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# VEHICLE LEASING & RENTALS IN A POST-PANDEMIC WORLD

On March 11, 2020, the World Health Organization (“WHO”) declared the rapid spread of SARS-CoV-2, which causes the disease COVID-19, a global pandemic. To curb the spread of the virus, governments around the world ordered people to stay at home, except to provide or procure essential services and goods, and mandated the closure of non-essential businesses. Many of these “stay at home” orders specifically limited activities to those needed to maintain continuity of operations of the federal critical infrastructure sections, as outlined by the U.S. Cybersecurity and Infrastructure Security Agency (“CISA”).<sup>1</sup> Vehicle rental services,<sup>2</sup> car-sharing services, and vehicle sales, rental, and leasing operations necessary to continue travel-related operations for essential workers are among the critical infrastructure sectors identified by the CISA.<sup>3</sup> The for-hire passenger transportation industry—including taxis, rideshare, and other for-hire vehicles—was widely considered an essential industry expected to continue operating, albeit with restrictions.<sup>4</sup>

As soon as lockdowns went into effect, the freeze in travel and mobility was one of the starkest signs of the pandemic. With people ordered to stay home from work and entertainment destinations ordered to close, people were travelling less, and they stopped driving. As a result, for-hire vehicles (“FHVs”) and car rental service businesses ground to halt. This article will: (1) describe the specific impacts of the pandemic on the various vehicle rental, leasing and finance industry segments; (2) provide an overview of government pandemic health and safety guidelines that apply specifically to rental and leasing businesses; (3) explore the identification of new potential business opportunities for industry stakeholders.

## For-Hire Vehicle (TNC) Vehicle Leasing & Rental Industry

In New York City, in April 2020, black car trips were down 78 percent, livery trips were down by 70 percent, and limousine trips were down 93 percent. Since April, the number of trips have

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<sup>1</sup> CISA, *Identifying Critical Infrastructure During Covid-19* (revised Aug. 18, 2020), [www.cisa.gov/identifying-critical-infrastructure-during-covid-19](http://www.cisa.gov/identifying-critical-infrastructure-during-covid-19).

<sup>2</sup> Differences between leased and rented vehicles include the time frame of use, provider type, insurance requirements and ownership potential. Leased and rented vehicles are distinct financial arrangements with different types of commitments and usage expectations. Leased vehicles typically come from car dealerships that also sell cars. A vehicle lease is an alternative to a traditional financed purchase and, in that sense, leasing a vehicle is similar to buying a vehicle. Depending on the type of lease, there may be a possibility of ownership at the end of the lease. Whereas rented vehicles generally have a narrow commitment, from a few days to weeks, and have no potential for ownership.

<sup>3</sup>

[https://www.cisa.gov/sites/default/files/publications/Version\\_4.0\\_CISA\\_Guidance\\_on\\_Essential\\_Critical\\_Infrastructure\\_Workers\\_FINAL%20AUG%2018v3.pdf](https://www.cisa.gov/sites/default/files/publications/Version_4.0_CISA_Guidance_on_Essential_Critical_Infrastructure_Workers_FINAL%20AUG%2018v3.pdf)

<sup>4</sup> CISA, *Transportation Systems Sector* (revised May 9, 2019), [www.cisa.gov/transportation-systems-sector](http://www.cisa.gov/transportation-systems-sector).

slowly started to rise. In June, black car trips were still down by 59 percent, livery trips were down by 37 percent, and limousines were down by 85 percent. The drop in trips directly impacted FHV rental businesses, which had to place 75%–100% of their FHV fleets into storage, resulting in a corresponding reduction of miles driven.

The risk of claims and loss fell substantially as a result of less driving, and, beginning in late March, some, but not all, insurers began voluntarily paying partial premium refunds to personal auto policyholders.<sup>5</sup> Some state insurance commissioners mandated auto premium refunds. On April 13, the California Department of Insurance (CDI) issued an order requiring premium refunds for personal and commercial auto and other lines of business.<sup>6</sup> New Jersey and Michigan followed suit.<sup>7</sup> Although New York directed property and casualty insurers to provide a 60-day grace period to pay premiums and waive late payment fees, it did not mandate a refund.<sup>8</sup>

