Vehicle Leasing Market in figures 2013

Summary

VNA
Association of Dutch Vehicle Leasing Companies

www.vna-lease.nl

Vehicle leasing taps into the spirit of the times

In all aspects of our society, there is a trend towards sustainability. The vehicle-leasing sector is contributing to this spirit of the times by greening the Dutch fleets. Moreover, the current focus on the environment ties in seamlessly with the essence of vehicle leasing: relieving customers of their worries by helping them on their way in all areas of business mobility.

Freedom and efficiency

There are many roads to business mobility. Sustainable options in this context include working from home and leasing bicycles. Still, vehicle leasing remains the central pivot, as it provides a great deal of freedom and efficiency when it comes to finding alternative funding and meeting mobility needs.

Sustainability

The Dutch government's tax incentives for (highly) fuel-efficient cars have been successful, and this is reflected in the composition of the leased fleets. Drivers of leased vehicles base their choice on the rules concerning the company car taxable benefit. As many as 45% of the newly leased vehicles in 2013 fall into the 14% category for company car taxable benefit. In 2011 this was still 25%, rising to 37% in 2012 and now to 45% in 2013.

Almost half of all drivers of leased vehicles who can choose a new company car opt for fuel-efficient or highly fuel-efficient cars (0% or 14% taxable benefit category). Thanks to the more attractive taxable benefit for electric and plug-in hybrid company vehicles, vehicle leasing has brought the use of innovative technology within reach. As a result, the decline in average CO_2 emissions of newly leased vehicles reached a new milestone in 2013. Emission levels are now at 104 grams of CO_2 per kilometre driven, while the average CO_2 emission for all cars was 110 grams. Nearly 95% of the new leased vehicles have an A or B energy label, which is also in line with the spirit of the times towards greening.

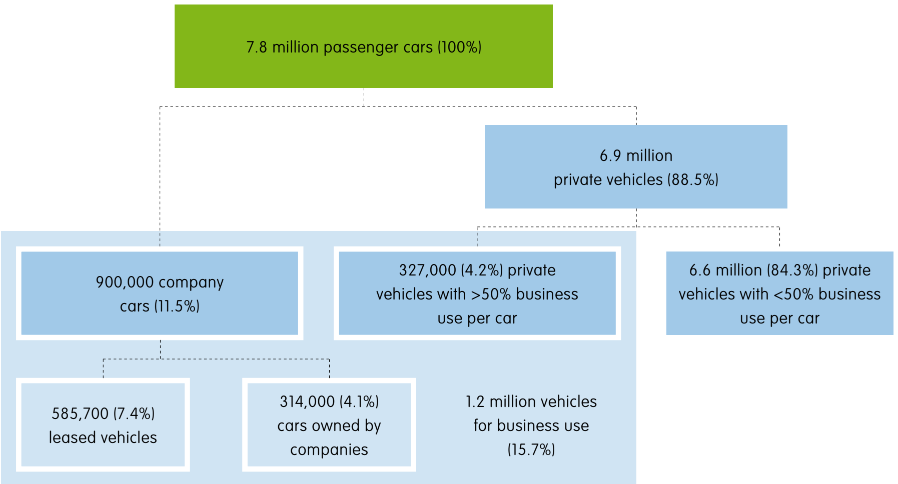
Sector figures show that even in dire economic times, vehicle leasing continues to play an important role in mobility supply.

1. Leased vehicles in the Netherlands

Developments in commercial fleets

The majority of Dutch passenger cars are owned by private individuals (6.9 million cars or 88.5%). The remaining vehicles (11.5%) are company cars: leased vehicles and cars owned by companies and government bodies, see figure 1.1 Of the 6.9 million cars owned by private individuals, an estimate of 327,000 are used for business purposes for more than half of all the distances driven. Although they are vehicles for business use, they are not company-owned cars. Together with company-owned cars, these private vehicles make up the 1.2 million vehicles for business use in the Netherlands.

Figure 1: In 2013, almost half of all passenger cars for business use were leased vehicles



Source: CBS, RDC, VNA

[1] The fleet of leased vehicles of the collective VNA members also comprises over 17,000 rentals.

The fleet of leased vehicles in the Netherlands is growing steadily. In 2013 there were 717,400 leased vehicles, a 0.6% increase relative to 2012 (see table 1). This increase is the balance of a 1.4% growth in the leased fleets of passenger cars and a decrease in the leased fleets of light commercial vehicles. The number of leased light commercial vehicles has been dropping for several years, partly as a result of the economic crisis.

