LEX AUTOLEASE

The Future of Transport

2024

Welcome

Nick Williams
Managing Director, Lex Autolease

Welcome to the latest Future of Transport report from Lex Autolease.

This bi-annual report is designed to provide an in-depth insight into the experiences, opinions and intentions of UK drivers and fleet managers to understand how the way we travel is changing.

A period of progress and change

The decision to push back the Zero Emission Vehicle Mandate from 2030 to 2035 received a decidedly mixed response from the industry and general public, but the majority of manufacturers confirmed they would remain committed to their plans.

The number of electric vehicle (EV) charging points passed a significant landmark when the 50,000th charging point opened in Weston-super-Mare[1].

While significant progress has been made on installing high-powered charge points near motorways, the UK fell short of meeting its target set for the end of 2023.

The number of electric and hybrid cars on British roads exceeded 1.5 million in October[2].

The Government promised to redirect the £36bn saved with the scaling back of HS2 into a range of transport projects across the country.

Driving the electric transition

The report findings outline the impact of those developments and reveal that businesses continue to lead the transition to cleaner and greener vehicles, while government and industry need to do more to encourage mass adoption across the population.

Through Lex Autolease and Black Horse, Lloyds Banking Group has provided more than £6bn in funding for new EVs and plug-in hybrid vehicles – part of an £8bn commitment - since 2022 and is responsible for more than one in eight EVs on the UK's roads and one in four BEVs registered last year.

With transport remaining the largest producer of carbon in the UK economy, responsible for approximately a quarter of emissions[3], we recognise we have a duty to lead the change and help our customers make more sustainable decisions.

We're sharing this intelligence with you so we can all work together to transform transport for the better.

I hope you find it insightful and informative.

> "Designed to provide an in-depth insight into the **experiences, opinions and intentions of UK drivers and fleet managers.**"

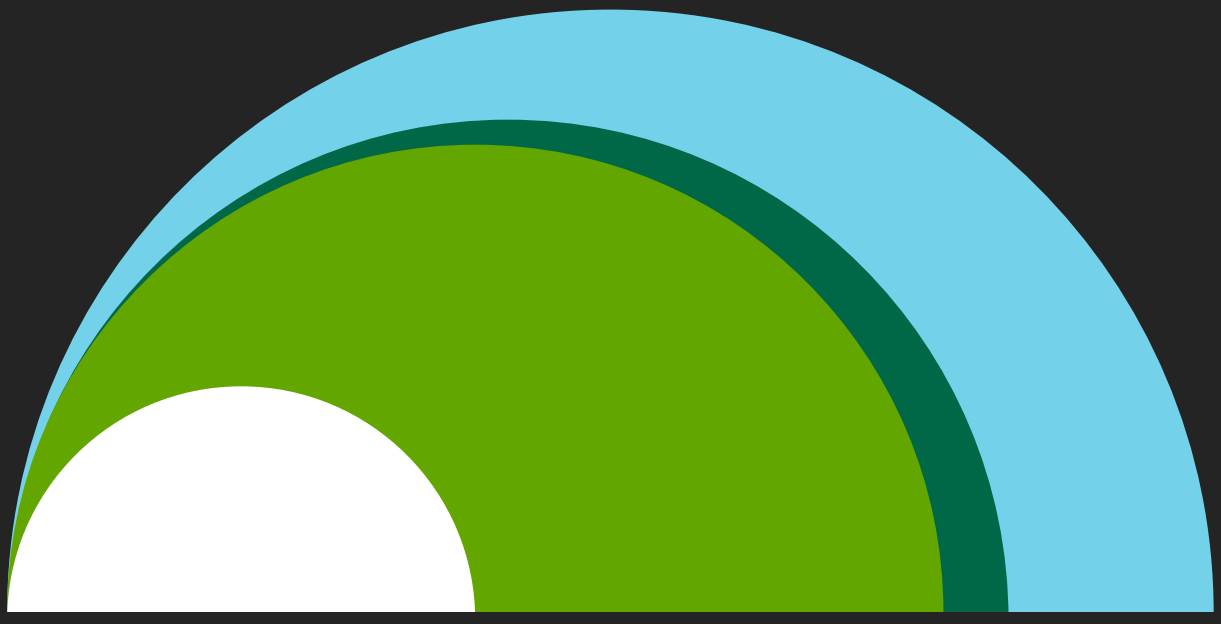
1. https://www.carmagazine.co.uk/electric/electric-car-charging-points/
2. https://www.zap-map.com/ev-stats/ev-market
3. https://www.gov.uk/government/statistics/transport-and-environment-statistics-2023/transport-and-environment-statistics-2023#:~:text=Transport%20produced%2026%25%20of%20the,emitting%20sector%20in%20the%20UK.