### **Car Rental Industry Pandemic Impact**

The streets were empty, and so were the skies. According to TSA checkpoint data, air travel was down 94 percent in April and May from the same time last year.<sup>9</sup> The car rental business, which is dependent on air travel, is facing tough times due to the pandemic. As a result of the rapid decline in air travel and tourism, car rental companies reported immediate reductions in business upon the lockdowns being initiated. The major rental companies reported business operations immediately reduced by more than one-third in mid-March, and that loss deepened depending on the extent of the lockdown. Against this backdrop, the global car rental business has declined by 31.7 percent so far in 2020.<sup>10</sup> Air travel has crept back slowly—down 65 percent in early October of this year compared to last year—but rental car companies get two-thirds of their revenue from airport locations.<sup>11</sup>

Travelers who need to go relatively short distances have been more likely to drive than take a flight. Lingering fears of shared transportation modes regionally may direct people to other modes. Those who already own vehicles may begin to drive for local trips they would have otherwise taken on transit, or longer-distance trips for which they would have otherwise flown. The short-term modal shifts can lead to long-term changes in travel behavior.

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<sup>5</sup> <https://www.aarp.org/auto/car-maintenance-safety/info-2020/coronavirus-car-insurance-premium-refund.html>

<sup>6</sup> [www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin\\_2020-3\\_re\\_covid-19\\_premium\\_reductions-2.pdf](https://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin_2020-3_re_covid-19_premium_reductions-2.pdf).

<sup>7</sup> [https://www.state.nj.us/dobi/bulletins/blt20\\_22.pdf](https://www.state.nj.us/dobi/bulletins/blt20_22.pdf),

[https://www.michigan.gov/documents/difs/Auto\\_Insurance\\_Refund\\_Filings\\_2020-10-M\\_692151\\_7.pdf](https://www.michigan.gov/documents/difs/Auto_Insurance_Refund_Filings_2020-10-M_692151_7.pdf)

<sup>8</sup> N.Y. Executive Order No. 202.13 (March 27, 2020), [www.governor.ny.gov/news/no-20213-continuing-temporary-suspension-and-modification-laws-relating-disaster-emergency](http://www.governor.ny.gov/news/no-20213-continuing-temporary-suspension-and-modification-laws-relating-disaster-emergency).

<sup>9</sup> <https://www.tsa.gov/coronavirus/passenger-throughput>.

<sup>10</sup> <https://www.prnewswire.com/news-releases/global-car-rental-business-market-forecasts-2020-2027-and-the-impact-of-covid-19-301128465.html>

<sup>11</sup> <https://www.cnn.com/2020/05/23/business/hertz-avis-budget-enterprise-covid-19-crisis/index.html>

## **Car Sharing Industry Pandemic Impact**

Shared mobility services like car sharing and ridesharing have struggled during the pandemic. The risk of viral infection has made consumers wary of shared mobility in general. Car sharing ventures struggled with profitability before the pandemic, and COVID-19 was the last straw for G.M.'s Maven, which was a car sharing business that rented vehicles to individuals for personal use and to gig workers for rideshare and delivery work.<sup>12</sup> Despite the pandemic, requests for new Zipcar memberships have risen consistently week over week. A recent internal survey of Zipcar members showed that after biking and walking, members considered Zipcar to be the transportation option they were most comfortable using.<sup>13</sup> Person-to-person (“P2P”) car sharing has also rebounded from hitting rock bottom in the end of March and early April. In July, P2P car sharing company Turo reported that booking volume was up 500 percent from its low point, as people are easing back into car travel.<sup>14</sup>

## **Vehicle Leasing & Finance Industry Pandemic Impact**

For leasing, in particular, the shutdown caused logistical problems. While total lockdowns were in effect, customers whose leases were due to expire had difficulty returning the vehicles and shopping for a replacement. Dealerships closed their sales departments and did not have staff on site to inspect returned vehicles, even if they had the space to store them. To deal with this, most auto lease companies offered lease extensions—or automatically extended the lease if they do not hear from the lessee before the end of the lease term—while some accepted returns through their service departments or offered home pick up.<sup>15</sup> A few auto lease companies offered deferred lease payments to customers to convince them to extend their leases.<sup>16</sup>

