



How UK fleets
are driving the
transition to
electric


World EV Day™

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What's next?



Road transport produces a fifth of the UK's CO₂ emissions, so transitioning away from combustion engine vehicles is a cornerstone of the government's goal to become a net-zero economy by 2050. This is a fast-moving process, introducing tightening mandatory EV sales targets from 2024 as a pathway towards phasing out new petrol and diesel cars and vans in 2030, followed by hybrids in 2035. For fleets, those dates might only be two or three replacement cycles away.

Demand is already surging. Department for Transport figures show the UK's electric car population doubled, to 628,984 vehicles, in the 15 months to December 2022 and that momentum has continued into 2023. One in six new cars registered at the end of August (193,221 vehicles) was battery-electric, according to the SMMT, outnumbering new diesel car registrations two to one.

Renewed company car tax incentives for electric vehicles have put fleets at the spearhead of that transition. There were around 41,000 company-owned electric cars in the UK when ultra-low tax bands were introduced in April 2020. By the end of 2022 that combined fleet had grown to 366,616, with the BVRLA reporting that half of members' new business contract hire deliveries were battery powered.

At LeasePlan, we've spent a decade working with electric vehicle fleets, and we've witnessed this trend first hand. To discover how this growing market is influencing drivers, we surveyed 2,000 UK consumers (including 513 who drive for work) about their perceptions of new cars. The results show widespread willingness to make the switch and softening brand loyalty – 86% said brand wasn't a priority while choosing a vehicle. Here's what the results tell us, and why we think it's good news for fleet managers.

Alfonso Martinez,
Managing Director, ALD | LeasePlan UK

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01

Why are fleets going electric?

Businesses account for over half of new car registrations, operate some of the UK's newest and hardest-working vehicles, and have been early adopters of electric vehicles. Fleets and drivers now have a wide choice of models, ranging from city cars to luxury SUVs, and generous incentives to help reduce the total cost of ownership (TCO).

The business case for electric vehicles includes:

- **2%** - Company car tax for electric vehicles is frozen until April 2025, rising 1% point each financial year until 2028, resulting in Benefit-in-Kind for savings for drivers and reduced National Insurance Contributions (NICs) for employers.
- **£0** - Electric cars are exempt from vehicle excise duty (road tax) until April 2025, including the annual levy applied to models with a list price over £40,000. This is currently an additional £390 per year for the first five years after registration.
- **10-15%** - With fewer consumable items than a combustion engine (such as belts, filters, and lubricants) LeasePlan data suggests electric vehicles can reduce servicing and maintenance costs by between 10% and 15%.

The latest LeasePlan EV Readiness Index suggests the UK is one of Europe's most well-prepared markets for plug-in hybrid and electric vehicles - with only Norway and the Netherlands ranking higher. With strong incentives and widespread public charging infrastructure, 72% of LeasePlan orders are plug-in vehicles.

13%

Battery-electric vehicle share of company-owned vehicles in the UK (Q4 2022)

Source: Department for Transport

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What do drivers want in a fleet vehicle?

There were 720,000 drivers paying Benefit-in-Kind on a company car in 2021/22, according to HM Revenue & Customs. The results of our survey suggest people who drive for work tend to be picky about their cars. Most of them (70%) said they wanted specific features, compared to less than half (48%) of other respondents.

Among respondents who drive for work:

- **36%** - More than a third said price or value for money was priority characteristic when selecting a new car. Exposure to in-life costs was close behind, with reliability (33%) and fuel efficiency (31%) ranked second and third.
- **53%** - Parking sensors and cameras were the most desirable feature, selected by just over half of respondents, while 41% wanted satellite navigation and 36% would favour models with heated seats or steering wheels.
- **47%** - Almost half of business car drivers are considering SUVs, while 31% said they would like to drive a hatchback and 22% are wanted a saloon.



Fleet drivers' priorities were broadly similar to the wider population. However, they were twice as likely to consider the vehicle's performance as a priority (16% vs 7%), four times likely to be concerned about on-board technology and (14% vs 3%) and showed a greater preference for SUVs (47% vs 24%) compared to those who don't drive for work.

15,685

Average annual mileage for new business contract hire vehicles in Q4 2022

Source: BVRLA



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What do drivers want from an electric car?

Although business drivers tend to have higher annual mileages, our survey results suggest they are not put off by range anxiety. Almost two thirds (62%) said they wanted to drive an electric car, compared to 38% of the wider population, and their motivations were varied.

