

## The Road to 2050

Truck leasing and rental – An integral part of a sustainable European transport system



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Leaseurope is the trade body representing the leasing and automotive rental industries in Europe and is composed of 44 member associations in 32 countries. In 2011, Leaseurope members reported having financed over 900,000 new commercial vehicles. This leaflet shows how:

01



Truck leasing and rental can help the EU achieve its long-term transport strategy<sup>1</sup>

02



Truck leasing and rental can stimulate economic growth in Europe

03



The truck leasing and rental industry is currently unable to reach its full potential due to barriers to the Single Market

## 01 European Transport Strategy

The EU institutions have recognised that one of the key building blocks of a competitive and sustainable transport network in Europe is the optimal use of different modes of transport in combination with each other, a concept referred to as co-modality<sup>2</sup>. The European Commission has acknowledged that trucks will continue playing an important role in the future European transport network<sup>3</sup>, as they can operate flexibly and independently from the relatively fixed and heavy infrastructure required for rail and water transport.

While the Commission is encouraging the use of trains and ships for long distance transport, trucks will always be necessary for transporting goods over shorter distances and to areas that are inaccessible by other means. In fact, it is estimated that 85% of all goods carried by trucks are transported over a distance of less than 150 km<sup>4</sup>. Additionally, research shows that while freight transport by rail

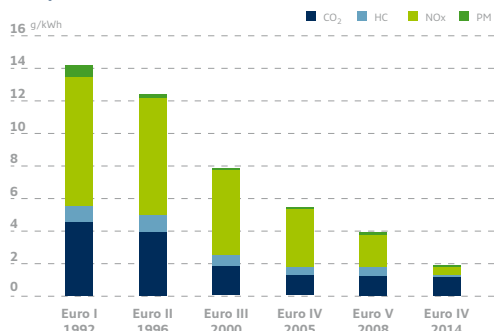
and inland waterways are expected to grow by 79% and 39% respectively from 2005 to 2030, road transport over long distances within the EU will also need to increase, by an estimated 43%, to cope with higher demand for transport services<sup>5</sup>. Trucks will therefore continue to play a key role in future EU transport over short and long distances.

Trucks are here to stay, but they need to become less polluting and more fuel efficient than they are today. Truck leasing and rental can help in this respect because it allows businesses affordable access to the latest and therefore cleanest and most fuel efficient vehicles. By providing companies with the right-sized trucks to meet their transport needs, in combination with on demand services, truck rental and leasing can also help to reduce the amount of vehicles needed by up to 10%<sup>6</sup>. The leasing and rental of new trucks that benefit from the latest engine technology will help governments and municipalities achieve the air quality objectives set by the EU<sup>7</sup>.

*1. Trucks are commercial vehicles of over 3,5 tonnes. 2. The need for effective co-modality was highlighted in the conclusions of the European Council of 16 June 2006 and the European Parliament's resolution of 15 December 2011. Co-modality as one of the driving forces behind Europe's future transport strategy is also supported by various stakeholder groups, as reflected in the final CARS21 report dated 6 June 2012. 3. The 2011 White Paper on Transport. 4. International Road Transport Union, Road freight transport: key facts and figures. 5. Freight Transport Trends for 2020, 2030 and 2050. 6. Figures provided by provided by Leaseurope's Truck Rental WG members. 7. Directive 2008/50/EC of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe.*

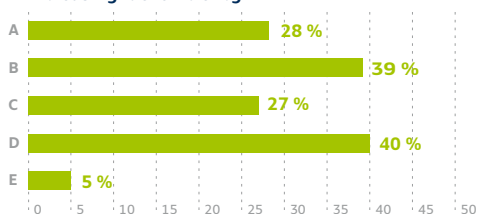
The graph below illustrates the remarkable reduction in exhaust emissions achieved by the introduction of new European emission standards<sup>8</sup>. New trucks are also more silent, thereby reducing noise pollution and allowing night time delivery.