Table 1: Leased fleets in the Netherlands 2012-2013 [2]

	Passenger cars		Light commercial vehicles		Total	
	Total NL	VNA	Total NL	VNA	Total NL	VNA
2013	585.700	516.800	131.800	120.700	717.400	637.500
2012	577.400	507.800	135.800	122.200	713.200	630.000
Increase/ Decrease	+8.300	+9.000	-4.000	-1.500	+4.300	+7.500
	+1,4%	+1,8%	-2,9%	-1,2%	+0,6%	+1,2%
Share in Dutch Fleets	7,5%	7,4%	16,0%	16,0%	8,4%	8,3%

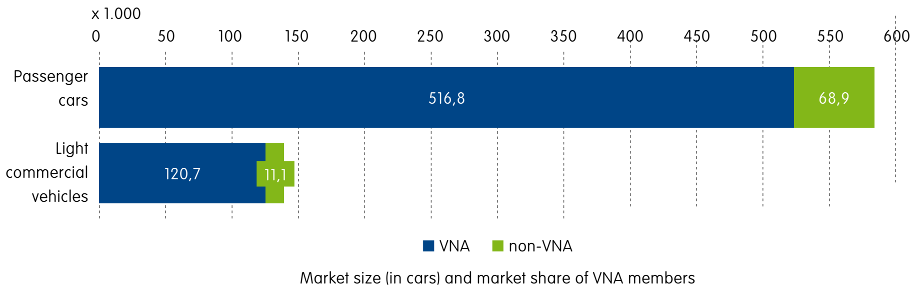
Source: CBS, RDC, VNA

[2] The fleet data of the collective VNA members are based on a survey conducted among these companies, and does not include external fleet management and leased vehicles in the RTL register. The number of leased vehicles outside of the VNA is based on RDC Data Centre registrations (including RTL lease), supplemented by the VNA's own estimates for external fleet management. Therefore, the total number of leased vehicles shown differs from the information published by the RDC.

2. VNA and its members

The Association of Dutch Vehicle Leasing Companies (VNA) is the trade association for the vehicle leasing industry. VNA members represent 88% of all leased passenger cars in the Netherlands and 92% of all leased light commercial vehicles. Based on this market share, the developments in the fleets of leased vehicles of these companies can be considered representative for the entire market. The collective market share of both passenger cars and light commercial vehicles of the VNA leasing companies increased in 2013 compared to 2012, as is shown in table 1.

Figure 2: VNA members represent nearly 90% of the leased vehicle market in the Netherlands



Source: VNA, RDC

Employment

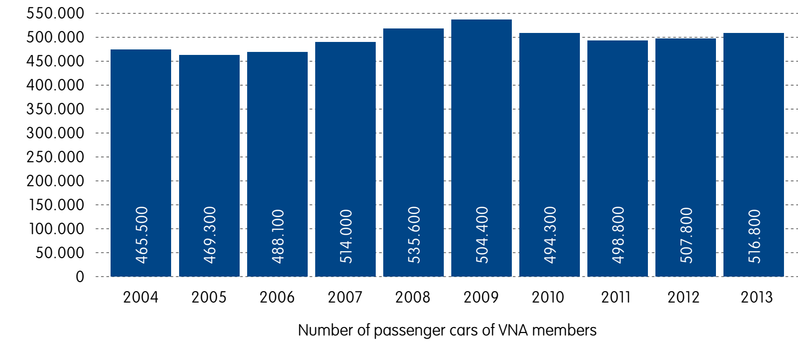
Employment at the collective VNA member companies was stable at approximately 3,250 FTEs. Labour productivity, estimated as the number of leased vehicles per FTE, was at 195.[3] Thanks to the stable size of the fleets the labour productivity hardly changed compared to 2012. The collective gross turnover of the VNA members was approximately 8.3 billion euros.

[3] The number of jobs at leasing companies is dependent on the way in which business operations are organised: activities may be done in-house or be outsourced and support services may or may not be procured from a parent company. If companies have the same form of organisation throughout the years, the trend is meaningful, even if definitions among these companies vary.

3. Passenger cars

In 2008, the total number of leased passenger cars gathered in the VNA was at an all-time high with a fleet size of 536,000 (figure 3). This was followed by a two-year decline, but since 2010, the number has been picking up again: 2013 was the third year in a row in which the leased fleets have grown.