The Future of Transport Index

The Index uses a combination of data on driver intentions and real-world purchasing behaviours to show how attitudes and confidence towards different fuel types are evolving.

It is calculated by analysing the latest Lex Autolease vehicle figures alongside customer data from Black Horse – the consumer car finance arm of Lloyds Banking Group – and research from more than 1,200 private car drivers and 100 business fleet decision makers.

It provides scores that reflect confidence in a fuel type on a scale of -50 to +100, with -50 meaning confidence is at its lowest and +100 indicating confidence is at its highest.



Diesel	Electric	Hybrid	Petrol
12/23: 11	12/23: 27	12/23: 33	12/23: 38
03/23: 13	03/23: 31	03/23: 32	03/23: 42

Confidence score by fuel type

EV adoption among UK drivers is at risk of slowing

Almost eight in ten (78%) UK households have access to a car[4] and sales are back on the rise after the long-tail impact of the Covid pandemic; the number of new models registered in the UK jumped by nearly 18% in 2023[5].

The vast majority of vehicles being driven in the UK (94%) are still petrol or diesel[6] and every journey creates carbon emissions, as well as a range of other pollutants from toxic particles to poisonous gases, which have a global and local impact.

Mild hybrids fall into the same category. They only provide a small amount of electrical assistance to the engine – not enough for the car to drive on electric power alone – and accounted for a significant proportion of registrations last year.

There are two main strategies for tackling transport pollution; switching to less polluting vehicles and reducing the number of journeys made. And policymakers, both national and local, have several policies in place to address them.

4. https://www.gov.uk/government/statistics/national-travel-survey-2021/national-travel-survey-2021-household-car-availability-and-trends-in-car-trips
5. https://www.theguardian.com/environment/2024/jan/05/electric-car-sales-in-uk-flatline-prompting-calls-for-vat-cut
6. https://www.nimblefins.co.uk/cheap-car-insurance/number-cars-great-britain#:~:text=In%20fact%2C%2059%25%20of%20cars,plug%2Din%20hybrid%20electric%20cars%3F

Here and now

Though half (49%) of the respondents said they are walking more now than this time last year, and a quarter (25%) are using public transport more frequently, this hasn't had an impact on the volume of car journeys.

While 26% said they were driving less, 27% are using a car more and 46% haven't changed their behaviours.

Looking ahead, the results are strikingly similar; 51% expect their driving habits will be unchanged in 12 months' time, while 26% expect they will be driving more and 21% think they will be driving less.

So, what kind of vehicles are they using?

Drivers are continuing to shift towards electric, but the market share of new battery electric vehicle (BEV) registrations fell to 16.5% in 2023 from 16.6% the year before[7].

Petrol vehicles accounted for 41% of the market last year, down from 42% in 2022, with diesel market share falling to 4% from 5% over the same period. Plug-in hybrids (PHEV), hybrid electric vehicles (HEV), and mild hybrids that use petrol saw small rises.

Looking ahead

Our research found that drivers remain largely convinced of the environmental benefits of EVs and recognise that the car they drive can help cut emissions.

Almost two thirds (65%) feel that the transition to EVs will be important in helping the UK reach net zero, while over half (55%) say it is important that the vehicle they drive helps them reduce their environmental impact as much as possible.

But owning an EV is still an unachievable aspiration for many as financial and practical considerations outweigh environmental concerns.

While the main factors encouraging drivers to buy electric are cheaper running costs, avoiding ULEZ charges and boosting sustainability, the top three barriers remain the same as the previous survey; vehicle costs, charging point availability and the time taken to charge a vehicle.

The proportion of drivers that say their next vehicle will likely be electric remains at 40%, unchanged from the last survey. And it's striking that this declines with age, from 60% of 25-34-year-olds to 29% of over-55s.