At the beginning of the pandemic, people stopped buying or leasing new personal cars. This was due partially to the lockdown and fear of catching the virus, and it was also due to economic uncertainty. Many car dealerships closed and sales plummeted 47 percent in the U.S. in April.<sup>17</sup> As stay-at-home orders were adjusted and showrooms reopened, albeit with restrictions, personal car buying and leasing began to rebound.<sup>18</sup> However, there are still challenges. For starters, there is a shortage of new vehicles available for leasing due to manufacturer and supply chain

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<sup>12</sup> <https://media.gm.com/media/us/en/gm/home.detail.html/content/Pages/news/us/en/2020/apr/0421-maven.html>

<sup>13</sup> [https://zipcar-drupal-prod.s3.amazonaws.com/drupal-presales/files/Zipcar\\_Impact\\_Report\\_2020\\_FINAL-Spreads.pdf](https://zipcar-drupal-prod.s3.amazonaws.com/drupal-presales/files/Zipcar_Impact_Report_2020_FINAL-Spreads.pdf)

<sup>14</sup> <https://turo.com/blog/insights/the-effect-of-covid-19-on-bookings-in-may>

<sup>15</sup> <https://cars.usnews.com/cars-trucks/coronavirus-and-cars#The-Coronavirus-and-Car-Leases>

<sup>16</sup> <https://www.edmunds.com/car-news/what-to-do-if-your-lease-expires-during-the-coronavirus-outbreak.html>

<sup>17</sup> <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/how-consumers-behavior-in-car-buying-and-mobility-changes-amid-covid-19>

<sup>18</sup> *Id.*

shutdowns.<sup>19</sup> At the beginning of the pandemic, automakers, including General Motors, Ford Motor and Fiat Chrysler, halted production in North America and elsewhere, while others manufactured only select models.<sup>20</sup> As new vehicles sold in July, there was little new inventory arriving due to manufacturer and supply chain shutdowns. The pandemic control measures are another hurdle that makes it difficult to sell vehicles in person. Online marketplaces like Carvana, Vroom, and TrueCar allow consumers to buy or lease vehicles online, sign all paperwork electronically, and arrange delivery to their door.<sup>21</sup>

Lease and finance agreements for non-personal vehicles were impacted by COVID-19 in various ways. In the for-hire vehicle leasing sector in New York City, leasing companies made deals with leasees who were unable to make their lease payments. Leasing companies that are stable financially are able to lower lease payments and workout deals with drivers who are unable to meet the lease payments, accepting lease extensions, balloon payments, and at times accepting what was necessary to cover fixed costs for the vehicle—insurance, DMV, and Taxi and Limousine Commission licensing fees. On the commercial vehicle leasing side, companies began offering to defer payments after March and then again in July. The alternative to lease extensions and workouts would be that leasing companies have a lot of collateral on their hands and no plan for what to do with it. The lack of new vehicle inventory available on the market may make used for-hire vehicles (largely Toyota Camrys and Honda Accords) more attractive than they otherwise would have been. However, commercial vehicles may not have the same market.

### **Guidelines for Vehicle Lease and Rental Activity During the Pandemic**

The New York State Department of Health (“DOH”) issued Interim Guidance for Vehicle Sales, Leases, and Rentals during the Covid-19 Public Health Emergency (“Interim COVID-19 Guidance for Vehicle Sales, Leases, and Rentals”) to provide owners/operators of dealerships and rental businesses with precautions to help protect against the spread of COVID-19 as vehicle sale and rental businesses reopen or continue to operate.<sup>22</sup> In addition to general guidance and directives for maintaining clean and safe work environments issued by the DOH, additional pandemic control measures for both essential and non-essential vehicle sale, lease, and rental activity in New York State include the following:

- Limit workforce and customer presence to 50% of the maximum occupancy for a particular area.

