Sources of Advice

This guide has focused on reducing grey fleet mileage and should be read in conjunction with other Energy Saving Trust best practice guides:

- A Guide to Managing the Grey Fleet
- Mileage Management
- Company Cars: A Guide for Drivers
- Fuel Card Guide

The Energy Saving Trust provides a range of advice and consultancy programmes for fleets of all sizes and most vehicle types.

To find out more call **0845 602 1425**, or visit **http://www.energysavingtrust.org.uk/fleet**

Further Links and Resources

For further advice about developing policy, look at the Driving for Better Business toolkit:
http://www.drivingforbetterbusiness.com/toolkit.aspx

The Health & Safety Executive website has a section devoted to work-related road safety:
http://www.hse.gov.uk/roadsafety/index.htm

The joint HSE Department for Transport publication, Driving at work, also covers work-related road safety
http://www.hse.gov.uk/pubns/indg382.pdf

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Department for Transport

A Guide to Reducing Grey Fleet Mileage

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Introduction

The grey fleet is an important but often neglected aspect of fleet management. The grey fleet consists of employee-owned vehicles, bought with their own money and reimbursed on a pence per mile basis. It is estimated that there are approximately four million grey fleet cars in the UK – more than three times the number of company cars. Therefore, it is crucial that opportunities to cut emissions and reduce costs are identified.

Effective management of the grey fleet is crucial with respect to three key policy areas: financial efficiency, health and safety and environmental sustainability.

This guide from the Energy Saving Trust (EST) is aimed at helping you to manage the grey fleet, highlighting the opportunities to reduce the financial and environmental impact of your grey fleet by reducing miles driven and using alternatives. This guide should be read in conjunction with EST's "A Guide to Managing the Grey Fleet".

The Business Case for Reducing Grey Fleet Mileage

The financial and environmental impacts of the grey fleet should be reduced by eliminating unnecessary mileage and transferring travel to more environmentally efficient and cost-effective alternatives.

1 Approved Mileage Allowance Payments or AMAP rates are the maximum mileage reimbursement rates you are allowed to pay employees without having to report them to HMRC or pay any tax on them. Currently, for cars and vans, AMAP rates are set at 45 pence per mile for the first 10,000 miles and 25 pence thereafter. More information can be found on the HMRC website http://www.hmrc.gov.uk/rates/travel.htm

Financial Arguments

An organisation with 500 grey fleet drivers covering an average 1,000 miles per year in their own vehicles will be spending approximately £225,000 per year in mileage reimbursements alone. This figure may be even higher where annual cash alternative payments are made to grey fleet drivers. While some of this expenditure is necessary, there are opportunities to reduce costs without affecting business performance.

Grey fleet mileage is typically reimbursed using AMAP rates[1], currently 45 pence per mile (ppm) for the first 10,000 miles, and 25 ppm thereafter. Some organisations, particularly in the public sector, pay above AMAP rates. Doing so significantly increases the amount spent on employee travel and has Class 1A National Insurance contribution implications. Depending on total grey fleet mileage, this may represent a major cost to your organisation. And if there is a lack of control over mileage expense claims you cannot be certain that they are accurate.

AMAP rates include estimates for all vehicle purchase and running costs, such as fuel, maintenance, insurance and depreciation. If you are paying a monthly or annual lump sum to drivers, contributing to funding the vehicle, you should consider reducing pence per mile reimbursement to below AMAP rates. Similarly, it is hard to justify paying above AMAP rates in any situation, and if you are doing so, it is recommended that you change to AMAP rates. Equally, rates should not be so low that employees may refuse to use their own vehicles for business journeys.

Depending upon each individual employee's circumstances, paying 45 ppm or more can create a significant incentive to drive. If it pays to drive, why take the short way round or consider an alternative? With typical fuel costs between nine and 18 pence per mile, drivers often view the difference as "profit", and forget about the other running costs.

Cost savings can be achieved by challenging the mode of transport chosen for journeys. For example, for return journeys over 80-100 miles, it is likely to be cheaper to use public transport or a spot hire vehicle than pay 45ppm for grey fleet mileage. The table on the next page illustrates the savings that can be achieved, based on a 290 mile round trip in one day between Manchester and Newcastle.