Figure 3: Rise in leased passenger car fleets continues



Source: VNA

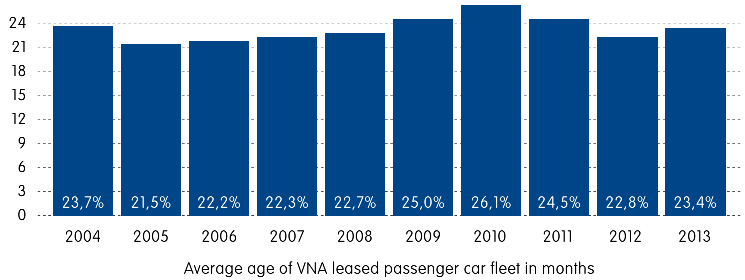
Rules concerning company car taxable benefit greatly affect Dutch fleets. The upturn in the Dutch economy in the fourth quarter of 2013, as established by Statistics Netherlands (CBS), was attributed by many to the sales figures of new (leased) vehicles. Whoever bought a fuel-efficient car in 2013 will be able to enjoy the 0% rate of the company car taxable benefit in the years to come.

The number of newly purchased cars in the Netherlands has decreased rapidly in recent years. In 2013, 417,000 passenger cars were purchased, which is more than 85,000 less (-17%) compared to 2012. Leased vehicles make up a significant share of the newly bought vehicles in the Netherlands. In 2011, this share was 32%, in 2012 it was 33% and in 2013 it was 35%. More than one of every three new passenger cars in the Netherlands is a leased vehicle in the fleet of one of the VNA members.

Age of the fleet

As the turnover in the fleets is slowing down, their rejuvenation is also halted, as is shown in figure 4. In December 2013 the average age of a leased passenger car was 23.4 months, as opposed to 22.8 months in December 2012.

Figure 4: Average age of leased passenger car is increasing slightly



Source: VNA

Trends in fuel

The greening of fleets is not accompanied by major shifts in the type of fuel used in cars. Over half of all leased passenger cars run on diesel. The share of diesel cars (42% in 2013, 44% in 2012) has been on the rise in the past two years at the expense of petrol. LPG cars, ten years ago still making up 9% of the leased fleets, have almost completely been phased out. Hybrid cars (over 28,000 leased passenger cars) make up 5.4% of the fleet. Besides hybrid cars there are over a thousand fully electric leased vehicles.

Ecolabels

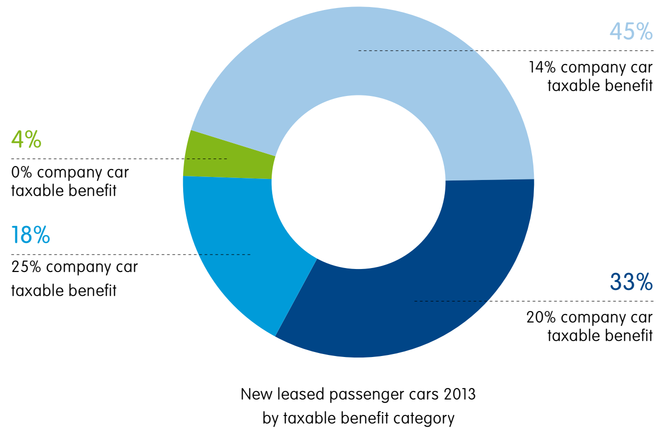
In recent years there has been a significant shift in the ecolabels of new leased vehicles. In 2011, the share of new cars with an A label rose to 60% and remained at that level in 2012.4 The year 2013 saw a further breakthrough: as many as 81% of the new leased vehicles satisfied the A-label requirements. With regard to all new cars sold in the Netherlands in 2013, this share was 72%. The share of less fuel-efficient cars (D to G label) in new leased vehicles dropped to 1.5%.

[4] An A label is 15% and a B label is 5 to 15% more fuel efficient than the average car in the same category.

CO_2 emissions

Diesel and petrol vehicles are becoming more and more economical in their use of fuel, which translates into lower CO_2 emissions and a corresponding lower company car taxable benefit. In 2011, one-fourth of newly leased vehicles satisfied the requirements for the 14% taxable benefit, and in 2012, this share rose to 37%. This trend is continuing with an increase of this share to 45% in 2013. Four per cent of the new leased vehicles (4,420 cars) satisfied the requirements for 0% taxable benefit in 2013.

