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Mobility survey

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Car is king for UK business as mobility takes a back seat

Latest Fleet200 Strategy Network research shows clear bias towards car as a way for employees to travel for work purposes, especially for big fleets and those in the private sector. *Stephen Briers* crunches the numbers

Despite all the travails of the company car, battered from years of rising benefit-in-kind tax, pounded by alternative mobility solutions, damned for polluting the environment and fouling local air quality, it appears the car is, in fact, still king; at least for the majority of UK businesses.

The latest Fleet200 Strategy Network research compiled by Fleet News reveals that more than half (53%) of respondents say their business policy towards the use of company cars is "encouraging"; just 20% say it is "discouraging" with the remainder offering no clear guidance either way.

This optimism rises as the fleet size increases, with 58% of companies operating more than 500 cars in a positive mood compared to 47% of those with fewer than 100 cars. However, those smaller businesses are most likely to have no clear guidance (40%), with just 12% saying they were being discouraged from using company cars (26% for the biggest organisations).

There is a big difference between the policies of public and private sector fleets. More than half (55%) of private sector organisations are encouraging the uptake and use of the company car, with just 19% discouraging; however, for public sector organisations, the proportion encouraging company cars is much lower, at 33%, while 28% are discouraging. In both cases, the remainder have no clear policy.

Views were more or less the same when asked to compare their company policy now with its predicted position in 12 months' time.

We've seen a steady fall in the number of people paying benefit-in-kind taxation on a company car over a five-year period, from 960,000 in 2016 to a low of 800,000 in provisional figures released by HMRC last year, although there is some discrepancy due to voluntary payrolling which may have artificially lowered the total.

Prompted by rising BIK on diesel cars, a growing proportion of eligible employees decided to opt out and take cash instead. Many businesses are reporting that this trend is now reversing due to the growth in electric cars, which attract a low BIK, at least until 2025.

STAFF ENCOURAGED NOT TO TRAVEL

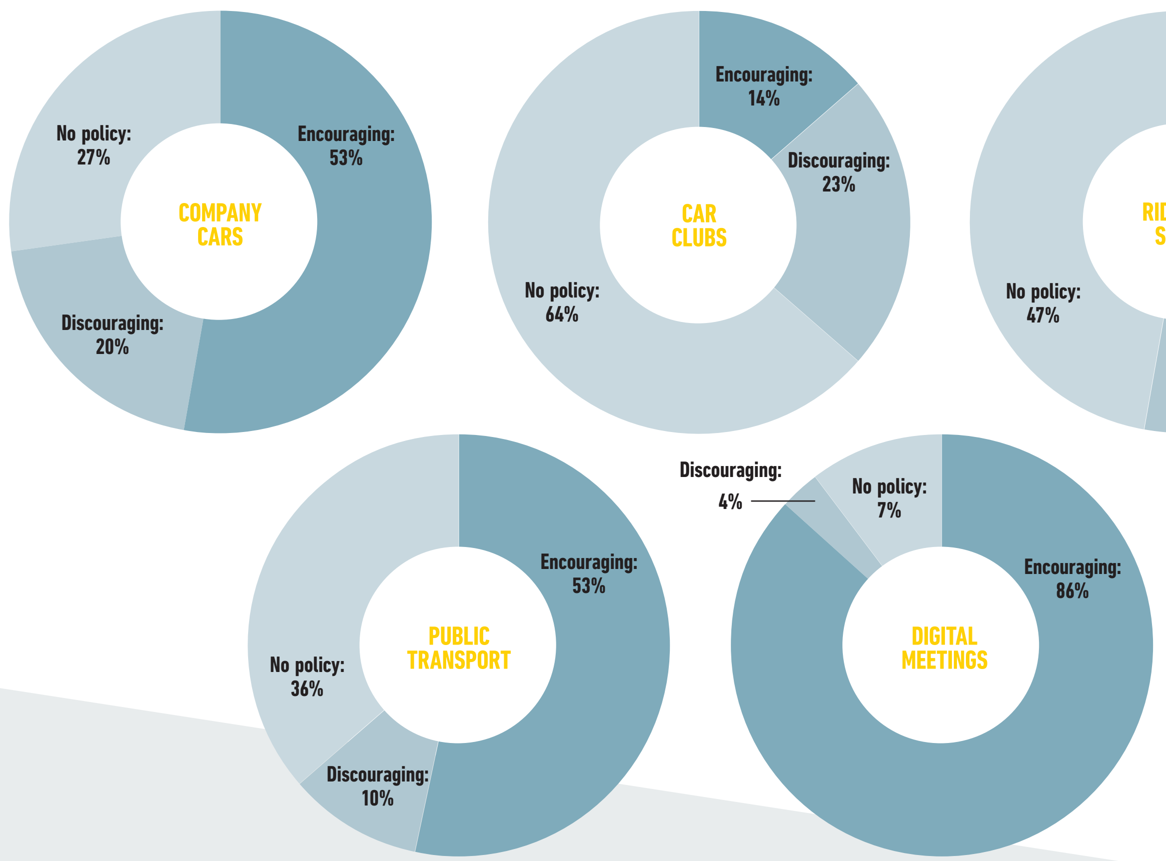
What are the alternatives to the company car? Mobility solutions are popular elsewhere in Europe, notably Germany and Netherlands, but have failed to gain a foothold in the UK other than limited trials.

