

## Drive it or they will die



On another cold, rainy, grey winters day during the pandemic induced lock down, I stare out of my study window and contemplate how to broaden the appeal of classic vehicles to new and younger enthusiasts.

Some of the constraints are more obvious than others!

The recent FHBVC survey - <https://www.fbhvc.co.uk/news/article/fbhvc-national-historic-vehicle-survey-reveals-significant-contribution-to-uk-economy> highlighted some of the public concerns and how to address them (pollution from CO2 offset by tree planting, Electronic Vehicles (EVs) and other technological changes emphasise just how special classic vehicles are becoming similar perhaps to Swiss watches). However, a different challenge and concern is the costs of ownership ... not just the initial purchase price but the annual costs of maintenance.

In the Alvis Owner Club (AOC) some members of longstanding recall their first Alvis purchased for a few £100s and personally cherished, improved and maintained to date. However, the 'Johnny come lately' (myself included) paid a substantial initial wedge for our cherished vehicle(s) but also have an inability or resistance to doing any but the most basic maintenance thereon. That's fine for me who was taken as a child to Goodwood (back in the day) and developed a liking for the smell of Castrol and exhaust fumes from a formative age and always hankered for a particular classic car ... my regret is only for having put off ownership for so long, but time constraints and lifestyle rather than money were my inhibitions.

Looking into my crystal ball, the same constraints impact younger and potential enthusiasts with the additional inhibiting factor of a lack of a spare lump sum of cash! Even though I have worked throughout my life in the Financial Services sector I have always had an abhorrent fear of personal debt (brought on by my parents' generation who were scarred by experiences of the 1930s Great Depression). Younger Generation Xs, Millenials etc. seem more constrained by after tax cash flow to finance their lifestyle ... and I wonder if this might be the key to unlocking the box to enable the next generation of enthusiastic drivers?

Other asset classes like private aeroplanes, skiing chalets and yachts are often owned via a consortium such as fractional ownership or time shares (or fairly unsophisticated financial engineering) thus by extension so could classic cars!

Think on!

So, in consideration of the two costs of ownership (initial cost and annual maintenance) can one conceive of an acceptable and affordable contractual package to enable future generations of enthusiasts to continue a lifestyle choice which I passionately enjoy!

The majority of modern cars are sold on a PCP Contract (Personal Contract Purchase) rather than outright purchase. These contracts typically have an upfront modest deposit, a set monthly payment for a fixed period at the end of which one has the choice of returning said vehicle to the Finance Company or paying a 'balloon' payment at the end of the term and owning the vehicle outright. The monthly payment includes a hefty dose of depreciation, as the day the new car leaves the forecourt it loses 20% of its value and at the end of the contract term it is worth no more than 40% of its list price. The (temporary) owner is in addition expected to pay for consumable items such as tyres, windscreen wipers, brakes and oil etc. but any mechanical failure is covered by the manufacturer's warranty.

Could such a concept be made to work with a classic car? Could one emulate a PCP type contract thus guaranteeing a fixed monthly cost to the enthusiast whilst ensuring that the financial risk to the provider still makes an attractive financial proposition?

Maybe, with interest rates so low ... for example: -

1. A specialist vintage and classic car restoration and maintenance company could source cars, provided a multi-faceted service/maintenance package, and with the help of a specialist finance company could wrap a PCP (Private Contract Package) around it, this way the enthusiast would pay an up-front deposit, a fixed monthly payment, and a balloon payment after 5 years or return the vehicle and start again.

Or

2. Alternatively, how about getting an income from your asset!

Looking at the AOC demographic profile a couple of things come to mind.

A recent FHBVC survey suggests that 50% of classic cars are on SORN and a review of AOC Membership showed 84% of AOC members are 60 plus (61% are 70 plus). This means that the majority are retired and living off investments or pensions. When the lack of use of members vehicles is factored in an opportunity comes to mind. Maybe members could receive an annuity from their asset, not unlike a holiday home. Whilst at the same time giving access to their vehicle to other club members, for a fee!

As in the Members Driving Club of the RAC, maybe we could create a special new class of AOC membership. The member would be assessed for driving ability across vintage and classic models. In addition, they would have to meet certain criteria – clean licence, attitude, ability to care for the

vehicle (garage), adhere to a restricted mileage policy and usage (tours, rallies, events etc). Once approved they would have access to a member's register which contained models that were available on the scheme. (A variation to the Classic Car Loan Project initiated by Bob Wilkinson <http://classiccarloanproject.co.uk/>. Where a young driver Josh Bennett gets to drive a TA14 for a year.)

An independent company would act as a management company. They would be responsible for the initial 'health check' of the donor vehicle, maintenance, management, and control of the hire. A valuation of the donor vehicle would be agreed with the owner and using a formula the hire rate would be set. This figure would outline the annuity the owner would receive over the course of the contract.

An agreed monthly fee and deposit would be paid by the 'Driving Member'. The initial length of the contract would be for 12 months.

Further research needs to be carried out, but the following examples could whet your appetites:

**TD21 – Agreed retail value £25,000**

Refundable deposit - £3,000

Monthly payment - £500

Annuity to owner - £1,250

**Alvis Speed 25 – Agreed retail £75,000**

Refundable deposit - £9,000

Monthly payment - £1,500

Annuity to owner - £4,000

Or

3. The 'dog walker' idea based on taking the example of Ingrid, a bright yellow Speed 25 Charlesworth DHC. The arrangement went along the lines that the owner lived abroad but did not want to take the car over there. But conversely did not want to sell the car either.

So, an arrangement was agreed that an AOC member 'exercised Ingrid' and paid for her day-to-day upkeep, insurance, service, basic maintenance etc., it was agreed that any major mechanical problems the owner would cover. Both parties thought this fair, as any major work would enhance and/or maintain the value of the car.

The downside of this arrangement can best be described in the phrase 'you don't value what you don't pay for! With no real financial commitment, the 'dog walker' has no incentive to maintain and care for the vehicle.

However, in the examples highlighted above, a younger or new generation of enthusiast is enabled to enjoy Classic Cars without a financial burden of buying it.

The main point of this is that any vehicle in either scheme would have to be inspected and underwritten by a model expert. Ideally, be a known vehicle with regards to history, service, and ownership as this would reduce risk for all concerned.

Whatever, the means of acquisition used, there will be a cost to the new driver (a predetermined fixed monthly cost) – but peace of mind comes at a price!

Is this concept worthy of pursuit and should more time and effort be expended in fleshing out details or should this be consigned to the circular receptacle on the floor by my desk?

Anthony McGarel-Groves – AOC Chairman  
In collaboration with  
Steve Wilson – Fisher Restoration Chairman