Method	Grey Fleet @65ppm	Grey Fleet @45 ppm	Rail fare (advance anytime day return) *price correct at January 2012	Hire car (compact five door, e.g. Ford Focus) plus fuel
Cost	£189	£131	£90	£67
Saving	–	£58	£99	£122

The financial cost associated with the time employees spend behind the wheel is another area to consider. Reducing the mileage of a driver doing 10,000 business miles a year by 10% would save £450 in mileage reimbursement costs alone[2]. The driver of this vehicle will spend 250 hours a year at the wheel, assuming an average speed of 40 mph. This equates to approximately 17% of the driver's working time. Cutting mileage by 10% could release 25 hours for productive work. At a cost to the business of, for example, £30 per hour, this is effectively an annual saving of £750 per employee. This could be reduced through eliminating unnecessary journeys and by using public transport where opportunities exist to work whilst travelling.

The most dangerous thing many people do at work is to drive. Up to one in three road crashes involves a vehicle being driven for work and it is estimated that there are around 200 work-related deaths or serious injuries on the roads every week. The Health and Safety Executive estimates the costs arising from 'at-work' road traffic accidents to be in the region of £2.7 billion per year. Reducing the number of journeys reduces the risk.

Environmental Arguments

The average age of an employee-owned car used for business is 6.7 years, compared to just 1.5 years for a company vehicle. Over this five year period, the average CO_2 emissions of a new car have decreased from 169g per km to 144g per km. A grey fleet car is therefore much more likely to be more polluting and less safe than a typical lease or hire car.

High mileage payments (i.e. AMAP rates or higher) may incentivise unnecessary travel thereby driving up both emissions and costs.

Demonstrating that effective grey fleet management has contributed to emission reductions will help to meet demand for corporate social responsibility improvements.

Many public sector organisations have a responsibility under the 'Greening Government' commitments, which replaced SOGE[3] targets in April 2011. Under the Carbon from Travel sub-section of SOGE, grey fleet was identified as a specific area to tackle, and will be a key area to address to meet the emissions targets.

2 Assumes AMAP rate of 45ppm is paid.
3 Sustainable Procurement and Operations on the Government Estate

Developing a Grey Fleet Mileage Reduction Plan

Assign Responsibilities

An essential starting point is to ensure that responsibility for the grey fleet is assigned. Lack of responsibility is one of the key reasons why the grey fleet is so often overlooked. In organisations with a Fleet Manager, this is likely to be the best person to assume responsibility. Otherwise, finance and HR departments should work together to appoint an individual who can take responsibility.

Whoever the person responsible, establishing a working group to assist with the development and implementation of a grey fleet policy is recommended. The following departments may be required to establish and implement a policy: human resources, finance, health & safety and environment / sustainability. The fleet manager should work with line managers to help reduce employee grey fleet mileage on a day-to-day basis.

Develop a Grey Fleet Action Plan

In developing a grey fleet mileage reduction action plan it will be important to gain buy-in from all relevant stakeholders. It should become clear who they are while carrying out the grey fleet audit. Actions to consider include:

- Establish a small working group of stakeholders to help develop the strategy and individual measures.
- Engage senior managers in the process so that they understand and support the plan. Encourage senior managers to lead by example.
- Allow employees' input to shape the recommendations. Provide clear information so they can make informed decisions about the available options.
- Support HR in communicating the changes and new policies to employees.

Travel Hierarchy

In terms of specific measures for reducing grey fleet mileage there are two broad objectives:

1. Reduce the total number of journeys
2. Switch grey fleet journeys to alternatives that are cheaper, less environmentally damaging and safer.

A key principal to establish is a 'travel hierarchy' which sets out a decision making framework to minimise travel and the impacts of travel. The decision wheel shown on the next page shows an example journey decision making framework. Measures to support steps 1 to 5 are discussed below.