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<sup>19</sup> <https://fortune.com/2020/09/20/looking-to-a-buy-a-car-a-national-shortage-means-youll-probably-pay-more/>

<sup>20</sup> <https://media.ford.com/content/fordmedia/fna/us/en/news/2020/03/18/ford-reduces-north-america-production-to-help-keep-workforce-saf.html>; <https://www.nytimes.com/2020/03/18/business/economy/gm-ford-fiatchrysler-factories-virus.html>

<sup>21</sup> <https://www.forbes.com/sites/jonathanmoed/2020/08/17/how-online-car-marketplaces-emerged-from-covid-19-stronger-than-ever/#44ec1c007ff2>

<sup>22</sup> <https://www.governor.ny.gov/sites/governor.ny.gov/files/atoms/files/motor-vehicles-master-guidance.pdf>

- Customers must maintain six feet of separation from others and, in all cases, must only be permitted entry into a store if they wear an acceptable face covering.
- Employees must wear face coverings any time they interact with customers, even if they are six or more feet apart.
- Ensure a distance of at least six feet among all individuals (workers and customers) at all times, unless safety or the core activity requires closer distance (*e.g.*, vehicle test drive).
- Encourage customers to conduct viewings, test drives, and/or rentals by appointment only.
- Modify showroom and retail layouts so that employees and customers are at least six feet apart in all directions when employees are working and customers are browsing, unless physical barriers are in place (*e.g.*, plexiglass or partitions at cash registers).
- Encourage customers to minimize touching vehicles unless on a test drive or renting the vehicle.

In California, the Division of Occupational Safety and Health (DOSH), better known as Cal/OSHA, and California Department of Industrial Relations, issued COVID-19 Industry Guidance: Automobile Dealerships and Rentals, which provide the following guidelines for both essential and non-essential vehicle sale, lease, and rental activity in California:<sup>23</sup>

- Implement measures to ensure physical distancing of at least six feet between workers and customers.
- Adjust maximum occupancy rules based on facility size. Capacity limits should be no case more than 50% maximum occupancy.
- Customers and visitors to showrooms and shared work areas should be temperature and/or symptom screened upon arrival, asked to use hand sanitizer, and to wear a face covering. Face coverings should be provided to guests who arrive without them
- Encourage customer appointments and have customers practice physical distancing while waiting for service using visual cues or ask customers to wait in their vehicles.
- Offer curbside delivery or pickup and move sales and agreements to remote/digital platforms as feasible.
- Limit passengers in the vehicle during test drives to only a single customer with the worker sitting in opposite back seat, when applicable.
- Clean touchable surfaces between shifts or between users, whichever is more frequent (*e.g.*, keys).
- Dedicate workers to sanitize vehicles returning from rental and test drives as well as other high-touch surfaces in lobbies, showrooms, and offices.
- Limit shuttle services whenever possible.
- Require workers to not use handshakes and similar greetings that break physical distance.

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<sup>23</sup> <https://files.covid19.ca.gov/pdf/guidance-auto-dealerships--en.pdf>

The above lists are not exhaustive and the documentation upon which these guidelines are based can and does change frequently. Owners and operators of dealerships and rental businesses are responsible for adhering to all local, state and federal requirements relative to vehicle lease and rental activities and for staying current with any updates. The U.S. Centers for Disease Control and Prevention (“CDC”) issued Cleaning and Disinfection for Non-emergency Transport Vehicles guidance that would apply to these sectors.<sup>24</sup>

## **Challenges and Business Opportunities**

While the pandemic has created challenges to vehicle leasing and rentals, there are business opportunities, too. Leasing companies could leverage consumers’ shift away from shared mobility, serve the e-commerce and delivery boom by offering gig workers short or long term leases or rentals, or expand into fleet management for the public sector. A shift to rental from leasing business models was already happening in the New York City FHV industry before COVID-19 happened, and it may now accelerate. Gig workers who are unsure whether they want to purchase or finance a vehicle company may find rentals more appealing, as a low commitment option for those who want to either test the waters or work intermittently.

### ***Leverage Consumers’ Shift Away from Shared Mobility***

Surveys conducted in May 2020 by McKinsey found that, from a health standpoint, only 5 to 8 percent of survey respondents consider carsharing, ridesharing, or shared micromobility safe, and only 7 percent consider public transportation safe. In contrast, 81 percent feel private vehicles are safe.<sup>25</sup> While consumers may eventually return to shared mobility, it might not be for a while. Lease and rental companies can leverage consumers’ shift away from shared mobility services like car sharing and ridesharing. Short-term leases or long-term rentals of 3 to 6 months could help win over consumers who had, until now, shunned personal vehicle ownership.

