



## Part 3 – Fuelling Fleet Vehicles

A Fleet Managers Guide

### Introduction

Fuel is one of the biggest cost elements in the fleet budget, generally ranking second to depreciation, or the lease rentals. For a typical fleet car situation, the fuel for business mileage can be 15% - 20% of the total fleet cost. Fleets have faced significant increases in fuel costs, through a combination of higher prices for the raw material crude oil, and because of continuing escalation in UK taxation on road-fuels.

Given the global supply situation, with costs of crude oil constantly increasing, this situation is unlikely to improve. So it follows that exercising control over the fuel used, and the costs involved, is an essential part of the fleet management function.

Most company cars and vans have fuel used for business mileage paid for by the employer. About one-third of these also have private mileage paid for as well. So controlling the costs involved is just as important as any other aspect of fleet management.

A typical fleet car fuel cost calculation might look like this:

Business mileage (fuel paid for)	=	10,000 pa
Expected consumption (diesel)	=	45 mpg
Typical pump price of fuel	=	105 p per litre

On that basis, for its 10,000 annual business miles the vehicle will:

Use	1,010 litres	(222 gallons)
Cost	£1,061	(VAT inclusive)
	£903	(VAT exclusive)

These costs are likely to continue to increase significantly ahead of inflation over the coming years. Transport of all kinds is a major contributor to carbon dioxide (CO<sub>2</sub>) release into the atmosphere, and the UK government is committed to controlling this – through taxation. Most vehicle taxes are now based on, or have some component, relating to CO<sub>2</sub> production. Unless there is some reasonable system now, the fleet manager will have no idea how much is being spent, and will be unable to predict or control fleet fuel costs in future. That can be dangerous, in any business cost situation.



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### Environmental Issues

Increasingly, businesses are also addressing their response to the threat of climate change. There are many initiatives to encourage more responsible fleet vehicle use, through choosing more economical vehicles, reducing business mileage and improving fuel economy in use. All of these are matters of choice, but the trend is clear – it makes great sense for fleets to control their fuel budget.

Fortunately, the techniques required for both cost and environmental control are the same. This means that any normal management controls to monitor and reduce costs will almost certainly improve the “green” aspects of the fleet – and for little extra money.

### Managing Fuel Cost Data

There are just a few basic elements to good fuel management. Most of these are directly related to the fuel use itself – the volume purchased, the distance covered, and the cost. In a perfect system, all of these would be recorded, and everything you need to know about fuel control can then be calculated. The total cost to the business is an obvious advantage, while checking the fuel consumption by individual vehicle can identify areas of poor performance and possible mechanical problems with the vehicle.

Unfortunately in many cases fuel control is often seen as a “nuisance” or as “unnecessary”. Part of the problem is that there are so many “little” transactions. For example, a typical fleet car will generate one or two forecourt bills every week, and for some reason many fleets feel that this is too big a job to bother about. But as fuel costs increase, the costs of monitoring fuel expenses becomes more cost-effective.

The key to managing fuel costs is in collecting the data. If you can capture all three data items at every fill, then by definition you will have a complete picture of the fuel performance of the individual vehicle. Using a fuel card is the easiest way to do this. It provides the quickest, cleanest – and usually the cheapest and most accurate – method to capture, manipulate and report on fuel performance. A good fuel card system is one which is widely accepted, needs both forecourt and driver to provide input of the relevant data for each fill, and then provides periodic reports on the performance of the fleet, by individual vehicle, cost centre or other grouped levels.

### Use of Fuel Data

It is, of course, perfectly possible and practical to run a system in-house, but this generally requires more effort on the part of drivers (never a welcome move!), and administrative resources to do the analysis work.



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Either way, the big value is that once you have all the data, you can use it as you please. On the other hand, if you don't have the data, you have no choice - and you have no control.

Many businesses adopt a flat-rate reimbursement policy to repay drivers for the cost of fuel for business travel. Provided that the mileage claimed is accurate, this will at least provide some useful data: if the reimbursement rate is set to reflect the types of vehicle then it is up to the driver to control the fuel economy. However, this approach will hardly provide any valuable information towards any environmental improvement across the fleet – and that is becoming ever more urgent too.

### Alternative Fuels

As all parties try to reduce the impact of transport on the environment, there has been development of alternatives to the mainstream fuels (petrol and diesel). These can offer a range of advantages – but unless there is already some clear idea about fuel use in the fleet, just picking an alternative fuel could be counter-productive.

**Liquefied Petroleum Gas (LPG)** is a waste product that can be used to reduce the total need for petrol. Engines (always petrol) need to be modified to run on LPG, and a separate fuel tank and system must be fitted. There is fairly good access to refuelling, but now LPG is seen as a niche market product rather than as a good general-purpose solution.

**Hybrids** use a combination of a small, high-efficiency engine (usually petrol – though diesels are under development) and a battery-powered electric motor. Clever electronics balance the use of each power-source to suit roads conditions. The on-board batteries are charged when the engine is idling and when the brakes are applied – by converting the motion of the car into electric current. Performance is good when urban or other stop-start motoring is involved, but less attractive if the car is used mostly on faster open roads since there is less braking.

**Bio-fuels** are non-fossil fuels produced from crops, so have a reduced climate change impact. There are two forms – bio-ethanol which can replace petrol, and bio-diesel, which can be used in high concentrations, but is most commonly found as a simple additive and “extender” to ordinary fossil diesel. The bio-ethanol solution is only available in a few specific models, and (early 2008) has availability limited to just a few areas of the country. Bio-diesel as an extender is already in fairly wide-spread use across most of the UK.