According to the Fleet200 research, they remain very much a secondary consideration for many businesses when asked about alternative forms of travel option, such as car clubs, ride/lift share and public transport.

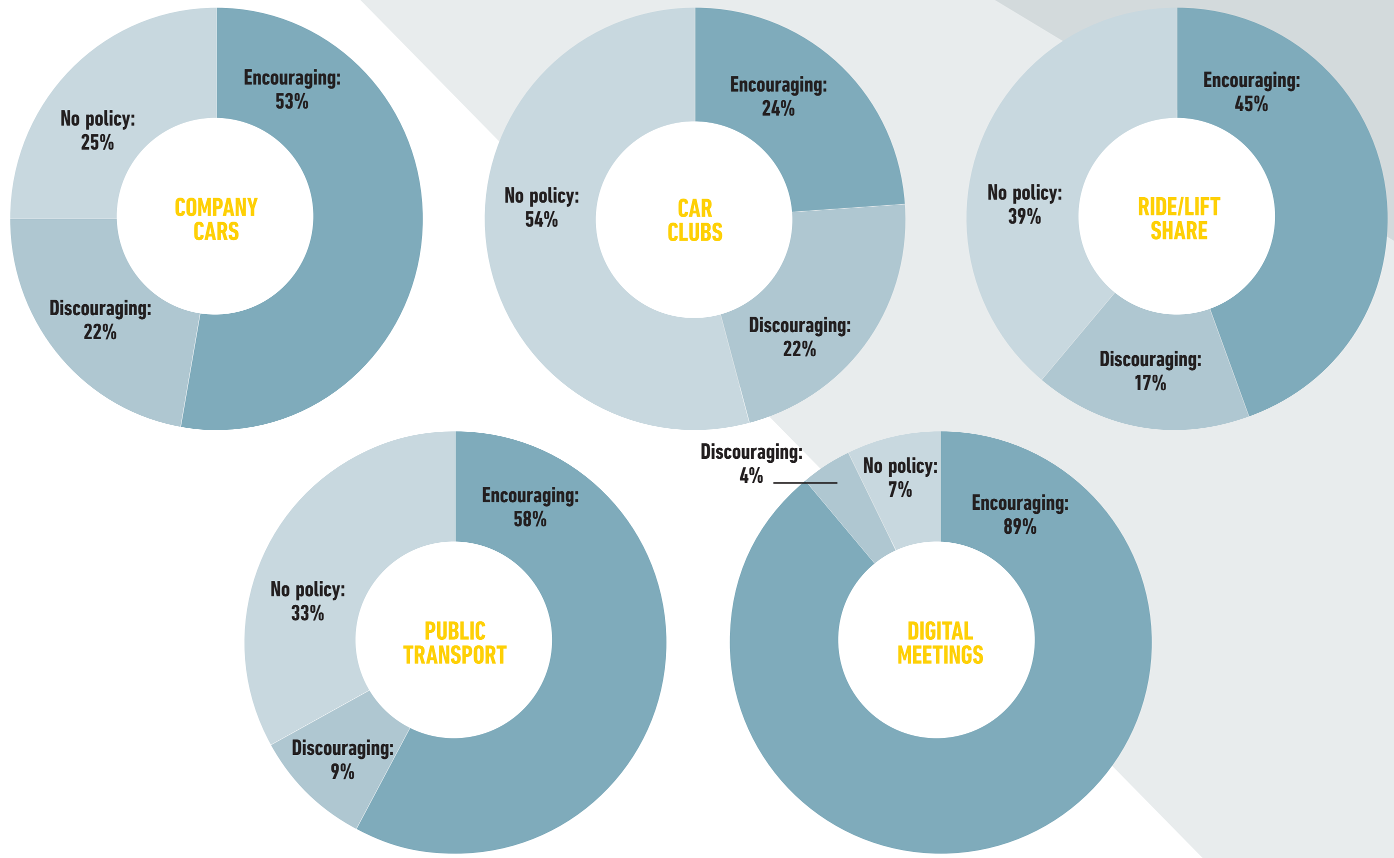
The most popular decision by far – accelerated during the pandemic - is to not travel and rely on digital meetings instead (table 1).

