

Reducing Your Fleet Costs

It is important for anyone responsible for running a fleet to be aware of all associated costs, of which there are many. Below we give you guidance on what points to consider.

Of course your Arval Account Manager will be happy to help you explore costs reductions on your own fleet.

Funding

- Are you funding your vehicles in the most effective way? You should compare funding over the contract period on a net present value (NPV) basis
- Are you running vehicles over an optimum period of months given vehicle type, usage and anticipated mileage?
- How important is predictability of costs to your business (used vehicle prices and running costs move with market forces, contract hire passes the risk to the leasing company)



Vehicle Choice

- What is the total cost of the chosen vehicle? Consider resale values, maintenance, insurance, fuel and NI costs when selecting vehicles
- Is it cheaper to run diesel or petrol models for your fleet? Purchase price will vary as will maintenance costs, mpg performance and pump prices for fuel
- What discounts are available? Large leasing companies reflect volume-related discounts from manufacturers in pricing to their customers. Depending on fleet size you may be able to

negotiate discount with manufacturers or dealers, particularly if you restrict vehicle choice to a small number of makes and models rather than an open "user chooser" policy

- Consider carefully which optional extras your policy will allow drivers to add to their vehicle. Some help vehicles retain value at resale (e.g. metallic paint, alloy wheels, leather seats, sat nav) others may detract buyers (unusual colours, body kits, sun roofs, manual transmission on prestige makes). LCV's benefit from ply lining, full bulkheads, manufacturer white colour and correct wheel base to weight ratio
- Many fleets choose benchmark vehicles to align vehicle choice with driver entitlements and ensure a competitive offer compared to other similar employers. Choose models that reflect your fleet policy objectives

End of Life

- Damage to vehicles costs you money at disposal either through reduced sale values or recharges if leased. Ensure all damage is reported - SMART or bodyshop repair may save further damage and prove a more cost-effective solution. Some companies oblige drivers to contribute towards the cost of repairs they have caused
- Keep track of vehicle mileages. Vehicles with higher than anticipated mileage will achieve less at sale and if contract hired attract excess mileage costs
- Re-contracting leased vehicles to adjust expected end mileage is a good way of spreading these costs over the course of the remaining contract. If mileage is likely to be lower than anticipated you could pay less each month till the end of the contract
- If a driver leaves and you need to return a leased vehicle earlier than expected, avoid early termination charges by relocating vehicles to new drivers for the remainder of the lease or offering up to existing drivers due a replacement



Maintenance

- Maintenance can be paid for on an actual cost basis or more predictably on a budgeted basis e.g. as part of a contract hire monthly payment
- Buying maintenance through leasing companies can save you money through:
 - Taking advantage of combined buying power
 - Controlled quality and cost of work through a managed network with pre-authorisation by trained technicians
 - Consolidating invoices for all work carried out
 - Ensuring warranty work is not charged
 - Identifying problem vehicles and making representation to the manufacturer
- Make clear to drivers their responsibilities, e.g. for tyre pressures and tread; oil, fuel, water, antifreeze levels; wiper blades; vehicle cleanliness; lighting checks
- Proactive maintenance can prevent additional costs, improve safety and reduce fuel consumption
- Identify "rogue" drivers with above average maintenance, tyre, damage, accident and fuel costs. Discuss their driving performance with them, consider driver training or recharging of some items. If this is a common problem consider linking level of vehicle entitlement to driving record

Insurance

- Are you using the best method of insurance with the optimum level of excess? Arval can provide further advice, brokers should be used to review the best deal available
- Do you have a clear process for managing accidents from the moment of the incident to the settlement of liability?
- Are there any patterns to the accidents your fleet suffers – time / day; driver; type of incident e.g. reversing; location. Look for trends and see if some repeat problems are preventable
- A risk assessment of your fleet may help with this, identifying inherently dangerous working practices or high risk drivers
- Selective driver training to address high risk areas

identified in a risk assessment can typically deliver a 20% reduction in accident costs in year one and correspondingly lower insurance premiums

Rental

- Make sure that you have a controlled policy for rental car usage. For short term hire is a like for like replacement vehicle really necessary? Smaller, "lower band" vehicles are cheaper, use less fuel and are more likely to encourage the driver to off hire promptly
- Consider rental as a cost effective alternative in the following scenarios:
 - In place of pool vehicles (no maintenance concerns; holding, storage, insurance costs; likely less damage)
 - Instead of allowing drivers to use their own vehicles for business mileage (no duty of care concerns; likely to be cheaper than pence per mile reimbursement and administration costs; removes incentive for unnecessary mileage; environmentally advantageous as newer vehicles)
 - Use Minilease to provide medium term rental for contractors or new starters to cover trial periods and manufacturer lead times on vehicle orders
- Be aware of extra charges and try to avoid them. Always refuel before return, avoid unnecessary one way, airport and home collection & delivery bookings where possible



Fuel

- Fuel typically accounts for 25% of total fleet expenditure. Make sure you have a clear strategy for managing how and where your drivers fill up. Small improvements can add up to considerable savings
- Set a clear policy that covers:
 - How to buy fuel. In order to reclaim VAT, an auditable purchasing trail must be maintained. Getting fuel receipts from drivers can be an administrative nightmare. Fuelcards are an efficient alternative, providing one consolidated VAT approved invoice
 - Where to buy fuel. Oil companies vary their pricing strategies over time. A multi-branded fuelcard

allows you to direct drivers to the cheapest sites and avoids additional costs of fuel and time from deviating journeys in search of a particularly branded site

- Advise drivers of preferred brands to use, such as supermarkets or those with the lowest current average prices – more information can be seen at www.arval.co.uk
- Set target prices for drivers to meet, discourage use of expensive motorway sites and unnecessary use of premium fuel types
- Identify drivers with poor mpg performance or those failing to adhere to the policy
- Fuelcards can also assist in reimbursing drivers for the actual cost of fuel used on business rather than using a fixed / advisory rate. This is equitable for the employee yet usually yields a saving to the employer
- Review the provision of “free” fuel for all mileage as a benefit to employees. This can be a costly option as the driver will be in receipt of a taxable benefit and the employer will not only have to pay for the private fuel but will also Class 1 National Insurance



Environment

- Many of the steps that might be taken to “green” your fleet will also save you money
- A simple starting point is to encourage drivers to adopt basic “eco-driving” techniques:
 - Drive more smoothly - less aggressive braking and acceleration, correct selection of gears and use of the clutch
 - Plan journeys to avoid congestion blackspots, allow sufficient time and discourage speeding

- Remove unnecessary weight from the vehicles and roof boxes when not in use
 - Advise drivers to use air conditioning only when needed
 - Ensure tyre pressures are kept at recommended levels
- These measures can reduce fuel costs by up to 20%, reduce maintenance, tyre and accident costs



Administration

There are a great number of administrative tasks involved in running a fleet operation – tax discs, MOTs, maintaining vehicle service histories, fines, congestion charges, driving licence checks, Motor Insurance Database records, paperwork to allow a vehicle to be taken abroad

All of these could be outsourced to a fleet management company to allow you to concentrate on running your company