FROM COMPANY CAR TO MULTIMODALITY
cost and energy saving

Bart Desmedt

Traject.be
Mobility Management

Context

- Several studies in Belgium about
  - the company car
  - financial/fiscal instruments in work related mobility management (with broad consultation of employers and employees)
- An evolution among employers and the car leasing sector:
  - “green fleets”
  - car cost reduction
  - awareness about limitations of the company car

Context

- Several studies in Belgium
- An evolution among employers and the car leasing sector:
- Fiscal framework in Belgium:
  - Evolution to a CO2-dependent taxation of company cars instead of depending on private km
  - Interesting fiscal frameworks for (reimbursement by the employer of) public transport, bicycle and carpooling
  - Carpooling with a company car reduces/eliminates taxation on the private use of the company car

The company car - definition

A car owned or rented by an employer and made available to a specific employee (as if it was his own car)

- On an unlimited basis OR with certain limits
- Free of charge or OR with contribution from the employee

→not included: cars registered to independent managers, one-man companies...

E.g. Belgium:

- *Total car park about 5 mill.*
- *More then 1 mill. (23%) registered to a company*
- *Only 250 000 (5%) fitting the above definition*

The company car, interesting for the employee

A revenue in kind that is not taxed according to the whole value

- especially when there are no limits on the use or contributions by the employee
- *E.g. Belgium: taxation on the basis of only 5000 or 7500 private kms/year (depending on home-work distance)*

The company car, interesting for the employer

An attractive way to raise the salary of crucial employees

- Fiscally interesting: limited social charges unlike other types of salary
- Easy administration: one invoice, predictable cost
- Efficient:
  the employees' mobility is guaranteed continuously:
  business -- home-work -- leisure trips

E.g. Belgium:

a company car costing 10 000 €/year for the employer has a value of 7 500 € for the employee.

>< The same amount of 10 000 € in normal salary would only have a value of 3 500 € for the employee!

The company car, a problem for sustainable mobility?

Observations:

- The company car often replaces the private car
- Employees receiving a company car are financially strong and don't feel the rising cost of a private car like others
- In many cases, the company car is only a kind a salary, with no functional use for business
  - → you don't even need it to drive to work
  - → the company car often generates less extra mileage then the use of the private car for business trips

→There is no linear correlation between the increase of number of company cars and the increase of car use in general

The company car, a problem for sustainable mobility?

Basically, the company car is a system to acquire (to pay for) a car

The proper question to ask is: when does it become a problem?

- If you are forced by your employer to use it (for home-work and/or business trips) while alternatives exist
  - *e.g. several companies in the centre of Brussels offer company cars to 30% and more of their staff. More and more are tired of traffic jams and prefer to leave the vehicle at home*
- If it comes on top of (one or more) other frequently used cars in the family
  - *e.g. a the arrival of a company car in a family could free an existing car for use by a student in the family*
- If you have unlimited use of it (especially: petrol card) for leisure trips
  - *e.g. a week-end to Paris with the family would be easier by high speed train, but if you have unlimited free car km … why pay 4 train tickets?*

Stimulating a more sustainable use of the company car

Existing possibilities for employers in Belgium:

- combine a company car with a free home-work public transport subscription + free parking at a station near the employees' home
  OR a tax free home-work cycle allowance of 0,15€/km

→take the home work trip out of the use of the company car

→reduction of (company) car mileage

→reduction of parking cost

Example: company car + multimodality home-work

Employee living at 50 km from work

- Company car (35 000 km/year) used for home-work trip (22 000 km/year):
  leasing/fuel/Belgian CO^2tax = 11580 € + P-spot 1000 €
  = 12 580 € /year *(taxed)*

- Company car (13 000 km/year) not used for home-work trip
  leasing/fuel/Belgian CO^2tax
  = 9 150 € /year *(taxed)*

→ Gain = 3 430 € /year

Could be spent as follows:
Train subscription 50 km = 1258 € *(tax free)*
+ subscription regional transport = 151 € *(tax free)*
+ pre-transport/parking 160 € *(tax free)*
= 1569 € *(tax free)*