This highlights that younger people are more open to accepting this technology and aligns with other research that shows they are more likely to experience environmental anxiety and make lifestyle changes to help tackle climate change[8].

Driving change

The government's decision to delay the ban on the sale of new petrol and diesel cars – known as the ZEV Mandate – from 2030 to 2035 was explained by Rishi Sunak as a concession to "families struggling with the cost of living" and because "small businesses are worried about the practicalities". But this did not change the government's overarching commitment to the electric transition.

Interestingly, our research reveals that the move has not had a net negative impact on drivers' appetite for EVs. Almost a third (29%) say they are now more likely to switch to electric, while 20% say they are less likely and 51% have not changed their plans.

But they believe more needs to be done to encourage adoption. Just over two thirds (69%) think the government could be doing more, primarily through measures to reduce vehicle cost (46%), boost charging point availability (45%) and improve the availability of on-road charging infrastructure at home.

Looking at specific policies, drivers unsurprisingly favour encouragement over punishment.

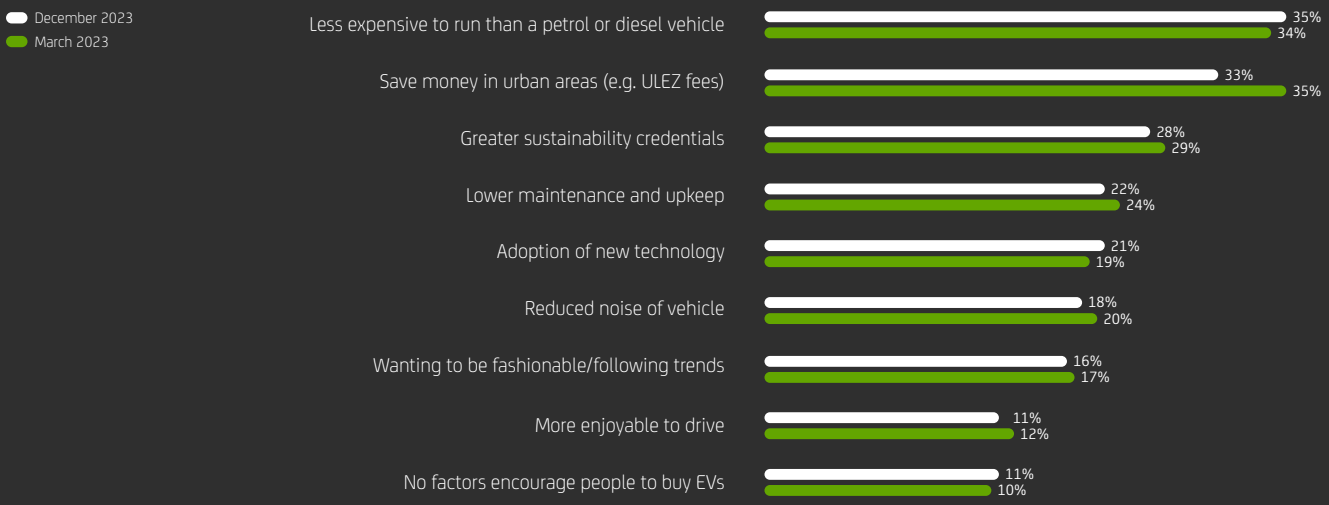
The most popular demands are for grants for the installation of charging infrastructure at home (41%), increased investment in public charging infrastructure (41%) and more investment in on-road charging infrastructure for home charging (37%).

More punitive policies were less popular, which include increasing the number of Clean Air Zones across the UK (13%), bringing forward the ban on sales of new petrol and diesel cars (12%) and introducing a fuel tax on petrol and diesel vehicles (12%).