Eighty-six per cent of companies expressed an encouraging attitude towards using digital platforms such as Teams and Zoom. That rises to 100% of businesses with a fleet of more than 500 vehicles, as well as all fleets in the public sector, but only 70% of smaller fleets have the same positive outlook.

WHAT IS YOUR COMPANY POLICY TODAY TOWARDS THE FOLLOWING:



WHAT WILL YOUR COMPANY POLICY BE IN 12 MONTHS' TIME TOWARDS THE FOLLOWING:



The use of digital communication tools by the bigger companies is reflected in the likelihood that staff will not be commuting to the office for three or more days per week; conversely, smaller companies have seen a far larger return to office-based working.

MOST STAFF REGULARLY IN THE OFFICE

On average, 55% of companies say at least half their staff are now regularly in the office (with a 10 percentage point difference between private and public sector – 55% to 45%), of which 14% say their entire workforce is office based (table 3). Just over a third (36%) have the bulk of staff working from home for most of the week, with 9% unsure of their figures.

For businesses with up to 100 vehicles, 72% say at least half of their staff are spending most of their week in the office, compared to 44% of companies with more than 500 vehicles.

Almost everyone is operating some form of hybrid working system and the situation is unlikely to change much over the company 12 months, according to the survey findings.

The commitment to car schemes is also reflected in the current low popularity for alternatives to the company car.

Just 14% of fleets encourage the use of car clubs, with the largest companies more supportive (18%) than the smallest (7%). The vast majority (64%) have no policy.

However, asked to consider their position in 12 months' time (table 2) and a more positive picture emerges, with almost a quarter (24%) of respondents expecting to have an encouraging approach to car clubs. Again, the greatest support comes from the larger companies (36% compared to small businesses at 11%).

More than half of fleet decision-makers (54%) still believe their company will have no set policy towards the use of car clubs.

The situation is more upbeat for both lift share and public transport. Almost one in four fleets (37%) encourage the former, rising to more than half (52%) of the biggest fleet operators.

Many employers have installed preferential parking positions closer to their offices for ride share drivers while others have started to use software which allows staff to input their travel plans and link up with others making the same journey. Some also offer a financial incentive to car sharing drivers.

Considering their company's position in a year's time, 45% expect to be encouraging the use of ride/lift share, a rise of eight percentage points (60% for the biggest companies).

