



The Voice of Leasing and Automotive Rental in Europe

Car Leasing

Supporting sustainable mobility in Europe



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Automotive leasing provides businesses and consumers across Europe with access to cars¹ that are newer, safer and more fuel-efficient than the average privately owned car. As a result, end-of-lease vehicles are a vital source of young, well-maintained vehicles for the second-hand market. Automotive leasing is also a form of affordable, fixed-cost mobility that removes many of the downsides associated with vehicle ownership. It enables economic activity by helping businesses manage and meet their transportation needs.

SUPPORTING SUSTAINABLE MOBILITY

Renewing the fleet with cleaner vehicles

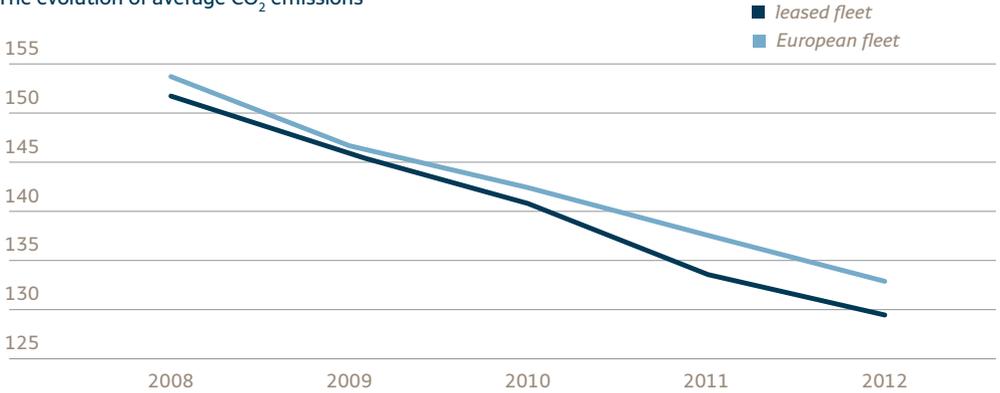
More than 30% of all new cars in the EU are registered by the European leasing industry. By bringing new vehicles to the market, which are cleaner and safer than ever before², lease providers play an important role in rejuvenating the European vehicle fleet. Around 35% of Europe's car

fleet is at least 10 years old or more³, whereas the average age of the leased fleet is around 2 years⁴.

The average CO₂ (g/km) output of the leased fleet has between 2008 and 2012 consistently been below that of the average European fleet⁵. This trend is supported by a greater annual rate of decline in CO₂ emissions within the leased fleet, as is illustrated in the graph⁶. These figures demonstrate the industry's ability to rapidly adapt its fleet composition in response to environmental concerns, customers' calls for vehicles with lower emissions and changing market conditions.

1. In addition to passenger cars, Leaseurope's members also lease commercial vehicles, including vans and trucks. Leaseurope's members purchase approximately 1 million vans each year and have a running fleet of around 4 million vans. 2. New cars are also more sustainable in general because today's production process relies heavily on the use of recycled materials. According to the Verband der Automobilindustrie, over 80% of the materials used to produce a new vehicle are from recycled sources. 3. Report on motor vehicles in use in Europe 2008 - 2010 Edition by ANFAC (Spanish Automobile Association). 4. Leaseurope Annual Statistics (2012) 5. Data collected, based on new registrations, from 7 pan-European car leasing companies with a fleet of approx. 1 million cars in 8 countries compared to overall European fleet car emissions taken from the ICCT European Vehicle Market Statistics 2012 and 2013 pocket book.

The evolution of average CO₂ emissions



In spite of the recognised environmental benefits and cheaper running costs of new clean-vehicle technologies, customers remain cautious. The relatively high purchase price of full electric, compressed natural gas or hybrid vehicles can still be a barrier to their uptake. Customers are also concerned about the availability of the necessary fuelling or recharging infrastructure and the limited driving range of some of these vehicles. Additionally, as second-hand markets for many of these cars have not yet developed, potential users may not be able to sell them on.

encouraging the uptake of new clean-vehicle technology. In some markets, they are responsible for up to 80% of such purchases⁷.

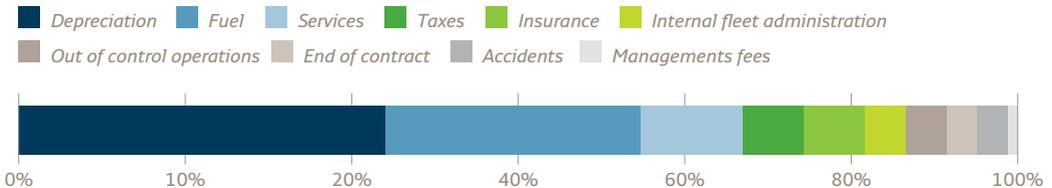
Choosing the right cars for Europe

With their in-depth knowledge of the vehicle market, leasing companies are able to take a comprehensive and long term view of vehicle costs and performance. This allows them to determine precisely the total cost of using of a vehicle over a period of several years.

With a lease however, the leasing company takes on all maintenance and disposal responsibilities, providing customers with a risk-free way of adopting these new technologies. Additionally, the leasing company can advise on whether a particular clean car is 'fit for purpose' or not. Leasing companies are therefore leading and

The overall costs of a vehicle go well beyond its initial purchase price. It also includes fuel costs, and maintenance, taxes, insurance, the cost of financing, and the need for safety features such as winter tyres. As shown below, depreciation and fuel costs are the largest cost components of using a vehicle.

