



LOWCVP NEWS

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LowCVP calls for clarity and consistency on EV running costs – key to unlocking cleaner vehicle market

Partnership working with finance sector to highlight potential savings

New research¹ by the Low Carbon Vehicle Partnership (LowCVP) finds that better understanding of the running costs and total costs of vehicle ownership on the part of private car buyers could significantly boost the market for cleaner, low carbon vehicles.

The running costs of a typical plug-in electric vehicle (including fuel, taxes, maintenance, insurance etc), for example, can easily save drivers £800 or more a year versus a comparable conventional (petrol or diesel) vehicle, often more than compensating for any difference in the lease cost.

However, the research showed that car buyers are not sufficiently aware of the running cost benefits and are, therefore, likely to underestimate their importance in their car purchase decisions.

A key finding of the study was that presenting the total cost of ownership on a monthly basis to prospective car buyers was perceived as the most useful metric in enabling them to easily choose between different powertrains on the market.

91% of all private new car purchases are made using some form of motor finance so the LowCVP is working with the Finance & Leasing Association (FLA), which represents most businesses operating in the sector, to help make sure that new customers are as well informed as possible about the full costs of vehicle ownership.²

In collaboration with the FLA and its members, the LowCVP has been working to identify how information can be most effectively presented to prospective car buyers to encourage low emission vehicle choices as well as examining the potential for regulatory changes to enable the total cost of ownership (not just purchase price) to be incorporated into measures of affordability on which financial lending decisions are based.

The car buyer survey of 2,000 consumers, conducted on behalf of LowCVP, found that the total cost of ownership (TCO) was only the sixth most important factor considered by car buyers researching their new car options, indicating that its significance may be relatively little understood.

¹ A survey of 2000 people who had or were planning to purchase a new car on a lease or finance package within the last 12 months. Complemented by a focus group of 10 individual car buyers.

² The FLA and LowCVP are collaborating in roundtable fringe meetings at this year's party conferences to inform policy makers about the opportunities to stimulate EV uptake and about areas where regulatory changes can help.

When prompted, the prospective car buyers identified fuel cost savings as the single most important factor that could influence their decision to buy an electric vehicle. Savings in road taxes were considered the second most important factor, closely followed by local cost benefits such as access to London's ULEZ or C-Charge zone.

The study asked about the impact of a range of other possible local financial incentives on the purchase decision. Free electricity at the workplace and at shopping centres was considered to have the greatest potential impact, followed by free parking.

LowCVP's Head of Projects, **Gloria Esposito**, who coordinated the research said: "We need to galvanise a change in how comprehensive financial information is presented to consumers. Enabling an understanding of the total costs of ownership will significantly help private car buyers in making choices that are better for their pockets and better for the environment."

Gloria added: "An earlier study³ of the websites that private car buyers use to inform their purchase choices found that some (mainly the 'green' car buying sites) have worked out that making fuel cost information prominent as a component of the total cost of ownership is a vital addition. However, many mainstream sites – including those of most of the motor manufacturers – fail to adequately present fuel and running cost information.

"We do need, though, to make sure that the communicators are using figures based on common assumptions so that prospective car buyers see information that is as consistent as possible across the various sources they use to help them make purchase decisions."

LowCVP developed and led the introduction of the new car fuel economy label which is now legally required in vehicle dealerships. The label includes a standardised fuel cost. Recent research, however, showed that dealerships only rank fourth in the list of the most important sources of information, behind a variety of websites. Independent review and car buying websites are the most popular sources of information for prospective buyers

Adrian Dally, the Finance and Leasing Association's (FLA) Head of Motor Finance, with whom the LowCVP is participating at related events on the party conference fringes, said: "We welcome LowCVP's research, as it's important that consumers have the right information to help them decide what the right product is for their circumstances and budget.

"Total cost of ownership (TCO) information is a very good starting point and will also go some way to enabling finance and leasing companies assess the most affordable funding options for the consumer. We look forward to working with the LowCVP to develop a TCO standard further."

Notes to Editors

The TCO consumer research can be seen at:

https://www.lowcvp.org.uk/assets/reports/LowCVP_TCO_consumer_research_sept2019.pdf

The LowCVP (www.lowcvp.org.uk), which was established in 2003, is a public-private partnership that exists to accelerate a sustainable shift to lower carbon vehicles and fuels and create opportunities for UK businesses. Nearly 200 organisations are engaged from diverse backgrounds,

³ https://www.lowcvp.org.uk/assets/reports/Car_Buyer_Website_Research-Final_Version.pdf

including automotive and fuel supply chains, government, vehicle users, academics, environment groups and others.

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