BVRLA

2020 Industry Outlook Commercial Vehicles

in association with

MotorTransport

About the BVRLA

Established in 1967, the British Vehicle Rental & Leasing Association (BVRLA) is the UK trade body for companies engaged in vehicle rental, leasing and fleet management.

On behalf of its 1,000 member organisations, the BVRLA works with governments, public sector agencies, industry associations, consumer groups and other stakeholders across a wide range of road transport, environmental, taxation, technology and finance related issues.

BVRLA members are responsible for a combined fleet of almost five million cars, vans and trucks on UK roads, that's 1-in-8 cars, 1-in-5 vans and 1-in-5 trucks. The vehicle rental and leasing industry supports over 465,000 jobs, adds £7.6bn in tax revenues and contributes £49bn to the UK economy each year.

BVRLA membership provides customers with the reassurance that the company they are dealing with adheres to the highest standards of professionalism and fairness. The association achieves this by maintaining industry standards and regulatory compliance via its mandatory Codes of Conduct, inspection programme and government-approved alternative dispute resolution service. To support this work, the BVRLA promotes best practice through its extensive range of training, events and information sharing activities.

The big picture

The vehicle rental and leasing sector performs a vital role in the UK supply chain, with BVRLA members responsible for 20% of all trucks and vans on UK roads.

Together with its customers, the industry faced a perfect storm of disparate but inter-linked challenges in 2019. The economic uncertainty created by Brexit delivered a one-two punch: truck and van operators delayed re-fleeting decisions as they had little or no confidence in short-term forecasting, while the leasing and rental sector waited to learn how much more vehicles will cost once Brexit is delivered (still a known unknown as we head into 2020).

Cost remains a key concern for the road transport sector as a whole. The consensus of the various cost tables available (Freight Transport Association, Motor Transport and the Road Haulage Association) is the cost of running a commercial vehicle rose by an average of 2% in Q4 2019 compared with the same period the year before – a fall in fuel prices contributed significantly to this relative stability.

Commercial vehicle operating costs difference 2019 v 2018

2.1t van, based on 30,000 miles/yr at 40mpg	**2.08%**
3.5t van, based on 30,000 miles/yr at 28mpg	**1.9%**
7.5t curtainsider, based on 60,000 miles/yr at 17mpg	**0.00%**
18t curtainsider, based on 80,000 miles/yr at 13mpg	**1.12%**
44t 6x2 tractor, based on 80,000 miles/yr at 8.5mpg	**0.54%**

Source: Motor Transport Cost Tables*

Such cost stability is especially ironic given the level of uncertainty in the market: a confused approach to Clean Air Zones, the substantial devaluation of Euro-5 truck residuals, the vilification of diesel and the government's Road To Zero leaves all parts of the supply chain wondering what vehicle complies with regulations now and whether it can be used without experiencing operational disruption and incurring greater costs? What vehicle will be required in three to five years' time?

There's no escaping the demise of T.O.M and Gulliver's, which dramatically book-ended 2018 – and Axis Fleet Management followed them last year. The current economic uncertainty exacerbates the long-established commoditisation of transport operators and those who serve them, with margin pressure passed down the line.

> Other age-old challenges remain – finding and retaining talent, for example – while new ones – connectivity and big data – have emerged.

Vehicle registrations* provide a mixed picture. As this report went to press, 2019 was confirmed as the third best year ever for van registrations – a significant turn-around after two years of decline. Truck registrations in the year to Q3 improved year-on-year, driven by a pull forward of orders to avoid the Smart tachograph implementation that sets the scene for a bubble effect in Q4.

But the leasing and rental sector, like its customers, is nothing if not resilient. The interviews we have conducted to help inform this report reveal that senior management are realistic but not beaten, that this sector is seeking to provide clarity where there is confusion and endeavouring to support its customers in new, flexible and intelligent ways.

This report charts the sector's challenges faced in 2019 and those to be faced in the immediate future - and how some BVRLA members are overcoming them. We hope you find it useful.

***: see appendices 1 and 2 for data in full.**

Thank you to the following members who gave their time to support this report:

- Tim Bailey, UK Fleet Director, Northgate
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- Steve Cartwright, Head of Sales & Marketing, Hexagon Leasing
- John Egerton, Director, Cartwright Trailers
- John Fletcher, Managing Director, Dawsongroup
- Danny Glynn, Vice President – General Manager, Enterprise Flex-E-Rent
- Jon Lawes, Managing Director, Hitachi Capital Vehicle Solutions
- Colin Melvin, Sales Director, Fraikin
- Willie Paterson, Chief Executive, Asset Alliance
- Stuart Russell, Specialist Vehicle Director, Europcar

Interviews by Fusion Insight

Operator behaviour

Evidence suggests that operator demand for rented and leased commercial vehicles is increasing.

The CV Informer 2018 report reveals that a balance of 16% of the survey respondents said they were more likely to lease or rent in the next three years.

There is good reason for this: the leasing and rental sector offers both certainty of costs and flexibility of access. In the current climate, these attributes are particularly popular with operators.

At the same time, there is strong evidence that operators have delayed major re-fleeting decisions where possible. That said, several of the chief executives we interviewed highlighted customers that have withstood the economic shock and continue to re-fleet as normal (particularly in the van sector). There is also evidence that some operators, having delayed re-fleeting for as long as possible, have had to source new vehicles no matter how uncertain their forecasts.