Components Making up the Total Cost of Ownership of a Vehicle



6. The average CO₂ emission figures of the European fleet include all leased vehicles, which make up just over 30% of all new vehicle registrations in Europe. Exclusion of the leased vehicle fleet CO₂ data from the overall European average would thus result in higher overall CO₂ g/km average. 7. VNA 2012 annual report, Overview of vehicles by fuel type. According to this report 80% of electric vehicles on the Dutch market are leased.

Leasing companies can help their clients save on these costs. Clients don't pay for the full value of the vehicle, but only for the usage they effectively make of it. Moreover, by taking into account factors such as client-specific driving patterns, the fuel efficiency of the vehicle, as well as the required load capacity, leasing companies provide advice on the best vehicle for the client. This results in the client achieving substantial cost savings compared to outright purchase of a vehicle.

Putting safe cars on the road

Older vehicles tend to be equipped with fewer safety features, are prone to more technical defects and require more maintenance than new cars. More than 5 people die on Europe's roads every day in accidents linked to technical failure⁸ and accidents in general are more likely to involve older cars⁹. Compared to their privately-owned counterparts, leased vehicles are newer and better maintained as they undergo mandatory, regular servicing. Moreover, they are serviced according to manufacturer specifications.

Over and above the better condition of leased cars, the European Transport and Safety Council has recognised the important role leasing companies play in other areas of driver safety¹⁰.

For instance, leasing companies implement safe driving policies for their clients and advise them on which safety options to install. Leasing companies have also been offering safety focused driver training for many years with proven results.

Shaping the used car market

European household budgets are under continued pressure. At the same time, the costs of running a car are steadily increasing¹¹, making it more difficult for some to purchase a brand new car.

A supply of affordable second-hand cars is therefore essential. Leasing companies feed Europe's second-hand vehicle market with young, well-maintained, fuel-efficient cars. In most countries, end-of-contract leased vehicles account for a substantial share of all second-hand vehicles on offer¹².



8. EC MEMO/12/555, Road Safety: The Roadworthiness Package – Tougher vehicle checks to save lives. 9. Haley J (1997) Why you are safer in a new car, Open Road, NRMA, March/April 1997 (based on a Monash University Accident Research Centre report associated with the Used Car Safety Rating Program) 10. ETSC (2012) Contribution to CARS 21 Working Group on Road Safety. 11. In 2011, private households in the EU spent approximately 13.2% of their household budget on transport-related goods and services according to BEUC: Good for the environment and good for your pocket: Consumer benefits of CO₂ emissions targets for passenger vehicle (2012). 12. According to data from the VNA (2013) as much as 20% of second-hand cars on offer in the Netherlands are ex-lease cars.

A VITAL TOOL FOR BUSINESS

Helping smaller firms access vehicles

In the current economic environment, access to finance is one of the biggest issues that small businesses face. Leasing can often be the ideal solution for these firms to be able to access cars and vans. For example, in the past two years, 45% of all Dutch SMEs have made use of vehicle leasing¹³.

One of the main reasons behind leasing's popularity with SMEs is that it allows them to finance up to the full purchase price of the vehicle, without requiring any collateral. This is because the leasing company owns the car throughout the lease contract, which provides it with a form of in-built security. Leasing companies can also lease high quality second-hand vehicles¹⁴, which is another particularly cost effective solution.

Outsourcing risk

Leasing enables clients to pass on the risks associated with vehicle ownership to the lessor, leaving them free to focus on their core business. Businesses can outsource all of the administration and maintenance associated with car ownership and operation. This includes general maintenance, servicing and replacement vehicles if required. Leasing companies can also provide insurance, fuel, tyres and even sophisticated reporting tools that keep the client informed of how efficiently its fleet is being used.

Developing new mobility concepts

To meet the greater demand for more flexible and sustainable transport, leasing companies are increasingly offering mobility services where, for a fixed monthly fee, clients can combine access to a vehicle with journeys by train, bus or even bicycle. These innovative products rely on new technologies like integrated ticketing, smartphone apps and in-car communications to create a package that helps travellers choose the most suitable way of completing their journey.

Automotive leasing is also driving innovation in many other ways. Telematics were first introduced into leased service vans to monitor their usage on the job. They have become increasingly popular as they help businesses improve the overall efficiency and productivity of their employees. In-car navigation is another technology which was initially introduced through leased vehicles.

Yet another service offered by leasing companies to further reduce costs and environmental impact is eco-driver training. By following the fuel efficiency advice of leasing companies, clients can achieve a reduction in fuel consumption of as much as 20%¹⁵. Not only does eco-driver training reduce the amount spent on fuel, it also helps keep maintenance and accident repair costs low.

Car leasing in 2012 in figures

- > The European leasing industry registered 5.8 million new leases
- > Worth 1.16 billion Euros
- > With an overall fleet of more than 15 million vehicles
- > One third of all new cars registered in Europe are leased

FIND OUT MORE ABOUT LEASING



Leasing
The path towards sustainable growth for Europe



The Road to 2050, truck leasing and rental
An integral part of a sustainable European transport system



The Use of Leasing Amongst European SMEs