+

E.g. Alcatel-Lucent Antwerp

- Moved in 2006 from a more excentric location in Antwerp to a building near the Central Railway Station, with far less parking space
- Stimulated personnel, even owners of company cars, to use public transport, by reimbursing the complete trip (free of taxation)
- Result: car use - 25%, public transport + 29%

Stimulating a more sustainable use of the company car

- Existing possibilities for employers in Belgium:
  - switch to low emission cars and use the financial gains for other employee benefits
    OR free public transport subscription + free parking at a station near the employees' home
    OR a home-work cycle allowance of 0,15€/km

→reduction of (company) car emissions and cost

→possibility for giving other benefits

→(not necessarily) take the home-work trip out of the use of the company car and reduction of parking cost

Example: greener company car (+ multimodality home-work)

- Employee living at 50 km from work

- Company car (35 000 km/year) used for home-work trip (22 000 km/year):
  leasing/fuel/Belgian CO^2tax = 11580 € + P-spot 1000 €
  = 12 580 € /year *(taxed)*

- Low emission company car (35 000 km/year) used for home-work trip
  leasing/fuel/Belgian CO^2tax = 8745 € + P-spot 1000 €
  = 9 745 € / year *(reduced taxation)*

→ Gain = 2 835 € /year

Could be spent as follows:
Train subscription 50 km = 1258 € *(tax free)*
+ subscription regional transport = 151 € *(tax free)*
+ pre-transport/parking 160 € *(tax free)*
= 1569 € *(tax free)*

+

PWC, Belgium

- Decided to switch to low emission company cars and extend them to all employees (also new staff)
  - →new consultants automatically start their carreer with a low emission car
  - →a strong element of HR policy
  - →possibility for extra compensations

Stimulating a more sustainable use of the company car

- Existing possibilities for employers in Belgium:
  - Provide alternatives for business trips: public transport tickets, car sharing or pool cars, service bicycle

  →take the business trip (and consequently the home work trip?) out of the use of the company car

  → 100% fiscal deduction and lower cost

  → reduction of company car mileage

  → (if home-work trip avoided) reduction of parking cost

Example: replacing business trips

- Employee doing 3500 km business trips by company car

  = cost of 1300 €/year *(taxed)*

- Compare with:
  - 30 two way train rides = 414 € /year *(tax free)*
  - Subscription regional transport = 217 €/year *(tax free)*
  - Leasing company bike = 300 €/year *(tax free)*
  - 8 taxi rides at 50 € = 400 €/year *(taxed)*

  = cost of 1331 €/year *(mostly tax free)*

Stimulating a more sustainable use of the company car

- Proposals for a better fiscal framework
  - Observation:
    free company car miles in leisure time generate no extra taxation
    >< leisure trips using green modes = benefit in kind
  - Solution:
    make it attractive for the employer to offer free alternative transport for leisure
    → replace (parts of) the (company) car by sustainable alternatives

= The “mobility budget”

Mobility budget: replace the company car by other mobiity benefits

- Home-work trips:
  - *already possible-see above*
- Only business trips:
  - reward employees that use more sustainable (and cheaper!) modes for business trips by giving them free rides in leisure time
- Only leisure trips:
  - replace company car miles by free rides in leisure time
- Replace the whole company car by a package of alternatives

Mobility budget: proposed fiscal framework

- Taxation of free leisure trips with public transport, bicycle or car sharing: according to taxation of the company car, but with a lower taxation coefficient (linked to the emission standard of the alternative)

- *E.g. Belgium - employee living at less then 25 km from work*

  - *Company car (10 hp), benefit in kind : 1500 €/year*
  - *Set of alternatives, usable for leisure, with a total cash value of 7000 €*
    - *3000 € "family package" public transport*
    - *900 € international train*
    - *600 € Cambio carsharing*
    - *800 € taxi*
    - *1450 € rental car*

Existing regulation: almost completely subject to taxation

In the proposed system the benefit in kind would only be 1000 €/year

Mobility budget: organisational requirements

- One monthly invoice for the employer with:
  - the spending of the mobility budget
  - fiscal treatment of the different options taken
  - unspent budget

Mobility budget: organisational requirements

- One monthly invoice for the employer
- Integrated payment systems for the employee

- “Seamless journeys”
- A good transport information service for employees that benefit from the system