It's worth reflecting on the about-face in truck operator behaviour over the last 10 years and the context behind this.

The prolonged recession and the scaremongering that preceded Euro-6 forced many operators into running first-life vehicles for seven years. This created pent-up demand that was released with the conclusion of the recession and the realisation that Euro-6 adoption was not to be feared.

This longer fleet cycle has since been exacerbated by a combination of the slow death of traditional retail, the arrival of Brexit and the introduction of air quality legislation. All this has created an environment where operators cannot safely forecast the short term, let alone the medium or long term. The result is delayed decisions and a focus on the short term.

Our interviewees confirmed that operators are seeking greater flexibility from their vehicle providers. Where once an operator would have signed a five-year lease with nary a backward glance, that operator - if they are happy to sign a five-year lease at all - will only do so if there are favourable break clauses in years three and four.

The wait-and-see approach from operators is leading to vehicles being run for longer once again with flexible medium-term rental filling the gaps. There is a feeling that operators are becoming more demanding in questioning the rigidity of lessors' contracts.

Operators continue to pass on the price pressure that they feel to their suppliers, and the challenge for the leasing and rental sector is to remind operators that they are offering a service not a commodity. In the wake of the collapses of T.O.M, Gulliver's and Axis, there are those in the sector that hope operators will realise that if they want a stable vehicle partner, they must contribute to that stability.

A common theme is that operators are increasingly switching from being 'vehicle owners' to 'vehicle users' and focusing on how they can boost their vehicles' utilisation. Several interviewees noted how operators are sweating their vehicle assets much more intensely than ever before.

KEY TRENDS

- **Operators are looking for more flexible terms from lessors.**
- **Many operators are switching to a short-term focus while uncertainty remains.**
- **Operators are 'sweating' assets more intensely than ever.**

"When there's uncertainty, people look for flexibility and adaptability – and purchasing habits are changing."

Danny Glynn, Enterprise Flex-E-Rent

"The days of the family-owned operator buying trucks either in cash or via a five-year hire purchase scheme have changed dramatically. That would have been 70% of the market 10 years ago or older. It's now the minority."

Willie Paterson, Asset Alliance

"We've seen an uptake in flexi-hire, where the rate isn't quite contract hire, but it allows them that flexibility to return proportions of the fleet earlier than they would do with contract hire."

Stuart Russell, Europcar

Brexit

Brexit-related uncertainty dogged all areas of the road transport supply chain throughout 2019 and will continue to do so this year.

While the broader transport sector remains concerned about the wider economic impacts and cross-border logistics, the vehicle rental and leasing sector is facing its own particular issues. Senior executives bemoan the lack of clarity on post-Brexit costs for vehicles and parts. Meanwhile, many operators have delayed their re-fleeting decisions, focusing instead on short-term rental or flexi-hire options to tide them over until economic stability is achieved.

Reviewing the delay of re-fleeting decisions, one of our interviewees went so far to describe operator feelings as “apathy”, with any confidence they had having all but disappeared. Re-fleeting delays are naturally greater among SMEs than among larger enterprises that are committed to five-year (or similar) replacement programmes with significant capital expenditure. In tenders, some larger operators want their leasing and rental provider to assume all the risk for price increases.

All our interviewees feel a duty to help their customers understand what is happening and provide signs of a way forward.

Meanwhile, the leasing and rental sector is not only consulting with its customers but also its suppliers as it tries to establish post-Brexit costs for the purchase of vehicles and parts. Many expect the subsequent impact of new tariffs and exchange rate fluctuations to result in cost increases of around 20%. Our interviewees doubted that these cost increases could all be passed on through increased rates. Which of their customers can afford a 20% hike?

The largest leasing and rental players, no matter what vehicles they supply, are engaged in two-way negotiations, trying to persuade their customers to commit to re-fleeting programmes over an acceptable timeframe. This would allow them to offer clear forward-order volumes to vehicle manufacturers and parts suppliers in exchange for guaranteed prices and stock availability.

Indeed, operators in major and distinct sectors with severe operational peaks – large retail chains and the automotive sector, for example – realised this and brought forward orders for their peak requirements in order to mitigate risks around cost and availability.

For most, post-Brexit clarity can’t come soon enough.

KEY TRENDS

- Uncertainty disproportionately affects SMEs.
- Large operators with peak seasonal demand are bringing forward their orders to confirm vehicle availability and cost.
- Customers are being encouraged to commit to re-fleeting arrangements in order to fix their vehicle and parts costs.

“The uncertainty especially impacts SMEs – these guys have to focus on their day jobs – so we have a duty to help them best navigate the choppy waters.”

Danny Glynn, Enterprise Flex-E-Rent

“We’ve undertaken significant risk analysis on the impact of Brexit and we have worked with our suppliers to mitigate those. So, some of our suppliers are holding additional stock on behalf of us.”

Henry Brace, Formerly Rivus Fleet Solutions

“With trailers, we recognised that prices of UK-manufactured trailers are very much dictated to by the import price of the various component parts. We have engaged with the individual OE component part manufacturers and agreed terms to help shelter us from the cost uplifts that could come through.”

John Fletcher, Dawsongroup

Clean Air Zones

The government's decision to task local government with the introduction of a variety of different air quality strategies and Clean Air Zones has created considerable uncertainty for the road transport sector.

Of the initial batch of cities, the only common ground across London, Birmingham, Leeds and Southampton is that Euro-6 vehicles enter their zones for free.