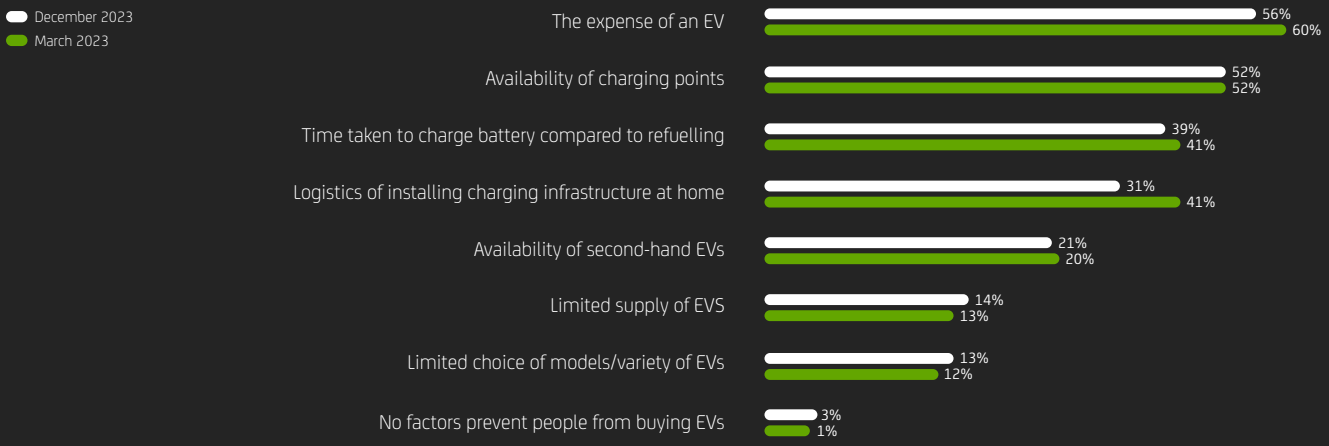
Almost a third (28%) also expect the government to provide better information on switching to electric, more so than dealerships (21%), manufacturers (18%), leasing providers (4%) and employers (4%).

7. https://media.smmt.co.uk/december-2023-new-car-registrations/
8. https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/threequartersofadultsingreatbritainworryaboutclimatechange/2021-11-05

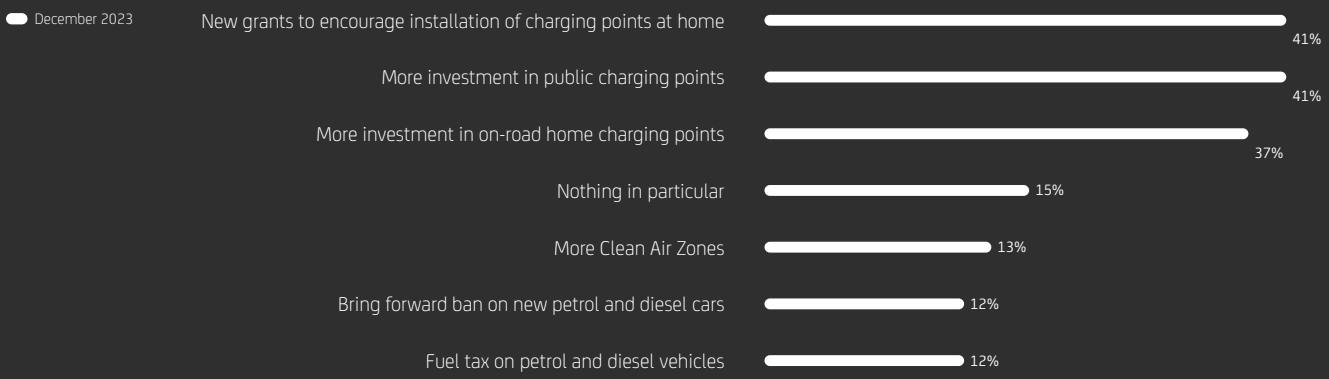
The factors encouraging drivers to switch



The factors preventing drivers from switching



What can policy makers do to encourage EV adoption?



(This graph only shows data from the sample of 1,214 private UK drivers surveyed between 30th November and 6th December 2023, as drivers were not asked this question in the previous survey undertaken in March 2023.)

Fleet managers continue to lead the transition

Businesses have been fundamental to the switch towards more sustainable forms of transport to date.

And this report gathered the views of 100 UK fleet managers, operating fleets of more than 100 vehicles, to understand what's driving their decision making.

The current picture

While there is no definitive data on the total size of UK fleets, the number of new vehicles registered was up 39% in 2023[9] and EVs continued to be a popular choice – three in four new models in November last year were registered to fleets[10].

According to our latest findings, the majority (86%) of fleet managers surveyed said they had maintained or increased the number of EVs in their fleet over the previous 12 months, up from 66% in the last survey.

