



**understand how**  
daily rental vehicles  
can benefit your business



Department  
for Transport



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This guide has been produced by the Energy Saving Trust, in association with the British Vehicle Rental and Leasing Association (BVRLA).



## Introduction

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Integrating short-term vehicle rental into your sustainable transport strategy can deliver a range of benefits to your organisation.

Hiring cars or vans only when they are needed can reduce costs, decrease total fleet emissions, and help you meet duty of care requirements. If used correctly, daily rental can offer reliability, flexibility and convenience in meeting your transport needs.

Many organisations use daily rental for their temporary vehicle requirements, for example to replace private cars used for business journeys (so called 'grey fleet'). However, it is necessary to work with your hire car supplier to ensure that, from both an environmental and a cost control viewpoint, the best possible vehicles for each rental are chosen and the provision is administered efficiently.

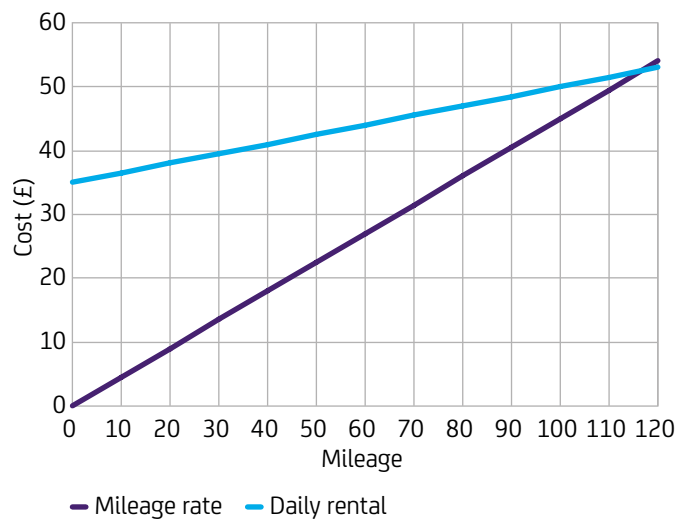
This guide explains how daily rental can help contribute to sustainable transport in your organisation, and how you can maximise the benefits by managing it efficiently.

## Financial considerations

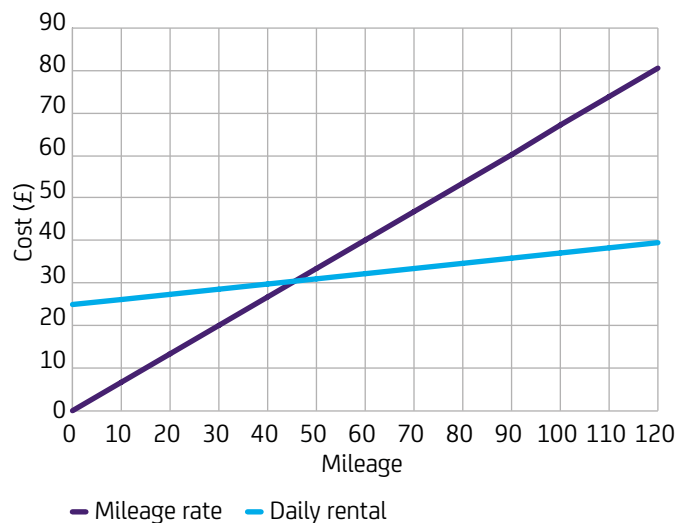
The financial argument for considering daily rental is, to an extent, a simple one: you only pay for the vehicle when you need it.

Establishing whether short-term rental could be a cost effective alternative to grey fleet must be calculated on a bespoke basis, comparing your own mileage reimbursement rates with tailored quotes for your vehicle rental needs. As a rule of thumb, very short journeys are likely to be cheaper when the employee uses their own vehicle. Above a threshold, typically between 50 and 100 miles, it will be more cost effective to rent a vehicle for the journey. Figure 1 and figure 2 illustrate different breakeven points, depending on the assumptions used.