How will the other 56 cities and major conurbations react? What if two neighbouring areas opt for different charging structures? The potential disruption to transport operations and the UK commercial vehicle parc is immense.

The most obvious impact has already been felt, with a sharp fall in the value of used Euro-5 trucks. This disproportionately affects small and medium-sized own-account operators running Euro-5 and older trucks, and represents a huge opportunity for leasing and rental providers. Operators' older trucks are worth considerably less than expected and the increased funding gap required for purchasing Euro-6 is now beyond them: where else can they turn?

The leasing and rental sector has the opportunity to promote its credentials as a service provider rather than a supplier of a commodity by advising operators on the best way forward. Examples are still emerging of fleet operators that have not yet reacted to London's ULEZ and have only just realised the penalty will cost them four figures or more per month.

There were multiple calls for a scrappage scheme for older trucks during the recession (similar to the government's then-scheme for cars and vans), and those calls are being made once again. It's worth noting that by 2021 Euro-6 will account for nearly two-thirds of the truck parc simply through normal re-fleeting, while pre-Euro-5 trucks will account for less than one-fifth, according to the Road Haulage Association. This normal re-fleeting cycle will mean NOx emissions from the truck parc will have dropped by 70% between 2013 and 2021.

The gains that could be made by incentivising – rather than penalising – operators of pre-Euro-5 vehicles to move to Euro-6 would be significant and have an immediate impact on air quality.

The much vaunted retrofit option remains a mirage for most. There has been progress in the bus, coach and refuse collection vehicle sectors, but the consensus remains that retrofit equipment will not be cost-effective enough for most truck operators.

It is not a surprise that both the leasing and rental sector and operators are preparing to move their fleets around to ensure their existing Euro-6 vehicles are ready to be deployed in Clean Air Zones, while their Euro-5 vehicles are stationed in areas that will not fall into such zones in the near future.

In the van sector, the consensus of opinion is that the future is electric. And that puts us on the Road to Zero…

More than 75% of trucks will be Euro-6 by 2024

HGVS AT THE END OF EACH YEAR ANALYSED BY EURO EMISSION STANDARD.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Euro-6	18%	28%	36%	45%	52%	58%	64%	69%	74%	78%	81%
Euro-5	36%	32%	29%	26%	24%	22%	19%	16%	14%	12%	10%
Euro-4	19%	17%	15%	12%	11%	9%	7%	6%	5%	4%	3%
Euro-3	17%	14%	12%	10%	7%	6%	5%	4%	3%	3%	2%
Pre-Euro-3	11%	9%	8%	7%	6%	6%	5%	5%	4%	4%	4%

Source: RHA NOx Emission Assessment April 2019

KEY TRENDS

- **The leasing and rental sector is best placed to advise operators on how to react to Clean Air Zones.**
- **Electric will be the way forward for vans.**
- **No cost-effective retrofit option yet for most truck operators.**

"Our role is to educate and advise customers, and the market as a whole."

Colin Melvin, Fraikin

"Without precedent, we're seeing for the first time ever a vehicle – a Euro-5 truck – become obsolete within its design life. Euro-6 is the only solution."

John Fletcher, Dawsongroup

The Road to Zero

Electric for vans, some form of gas for long haul trucks: that's the current consensus on the means by which road transport will meet the targets set by the government's Road to Zero strategy. However, the former solution will be a reality sooner than the latter.

KPMG, in its Mobility 2030 report, predicts that two-thirds of the van parc will be electric by 2030, rising to 90% by 2040. Conversely, KPMG expects 80% of the truck parc to be powered by diesel by 2030; however, it predicts a significant swing to hydrogen by 2040, with diesel's share of the parc falling by a third.

Vans: electric is the future

	2030	2040
Internal combustion engine	32%	9%
Electric	67%	90%
Hydrogen fuel cell	1%	1%

Trucks: H2 v diesel

	2030	2040
Internal combustion engine	80%	55%
LNG	7%	3%
Electric	5%	12%
Hydrogen fuel cell	8%	30%

Source: KPMG Mobility 2030

Our interviewees reinforced these findings, emphasising a clear demand for electrification in the van sector. The government has recognised this with payload incentives, legislating that alternative-fuelled vans can weigh up to 4.25 tonnes before falling under O-licence requirements and that drivers with Category B licences (allowing them to drive cars and vans up to 3.5 tonnes) may drive alternative-fuelled vans of up to 4.25 tonnes, provided they have undertaken five hours of training.

Given the well-founded and long-standing concerns about the lack of charging infrastructure hindering mass adoption, the outcome of Optimise Prime, the world's largest electric vehicle trial, will be reviewed with keen interest by vehicle manufacturers, suppliers and operators alike.

The three-year trial aims to "deliver a comprehensive understanding of the impact that electrification of commercial vehicles will have" and involves three divisions of Hitachi, the Royal Mail, Centrica, Uber, Scottish and Southern Electricity Networks and UK Power Networks. With between 2,000 and 3,000 electric vehicles involved, the electricity networks will be seriously tested when all those vehicles plug in to recharge at the same time...

"We are pushing hard to move our vehicles across to lower emissions, but only as the business case makes sense and as the product is available."

Henry Brace, Formerly Rivus Fleet Solutions

"I'm getting strange requests for petrol vans. And government tenders want rates for a diesel fleet as normal, but they're also asking for rates for electric vehicles."

