

THE ROLE OF AUTOMOTIVE LEASING IN THE ERA OF GREEN SOLUTIONS

Olena Trygub

Taras Shevchenko National University of Kyiv, Ukraine

Electric cars were invented in the late 19th century. In 1899 the “Jamais Contente” driven by Belgian Camille Jenatzy was the first electric car to have broken the 100 km/h barrier. In 2012 in the EU countries the structure of the new cars sales portfolio according to the type of powertrain was the following: petrol cars – 43%, diesel cars – 55%, hybrid cars – 1,1%, plug-in-hybrid cars – 0,05% and electric cars – 0,2%. Despite the low share of electric cars in the total car distribution in the European countries, in 2012 their sales increased approximately by 50% in comparison with 2011. Nowadays France, Norway, Germany and Great Britain are the countries with the biggest interest to electric vehicles – nearly 80% of electric cars sales [1].

There are certain benefits and problems of electric cars use:

an electric car does not release any polluting emissions directly on site;

its driving enjoyment (smooth running, sound insulation) is highly significant for everyday use;

the running costs for electric cars are lower than those of comparable combustion vehicles.

Drivers of the electric vehicles pay the minimum rate of the road tax (e.g., 5% – in Finland) or could be exempt from the annual circulation tax’s payment (e.g., in Germany – for a period of five years from the date of car’s first registration). In Czech Republic electric are exempt from the road tax (this tax applies to cars used for business purposes only). In Denmark only electric vehicles weighing less than 2,000 kg are exempt from the registration tax [2].

Despite the electric vehicles’ potential benefits, widespread adoption of electric cars faces one significant problem. As of 2013, electric cars are significantly more expensive than conventional internal combustion engine vehicles and hybrid electric vehicles due to the additional cost of their lithium-ion battery pack. However, battery prices are coming down with mass production and are expected to drop further. In the nearest future fuel efficiency and environmental friendliness will be the most important car product issues.

Nowadays not only in market economy countries, but also in emerging markets, incl. Ukraine many companies use leasing to finance their transport needs. Leaseurope’s survey of the European leasing market development in 2012 showed that vehicle leasing volumes rose by 3,5% compared to the year before [3]. This sector’s performance is especially noteworthy when considering that in 2012 total leasing volumes in the European countries reduced by 1%. Despite the difficult economic conditions, vehicle leasing is clearly an attractive proposition. As for

example in Ukraine during many years nearly 60% of the total leasing portfolio makes transport leasing [4].

For a fixed monthly payment, clients get the use of a car or a van for an agreed duration and mileage that suits their business. Clients can also ask their leasing company to take care of nearly every difficulty associated with car and van ownership, be it maintenance, servicing or replacement vehicles. In many countries there are tax benefits for those companies who use finance leasing. For example in Ukraine the national legislation allows lessees in case of finance leasing to consider lease payments as total costs, decline their tax basis by amortization and free themselves from the value added tax.

Furthermore, leasing also eliminates any concerns about what the vehicle is worth at the end of the agreement. As long as they have not exceeded the contracted mileage and the vehicle is in a fair condition, it is returned at the end of the contract, with no additional cost. But in case of financial leasing it can be also purchased by lessee.

In the European countries it's more popular to lease a passenger car. For example in 2012 the share of passengers' cars in new automotive leasing volume was 72% to 28% of commercial vehicles [3]. According to Leaseurope's estimates almost 32% of new cars across Europe are provided via leasing companies. This means the industry is ideally positioned to help phase out heavily polluting cars and encourage the uptake of cleaner and more fuel efficient — as for example, electric vehicles. In the UK for instance, the average newly registered lease car has 6-7% lower emissions than the average for all cars sold [3].

While the share of hybrids in leased fleets is steadily increasing, the same cannot be said for full electric vehicles. Overall sales volumes remain extremely low for these types of cars and, even in countries where they are exempt from purchase taxes. Unfortunately lack of an adequate charging infrastructure, performance in bad weather conditions, as well as uncertainty surrounding residual values are contributing to this situation.

In conclusion, it would appear that the successful uptake of clean and energy efficient vehicles in leased fleets, as well as in overall car fleets, is dependent in equal measures on vehicle taxation, incentives for vehicle purchases and, more importantly, for lifetime utilisation, fuel and maintenance costs, agreement on charging standards, as well as differences in regional and economic development.

References:

1. Jens-Uwe Berg. Corporate fleets lead the way in sustainable car development // Fleet Europe. – 2013. – № 62. – p. 11-13.
2. Overview of CO₂ based motor vehicle taxes in the EU [Electronic resource]: Official web-site of European Automobile Manufacturers Association. – Access mode: http://www.acea.be/images/uploads/files/CO_2_tax_overview.pdf.

3. European leasing in 2012 [Electronic Resource]: Official web-site of Leaseurope. – Access mode: <http://www.leaseurope.org/index.php?page=publications>.
4. Ukrainian leasing market development in 2012 [Electronic Resource]: Official web-site of the State Commission for Regulation of Financial Services Markets of Ukraine. – Access mode: http://www.dfp.gov.ua/fileadmin/downloads/dpn/fk_3_kv2012.pdf.

Економіка для екології: матеріали XIX Міжнародної наукової конференції, м. Суми, 30 квітня – 3 травня 2013 р. / редкол.: Д. О. Смоленніков, М. С. Шкурат. – Суми : Сумський державний університет, 2013. – С. 177-179.