO₂ emissions-based taxation regime when it comes to transport."

Obama is definitely the opposite of Bush. The 2009 Copenhagen Climate Change Summit resulted in an Accord struck on the last day stating that global temperatures should not be allowed to rise by more than two degrees Centigrade. Although the agreement does not set specific emission reductions and is not legally binding.

4. Continued Focus on Low CO₂ Emissions – Car Design/Taxation

“Given the above, vehicle manufacturers will bring out more sub-120 g/km cars. With the target of achieving average emissions below 120 g/km by 2012 still in place. Already the most attractive vehicles in the UK are those with CO₂ emissions of 120 g/km or less so employees can take advantage of the reduced ten per cent and 13 per cent Benefit in Kind (BIK) tax brackets introduced in the April 2008 budget. Going forward, the natural ceiling for the company car fleet will be a maximum CO₂ emission level of 160 g/km.”

CO₂ emission levels are dropping all the time as desired by government.

5. Death of the Dinosaurs

“The gas-guzzling four-wheel-drive will become ancient history except for those owners who genuinely need their practicality and mud-plugging attributes. Chelsea tractors in towns will dwindle through natural wastage, fuelled by their propensity to drink forecourts dry and their plummeting residuals. There will be a move by some away from luxury executive and high performance sports cars, which for similar reasons have seen sky-rocketing ownership costs. However, when the good times return, unashamed displays of success and wealth, and a desire to “drive the dream”, may still prove too big an attraction. However, this will come at a cost and may ultimately prove anti-social.”

Having green credentials is gaining in popularity – a small environmentally-friendly car on the driveway is now increasingly the norm.

6. Hybrid Growth

“Spurred on by vehicle manufacturer development, and no doubt the adoption by Formula One of the KERS system next season, hybrids will start making an entry into the vehicle mainstream. Don’t expect any revolutionary change, but without doubt hybrids will have a better cachet in the years to come, supported by strong residuals.”

More hybrids are on the road and the latest examples are much better than their prehistoric dinosaurs!

7. Congestion Charging

“The world watched as Manchester voted. 11 December 2008 proved a major date in urban traffic management. Even Barack Obama and his team took notice of the free will of the citizens who “always look on the bright side of life!” Now the result is known, a resounding 79 per cent voting against, congestion charging will be quietly abandoned by many.”

No new schemes but workplace parking levies are on the way.

8. Short and Mid-term Rental Growth Opportunities

“Tough economic times perversely can present good growth opportunities for vehicle rental providers. While business travel cuts will impact rental volumes, on the other hand a reduction in company car benefit and pool car costs will lead to greater demand for short and medium-term vehicle provision.

Many are predicting higher rates next year due to poorer buy-back deals and restricted supply but with so many new cars unsold, expect vehicle manufacturers to perform a U-turn on responsible marketing and seek a short-term solution to their problems by flooding the vehicle rental market, assuming the rental companies can pay for them. With residuals in free-fall anyway, what have they to lose?”

Too much optimism here! Rates have gone up, but vehicles have been in short supply and rentals have gone down. Vehicle manufacturers are only now starting to consider the rental market again.

9. Move Away From Vehicle Manufacturers to Fleet Management Specialists

“Expect a move away from vehicle manufacturer as well as bank-owned backed contract hire companies and a steady rise in fleet management specialists. Over the coming years, we will definitely see a concentration by organisations on core activities, with the outsourcing of non-mainstream specialist services. Fleet management specialists are bound to benefit.”

No major trends yet but still on the cards.

2008 Fleet Industry Predictions

1. Credit Crunch

“No surprises here - the sub-prime loans crisis will see a credit squeeze in 2008. Large and medium-sized contract hire companies should ride the storm comfortably providing they are ship-shape but some of the smaller players may find it harder to keep afloat. Car dealerships however will be hit as private new and used car buyers find it harder to obtain loans.”

There will inevitably be consolidation but no major contract hire fallers yet. Car dealerships are being hit badly with several going to the wall.

2. Oil/Dollar Stability

“Despite the current weak US Dollar and high oil prices, analysts expect that global interests will be best served by a stronger US Dollar, which will recover some of its previous value during the course of 2008. As a consequence, oil prices, while close to the \$101 barrel record of the late 70s, should drop once the dollar recovers its strength.”

The US Dollar is stronger and the oil price lower – in fact the lowest it's been in nearly four years!