Stuart Russell, Europcar

The Road to Zero

While the environmental benefits may be clear – at least in terms of tail-pipe emissions – there are distinct challenges to the business case and the operational case. All our van sector interviewees are trialling electric vehicles, but one noted: "There's a lot of goodwill to make this journey, but we're struggling to get product at a price point that works for us." Another talked of customers being shocked at the hike in upfront costs for alternatives to diesel. Another emphasised that electric vans are only cost-effective in London: elsewhere the payback periods may be longer than the vehicle's working life.

Another asked: "Can an operator afford to have a vehicle on charge for a number of hours when it takes a few minutes to refuel with diesel?"

The business case is an issue for operators as well as the leasing and rental sector, especially when looking at the alternatives to diesel in the truck sector. Leasing companies have to bear the residual value risk on vehicles using new or untested technology, and some feel that vehicle manufacturers are better placed to help operators with alternative fuel trials.

That said, it comes as no surprise that where leasing companies are involved in trials, it's with major customers running a significant number of vehicles.

Two recent surveys suggest that a significant minority of operators have not yet considered the alternatives to diesel, but a similar percentage are beginning to think about them.

45%
alternative fuels have had no impact yet on our selection of vehicles and are unlikely to think about this in the next year
Source: CV Informer 2018*

41%
no current plans to buy alternative-fuelled vehicles over the next three years but this might change
Source: Asset Alliance Industry Monitor 2019*

While electric is the clear-cut favourite for the future of vans, CNG and LNG are the only viable current alternatives to diesel for trucks. The consensus is CNG is best where range is not an issue, but LNG is more suitable for long-haul operations. Hydrogen has potential in the longer term.

It will be intriguing to see how operators and manufacturers react to VECTO, the EU's scoring system for trucks' CO2 emissions. Will environmentally conscious operators want to be seen operating a truck with anything less than four or five stars?

Several of our interviewees were keen to emphasise that Euro-6 is still the only safe bet. In an uncertain environment, the only certainty is how efficient and environmentally friendly the latest generation of trucks are.

***: see appendix 3 for data in full.**

KEY TRENDS

- **Learnings from the Optimise Prime trial will be key to mass adoption of electric vans.**
- **Currently there is neither a business case nor an operational case for a significant swing away from diesel trucks.**
- **Can the leasing and rental sector compete successfully against vehicle manufacturers for operators' appetite for trials of diesel alternatives?**

"There is unquestionably an increase in demand, but not at any price, and the availability of battery technology is a challenge to progress."

Tim Bailey, Northgate

Last mile

As with many technology or innovation-based business trends, the reality of 'last mile' logistics in the UK is often some way behind the excitement.

One good example is consolidation centres. Meachers Global Logistics' facility outside Southampton and Wilson James' construction-specific site in London's Docklands are probably the only well-known example of this kind of facility in the UK. What others exist tend to be project- or client-specific.

A Department for Transport report issued last year found three key reasons for this low uptake:

- a consolidation centre adds an extra leg into a supply chain, which increases cost. Public sector subsidies to offset such cost increases are not sustainable in the long term;
- a lack of suitable locations; and
- a lack of Clean Air Zones to build the business case.

The introduction of Clean Air Zones and the Road to Zero will surely see consolidation centres gaining greater traction with major transport customers and operators.

In theory, consolidation centres on the outskirts of city centres could drive the adoption of EV-based delivery depots in city centres, but it is imperative that this should not result in a massive surge in congestion as truck payloads are transferred to a host of smaller vans.

Could the adoption of consolidation centres drive the development of larger city-friendly vehicles? If the likes of Arrival can prove the operational and business case for high-payload six and seven tonne electric vehicles, we may yet witness the development of viable medium weight electric trucks from new disrupters and the traditional OEMs.

For consolidation to work, it will require joined-up and flexible thinking from central and local government, working in consultation with industry to avoid unintended consequences.

Probably the biggest impact on the last mile in London in the last five years has been the focus on the safety of vulnerable road users – the Direct Vision Standard (DVS). Where once low-entry, high-vision cabs were conspicuous by their rarity, they are now easy to spot. The construction sector was the first to make progress here, but waste and retail have swiftly followed suit. Within 10 years, older, non-bike friendly truck cabs will surely be a rarity.

And thinking of bikes, a number of post and parcel specialists have announced trials of e-cargo bikes, while the DfT has launched a £2m fund to encourage their uptake. One of the major courier firms has previously stated that bikes complete deliveries in weekday peak times 50% faster than vans. Other last mile specialists are more sceptical, pointing to their concerns around lack of payload and road safety.

For e-cargo bikes to succeed, operators will need to find 'pilots' willing to navigate potentially dangerous city centres, and a source of suitable locations for mini-consolidation centres from which the bikes will deliver.

Some very forward-thinking businesses (Amazon and Uber Eats, for example) are looking to do away with 'pilots' entirely and are trialling drones and autonomous delivery bots. However, these leaps in technology and service are likely to remain more science fiction than science fact in the short term.

As with all aspects of the last mile debate, joined-up thinking from central and local government will be required to provide robust operational and business cases.

KEY TRENDS

- **Heavier, city-friendly vehicles need to be developed.**
- **Clean Air Zones will drive further adoption of consolidation centres.**
- **Parcel carriers and couriers investigating the use of bikes and e-bikes.**

"We will see an increase in three and three-and-half tonne panel vans adopting electric capability and hybrid fuels."