Reducing the Number of Journeys

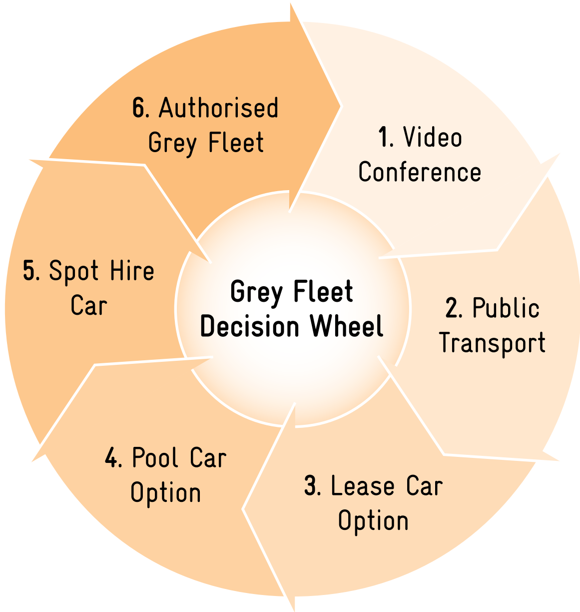
Seek to establish a culture of phone, video and web conferencing whenever practical. Review the availability and quality of conferencing systems and equipment as well as the processes and training required for staff to access and use the equipment.

Lake District National Park Authority actively encourages the use of tele- and video- conferencing as an alternative to travel wherever possible. Their head office video-conferencing system is estimated to save 1,000 miles per month alone. They are working towards a 75% reduction in grey fleet mileage over a four year period.

Examine whether your organisation's policy can be changed such that the number of journeys are reduced. For example, can weekly journeys to a particular site or client be made fortnightly or monthly instead?

Consider reducing generous mileage reimbursement rates which act as an incentive to undertake journeys in employees' own vehicles. Lower rates encourage more economical, less environmentally damaging modes of transport.

Review existing qualification requirements. For example, is there a mileage threshold above which staff are entitled to be an essential user? The problem with such a policy is that the threshold can become a target and there is no easy solution to this problem.



Involving employees at the outset of any plan to reduce grey fleet mileage is important. An open discussion about the need for efficiency and creative ways to save money may be welcomed. Asking staff for ideas often brings innovative ideas from those who know their working patterns best

Switching Journeys

Public transport should always be the first option that is considered. It is important that staff can access public transport information and ticketing, particularly for commonly made trips where good public transport options exist. Using public transport could be mandated for certain journeys where it is practical and cost-effective. This could be indirectly achieved by not paying car mileage expenses for these journeys. However, it is important to remember that public transport will not be practical or cost-effective in all cases, and policies should reflect this.

Company cars may be the most cost-efficient option for employees travelling over 12,000 annual business miles. They increase control over the fleet, reducing liability and helping to cut fleet emissions. Lease cars can also be offered via a salary sacrifice scheme, which has the potential to reduce costs for both the employee and employer, and in certain circumstances is a more cost-effective staff benefit than a salary increase.

Providing low emission pool cars can be beneficial in certain circumstances. If pool cars are provided, make it a requirement that when staff need to drive on business, they should try to book one as their first option. A well run pool car scheme will deliver cost savings, emissions reductions and safety improvements compared to using grey fleet vehicles. However, a pool car fleet needs to be managed to maximise its utilisation and financial benefits. Drivers of pool vehicles still need their licences to be checked to ensure that they are eligible to drive.

As an alternative or supplement to pool cars, car clubs should be considered. Essentially an outsourced car pool, car clubs free up time spent managing the grey fleet and pool cars. Car clubs can be cost competitive, and you may be able to negotiate provision of vehicles at your office or depot, or to have exclusive use during work hours. Please see the Car Plus website http://www.carplus.org.uk for more information about car clubs.

Using a rental vehicle instead of grey fleet vehicles for journeys over 80-100 miles per day ensures that a well-maintained and properly insured vehicle is used for these journeys. Many rental companies will deliver and collect the vehicle free of charge within the local area. Manage the agreement with the hire car company to ensure efficient cars are provided.