**Breakeven using a grey fleet mileage reimbursement rate of 45 ppm and a daily rental cost of £35 plus 15 ppm for fuel** Figure 1



**Breakeven using a grey fleet mileage reimbursement rate of 65 ppm and a daily rental cost of £25 plus 12 ppm for fuel** Figure 2



In the first example, the breakeven point occurs at around 116 miles per day, and in the second example, approximately 47 miles per day makes the hire car the more cost effective option. These examples may appear extreme, but they serve to illustrate the importance of using appropriate assumptions when calculating costs for your organisation. The typical rental car is less than a year old and therefore likely to be cleaner; with lower emissions; and safer, with a higher Euro NCAP rating. Therefore many organisations set the daily mileage limit at a lower figure than the financial breakeven point.

When considering the cost of short-term rental, there are several additional areas to consider. There are typically three options for fuelling the vehicle; purchase a tank of fuel when you rent the vehicle and return it with an empty tank, rent the vehicle with a full tank and return it full, or, if your organisation has fuel cards, you may be able to use these to refuel the vehicle, allowing you to track expenditure.

You should always check whether the agreed daily rental includes extras such as delivery and collection; excess mileage; collision; theft and loss damage waivers; VAT and insurance. Depending on your organisation's insurance policy, it may be possible to waive some of the rental company's additional charges. Although making these checks may sound like an onerous task, administering a contract with a daily rental supplier should prove to be easier and cheaper (in terms of staff time) than managing the grey fleet and processing mileage claims.

If you have a regular rental supplier, you should check the rates you are paying from time to time to ensure that you have a competitive arrangement. Don't forget to include supplementary charges such as those listed above when comparing proposals. This approach will require some additional administration and communication within your organisation and with your supplier. Any expense incurred as a result should easily be covered by future cost savings compared with a rental facility with few or no controls in place.

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Administering a contract with a daily rental supplier should prove to be easier and cheaper than managing the grey fleet.

## Environmental benefits

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Road transport contributes to around a fifth of the UK's total greenhouse gas emissions. Fleets are under increasing pressure to take action to reduce their environmental impact, and the use of daily rental can contribute to progress in this area.

According to BVRLA, average emissions from UK rental cars in 2010 were 146g CO<sub>2</sub>/km – 12% lower than the average UK car fleet. In addition to the carbon dioxide emissions, typical grey fleet vehicles will produce significantly higher levels of local air pollutants such as nitrous oxide and particulate matter.

Rental vehicles can contribute to reducing the total number of vehicles on the road, as they have higher levels of utilisation than the average car. BVRLA estimate that rental vehicles are rented out up to 80% of the time. This delivers benefits not only in

terms of reduced emissions, but also easing congestion and helping to manage demand for parking. As with car clubs, the use of daily rental may help an organisation reduce the number of vehicles it owns or leases, and can be particularly useful for staff on probation or short-term contracts.

Finally, since many individuals first experience new technology in the workplace, rental companies can help to give drivers their first drive in a pure-electric or plug-in hybrid car or van. This could contribute to greater adoption of these cleaner vehicles.

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Average emissions from UK rental cars were more than 12% lower than the average UK car fleet.

## Duty of care and compliance

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In addition to the financial and environmental benefits, using daily rental can help you meet your duty of care requirements.

Many rental companies will check drivers' licences and ensure that vehicles are insured for business purposes. It is still your responsibility, as the vehicle hirer, to ensure that drivers hold a full and valid licence. However, if you are operating a grey fleet, you are required to ensure additional checks are carried out, for example that drivers are insured to use their own vehicles for business journeys and that their vehicles are roadworthy.

Additionally, rental vehicles are newer than grey fleet vehicles (typically eight to 14 months old compared to six to seven years). Therefore, they typically have more advanced safety features such as multiple airbags and higher EuroNCAP ratings. As a result, there is a reduced risk of accidents, and reduced risk of serious injury in the event of an accident.

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Many rental companies will check drivers' licences and ensure that vehicles are insured for business purposes.

## Choosing the right vehicle

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Once you have decided that daily rental is the correct option for a particular journey, the next step is to select the most appropriate vehicle. This decision should be based on vehicle size first, and then fuel type.

Most rental companies offer cars from small hatchbacks (Renault Clio), through medium sized (Vauxhall Astra), and larger hatchbacks (Ford Mondeo), to executive cars (BMW 5 Series). The exact classification and model of vehicle may vary from supplier to supplier and more specialist vehicles, such as MPVs and vans, are usually available as well.