Colin Melvin, Fraikin

"There's an emerging need for a more city-friendly larger vehicle."

John Fletcher, Dawsongroup

Big data

Fifteen years ago nobody in transport talked about data. Now, if you don't have a wealth of fleet data at your fingertips, and the ability to take meaningful action as a result, you're behind the curve.

Vehicles are producing so much data that the operations of both the supplier and the customer can benefit from effective analysis. At last year's Microlise Transport Conference, half the 1,200-strong audience said technology represented the greatest opportunity for the industry.

As usual, there is still a healthy concern about the potential for 'death by data'. With so much data available, suppliers and operators can easily be swamped, leading to 'analysis paralysis'.

Leasing and rental businesses have recognised this challenge and turned it into an opportunity to once again remind customers that they are supplying a valuable service rather than a commoditised product. Many of our interviewees pointed to their analysis of customers' vehicle and related operations data that enables them to act as consultants and suggest operational improvements and efficiencies for their customers. Informed data aggregation is key.

Those efficiencies include reworking a fleet's mix (moving up and down weight categories) and the almost counter-intuitive action of reducing the size of a customer's fleet. Indeed, one of our interviewees stated that he wants his business to be the "provider of the most relevant data".

In order to fulfil this consultancy approach, the leasing and rental sector will have to recruit more staff from senior operational roles in transport fleets, while existing sales staff will have to become data savvy.

As much as the sector may face shortages of technicians and well-trained management (see next chapter), it must also concentrate on appealing to software engineers to help realise the benefits of technology-driven data.

It remains to be seen whether any major leasing and rental players are inspired by Bridgestone's acquisition of TomTom Telematics and Michelin's purchase of Masternaut. If data is that important, wouldn't you rather have all the expertise and IP as an internal resource rather than a third party working for all of your competitors?

There remains an elephant in the room: whose data is it? In the mid-noughties, telematics had just taken off, but then the recession felled a number of those suppliers, with customers surprised to learn that they had to buy their data back from the administrators of the collapsed suppliers. Ten years on, in today's post-GDPR world, not only is there little further clarity about who owns the data, but also little apparent concern among operators. As data becomes ever more important, this will surely change.

"How you convert real-time data into actual useful information is the key."

Colin Melvin, Fraikin

"You've got to take the data and add your own relevance and experience in order to make that data as valuable as possible."

Willie Paterson, Asset Alliance

"The next big thing has to be: how do you utilise an asset continually, sweat it and get the best value out of it? That future will be achieved through technology and tracking."

John Egerton, Cartwright Trailers

KEY TRENDS

- An increasing number of operators are using ever more data-capture technology.
- Leasing and rental businesses are providing added-value consultancy services by helping customers to review their operational data.
- Data analysis is also used by leasing and rental businesses to find new efficiencies in their own operations.
- As data becomes more valuable, questions over who controls it will rise up the agenda.

Skills and talent

Retaining and recruiting skilled staff has been a wider transport industry issue for many years, although the media and policy spotlight has focussed on the truck driver shortage.

The leasing and rental sector needs skilled technicians and, anecdotally at least, they are just as rare as the next generation of drivers. Since the arrival of Euro-6, there have been concerns that a rapidly ageing workforce is increasingly incapable of providing the skills to repair and maintain modern commercial vehicle technology.

Given that maintenance and service packages are often cited as a key reason for leasing or renting (see below), any shortage of technicians undermines one of the leasing and rental sector's USPs.

Top two factors when deciding which leasing provider to use:	
Repair/maintenance local to depot	55%
Maintenance & support package	55%

Source: CV Informer 2018*

Top two factors when deciding which rental provider to use:	
Repair/maintenance local to depot	61%
Maintenance & support package	59%

Source: CV Informer 2018*

It is not just technicians that the sector has struggled to recruit and train, but also high-calibre managers.

Quietly and methodically, the largest players in the leasing and rental sector have set about solving the shortage, most with a two-pronged approach.

There have been substantial successes for apprenticeships – leasing and rental providers regularly feature on the shortlist for Motor Transport's Apprenticeship of the Year Award. Similarly, many in the sector have seen value in investing in graduate programmes.

Most businesses have realised that simply offering an apprenticeship or graduate training programme is not enough to attract the brightest and the best new talent. Rates of pay have to be geographically competitive, but the best talent – those the sector will get the most return on their investment from – will want evidence of proper mentoring, on-going training and identifiable opportunities for career progression. To quote one of our interviewees, the sector must focus on creating 'careers' rather than just 'jobs'.

And at the same time as attracting new talent, it's important to invest in the talent that's already there. Again, all our interviewees highlighted their concerted efforts to focus on improving the quality of the managers throughout their operations. These efforts have resulted in the broadening and deepening of managers' skill sets, which has led to clear and measurable business improvements and the identification of the next generation of leaders.

Among our interviewees, there is recognition that a focus on corporate culture can make a difference to staff's performance at all levels, in turn producing quantifiable benefits for their customers.

***: see appendix 4 for data in full.**

"What I think the whole of our industry has probably been slow in doing is creating 'careers' rather than 'jobs'."

John Fletcher, Dawsongroup

KEY TRENDS

- **Apprenticeships are proving successful.**
- **Investment in improving the skills of existing managers is vital.**
- **Applicants want more than just a 'job'.**

"We've invested heavily in our learning and development and in the culture of our business. We want to look after our staff better than anyone else, making it really, really difficult for them to leave."