### ***Supply Vehicles for Delivery and E-commerce***

Delivery and e-commerce have been the lifeblood of the pandemic and show no signs of stopping now. The pandemic drove e-commerce sales at Walmart up 97 percent, and Target set a sales record as its same-day fulfillment services grew 273 percent, while the grandfather of e-commerce, Amazon, reported a 40 percent increase in sales.<sup>26</sup> According to the Q2 2020 report from the U.S. Census Bureau, U.S. retail e-commerce was up 31.8 percent from the first quarter,

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<sup>24</sup> <https://www.cdc.gov/coronavirus/2019-ncov/community/organizations/disinfecting-transport-vehicles.html>

<sup>25</sup> <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/why-shared-mobility-is-poised-to-make-a-comeback-after-the-crisis>

<sup>26</sup> <https://techcrunch.com/2020/08/24/covid-19-pandemic-accelerated-shift-to-e-commerce-by-5-years-new-report-says/>

and 44.5 percent year-over-year.<sup>27</sup> Urban deliveries do not require highly sophisticated or large trucks, and short term leases or rentals could be a straightforward solution for business and gig workers looking for new lines of work. Rental companies could act as a fleet management provider to app-based delivery companies (*e.g.*, Grub Hub, DoorDash, Shipt) by offering gig workers short or long term rentals of vehicles that are clean, safe, and ready for use. Businesses turn to vehicle leasing and rental because it offers a low-hassle mobility solution that helps companies reduce costs.

### ***Government Fleet Management and Travel***

There are areas of opportunity for fleet management in the public sector. This includes offering electric vehicles to help cities meet emissions reduction goals and paratransit needs, as well as short-term rentals to meet needs for surge requirements, special events, and seasonal work, in addition to replacements for vehicles temporarily out-of-service for repairs and maintenance. Also, vehicles owned and used by government employees may be replaced by private for-hire transport services, to minimize government fleet management costs and risks. For example, in April 2020, the U.S. General Services Administration (GSA) awarded Uber and Lyft with contracts to provide government-wide rideshare/ride-hail services for official travel.<sup>28</sup> The five-year contracts are worth up to \$810 million and expected to reduce travel expenses and the related burdensome back office functions, such as reports, analytics, and business improvement processes. Federal employees can use the service while carrying out official duties in the contiguous United States, Alaska, Hawaii, and Puerto Rico.

### ***Electric Vehicles***

Rental companies could serve as a fleet management provider to public agencies to help them meet their local emissions goals. COVID-19 has affected the global electric car rental market, which is expected to normalize by Q3-2021 (best case) or Q1-2022 (worst case). Still, the year-over-year growth rate of the global market for 2020 is estimated at 9.98%.<sup>29</sup> The high utilization and mileage of car sharing, in particular, makes a strong economical case for electrification. Using EVs in shared-use mobility services is already underway. The Los Angeles Department of Transportation (“LADOT”) has partnered with BlueLA, a point-to-point and 100 percent electric carsharing service, to deliver a system of 100 EVs and 200 chargers. In Paris, where about 20 percent of residents use carsharing, Renault has launched its all electric car-sharing service, Zity, with 500 EVs available through a mobile app.

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<sup>27</sup> [https://www.census.gov/retail/mrts/www/data/pdf/ec\\_current.pdf](https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf)

<sup>28</sup> <https://beta.sam.gov/opp/a0df93cf2c5441a0a081b66fa73337b8/view>

<sup>29</sup> <https://www.businesswire.com/news/home/20200806005375/en/COVID-19-Impacts-Electric-Car-Rental-Market-Accelerate>



Several U.S. cities are pursuing aggressive vehicle electrification goals over the next decade, creating opportunities for leasing and rentals to help meet city emissions standards. Los Angeles is aiming to solidify its position as the modern-day Detroit of EVs and currently controls 43 percent of California’s massive EV industry.<sup>30</sup> Los Angeles’s Green New Deal aims to increase EVs in the city to 25 percent by 2025; 80 percent by 2035; and 100 percent by 2050. It also plans to convert all city fleet vehicles to zero emission where technically feasible by 2028.<sup>31</sup> New York City plans to make 20 percent of its fleet electric by 2025 and aims to electrify the entire fleet by 2040.<sup>32</sup> The city’s fleet is currently comprised of more than 30,000 owned and leased vehicles,<sup>33</sup> 2,200 of which are plug-in electric models.<sup>34</sup> Seattle plans to achieve 30 percent EV adoption by 2030 and have a 100 percent electric municipal fleet by 2030.<sup>35</sup> Denver wants to see EVs make up 15 percent of all vehicles registered in the city, with that share doubling by 2030, and the city government will own 200 EVs by 2021 and aims for 850 by 2029.<sup>36</sup>