More than half (57%) said they felt this was an important move for hitting their sustainability targets, while almost as many (50%) feel adopting EVs helps their business's sustainability credentials when responding to tenders. The same proportion (50%) also said it was important for employee engagement and recruitment.

When asked about what encourages them to invest, they cited engagement from employees (30%), a desire to adopt new technology (24%) and the reduced noise of vehicles (23%) as the top three factors.

These considerations score above lower maintenance and upkeep (20%) and cheaper running costs than petrol or diesel vehicles (20%).

9. https://www.smmt.co.uk/vehicle-data/car-registrations/
10. https://www.fleetnews.co.uk/news/three-out-of-every-four-new-electric-vehicles-registered-to-fleets

Looking ahead

Given that the switch to EVs is legislated in British law, it's no surprise to learn that every fleet manager (100%) surveyed said their fleet will ultimately be fully electric.

But it's heartening to see them going above and beyond their legal obligations, with full fleet electrification forecast in an average of four years, down from seven years in the previous survey.

This represents a significant shift over a short period. Delaying the ZEV Mandate to 2035 has not dampened ambition but increased the likelihood of fleet managers to consider EVs, conceivably because it gives firms the opportunity to demonstrate their sustainability credentials to customers and colleagues.

Almost two thirds (64%) say they are more now likely to consider EVs or increase the number in their fleets following the delay, compared to 23% who are now less likely.

But the respondents complain that barriers to adoption endure, which include the availability of second-hand vehicles (21%), charging times (21%), charging point availability (20%), the logistics of installing charging points at home (20%) and poor engagement from staff (20%).

The findings therefore suggest that firms would be keen to take advantage of the second-hand EV market to further their electrification ambitions, given that the cost of used EVs are like Internal Combustion Engine cars.

It's also notable that employee engagement is cited as both an incentive and a barrier to adoption, likely reflecting the diversity of opinion driven by variable capacity to access charging solutions at home.

Driving change

As with UK drivers, fleet managers continue to see the government as having a vital role to play in enabling the universal uptake of EVs among businesses.

The proportion of those that believe policy makers are doing enough to deliver this has increased since our last report, up from 46% to 57% - a strong endorsement for the recent action the government has taken.

And while this is reflected in a smaller proportion of fleet managers calling for new measures to be introduced to encourage EV adoption, many still feel such policies would allow them to invest with greater confidence.

Almost one in four (24%) say they would like to see more investment for installing on-site charging infrastructure, with a similar percentage (23%) calling more funding for on-road infrastructure for home charging (23%).

In addition, more than one in five (22%) feel that additional tax breaks for firms adopting electric vehicles would have a positive impact.

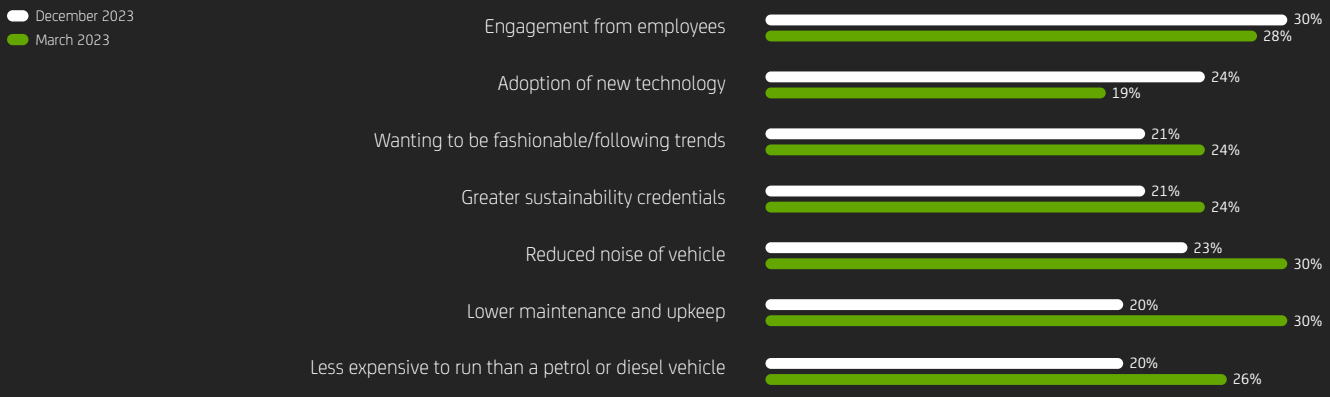
Communication from government and industry is also vital. Just 45% of fleet managers feel they have access to the information they need to make a decision on whether EVs are right for their fleets.