However the hire vehicles are classified, the first step is to ensure that the most efficient vehicle for each hire is requested. Diesel cars may be available and, within the same group, will usually be more fuel efficient and emit less CO<sub>2</sub> than an equivalent petrol model. It should be possible to agree with your supplier to provide only smaller hatchbacks (typically group B or C) which will save you money on rental and fuel costs and reduce emissions.

A diesel car should therefore be requested if available; however, a car with a smaller petrol engine is often more economical than a larger diesel car. For this reason it is appropriate to rent on the basis of size of car first and fuel type second. Remember, the lower the CO<sub>2</sub> emission figure, the lower the fuel consumption and therefore fuel cost.

Your rental provider should be able to set up your account so that smaller cars are the default choice. All rentals should be approved by a departmental manager and a process should be agreed to authorise larger or specialist vehicles, for example an MPV when several people are travelling together.



## Managing daily rental

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Effective management of your daily rental vehicles is crucial to maximising the benefits. This section outlines the key areas to consider.

When choosing a rental supplier, make sure you understand what your rental contract states in terms of vehicle breakdowns, accidents and traffic offences. Next, when planning a journey using daily rental, integrate it with other forms of sustainable transport where appropriate, for example combining public transport with a rented car.

When making a booking, ensure that a realistic period for the rental is advised up-front. If a car is required for several weeks, it should be possible to agree lower daily charges in advance. This will generally not be possible if a daily or weekly booking is extended for the same period on an ad-hoc basis. You should book vehicles at least 24 hours in advance if possible, to guarantee that a car in the appropriate group is available.

Advise the rental company as soon as the car is ready for collection, as it may be possible to save a day's hire if a car can be collected mid-afternoon rather than the following morning due to short notice. It should be noted that some providers are now offering rental terms of less than a day.

Check that your supplier provides a consolidated monthly invoice and schedule. This should include details of the hire group ordered, the group actually supplied, the car's P11d price, CO<sub>2</sub> emissions, the rental cost, duration and any refurbishment charges. Use this information to monitor and manage your agreed policy both internally and with your supplier. Query any extended periods of hire and any damage charges. P11d and CO<sub>2</sub> information will be required if the car is a substitute for an allocated car (for example a company car) and the driver has use of it for an extended period of time.

## Case study: car rental enables University of Cumbria to save £¼ million

- The university has eliminated its entire pool car fleet.
- Reduced costs of vehicle ownership and management by approximately £240,000 per annum.
- In 2011-12, it saw a net reduction in overall carbon emissions from staff business travel of 119 tonnes (27%).

Mobility is key to academic performance at the University of Cumbria. It has seven campuses spread across the region, and many of its students attend placements around the UK so need to be regularly visited by staff. This creates a considerable demand for business travel.

The previous travel culture at the university was to primarily use its 49 pool cars for business trips. In 2009-10 it began a programme to change these behaviours, with an increased use of phone and video conferencing and a new transport policy endorsed by the senior management team.

This was where Enterprise Rent-A-Car came in. University staff were encouraged to use rental or other options instead of the pool cars, with intranet guidance, face-to-face surgeries and workshops all created to help get the message across.

Ian Rodham, travel plan manager at the University of Cumbria, comments: “The flexibility of car hire meant staff were not tied to just the standard pool car vehicles, so they could use smaller cars for most trips and larger ones only when they needed to take equipment to other campuses or travel in groups on student placement visits.”

The Enterprise fleet is newer than the University’s pool cars and produces significantly less CO<sub>2</sub>. Enterprise provides regular bespoke reporting so the university can see how its carbon reduction programme is progressing.

**“Enterprise understands what we’re trying to achieve. We want to travel less, keep reducing our carbon footprint and make the best use of the journeys we make. Enterprise has helped us deliver exactly that.”**

Ian Rodham, travel plan manager, University of Cumbria



## Next steps: how EST and BVRLA can help

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One of the best ways to find a rental company is through the website of the British Vehicle Rental and Leasing Association: [www.bvrla.co.uk](http://www.bvrla.co.uk). BVRLA has a number of useful guides available online, such as ‘Best practice in the vehicle rental industry: a guide for corporate customers’.

For further help with the financial and environmental costs and benefits of incorporating daily rental into your organisation’s sustainable transport strategy, contact the Energy Saving Trust by email [transport@est.org.uk](mailto:transport@est.org.uk), or visit our website [www.est.org.uk/fleet](http://www.est.org.uk/fleet)

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