3. Climate Change

“Governments will have to wake up to the biggest challenge mankind has ever had to face. The proof is now incontrovertible, with peer-reviewed research of several thousand top scientists agreeing that the probability of global warming being man-made is greater than 90 per cent and if nothing is done about it average temperatures could rise by as much as six degrees Centigrade by the end of the decade. The findings are endorsed by all the world's major governments without qualification. Future government action, post-Bali, will impact our daily lives including driving.”

Even the incoming US Administration has agreed to sign up to post-Kyoto, a total U-turn!

4. New Car Trends

“Given the above, vehicle manufacturers will bring out more sub-120 g/km cars. Already they are under pressure to produce cars emitting on average less than 120 g/km by 2012, a target they balked at during the Frankfurt Motor Show without offering alternatives. With proposed congestion charging based on CO₂ targets, there will be pressure from drivers for greener cars. The new retro-chic Fiat 500 is Car of the Year 2007. Expect more economical and smaller cars next year.”

And more and more, as people abandon their gas guzzlers in droves!

5. Congestion Charging

“The charges will go up and more towns and cities will introduce congestion charging. Only two do so to date but the figure will increase dramatically. And, as mentioned, CO₂-based charging has to be just around the corner too.”

Much slower roll-out than anticipated with Manchester only holding its congestion charge referendum on December 11.

6. All Employee Car Ownership Schemes (AECOS)

“The future of AECOS is uncertain and we need clarity from government. However, we believe AECOS have their place in the fleet mix. After all, it’s all about consumer choice and some employees will want to opt for this route.”

AECOS now clarified by government.

7. Sweeteners?

“2008 will be a tough year and there is nothing to suggest otherwise. The only glimmer is that the Bank of England expects the following year could be better. What might make 2008 more palatable is if Prime Minister, Gordon Brown decided to hold a General Election in 2009. Then expect the introduction of some vote-catching measures late in 2008 that could sweeten the end of the year. The bitter pill, however, is if we entered a worldwide recession.”

General Election on the horizon, a tough year and a very bitter pill to swallow as we enter recession. The Bank of England got it totally wrong!

Roddy Graham



Roddy Graham, a strategic business professional with extensive experience in the vehicle rental and leasing industry, is commercial director at Leasedrive Velo. He is responsible for implementation of the company's business development programme. Roddy is also chairman of the Institute of Car Fleet Management.

Prior to joining the Leasedrive BIMBO transaction team Roddy Graham was managing director of Budget Rent a Car UK. Originally appointed as sales and marketing director, he played a key role in the acquisition of two car rental companies.

Later, he led the purchase of seven licensee operations at a time when Budget was pursuing a business strategy of corporate-ownership. Roddy Graham joined Budget from Highway Vehicle Management where he held the position of sales director for six years.

Leasedrive Velo Group

Leasedrive Velo is the largest independent privately-owned vehicle management group in the UK and comprises two main operating divisions:

Leasedrive Velo Vehicle Management

Working in partnership with fleet managers, or delivering a complete outsourced service, Leasedrive Velo offers blue chip clients an extensive range of multi-award winning bespoke fleet management services.

Major investments in the finest asset management system and pioneering, flexible, web-based customer service technology ensures Leasedrive Velo can reduce its client's costs, minimise their carbon footprint, improve their duty of care and enhance the overall efficiency of managing their vehicle fleet and associated costs.

Leasedrive Velo Rental Management

One of the largest short-term vehicle rental management companies in the UK, with access to an almost unlimited choice of vehicles and locations throughout the country, Leasedrive Velo Rental Management offers a simple and transparent pricing policy with no hidden surcharges. For rentals of 28 days or more, it offers the Stopgap mid-term vehicle rental solution. Rates are substantially reduced compared to daily rental.



The headquarters for Leasedrive Velo is at hi-tech offices at TRL in Wokingham. Leasedrive Velo is the winner of the 2006 Fleet News Award for 'Best Contract Hire/Fleet Management Company', the 2006 GreenFleet Award for 'Leasing/Rental Company of the Year', The 2006, 2007 and 2008 Thames Valley Business Awards for 'Business Management Team of the Year', the 2007 ITM Award for 'Independent Vehicle Management Company', the 2008 ITM Award for 'Fleet

Management Company', the 2009 Energy Saving Trust Fleet Hero Award for 'Innovation in Services and Systems' and the 2009 BusinessCar Techies Award for 'Best Daily Rental Website'.

For further information about Leasedrive Velo or advice regarding your company's vehicle fleet, please contact:



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