### European emission standards for trucks



However, in spite of its environmental benefits, new truck technologies are becoming increasingly more expensive<sup>9</sup>. In the current economic environment where many businesses still find it difficult to access finance, a lack of funds to replace an existing vehicle is one of the biggest obstacles preventing businesses from running a more fuel efficient fleet<sup>10</sup>. Leasing and rental can provide a viable alternative to the outright purchase of a vehicle as a particularly interesting alternative method of financing to traditional

### Barriers faced by European companies in increasing fuel efficiency



A. Lack of knowledge of the factors that influence fuel consumption. B. Lack of funds to invest in equipment that achieves the greatest savings (i.e. aerodynamic trailer fittings). C. Lack of funds to invest in the programmes that achieve savings (i.e. driver training, improved logistics planning). D. Lack of funds to replace older trucks. E. The company I lease trucks and trailers from does not manage its vehicles for optimum fuel efficiency.

loan finance. Furthermore, bearing in mind that fuel accounts for at least a third of a truck's total operating costs, improved fuel efficiency can lead to considerable cost savings for companies, thereby improving their financial situation.

The role leasing and rental plays when it comes to rejuvenating truck fleets becomes extremely clear when one considers the average age of fleets in countries where the possibility to lease or rent is restricted. For instance, in Greece, companies are not allowed to rent or lease trucks without a driver. In order to meet their transport needs, Greek businesses often purchase imported second-hand trucks which are cheap and have a high mileage. As a result the average age of trucks in Greece is over 18 years. In addition to being more polluting, the Greek National Technical University also estimates that such trucks are 5 times more likely to be involved in a lethal accident than younger vehicles<sup>11</sup>. The table below compares average age of trucks in use in a number of countries<sup>12</sup> to the average age of the leased and rented vehicles<sup>13</sup> in those countries.

European policymakers should incentivise the gradual phasing out of older trucks and encourage the rejuvenation of European truck fleets. For instance, removing existing restrictions to truck rental and leasing could help achieve this goal (see Single Market Section for policy issues).

### Average fleet age for trucks >3.5t

	Leased fleet	Entire fleet
Belgium	3.1	7.9
Germany	2.5	6.8
UK	2.8	6.6
Spain	2.5	8.5
Czech Republic	3.8	na
Denmark	1.7	na
France	2.5	na
Poland	2.3	na
Switzerland	2.2	na
Slovakia	3.7	na
Netherlands	na	6.8
Italy	na	9.5

8. Regulation (EC) No 595/2009 of the European Parliament and of the Council of 18 June 2009 on type-approval of motor vehicles and engines with respect to emissions from heavy duty vehicles (Euro VI). 9. Leaseurope's members estimate that switching from a EURO 5 truck engine to the new EURO 6 standard will add €5,000 -€10,000 to the current price of a vehicle. 10. Goodyear Dunlop (2012) Driving fleet fuel efficiency: The road to 2020, page 30. 11. Greek Importers' Association 2011 Annual Report. 12. Source: Leaseurope calculations based on ANFAC 2010 report - figures at available for end 2008. Note that German figures may include commercial vehicles under 3.5 t. 13. Source: Leaseurope Truck Rental Working Group Members.

## 02 Stimulating Economic Growth in Europe

Currently there is a substantial risk that growth within the Single Market will remain sluggish over the coming years. Therefore, in order to boost the European economy, there is an urgent need to stimulate investment within the EU, especially among SMEs as they account for a greater portion of economic growth than large firms<sup>14</sup>. Leasing and rental is particularly suited to helping small business investment and is a vital source of funds for these companies (40% of all SMEs used leasing in 2010). In many countries, the majority of trucks are financed through leasing and rental solutions<sup>15</sup>.

Truck leasing and rental also offers a distinct set of advantages (see box on page 5) that stimulate business growth by helping both SMEs and larger corporations meet their transport needs.

One of the key advantages of truck leasing and rental is that, in exchange for a fixed monthly payment, businesses are able to use a vehicle of their choice for a set duration and mileage. When leasing or renting a truck, businesses can delegate practically all administrative and maintenance tasks associated with truck ownership and operation to the leasing or rental company. This includes general maintenance, servicing and replacement vehicles if required.