Among business drivers who want to drive an electric car:

- **Reducing air pollution** was the most common selling point, cited by almost half (45%) of respondents – it ranked higher than the cutting CO₂ emissions (39%).
- **Electric vehicles are the future of driving**, according to 42% of respondents, while 34% said modern and up-to-date technology was a reason to switch.
- **Quiet driving** was a factor for 40%, while 23% said electric vehicles look fun to drive. Both were less common among other respondents, at 35% and 9% respectively.

Our survey suggests business drivers are aware of the incentives available to them, with 62% saying an electric vehicle is accessible or that they already have one. This compares to 28% of other drivers.

Electric vehicle technology has matured quickly, enabling manufacturers to offer increasingly cost-effective options across a much wider choice of segments. With a growing public charging network and large incentives in place, it's never been easier – or more desirable – for drivers to make the switch.

Alfonso Martinez – Managing Director, ALD | LeasePlan UK



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How brand-conscious are business drivers?

The new car market has had an influx of new manufacturers over the last decade, and especially for electric vehicles. According to the Department for Transport, a quarter (24.5%) of the 629,019 licensed electric cars at the end of 2022 are from manufacturers who were either unavailable or operating at niche volumes in 2012.

However, brand awareness among business drivers was mixed:

- **62%** said the country of origin was a priority when choosing a new car. However, only 48% correctly identified Korea's Hyundai as an Asian-owned car manufacturer, falling to just 17% for Japanese luxury brand Lexus.
- **84%** believe MINI and Rolls-Royce are quintessentially British automotive manufacturers, despite both being owned by BMW Group. Only 11% and 10% respectively were aware that MG and Volvo are owned by Asian parent companies.
- **87%** were able to identify the Tesla logo, while Polestar – whose line-up includes one of the UK's best-selling electric cars in 2022 – was only identified by 55% of respondents who drive for work.

Knowledge of new brands was also limited. Tesla topped the list of brands most likely to be associated with electric driving, at 56% of business drivers. Nissan, who launched the LEAF electric hatchback in 2011, came in second at 19% of respondents. Polestar and BYD, who only sell electric cars in the UK, were only named by 15% and 11% of drivers.

17.2%

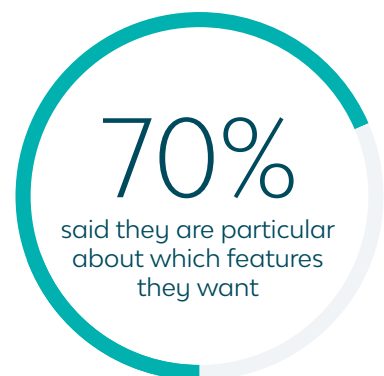
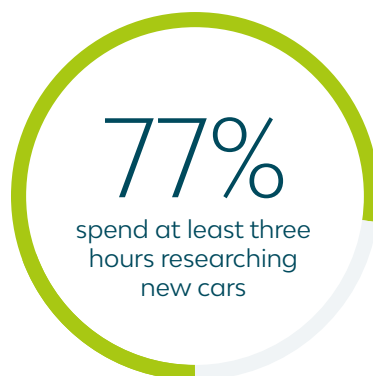
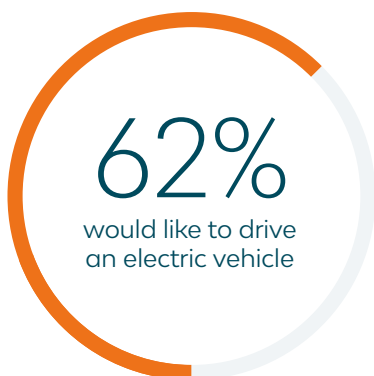
Tesla's share of UK electric vehicle registrations
January-August 2023, **33,302 units**

Source: SMMT

05

What does the research tell us?

- **Electric company cars are desirable:** Business drivers were more than 50% more likely to want an electric car than other respondents and recognise that there are incentives to make this affordable.
- **Features matter more than brands:** Most (71%) respondents who drive for work said they would switch manufacturers to get specific features, while 32% would consider brands they hadn't heard of if it enabled them to drive an electric car.
- **Drivers don't always know what's available:** Awareness of new and all-electric vehicle brands was relatively low. Among business drivers, customer service (39%) and reliability (38%) the most common reasons for sticking with familiar names.





06

How can fleet managers address drivers' concerns?

Although business drivers were open to the idea of going electric, there were some common concerns among the 23% of them who said it was not accessible. However, employers can help to break down some of those barriers.