Big business is also leading the way when it comes to the use of public transport, with 72% expressing an encouraging attitude to their staff using buses and trains for work purposes, 19 percentage points higher than the average (53%).

However, just one third of companies operating up to 100 vehicles say they encourage their employees to use public transport.

Is this a hangover from Covid-19 when public transport passenger numbers plummeted amid fears of close contact to other people?

Gazing ahead would suggest that, while the pandemic may have sparked a downturn in attitudes towards public transport, it is becoming an entrenched view for some. Asked to consider their company position in a year's time, respondents' replies showed only a slight rise in the propensity to encourage staff to use public transport.

It is also likely that smaller businesses, with fewer staff, feel greater need to bring teams together; it also depends on industry segments, with a clear divide between public and private sectors.

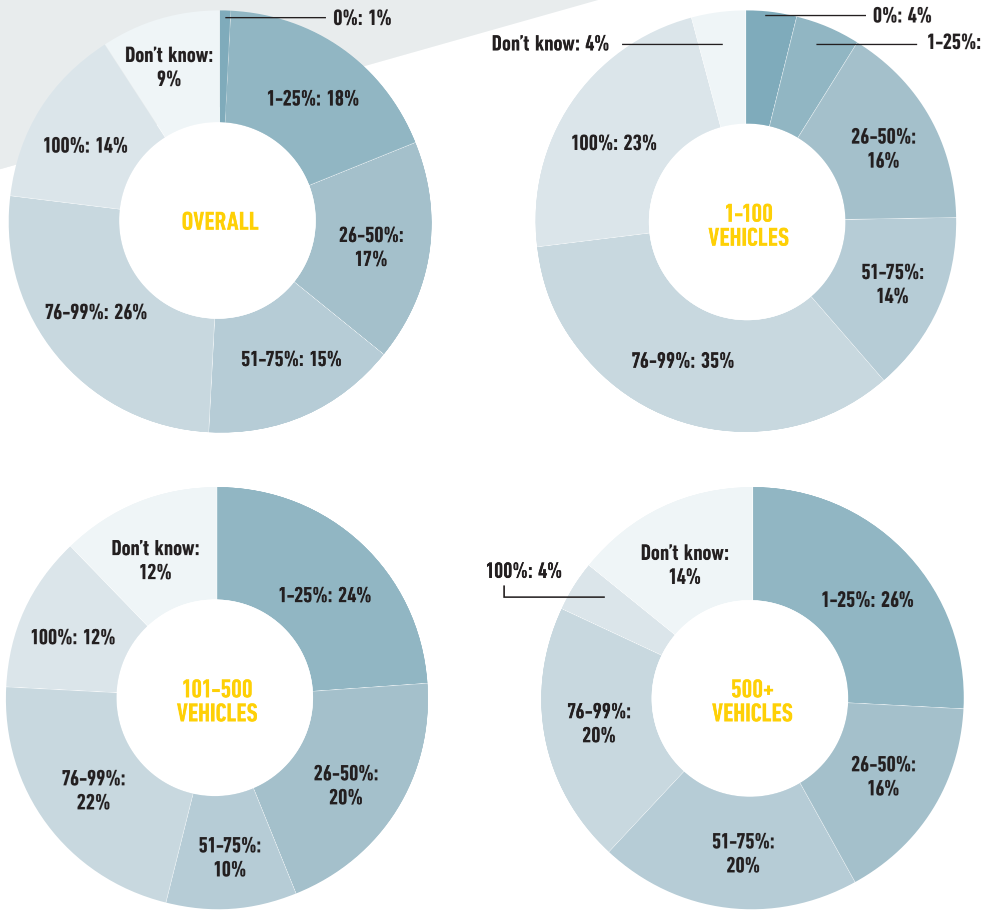
More than three-quarters (78%) of fleets in the public sector encourage staff to use public transport compared with just 49% in the private sector.

MOBILITY BUDGETS OUT OF FAVOUR

Given their views on alternative forms of travel, it's perhaps not surprising that just 39% of companies offer their employees a mobility budget in lieu of a company car (table 4). More than half of big companies (54%) do, but just a quarter of small fleets take the same approach.