In addition to reducing operational risks and the costs associated with maintenance and servicing, **leasing and rental enables businesses to remove**

almost all the financial risks associated with vehicle ownership. Most vehicles will lose value from the moment they leave the showroom. When a truck is leased or rented, the residual value risk is taken on by the rental or lease provider, thereby allowing businesses to focus on their core competencies.

Policy-makers around Europe - in Brussels and national capitals - have repeatedly underlined the importance of supporting SMEs as a means of generating economic growth and jobs. Truck leasing and rental can clearly help these businesses when it comes to their transport investment needs.

## 03 Strengthening of the Single Market

One of the main challenges identified in the 2010 report<sup>16</sup> prepared by Mario Monti on a new strategy for the Single Market is the continued existence of legislative and administrative barriers within the EU. There are several instances where these barriers affect the truck leasing and rental industry.

One example is the existence of different tax and registration regimes which make it **impossible, in practice, to lease or rent a truck without a driver across borders**. The EU should ensure that a legislative environment, which allows for truck leasing and rental firms to operate on a level playing field, is put in place. The ability to do business across borders will inevitably benefit consumers and stimulate competition.



Restrictions have also been placed on the import and export of trucks within the EU. At present, several member states require businesses that wish to import or export trucks to comply with unnecessarily lengthy and burdensome administrative procedures. This makes it very difficult for leasing and rental firms to efficiently allocate, utilise and remarket vehicles within the EU.

Buying and selling trucks within the EU is further complicated by the lack of mutual recognition of technical inspections carried out in another member state.

The Commission has already identified some of these obstacles and has issued proposals aimed

at addressing them. For instance, it proposed a Regulation<sup>17</sup> to simplify the transfer of motor vehicles registered in another member state within the Single Market is likely to speed up vehicle re-registration procedures. Additionally, the mutual recognition of technical inspections throughout the member states is one of the core principles of the Commission's upcoming proposal for a legislative initiative on Periodic Technical Inspections (PTI) for motor vehicles and their trailers.

On behalf of the European truck leasing and rental industry, Leaseurope therefore calls on all European policymakers to ensure these legislative proposals are adopted by the European Parliament and Council.

## Benefits of Truck Leasing and Rental for Businesses

- Leasing or renting a truck enables businesses to meet their transport needs in exchange for a fixed monthly payment. With a leased truck, the lessee agrees to a monthly payment in exchange for the use of a vehicle for a set duration and mileage.
- Short-term or flexible rental can also help businesses meet the peaks and troughs of seasonal demand by providing the right vehicle for the job at short notice, without any commitments or penalties.
- While businesses may have a fleet of ten, fifty or even a few hundred vehicles, leasing and rental companies are used to buying thousands on an annual basis. Therefore leasing and rental companies can negotiate optimal deals with manufacturers and in turn pass the savings on to their clients in the form of very competitive lease or rental rates.
- For an extra monthly fee, the lessee can ask the leasing company to take care of nearly every hassle associated with truck ownership and operation, including maintenance, servicing and replacement vehicles.
- In addition to operational risks, leasing and rental enables businesses to remove almost all the financial risks associated with vehicle ownership, including maintenance and the re-marketing value of the asset.
- When combined with the latest technology, proper vehicle servicing can decrease fuel costs by approximately €10,000 euro per vehicle per year, which translates into approximately 18 tonnes of CO<sub>2</sub> emissions per vehicle.

17. Proposal for a Regulation simplifying the transfer of motor vehicles registered in another Member State within the Single Market (COM(2012) 164 final).

According to the European Commission's 2011 White Paper on Transport, trucks are an indispensable part of the future European transport network. By encouraging the uptake of cleaner and more fuel efficient vehicles, the truck leasing and rental industry can play an important role in achieving this vision.

However, in order to allow the industry to further contribute to the development of a competitive and sustainable transport system, a number of administrative barriers to the free movement of goods and services within the Single Market must be dismantled. Removing these obstacles would not only provide businesses with the capital necessary to grow their businesses, but it would also greatly improve fuel efficiency, road safety and have a beneficial effect on (local) air quality.