Willie Paterson, Asset Alliance

"We had 3,000 applicants for just 42 places on our apprenticeship scheme, and the calibre of individuals we brought in was absolutely brilliant."

Henry Brace, Formerly Rivus Fleet Solutions

What operators think

We have discussed at length the views and experiences of leasing and rental providers, but what are truck and van operators thinking?

The CV Informer 2018 report details operators' views and experiences of leasing and rental suppliers and reveals that more than half of the respondents said their trucks and vans are leased or rented. Indeed, a quarter said their vehicles were leased with maintenance included. But there's no escaping the fact that 44% of trucks and 43% of vans (whether new or used) are owned outright.

Confirming suppliers' experiences detailed earlier, 14% of trucks and 12% of vans were provided via flexi-lease or flexi-rental and short-term rental.

More than half of vehicles leased or rented

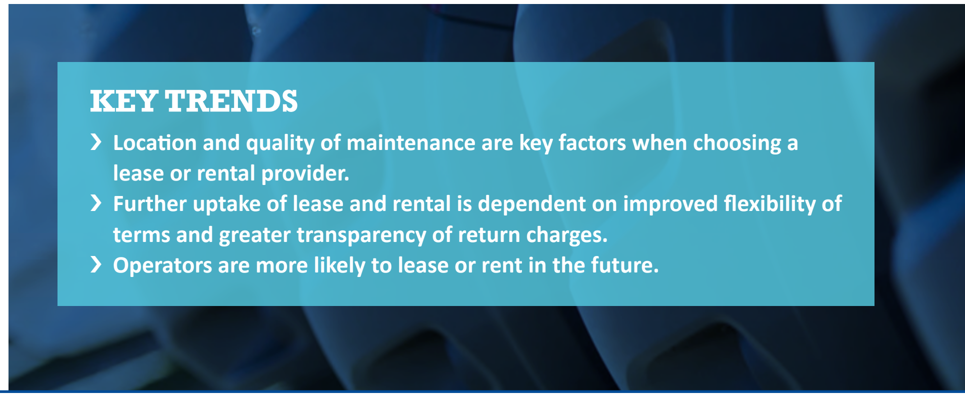
	TRUCKS	VANS
Owned outright (new or used)	44%	43%
Contract hire/operator lease with maintenance > 12 months	24%	26%
Other lease with no maintenance > 12 months	9%	3%
Flexi lease/flexi rental (6-12 months)	14%	5%
Short-term rental		7%
Managed by a fleet management services company	5%	
Other		15%

Source: CV Informer 2018; numbers may not sum due to rounding

Asked why they purchased vehicles outright, most respondents mentioned the (perceived) cost benefit, especially over the long term. Other factors in them deciding not to lease or rent included having control and the fact that they had in-house maintenance. One respondent noted that an outright purchase offered "greater flexibility when working in an industry that is quickly affected by economic downturns".

The key factors that drove respondents to lease or rent included cash flow management and ease of budgeting. One respondent said: "Finding the available funds to purchase new vehicles is difficult for a small business. This is where leasing suits, including a maintenance contract and a replacement vehicle to cover MoTs and OTR incidents." Another respondent said of renting: "It's more flexible than leasing with less commitment than purchasing."

When choosing a lease or rental provider, operators mostly rely on previous knowledge and recommendations from peers. Being contacted by sales people, attending trade shows, conducting online research and reading the trade press are other key influencers.



KEY TRENDS

- **Location and quality of maintenance are key factors when choosing a lease or rental provider.**
- **Further uptake of lease and rental is dependent on improved flexibility of terms and greater transparency of return charges.**
- **Operators are more likely to lease or rent in the future.**

What operators think

It's instructive to review the factors that influence the choice of lease or rental provider and how they've changed over two years. It appears a focus on downtime and the quality of maintenance – and the opportunity to enforce that quality through service level agreements – are now front and centre of mind.

Maintenance locations being close to operators' own depots was the most important factor for more than half of the respondents – that's up from one-third in the previous report two years prior.

Service level agreements were cited as key by about a quarter of respondents in 2016, but last year they were cited by nearly half.

Maintenance and repair have become more important

Top 10 most important factors when deciding which leasing provider to use

	2018	2016
Repair/maintenance local to depot	55%	31%
Maintenance & support package	55%	31%
Service level agreements	46%	27%
Contract terms	44%	36%
Ability to manage costs	36%	33%
They understand our business	35%	40%
Vehicle range	35%	36%
Whole life costs/total cost of ownership	34%	
Ability to manage downtime	32%	30%
Nationwide presence	32%	

Source: CV Informer 2018

Top 10 most important factors when deciding which rental provider to use

	2018	2016
Repair/maintenance local to depot	61%	43%
Maintenance & support package	59%	42%
Service level agreements	46%	31%
Contract terms	44%	37%
Ability to manage downtime	41%	41%
They understand our business	40%	46%
Ability to manage costs	36%	43%
Vehicle range	35%	38%
Whole life costs/total cost of ownership	34%	
Nationwide presence	28%	20%

Source: CV Informer 2018

When asked if they would be more or less likely to lease or rent vehicles over the next three years, more than half of all the respondents said their acquisition methods would remain the same.

However, a quarter said they would be more likely to lease or rent than they already do.

More likely to lease or rent in the short term

Will you be more or less likely to rent or lease your vehicle over the next three years?