And more than a third (38%) expect leasing providers to provide better information on switching, more so than manufacturers (32%) and government (23%).

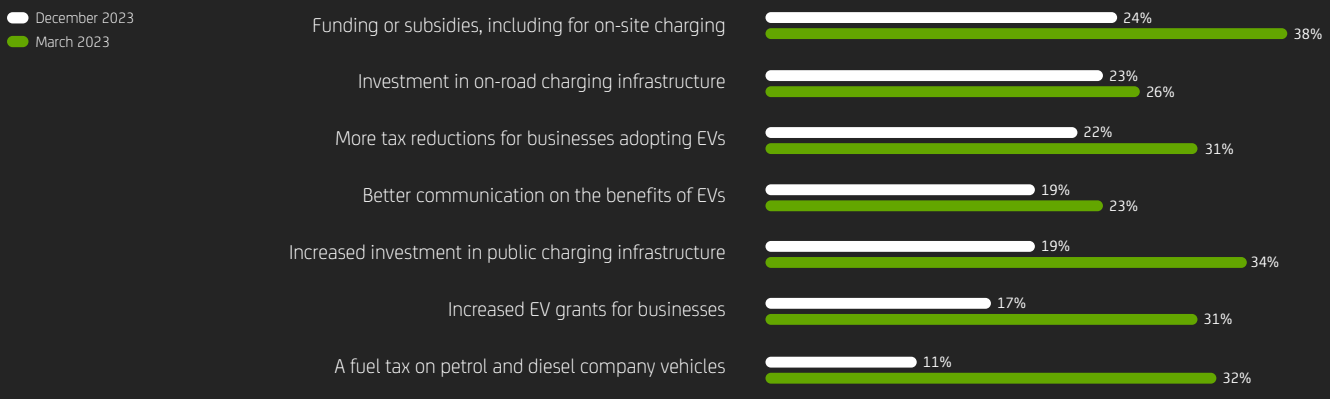
Lex Autolease's parent company, Lloyds Banking Group, recognises this issue and has called for the government to consider setting standards around the provision of clear, consistent information.

That should include vehicle technical specifications, the availability of incentives, public charger locations and more.

Factors encouraging businesses to invest



How policy makers can encourage fleet adoption of EVs



Empowering the EV transition

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I’m sure you’ll agree that our latest Future of Transport report provides an interesting insight into how the way we travel is changing, particularly in terms of the electric transition.

Transport is an issue that’s extremely important to British people, who recognise the important role it has to play in the economy, the environment and in enabling the kind of lifestyle they enjoy.

We saw how the cancelation of the northern leg of HS2 generated such a passionate response in 2023, as did delaying the ban on the sale of new petrol and diesel cars.

Compared with drivers, businesses have a wide range of incentives to support their transition to EVs and are further encouraged by the key role a more sustainable approach to transport plays in winning new business and recruiting top talent.

But policy makers and industry can do more to deliver the universal adoption the UK needs to deliver on its net zero ambitions, particularly among private drivers.

Speeding up the switch

To this point, Lloyds Banking Group Transport – of which Lex Autolease is part of – has identified five steps that it believes the government should take to help accelerate the transition to zero emission transport:

- Prioritise the rapid and fair rollout of charging infrastructure, including addressing the disparity that means that anyone using public charging points pays 20% VAT on electricity, compared with 5% for those charging at home.
- Remain committed to the zero-emission vehicle mandate to provide certainty to vehicle manufacturers and investors on the proportion of EVs they must sell in the UK over time.
- Provide clarity on Benefit in Kind rates beyond 2028, which is an important incentive for leasing companies to make EVs available at cheaper rates, supporting access to EVs for those on lower incomes.
- Consider the future of EV maintenance and consumer information, which should involve the creation of a single source of reliable EV-related information that includes availability, incentives, cost comparisons and public charger locations.
- Introduce a national battery strategy to support the development of the UK battery manufacturing industry because EV manufacturers need reliable, sustainable sources of components, including batteries.