### ***Paratransit & Non-Emergency Medical Transport (NEMT)***

Paratransit services provide a transportation option for individuals who are unable to use the public fixed-route bus or rail system serving their location.<sup>37</sup> All paratransit is demand responsive, meaning it is flexible in scheduling and routing, allowing it to accommodate riders’ specific needs. Not all paratransit riders need a ramp or wheelchair lift, and vehicles with such equipment tend to be more expensive to purchase (or retrofit) and maintain than a standard passenger vehicle.<sup>38</sup>

Contractors operate the majority of paratransit services for government transit agencies, but the paratransit vehicles operated by these contractors are mostly owned by the local transit agencies.<sup>39</sup> Paratransit service contractors often include everything from call centers, reservations

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<sup>30</sup> [https://laedc.org/wp-content/uploads/2020/03/EV\\_Report\\_Digital\\_FINAL\\_Single\\_Page.pdf](https://laedc.org/wp-content/uploads/2020/03/EV_Report_Digital_FINAL_Single_Page.pdf)

<sup>31</sup> [https://plan.lamayor.org/sites/default/files/pLAn\\_2019\\_final.pdf](https://plan.lamayor.org/sites/default/files/pLAn_2019_final.pdf)

<sup>32</sup> <https://www1.nyc.gov/assets/home/downloads/pdf/executive-orders/2020/eo-53.pdf>

<sup>33</sup> <https://www1.nyc.gov/site/dcas/agencies/fleet-services.page#:~:text=New%20York%20City%20operates%20over,400%20separate%20electric%20charging%20locations.>

<sup>34</sup> <https://www1.nyc.gov/site/dcas/news/19-005/city-double-its-use-electric-vehicles-hits-new-milestone>

<sup>35</sup> <https://council.seattle.gov/2016/09/14/mayor-obrien-30-percent-electric-vehicle-use-in-seattle-by-2030-new-investments-in-ev-charging-stations/>

<sup>36</sup>

<https://www.denvergov.org/content/dam/denvergov/Portals/779/documents/transportation/DenverVehicleElectrificationActionPlan.pdf>

<sup>37</sup> See 49 CFR § 37.121.

<sup>38</sup> Citizens Budget Commission, *Access-A-Ride: Ways to Do the Right Thing More Efficiently* (Sept. 2016), [https://cbcny.org/sites/default/files/REPORT\\_ACCESS-A-RIDE\\_09202016.pdf](https://cbcny.org/sites/default/files/REPORT_ACCESS-A-RIDE_09202016.pdf).

<sup>39</sup> A 2013 survey by the U.S. Government Accountability Office finds that 97% of transit agencies contracted out paratransit operations and 40% contracted out the vehicles. See GAO, *Transit Agencies' Use of Contracting to Provide Service*, GAO-13-782, (Sep 26, 2013), <https://www.gao.gov/assets/660/658171.pdf>. See also National Express, *7 Things You Probably Didn't Know About Paratransit*, <https://www.nationalexpresstransit.com/blog/7-things-you-probably-didnt-know-about-paratransit/> (reporting 75% of paratransit service is contracted out, while local transit agencies own 80% of vehicles).

and scheduling, and dispatch services, and may also offer fleet maintenance options. For example, in New York City, a fleet of contracted vehicles supplemented by taxis and for-hire vehicles provide paratransit service. Partnerships between transit systems and ridesharing companies (Via, Lyft, Uber) are underway in many cities around the U.S., including Boston, Chicago, D.C., Las Vegas, Toronto, San Francisco and New York City.<sup>40</sup>

To save on paratransit costs, transit agencies can lower the average cost per ride by using the lowest-cost transportation option for each paratransit trip. Instead of purchasing vehicles, local transit agencies could contract out for paratransit vehicles (including standard passenger vehicles) as well as services.<sup>41</sup> While transit agencies cannot charge a customer more to use paratransit services, those who provide the service earn more than their non-paratransit counterparts, making this an attractive option to rideshare drivers who may be looking for additional work.