Travel Mode Comparison

Comparing the costs of alternative options is an important part of the planning process. The two graphs on the next page illustrate the comparative costs of using grey fleet compared to a hire car. The results are very sensitive to the assumptions shown which highlights why it is important for each organisation to do its own assessment based on its individual circumstances.

In the first example, compared to paying grey fleet drivers 45ppm, a hire car is cheaper for daily journeys of around 95 miles or more.

In the second example, below, paying grey fleet drivers 65 ppm (as many public sector organisations do), means that a hire car becomes cheaper for journeys over approximately 60 miles.

It is important to note that the hire car used in the example includes a £10 delivery and collection charge. If the car is hired for longer than one day, the cost per day will decrease, making it cost effective for even lower daily mileages.

As already mentioned, car clubs are another option which will be more cost effective than grey fleet for many journeys. This will need to be worked out individually for a particular organisation, and either hourly or daily rental may be more efficient.

Barriers and how to overcome

Challenging the status quo regarding travel can often be met with resistance. Staff and managers may raise a number of reasons why it can't be done. Some of the more common barriers that might be raised are discussed below.

There is no budget available to make the necessary changes, even if there are long-term savings available.

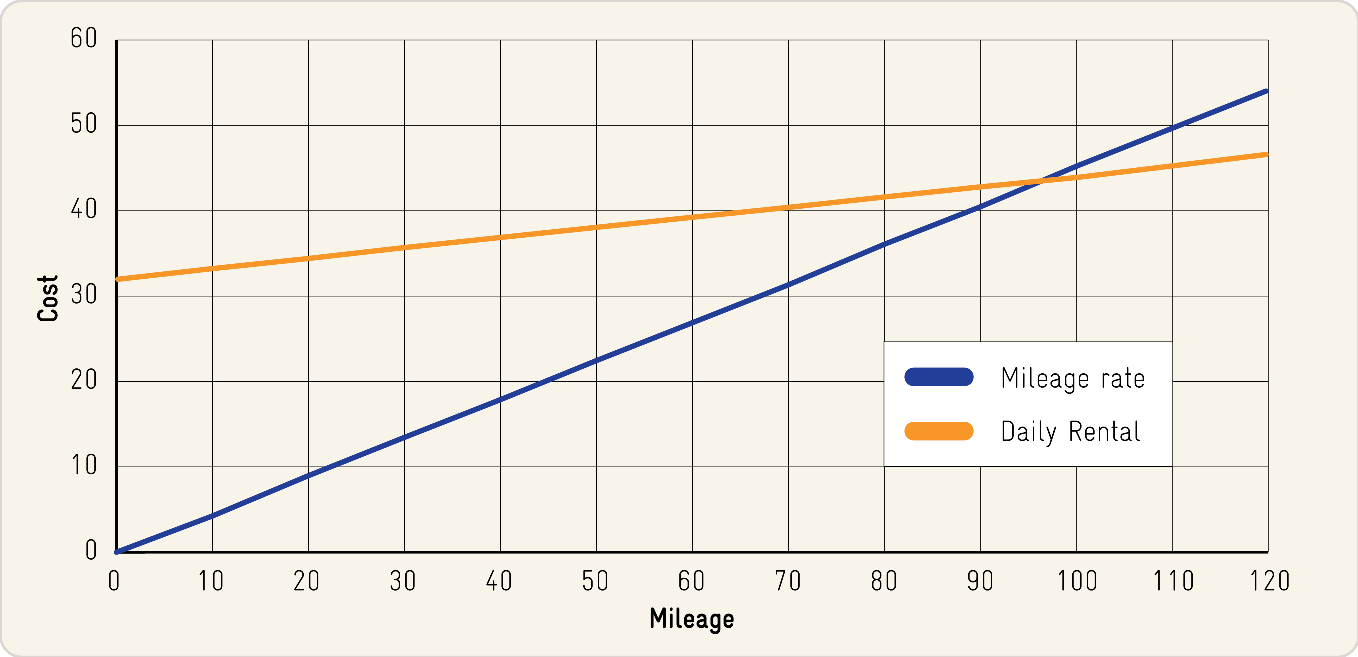
If you can't make the case with financial arguments then highlight duty of care arguments for managing grey fleet travel.