- **71% said EVs are too expensive:** Salary sacrifice extends the tax incentives Benefit-in-Kind incentives beyond company car schemes. These enable drivers to lease a new car through their employer, fund it with their gross salary and (if it emits 75g/km CO₂ or less) pay Benefit-in-Kind for the vehicle and tax on the remaining income.
- **50% cited concerns about charging costs:** Although energy prices have almost doubled since 2021, electric vehicles can still be cheaper to run. An electric car charged at home costs 30% less per mile than fuel for an equivalent diesel car, and those savings double for households with low off-peak prices.*

- **46% said they can't plug in at home:** Providing workplace chargepoints for employees can help reduce their reliance on more expensive public networks and make it easier for them to switch. They also won't pay Benefit-in-Kind for the energy used, if it's provided free of charge.

34%

...year-on-year growth of the BVRLA's salary sacrifice fleet, to 42,616 cars, in Q4 2022.

Source: BVRLA

* Comparing Volkswagen ID.3 Pro (4.1mpkWh) and Golf 2.0 TDI Life (62.8mpg) using Department for Business, Energy & Industrial Strategy home energy prices for 2022 (31p/kWh flat rate, 17p/kWh off-peak) and pump prices for August 2023 (150.4p/litre)

07

How can EVs overcome vehicle supply challenges?

The automotive industry has faced unprecedented challenges since 2020, including Covid-19 restrictions, conflict in Ukraine and severe shortages of critical components. This has created production bottlenecks, extended delivery times and raised vehicle prices.

Accelerating your electric vehicle transition can mitigate those issues:

- **EVs are an industry priority:** From 2024, manufacturers will have to meet progressively higher mandatory sales targets for electric vehicles, and there are signs that they are already being prioritised. According to the BVRLA, 23% of electric car orders take more than ten months to deliver, compared to 28% for petrol or diesel.
- **There's a lot of choice:** Of the 45 brands included in SMMT registration data, 34 have electric vehicles in their range. Broadening your fleet policy could help employees access more suitable and cost-effective options, and 86% of business drivers we surveyed said brand wasn't a priority when choosing a new car.
- **Consider alternatives:** Used electric vehicles typically don't have the same escalating maintenance costs as their petrol or diesel counterparts. LeasePlan Flexible offers a choice of specific high-quality, low-CO₂ vehicles from stock, delivered within days and available from one month to two years. It enables fleets to scale up and try new technology without the long-term commitment of a traditional three-year lease.

Although vehicle supply is improving, they will take time to resolve. Fleets and businesses registered 24% fewer cars (209,210 vehicles) between January and August 2023 than during the same period of 2019. With incentives in place until 2028 and a choice of new and used vehicles, electrification can businesses keep their replacement cycles on track.

With growing consumer demand, tighter environmental regulations and increased competition, electric vehicle supply appears to be more resilient than other models. An open-minded approach to brands and procurement could help businesses shore up a supply of vehicles while production capacity is constrained.

Alfonso Martinez – Managing Director,
ALD | LeasePlan UK



The image shows a white electric car parked at a charging station. An orange callout box is overlaid on the left side of the image, containing the number '08' and the text 'How are we helping?'. The car is a modern hatchback, and the charging station is visible in the background.

08

How are we helping?

LeasePlan is already delivering electric vehicles at scale, accounting for more than a quarter of our deliveries in 2022 and with ambitions to transition our entire funded fleet by the end of the decade. We're familiar with the challenges and opportunities and offer a suite of funding options and services support for businesses, including:

- **Partnerships:** LeasePlan maintains close relationships with vehicle manufacturers and suppliers, providing home chargepoints and smart reimbursement solutions alongside the lease. We also work with an expert panel of suppliers to offer bespoke workplace and depot charging, including facilities with battery storage and solar.
- **Advocacy:** Our track record advocating electrification includes The Climate Group's EV100 electric fleet initiative, World EV Day, the World Economic Forum and World Business Council for Sustainable Development. We also sit on various BVRLA committees around decarbonisation and fair tax treatment for fleets.
- **Guidance:** We offer impartial guidance, insights and industry benchmarking from our consultancy team with specialist consultancy projects spanning policy development, fleet reviews, EV Readiness, Total Cost of Ownership (TCO) modelling, carbon calculator, Scope 1,2,3 reporting and more.
- **Support:** Our dedicated EV helpdesk offers additional support for internal fleet teams, assisting with queries, monthly learning sessions and EV days to promote adoption and sustainability. Drivers can also access easy-to-use advice, guidance and tools through our online hub and multi award-winning 'Electric Moments' campaign.

To find out how we can help your organisation take its next steps visit our Drive Electric hub at leaseplan.com



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