Private sector companies are far more predisposed to offering a mobility

WHAT PROPORTION OF YOUR STAFF ARE REGULARLY (THREE DAYS OR MORE) TRAVELLING TO THE OFFICE



budget, with 41% having introduced this holistic travel option, compared with just 17% of public sector organisations.

Several big organisations are developing mobility strategies, but progress been delayed by the pandemic.

Among them are National Grid and Environment Agency, with both now resurrecting their ambitions.

Almost four out of 10 (39%) companies offer staff access to an alternative form of funding, including salary sacrifice, cash allowance, employee car ownership scheme, personal contract hire (PCH) or affinity products (table 5).

The proportions vary significantly by size of fleet, with 84% of large companies offering staff access to at least one alternative funding option, but just 35% of small companies introducing different scheme choices.

And while similar proportions of private and public sector fleets are offering staff alternatives, the options vary immensely.

> THE MOST POPULAR ALTERNATIVE TO A COMPANY CAR IS CASH ALLOWANCE. ALMOST HALF (45%) OF FLEETS OFFER A CASH ALTERNATIVE TO COMPANY CAR DRIVERS, RISING TO 76% FOR BUSINESSES WITH MORE THAN 500 VEHICLES (19% FOR SMALL FIRMS). IT IS FAR MORE LIKELY TO BE OFFERED TO EMPLOYEES AT PRIVATE FIRMS, HOWEVER, WITH ALMOST HALF (48%) OFFERING THIS OPTION COMPARED TO JUST 17% OF PUBLIC SECTOR ORGANISATIONS

TAX BENEFITS OF SAL/SAC SCHEMES

Salary sacrifice has been accelerating in popularity over the past couple of years as companies seek ways to offer staff access to vehicles as a benefit by taking advantage of the widening range of low taxation electric vehicles.

While most offer a scheme in addition to a company car scheme, some organisations have replaced their company scheme with salary sacrifice and have experienced strong demand from staff.

Willmot Dixon took this decision at the start of last year, in part to tackle the high number of cash takers (just over 1,000 versus 450 in the company scheme), as it targeted a move to a full electric fleet by 2030.

In the first six months, more than 175 employees opted into the sal/sac scheme, many of which were cash takers.

Chief financial officer Graham Dundas told Fleet News: "A lot came from the grey fleet where average emissions are much higher than the company fleet – around 134g/km versus 106g/km. Average emission on the vehicles being selected under the new scheme are just 15g/km."

Just over one-fifth of survey respondents (22%) offer company car drivers access to a salary sacrifice scheme, with 17% making it available to all employees.

It is far more popular in the public sector, though, with a third of organisations introducing a scheme compared to 20% of private sector companies.

Salary sacrifice used to be seen as the preserve of larger companies as higher volumes of vehicles were required to secure discounts and make the admin worthwhile. That position has changed, with many small businesses now launching schemes, but they are playing catch-up as shown by the fact that 26% of larger fleets offer schemes to all employees compared to just 7% of small fleets.

The most popular alternative to a company car is cash allowance. Almost half (45%) of fleets offer a cash alternative to company car drivers, rising to 76% for businesses with more than 500 vehicles (19% for small firms).

It is far more likely to be offered to employees at private firms, however, with almost half (48%) offering this option compared to just 17% of public sector organisations.

Perhaps echoing the lack of appetite for mobility budgets, just 7% of companies offer cash allowances to all employees for business travel.

Other forms of funding access to cars are being used by very small numbers of employers, though interestingly, they are slightly more popular among the small organisations.

Seven per cent of respondents offer staff an employee car ownership scheme (they are now complex to operate without the tax benefits of old), rising to 12% for small companies, while the same proportions offer a personal contract hire option.

