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Best practice in fleet management  
Issue 05  
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In this Fleet Matters:

WHOLE LIFE COSTING -  
THE ONLY WAY TO KEEP TRACK

Start with vehicle acquisition

Running your vehicle

Moving on

What help is available?  
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## Start with vehicle acquisition

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The only one way to manage a fleet effectively is to know exactly what each and every vehicle costs. That has to include every cost element throughout a vehicle's life with the fleet, or meaningful analysis will be impossible. The objective has to be the complete meeting of the fleet's operational goals, with the greatest return on investment.

The process has to begin with choosing how to acquire a vehicle. There is no standard solution, as every fleet is different and sits within an organisation with a unique financial environment. You will need to consider your organisation's finances, including its credit status and availability of cash. Most can choose between leasing, contract purchase and outright purchase. Each can offer benefits.

**Leasing, also known as contract hire, offers:**

- No impact on existing borrowing or overdraft;
- Lower capital outlay;
- Less cashflow strain, with monthly payments being lower;
- Potential to reclaim VAT;
- Reduced administration.

**Contract purchase, also known as hire purchase, offers:**

- No capital tied-up in a depreciating asset;
- Cheaper vehicles, through the supplier's bulk buying power;
- Reduced administration;
- Option to own the vehicle;
- No end-of-life disposal problems.

**Outright purchase offers:**

- Simplest and cheapest option, if bought with cash;
- No punitive costs for high mileage;
- Full benefit of capital allowances;
- Improving residuals benefit you, not the supplier;
- Complete freedom on vehicle choice;

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## Start with vehicle acquisition

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**Action point:** Examine every available option and obtain impartial expert advice. Take account of service, maintenance, road tax and eventual disposal. Be realistic about projected annual mileages, expected lifespan and likely depreciation. If anticipating retention for over three years, factor in MOT tests. Consider whether other acquisitions could offer multiple-purchase benefits.

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## Running your vehicle

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Knowing acquisition and disposal costs is only the start. Now, you have to consider every single additional cost between those points. A few of these will be beyond your control, but you need to consider how each lifetime cost can be minimised without hindering operational efficiency.

**The almost inevitable costs are taxes:**

- Vehicle Excise Duty unless running the greenest of vehicles;
- Employer's NIC if a vehicle represents a benefit in kind;
- VAT if having no fuel card, or the wrong one, makes reclaiming difficult;

**The costs where it is vital to shop around for the best value are those for services:**

- Insurance
- Routine maintenance
- Damage repairs
- Mileage capture
- Emissions monitoring

**The biggest cost category will be the combined consumable items:**

- Fuel
- Tyres
- Oil and lubricants
- Screenwash
- Wiper blades

**Action point:** Minimise the tax load by using the most environmentally efficient vehicle for the specific task. Remember to check whether existing suppliers offer deals on services. Ensure that fuel is bought as cost-effectively as possible, taking into account security, the hidden cost of refuelling administration and the potential cost implications of supplier service quality.

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## Moving on

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Nothing lasts forever and it can prove unexpectedly expensive to try to prolong a vehicle's service life beyond its projected disposal date. At the time of disposal, acquisition of a replacement will be greatly simplified if whole-life costs have been properly tracked. This will allow realistic comparisons within the fleet and against suggested costs from vehicle manufacturers. It also facilitates a powerful negotiating position for dealing with prospective vehicle suppliers.

When disposing of a vehicle, each of the options offers benefits.

### **Sell to staff**

- Fast and simple
- No need for external advertising

### **Sell to a dealer**

- Fast and simple
- Minimal administration

### **Sell at auction**

- Convenient and hassle-free
- Likely to return a fair price

### **Sell by part-exchange**

- Minimised hassle, dealing with only one organisation
- May help with acquisition negotiations

### **Sell by tender**

- Easiest way to dispose of multiple vehicles
- Removes the need for individual negotiations

### **Return to supplier**

- If acquired via contract purchase, you have the option to hand back the vehicle.
- Fast and easy, minimal administration

**Action point:** Encourage drivers to look after vehicles with a clear 'wear and tear' policy. Inspect every vehicle before disposal and remedy major faults. Compare disposal options, considering disadvantages for each. Research market values and have realistic expectations.

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## What help is available?

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Fuel Card Services has many years' experience in helping with cost-effective fleet management, gaining an invaluable depth and breadth of expertise. Its help is readily available to fleet managers through a widening range of specialist services and products. This includes a **whole-life cost calculator**, currently available on free trial.

Many thousands of fleets nationwide, of all sizes and types, already refuel using commercial fuel cards from Fuel Card Services. The immediate cost benefits include fixed weekly pricing that typically delivers savings of up to 4p per litre on national average pump prices and up to 10p per litre on motorway refuelling. Additional major savings are achieved through virtually eliminated paperwork, minimised administrative workload and fast, trouble-free delivery of custom management information.

Other services include **emissions recording**, **mileage capture** solutions and automation of **fleet management** tasks, from service scheduling to licence checking. There is also access to exclusive deals in such areas as tyres, insurance and more.

**Action point:** Contact Fuel Card Services and ask for an illustration of how much money and time you could save, with solutions that exactly meet your specific refuelling and fleet management requirements.



The complete whole life cost calculator for cars and vans



Contact us:

T:..... 0844 870 9988

F: ..... 0844 870 7598

E:..... enquiries@fuelcardservices.com

W:..... www.fuelcardservices.com

A: .....Fuel Card Services

.....The White Barn, Manor Farm

..... Wantage, Oxfordshire OX12 8NE