More likely to lease or rent than present	26%
Remain the same as present	53%
Less likely to lease or rent than present	10%
Not sure/don't know	10%

Source: CV Informer 2018

Asked what would make them more likely to consider lease or rental, respondents focused on greater flexibility on contract terms (ie shorter durations and break clauses) and less risk of return charges "that you can't plan for".

Regards return charges, it's worth noting that 44% of the respondents were aware of the BVRLA's Fair Wear and Tear guide: that's a one-third improvement in awareness level since the previous report in 2016. While the guide is regarded as a good idea, caveats were expressed about its real world application.

Appendix 1 – TRANSPORT COSTS

RHA Cost Movement	Increase 2019 v 2018
Vehicle and trailer depreciation	2.74%
Road tax	0
Insurance	4%
Driver employment costs	5%
Repair & maintenance	2.25%
Tyres: replacements, etc	2.20%
Overhead costs	4%
Sub-total	3.85%
Fuel	-2.79%
TOTAL	1.88%

Published December 2019

Motor Transport Cost Tables: charge per mile	Increase 2019 v 2018
7.5t curtainsider, based on 60,000 miles/yr at 17mpg	0%
13t curtainsider, based on 60,000 miles/yr at 15mpg	1.36%
18t curtainsider, based on 60,000 miles/yr at 13mpg	1.12%
26t 6x2 curtainsider, based on 60,000 miles/yr at 10.5mpg	1.05%
32t 8x4 tipper, based on 60,000 miles/yr at 7.5mpg	0.87%
AVERAGE FOR RIGIDS	0.88%
32t 4x2 tractor, based on 80,000 miles/yr at 10.4mpg	1.23%
38t 4x2 tractor, based on 80,000 miles/yr at 9.2mpg	1.16%
44t 6x2 tractor, based on 80,000 miles/yr at 8.5mpg	0.54%
AVERAGE FOR TRACTORS	0.98%
ALL TRUCK AVERAGE	0.92%
1.6t van, based on 30,000 miles/yr at 43mpg	2.10%
2.1t van, based on 30,000 miles/yr at 40mpg	2.08%
2.8t van, based on 30,000 miles/yr at 33mpg	1.92%
3.5t van, based on 30,000 miles/yr at 28mpg	1.90%
AVERAGE FOR VANS	2.00%

Published December 2019; these costs include an assumed profit margin of 5%

FTA Manager's Guide to Distribution Costs: average for all trucks	Increase 2019 v 2018
VED	0%
Insurance	2.6%
Depreciation	0%
Diesel	-5.8%
Tyres	4.4%
Maintenance	2%
Employment cost of driver	2.6%
Overheads	2.1%
VEHICLE COSTS	-2.6%
VEHICLE AND DRIVER COSTS	-0.7%
TOTAL VEHICLE OPERATING COSTS	-0.3%
TOTAL VEHICLE OPERATING COSTS EXCLUDING FUEL	2.1%
Car-derived van (diesel) total costs	2.3%
3.5t van (diesel) total costs	2.3%
7.5t truck total costs	1%
10-12t truck total costs	0.8%
12-14t truck total costs	0.7%
16-18t truck total costs	1.7%
26t truck total costs	0.9%
32t tipper total costs	1.4%
38t 3x2 truck total costs	3.1%
Drawbar unit total costs	2.9%
40t truck total costs	3%
44t truck total costs	2.9%

Published December 2019

For more information, follow these links:

https://www.rha.uk.net/getattachment/Membership/Member-Benefits/RHA-Cost-Movement-Survey-2016/RHA-Haulage-Cost-Movement-2019.pdf.aspx

https://motortransport.co.uk/motor-transport-cost-tables/

https://fta.co.uk/membership/subscription-services/manager-s-guide-to-distribution-costs

Appendix 2 – REGISTRATIONS AND LICENSING

Truck market continued to feel the pressure					
Truck registrations: 2018 v 2017, 2017 v 2016.					
	2018	2017	% change 2018 v 2017	2016	% change 2017 v 20176
Rigids > 6.0-16t	8,536	9,660	-12%	9,870	-2%
Rigids > 16t	15,276	15,875	-4%	17,012	-7%
All rigids	23,812	25,535	-7%	26,882	-5%
2-axle artics	2,200	2,148	2%	2,364	-9%
3+-axle artics	17,087	17,362	-2%	16,982	2%
All artics	19,287	19,510	-1%	19,346	1%
TOTAL	43,099	45,045	-5%	46,231	-3%

Source: SMMT

Dramatic pull forward of orders ahead of Smart tacho law			
Truck registrations: year to Q3 2019 v year to Q3 2018.			
	Year to Q3 2019	Year to Q3 2018	% change
Rigids > 6.0-16t	7,153	6,210	15%
Rigids > 16t	13,217	11,313	17%
All rigids	20,370	17,523	16%
2-axle artics	1,456	1,249	16.60%
3+-axle artics	14,195	11,533	23.10%
All artics	15,651	12,782	23.10%
TOTAL	36,021	30,308	18.80%