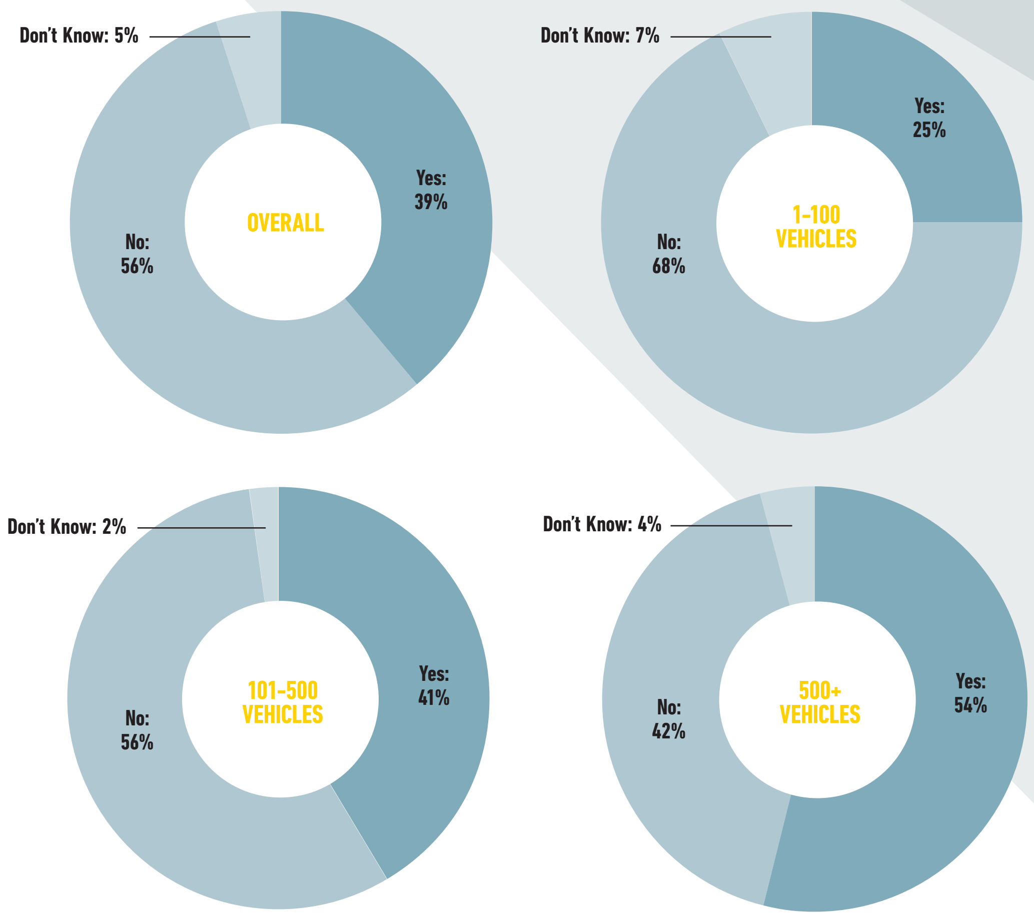
PCH is a relatively new addition to some leasing companies' product portfolios, but the enthusiasm to adopt appears to be low among employers.

Least popular are affinity schemes, offered by just 5% of companies.

In summary, company policy remains wedded primarily to the car for work purposes, although some other options are seeping into the business policy.

However, the UK is noticeably behind other European countries when it comes to the introduction and adoption of a full mobility as a service proposition, and many are now questioning whether this really is the future in a country where transport services and data access remain so disjointed.

DO YOU OFFER YOUR STAFF A MOBILITY BUDGET IN LIEU OF A COMPANY CAR?



DOES YOUR COMPANY CURRENTLY OFFER THE FOLLOWING TO ELIGIBLE COMPANY CAR DRIVERS?

	Overall	1-100	101-500	500+
Salary sacrifice	22%	16%	27%	26%
Cash allowance	45%	19%	44%	76%
Employee car ownership scheme	7%	12%	5%	4%
Personal contract hire	7%	12%	7%	2%
Affinity scheme	5%	2%	7%	6%
None of these	39%	65%	32%	16%