



Part 1 – An Introduction to the fleet market

A Fleet Managers Guide

Introduction

Most organisations have a need for business travel. There are many possible options, but it is a fact that the majority of business travel in the UK is undertaken in cars.

Not all organisations recognise that by running cars and/or vans, they are actually part of the overall fleet market. That means they often overlook the benefits of thinking fleet, and fail to explore the best ways of keeping themselves legal and cost-effective. What is common to all businesses using motor vehicles within their business is the need to control and manage the process, to ensure that the organisation is properly served, complies with the whole raft of Road Traffic law, and provides a safe and effective solution to the travel demand. Because there is no single, clear requirement, there are many optional solutions. Throughout these guides we will go through many of those options.

Every business is different

While the need to travel on business is fairly typical, the best way to meet these needs varies widely. Every business is different – size, geographical spread, age and nature of the employees and products, financial background. The market has developed to reflect these demands.

Some businesses use vehicles purely as a tool of trade, to move people and equipment quickly and easily. In some cases a company car is little more than one part of the overall remuneration package: designed to encourage and motivate the employees concerned. In the UK, the majority of company cars perform some mixture of these functions, with some job-need purpose allied to private use by the employee outside working hours.

In some cases, cars might not even be company-controlled. Many organisations fulfil their business travel needs through use of employee-owned cars. This may be by a structured arrangement (generally to gain driver taxation advantage), or a simple ad hoc mileage allowance process through the expenses system. Many of the issues addressed in this Guide will relate to these non-fleet cars – and in the case of the employer's Duty of Care, there should only be one standard for controlling the road safety aspects of all journeys on the organisation's business.



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Duty of Care – core responsibilities

Regardless of the business vehicle, on one thing there should be no confusion: the need for the organisation, through the fleet manager or similar position, to make sure that all the legal requirements are met in full. It is now absolutely clear that an employer has to include “driving at work” within the overall Health & Safety scheme in place. There are many aspects to this and the root is an effective risk assessment/risk management policy to provide a framework for ensuring that a safe working culture is in place and that it is reinforced on a regular basis.

That’s where this web-based Guide to Fleet Management comes in. We intend to provide a good general background to the options, with pointers to best practice and hopefully, clear signals of major pitfalls. And there are potential pitfalls: making the wrong decision about funding or fuel choice can result in overall fleet costs becoming much higher than necessary to achieve the same results in terms of people and goods moved.

Some definitions

A **fleet** is any collection of cars and/or vans being used and operated within a single business. It doesn’t need to be a huge number of vehicles: it’s much more about the state of mind that says that applying some common principles to all the vehicles being used generally makes more sense than running them all in isolation.

The vast majority of fleets exist to support the **main business of the operator**, whether that’s in the public, private or voluntary sector; local to one site or scattered across the country. Any temptation to leave the drivers and the vehicles to their own devices is dangerous: such businesses have legal obligations for any employee using a car or van on the roads, irrespective of company or fleet size.

A **pool car** is a car used by any of a group of employees for any legitimate business purpose. Private use by any employee is not allowed; cars are usually returned to a company base overnight. A **company car** is any car provided by the employer for use by one employee; and generally bringing entitlement to private use of the car for domestic travel. Any such private use is taxable under benefit-in-kind tax rules.

Fleet Management is the process to record, monitor and control what is happening with the vehicles and drivers. The main purpose is to control – and reduce – costs, but there are many other aspects too – like avoiding HR issues because one employee feels that a colleague has a much better car than another.



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Fleet costs come in many forms. Naturally, the types of cost are similar across all vehicle types and methods, but some processes can help reduce costs, while others can be positively wasteful. For any car or van, the main cost headings are:

- **Depreciation:** essentially the cost difference between what is paid for the vehicle at the start, less what is recovered when it is sold;
- **Funding:** the interest or finance cost associated with the capital expenditure to acquire the vehicle in the first place;
- **Maintenance:** money spent in garages and other aftermarket services or routine/scheduled services, plus replacement of worn parts plus any repairs not covered in full by the manufacturer's warranty;
- **Insurance:** the sum of the insurance premium plus any other costs relating to repair of accident damage;
- **Fuel:** the amount of money spent on the appropriate fuel (generally petrol or diesel). Ideally should capture the costs of all the fuel used but often limited to the fuel used for business journeys only;
- **Vehicle Excise Duty:** the annual charge by UK government for allowing the vehicle to be used on public roads;
- **Fleet Administration:** the costs of the administration needed to set up the systems to acquire the vehicles, then record and monitor all the other costs; together with other factors like a computer system to hold the records



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The fleet market – a broad range of solutions

All vehicles generate some costs under the headings above, irrespective of who owns them or how they are used. In the UK the **fleet market** (collectively all the businesses supplying goods and services to fleet operators) has developed over the years a huge range of solutions to deliver different packages of these costs.

For example, some service providers wrap up depreciation, maintenance and funding, with much of the fleet administration, into a single package called **contract hire** or **leasing**. Specialist businesses – **Accident Management** companies - deal with all the repair actions needed as a consequence to a road accident. There are specialist credit/ charge card providers concentrating on making re-fuelling easier to manage by issue of **fuel cards**.

However, there are also many businesses using cars and vans which prefer to do everything inhouse, rather than outsource any of these areas to specialist agencies. Its fine in principle – but it is not a guarantee that it will reduce costs: it's not the administration that costs the most; it's the actual costs in depreciation, funding and fuel! "Saving money" is about overall delivered results, not focus on one small component part of the whole cost picture.

The fact is that there just isn't any one simple way to run every fleet: different methods and approaches will yield very different results in different circumstances. The objective of the "fleet manager" is to get the best overall result for the main business, rather than run the best fleet.