Source: SMMT

2019: third best year ever for vans as slowdown reverses					
Vans plus LCVs 3.5t-6t registrations: 2019 v 2018, 2018 v 2017.					
	2019	2018	% change 2019 v 2018	2017	% change 2018 v 2017
Pickups	53,055	53,613	-1%	51,415	4%
4x4s	1,620	1,795	-9.7%	445	303%
Vans <= 2.0t	26,162	25,070	4%	29,407	-15%
Vans > 2.0t-2.5t	56,282	50,956	10.5%	55,047	-7%
Vans > 2.5t-3.5t	228,659	225,891	1.2%	225,835	0%
All vans to 3.5t	365,778	357,325	2.4%	362,149	-1%
Rigids > 3.5t-6.0t	8,695	8,722	-0.3%	7,075	23%
TOTAL	374,473	366,047	2.3%	369,224	-1%

Source: SMMT

For more information, go to: https://www.smmt.co.uk/category/news/registrations/

Appendix 2 – REGISTRATIONS AND LICENSING

O-licences continue to decline		
Total O-licences in Great Britain: 2012-13 to 2018-19.		
United Kingdom: GB	Total number of licences in issue: GB	Year-on-year % change
2012-13	80,894	
2013-14	77,732	-4%
2014-15	75,595	-3%
2015-16	77,002	2%
2016-17	73,458	-5%
2017-18	72,547	-1%
2018-19	70,763	-3%

Source: Traffic Commissioners of Great Britain

Restricted O-licences continue to dominate								
Total O-licences, by type, in Great Britain: 2018-19 v 2017-18.								
TYPE OF LICENCE	RESTRICTED		STANDARD NATIONAL		STANDARD INTERNATIONAL		TOTAL LICENCES IN ISSUE	
YEAR	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018
Eastern Traffic Area	6,380	6,494	4,453	4,575	1,949	1,949	12,782	13,018
North Eastern Traffic Area	5,280	5,458	4,284	4,387	1,215	1,236	10,779	11,081
North Western Traffic Area	5,110	5,234	3,653	3,753	1,007	1,012	9,770	9,999
South Eastern Traffic Area	4,730	4,916	2,711	2,794	1,146	1,169	8,587	8,879
West Midlands Traffic Area	4,076	4,188	2,904	2,980	830	821	7,810	7,989
Western Traffic Area	5,505	5,620	3,600	3,704	1,252	1,212	10,357	10,536
Scotland	2,772	2,893	2,498	2,588	542	525	5,812	6,006
Wales	2,622	2,711	1,837	1,901	407	427	4,866	5,039
TOTAL	36,475	37,514	25,940	26,682	8,348	8,351	70,763	72,547

Source: Traffic Commissioners of Great Britain

Most CVs are specified on Standard O-licences								
Total commercial vehicles (3.5T gvw>) on O-licences in Great Britain: 2018-19 v 2017-18.								
VEHICLES SPECIFIED	RESTRICTED		STANDARD NATIONAL		STANDARD INTERNATIONAL		TOTAL NUMBER OF SPECIFIED VEHICLES	
YEAR	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018
Eastern Traffic Area	16,695	16,414	36,464	35,873	17,947	18,003	71,106	70,254
North Eastern Traffic Area	14,056	14,322	30,921	30,455	13,985	14,326	58,962	59,993
North Western Traffic Area	13,441	13,530	27,042	26,816	11,873	11,647	52,356	51,993
South Eastern Traffic Area	13,948	14,212	21,225	21,093	9,713	9,704	44,886	45,009
West Midlands Traffic Area	10,120	10,114	20,466	20,080	10,157	10,221	40,743	40,415
Western Traffic Area	13,851	13,750	28,330	28,420	11,142	11,162	53,323	53,332
Scotland	6,714	6,970	20,079	20,160	5,481	5,367	32,274	32,497
Wales	5,836	5,970	10,815	10,714	3,274	3,189	19,925	19,873
TOTAL	94,661	95,282	195,342	199,575	83,572	83,619	373,575	378,476

Source: Traffic Commissioners of Great Britain

Appendix 3 – DIESEL ALTERNATIVES

Alternative technologies: little impact so far	
What impact has the availability of alternative fuels had in your selection of vehicles?	
Have already started to introduce vehicles running on alternative fuels	8%
No impact as yet, but are actively thinking about this	36%
No impact as yet, and unlikely to think about it in the next 12 months	45%
Not sure/don't know	11%

Source: CV Informer 2018

… but most operators have an eye on diesel alternatives	
Do you plan to buy alternative-fuelled vehicles over the next three years?	
Yes - electric vehicles	13%
Yes - gas vehicles	9%
Yes - other types	3%
No current plans - but this might change	41%
No - we don't have any plans to buy such vehicles	27%
Not sure/don't know	7%

Source: Asset Alliance Industry Monitor 2019

Appendix 4 – REASONS FOR RENTING AND LEASING

Maintenance and support key reason for leasing and renting	
Top 10 most important factors when deciding which leasing provider to use for trucks.	
Repair/maintenance local to depot	55%
Maintenance & support package	55%
Service level agreements	46%
Contract terms	44%
Ability to manage costs	36%
They understand our business	35%
Vehicle range	35%
Total cost of ownership	34%
Ability to manage downtime	32%
Nationwide presence	32%

Source: CV Informer 2018

Maintenance and support key reason for leasing and renting	
Top 10 most important factors when deciding which rental provider to use for trucks.	
Repair/maintenance local to depot	61%
Maintenance & support package	59%
Service level agreements	46%
Contract terms	44%
Ability to manage downtime	41%
They understand our business	40%
Ability to manage costs	36%
Vehicle range	35%
Total cost of ownership	34%
Nationwide presence	28%

Source: CV Informer 2018

BVRLA

2020
Industry Outlook
Commercial Vehicles

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