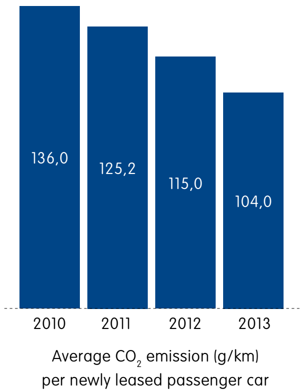
Figuur 5: Almost half of all new leased passenger cars fall into the 14 or 0% taxable benefit category



Source: RDC

The average CO_2 emission of new leased vehicles is decreasing steadily. In 2010 it was 136 grams per kilometre driven, declining to 125 grams in 2011 and to 104 grams per kilometre in 2013 (figure 6). De Dutch fleet of leased vehicles consists of more fuel-efficient cars than the total fleet of passenger cars. If all new cars are taken together, their average CO_2 emission is 110 grams per kilometre. This makes the Netherlands a leader in Europe: the average CO_2 emission of all cars sold in Europe in 2013 was 127 grams per kilometre.

Figure 6: CO_2 emission per kilometre of new leased vehicles Linear decline of CO2



Source: RDC

List price

In 2012, the average listed price of new leased vehicles was almost 4,000 euros higher than in 2011. This can be explained by the increase in the number of sales in the C segment at the expense of the B segment. In 2013, the A and C segments won at the expense of the B and D segments. As a result – and because of the competition in the car market – the listed price of new leased vehicles fell to an average of 22,500 euros, excluding VAT and BPM (motor vehicle tax). The average amount of BPM is slowly going down, which is partly due to the decreasing CO_2-emission levels of new cars. In 2013, the average BPM paid per leased vehicle was 4,400 euros.

Contracts

Vehicle leasing is a form of credit provision in which the leasing company (the lessor) makes vehicles available to a company (the lessee) during an agreed period of time and for an agreed fee. Important elements in the lease contract include the financing fee, the term of the contract and who bears the residual value risk: who will ultimately gather the residual value risk windfalls or setbacks. There are five basic forms of leasing, and each form may contain agreements about additional services, such as insurance, servicing and more extensive mobility services. Of these additional services, overhauling (repair, maintenance and tyres) is the service most commonly used.

Table 2: Lease contracts passenger cars VNA members 2012-2013

	2013	2012	Decrease/Increase*	
Operational, closed calculation	394.900	387.400	+7.500	+1,9%
Operational, open calculation	40.500	48.000	-7.500	-15,6%
Financial	35.600	33.200	+2.400	+7,2%
Fleet management	30.400	25.200	+5.200	+20,6%
Net operational	15.400	13.900	+1.500	+10,9%
Total	516.800	507.800	+9.000	+1,8%

* the percentage growth is based on non-rounded values

Bron: VNA

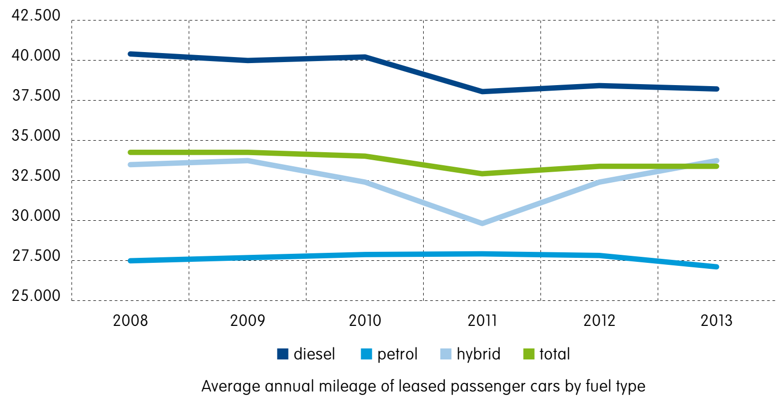
The 'theoretical' average term of lease contracts is 47 months, so just under four years. The average term for new contracts is considerably shorter: in 2013, this was 41 months. Contract periods are shrinking.

The duration of terminated contracts is a good indicator of the actual term, because this also includes contracts which were terminated early. In 2013, the average term of terminated contracts was 39 months, which is over a month less than in 2012.