We will not be able to get senior stakeholder buy-in unless we can quantify the costs and savings.

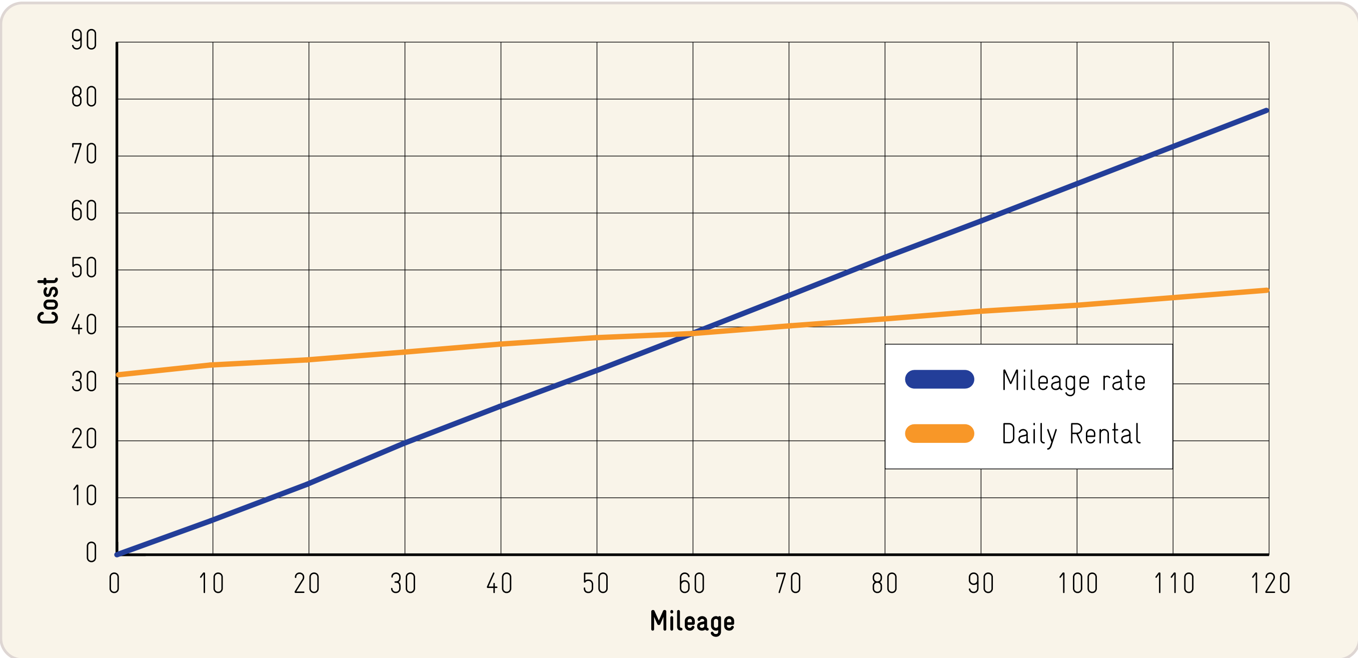
Obtain approval for initial work to measure the size and cost of the current grey fleet. This will assist you in estimating the potential savings achievable by implementing a more sustainable travel policy.

The wrong people are in the wrong cars – there are grey fleet drivers doing in excess of 8,000 business miles a year and company car drivers doing fewer than 5,000.

It may be necessary to conduct a review of the grey fleet as part of a wider fleet and travel policy audit. In some extreme cases of low-mileage lease-car drivers, it may be cost-effective to buy out the remainder of the contract. If there are problems entrenched within old policies that are hard to change, then consider alternative policies to manage mileage. Can existing policies be changed for new starters? Try to do what you can within the limitations.



Assumptions: Hire car: £32 daily rate (including delivery and collection), £0.12 fuel cost per mile. Grey fleet: £0.45 per mile (AMAP rate).



Assumptions: Hire car: £32 daily rate (including delivery and collection), £0.12 fuel cost per mile. Grey fleet: £0.65 per mile.