We’re helping to set the agenda because we understand that the decarbonisation of transport is fundamental to the UK’s capability to tackle climate change and its future prosperity.

The UK has the opportunity to be a global leader on this vital issue, so we want the Future of Transport report to inform and inspire stakeholders across industry.

Looking ahead, this initiative will continue to track change and progress, without shying away from shining a light on the UK’s shortfalls.

Working together, we can create a transport sector that works for everyone.

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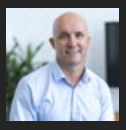

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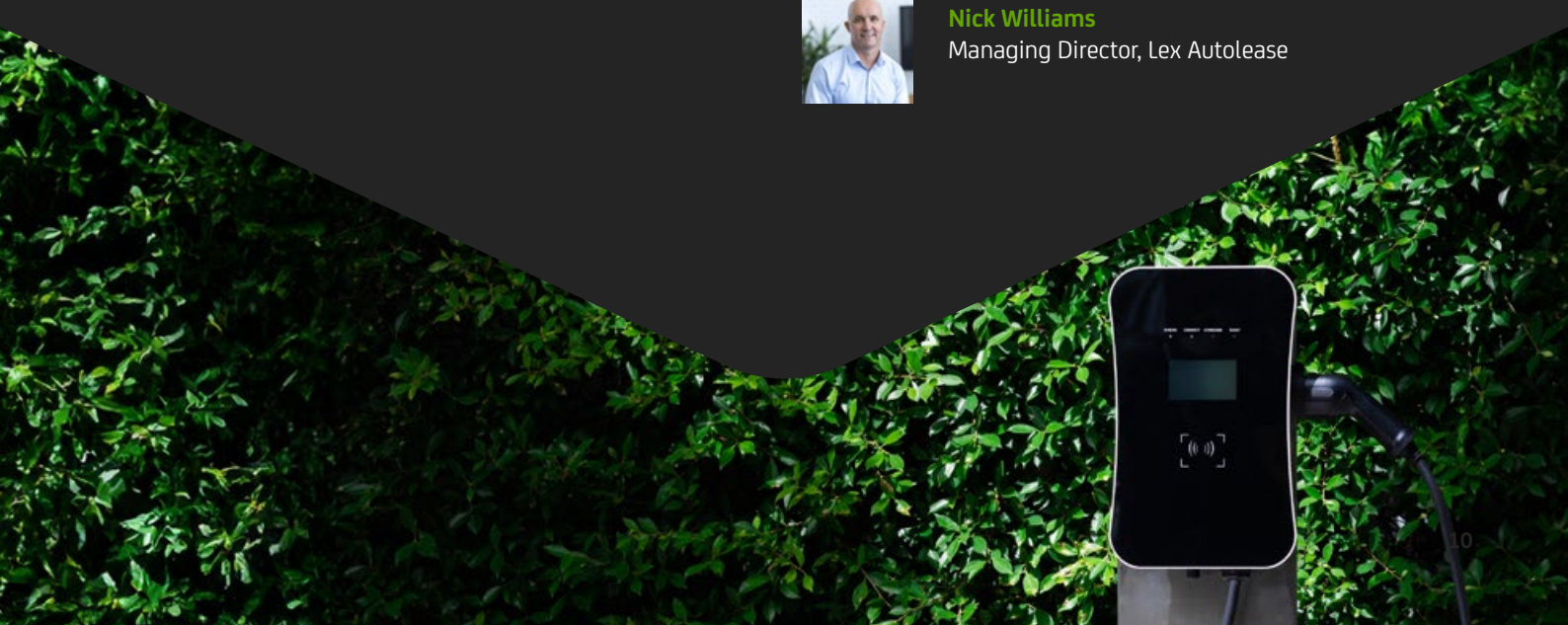

Methodology

To gather representative data, Lex Autolease commissioned independent market research consultancy Censuswide to survey 100 UK business fleet managers/decision makers in businesses with fleets of 100+ cars. It also separately surveyed 1,214 private UK drivers. All surveys took place between 29 November and 6 December 2023.

The Index score has been calculated by analysing survey data alongside Lex Autolease and Black Horse vehicle figures from October to December 2023 – both as a percentage of the fleet and percentage change quarter on quarter.

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