### **What Does the Future of Rental & Leasing Look Like?**

There are a few predictions one can make about the future that are likely to hold true. Vehicle cleanliness will matter more than ever, contactless will be key—companies will need to embrace mobile apps and technology to facilitate the transaction—and COVID-19 will have an impact on consumers' mobility decisions. Consumers in large cities will be impacted differently than those in suburbs, and the virus will have different impacts on personal vehicle leasing, vehicle renting, and car sharing. Companies are clearly adjusting and learning to adapt to the pandemic, and have been from the beginning, which shows just how resilient the leasing and rental industry is.

Leasing industry insiders believe that things will change after the election, but they do not know how. It is possible that we have not seen the real impact yet. There is so much insecurity as it is, and everyone—not just the vehicle leasing and rental industries—may be in a holding pattern, doing what they can to maintain the status quo. Regardless of who wins the election, defaults will happen, and lenders will need to figure out what they are going to do with their portfolios. Also, regardless of who wins the election, the movement towards electric and alternative fueled vehicles will continue, with a Democratic victory meaning more Federal incentives and support, and a

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<sup>40</sup> Counsel of State Governments, *Uber Expands Paratransit Options for Eight Cities* (Apr. 18, 2019), <https://knowledgecenter.csg.org/kc/content/uber-expands-paratransit-options-eight-cities>; Via Paratransit, <https://ridewithvia.com/tag/paratransit/>; Lyft RIDE Pilot, *Lyft & MBTA On-Demand Paratransit Pilot Program*, <https://lyftridepilot.splashthat.com/>; Lyft, *How Lyft Works With Public Transit Agencies Across the Country to Eliminate Transportation Barriers* (Jun. 7, 2018), <https://www.lyft.com/blog/posts/how-lyft-works-with-public-transit-agencies-across-the-country-to-eliminate-transportation-barriers>.

<sup>41</sup> “The lack of coordinated policymaking, diverse funding streams, and inefficient use of multi passenger vans over non-fixed routes has, in New York City for example, created government subsidized costs in excess of \$60 per passenger. As a solution, point-to-point transportation via taxicab or sedan can be delivered for less than \$15 per passenger.” See Daus, Matthew W., and Jason R. Mischel, *Accessible Transportation Reform: Transforming the Public Paratransit and Private For-Hire Ground Transportation Systems*, *The Transportation Lawyer* 17 (2): 37–41 (Jul. 2014), available at <https://www.nuridetg.com/articles/Accessible-Transportation-Reform-Study-Daus-Mischel-7.30.14-2.pdf>.

Republican victory will mean less Federal leadership but an increased desire by states and localities to push the clean vehicle agenda.

While circumstances may seem dire right now, especially for smaller and less well financed rental and vehicle companies due to the lockdown and travel slowdown, once things pick-up, the future does look bright for this niche travel related industry. The social distancing and virus related fears will long outlast the real threat of the virus for several years, and the desire to travel autonomously, and not in groups, will likely last for quite some time as well. This new health and vehicle cleanliness related focus, coupled with the economic troubles and cost-cutting measures that will be faced by individuals and companies, will migrate any remaining commuter and regional business travel to car sharing or rental once people start moving around more. Many individuals and businesses, and even the government, may become more reluctant to purchase motor vehicles, and may opt for long-term leases and short-term rentals as an affordable option.

While the future may be bright long-term, the immediate path to survival and thriving will not happen for those companies that sit around and wait. Now is the time for leasing and rental businesses to think outside the box for new opportunities, and act upon them immediately – by planning, and engaging in proactive business development and marketing. Yes, the path to recovery may become somewhat clearer with the introduction of a vaccine and the concrete removal of lockdowns following fears of second and third waves. However, once this path and some but not all uncertainty is dissipated, and if federal loans and aid runs out, there will be bankruptcies, dissolutions, mergers and acquisitions. This path could become more visible in late 2020 and early 2021, giving rental and leasing companies the ability to plan ahead and make decisions about their businesses. The future of individual rental and leasing companies will be driven by Darwinian natural economic selection, with the strongest and more innovative companies surviving – ones that went after new opportunities and planned ahead instead of sitting on their hands during the pandemic waiting to be devoured. So plan your economic harvest now, taking into consideration some of the ideas in this article, and do not wait for any magic wand.