Mileage

In 2013, the average leased passenger car covered 33,500 kilometres, based on the target mileage laid down in the contract, which is practically the same as in 2012. Diesel vehicles accounted for the highest number of kilometres, 38,600 on average, and petrol vehicles for the lowest, 27,200. The mileage of hybrid vehicles was in between that of diesel and petrol vehicles, with an annual average of 33,500 kilometres. Fully electric vehicles (not shown on the graph) cover a considerably lower distance: 22,500 on average.

Figure 7: Annual mileage leased passenger cars stable



Bron: VNA

4. Light commercial vehicles

The most important development the leased fleets of light commercial vehicles has witnessed is a steady decline, which started in 2009. At its height the total fleet of leased vehicles of VNA members consisted of 133,100 light commercial vehicles. In 2013 it was almost 10% less: 120,700. The decline is levelling off, however: in 2013, there were 1,500 cars less than in 2012, i.e. minus 1.2%.

Contracts

As is the case for passenger cars, operational lease with closed calculation is the dominant lease form with a market share of nearly 60%. In 2013, fleet management became the third biggest lease form for light commercial vehicles. The most important trend in 2013 was a substantial growth in the share of light commercial vehicles in financial lease (+2,600; +11.7%), see table 3. This was at the expense of operational lease, both with open (-2,700) and with closed calculation (-1,700). This shift has been taking place for several years.

Table 3: Lease contracts of light commercial vehicles of VNA members 2012-2013

	2013	2012	Decrease/Increase*	
Operational, closed calculation	71.100	72.800	-1.700	-2,3%
Financial	24.400	21.800	+2.600	+11,7%
Fleet management	11.200	11.100	+100	+0,8%
Operational, open calculation	9.400	12.100	-2.700	-22,6%
Net operational	4.600	4.300	+300	+6,2%
Total	120.700	122.200	-1.500	-1,2%

*percentage growth is based on non-rounded values

Source: VNA

The lease contract period for light commercial vehicles is higher than for passenger cars: 49 versus 47 months. As is the case for passenger cars, the contract period is becoming shorter. In 2011 it was still 53 months. As is the case for passenger cars, the actual duration of terminated contracts is shorter than the theoretical period. However, for light commercial vehicles this difference is only one month.

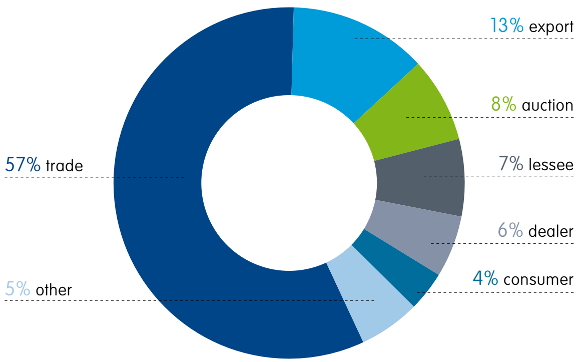
Mileage

Virtually all leased light commercial vehicles (98%) run on diesel. The share of other fuel types, with petrol being relatively the most important type, is negligible. The average number of kilometres driven in light commercial vehicles per year is identical to the average mileage of passenger cars: 33,300. As is the case for passenger cars, the mileage in 2013 for light commercial vehicles was slightly below that of 2012.

5. Life after lease

In 2013, the collective VNA members disposed of and replaced 167,800 vehicles, nearly 19,000 fewer than in 2012. Most of them (57%) were sold to the trade – wholesale buyers, dealers and scrapping companies – while 8% were sold at external auctions; especially for light commercial vehicles, this is a relatively important channel. Seven per cent of all disposed vehicles were sold to the lessee, the company that leased the car in the first place. This was predominantly the case for passenger cars. Furthermore, 6% of the vehicles were returned to the original dealer or importer, while 4% were sold to private individuals.

Figure 8: Ex-leased vehicles mainly sold to the trade



Sales channels of disposed leased vehicles

Source: VNA

Compiled by Periscoop Onderzoek & Advies / VNA.
This publication was produced with the contribution of Bovag Research, the central agency for mobility information (RDC I CBMI) and the members of VNA.

© Association of Dutch Vehicle Leasing Companies, June 2014.
Information may be reproduced with acknowledgement of the source.

VNA
PO Box 42
3980 CA Bunnik
The Netherlands
+31 (0)30 659 5299
vna@vna-lease.nl
www.vna-lease.nl