



A DIRECTOR'S
POCKET BOOK

company fleet management

an environmentally friendly approach



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Published for the Institute of Directors,
in association with the Energy Saving Trust,
by Director Publications Ltd,
116 Pall Mall, London SW1Y 5ED
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Energy Saving Trust

The Energy Saving Trust is a non-profit organisation funded by government and the private sector.

Set up after the 1992 Rio Earth Summit we aim to achieve the sustainable use of energy and cut carbon dioxide emissions, one of the key contributors to climate change.

To achieve these goals we work with households, business and the public sector to:

- encourage more efficient use of energy in homes and buildings
- support organisations in reducing their impact on the environment from business transport
- encourage the use of small-scale renewable energy technologies such as solar and wind power

Our transport programmes promote eco-friendly driving techniques, low carbon travel choices and lower carbon vehicles and fuels. Transport advice is available to organisations in England and Scotland and provides practical solutions to help reduce running costs and improve the environmental performance of car and van fleets.

For more information access www.est.org.uk

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**Miles Templeman, Director General,
Institute of Directors**

Over the past year, the environment has jumped to the top of the political agenda – and that means the top of the business agenda too. The Stern Review of the economics of climate change has triggered further debate and green matters have become a core issue for every firm and every household in the country.

Nowhere are the ramifications of this greater than for transport. Transport already accounts for more than a quarter of all carbon dioxide emissions in the UK, and it will attract further attention from policymakers as its share of emissions rises in future. Meanwhile Sir Rod Eddington's study of the impact of transport on the UK economy has put the focus firmly on charging for road use as a way of tackling congestion.

The tax system has already evolved considerably to put emissions at the centre of road and company car taxation. Policy is likely to shift further in this direction, through tighter legislative standards and increasingly sophisticated mechanisms designed to ensure that transport users pay their full environmental costs.

More than ever, therefore, it pays businesses to examine their transport policies carefully. A green approach to transport is good for business. It reduces operating costs by cutting fuel and tax bills; it is simple to put into practice, as this pocket book demonstrates; and it enhances responsible business credentials – which carries increasing weight with consumers.

Eddie Hyams, Chairman, Energy Saving Trust

Prime Minister Tony Blair has called climate change “the world’s greatest environmental challenge” and companies have a key role to play in ‘greening’ their vehicle fleets.

Vehicles are the cause of 25 per cent of all carbon dioxide (CO₂) emissions, the main gas that contributes to climate change. So, pressure is mounting on fleet operators and every driver to be more environmentally responsible.

The UK government’s vehicle-related fiscal measures all have a major environmental focus with their link to CO₂ emissions. The message to all fleet operators and individual drivers is direct and simple: “Cut the amount of CO₂ from your vehicles or pay the financial price”.

The environmental choice, then, is the commercial choice from both a corporate and individual perspective.

Companies that introduce a ‘green’ focus to their fleet operations and, crucially, also to privately-owned vehicles driven on business, will not only be driving along the corporately responsible route, but will also cut operating costs and save employees money.

By choosing fuel efficient vehicles and by putting driver education, journey planning and mileage reduction at the heart of their transport operations, companies will contribute to ‘saving the planet’ – without compromising business effectiveness and efficiency – and can typically expect to cut fuel costs by around 20 per cent.

overview

company cars and the alternatives

Since April 2002 benefit-in-kind tax on company cars has been linked to vehicle CO₂ emissions. This has driven a huge demand for diesel vehicles – which emit less CO₂ than their petrol equivalents – and an increase in petrol-fuelled vehicles below 140 g/km.

However, the tax change has also been responsible for a surge in employees giving up their company cars and opting for either a straightforward cash option or one of the myriad of other alternatives available, such as a vehicle under an employee car ownership (ECO) scheme. As a result the number of privately-owned cars driven on business has rapidly escalated.

This is not good news from an environmental or safety perspective, since many opt-out employees are driving older cars than they would had they had a company car.

The Energy Saving Trust calculates that the average age of a privately-owned vehicle operated on business is 6.9 years, with average CO₂ emissions of 190g/km. That compares with a typical company car age of two years and average CO₂ emissions of about 170g/km.

Company car tax rates have not changed since 2005, but a new 135g/km starting rate is to be introduced in 2008/09, and a further tightening of levels can be expected in the future. And, in a further 'green' move, from 2008/09 a new lower 10 per cent band for company cars with CO₂ emissions of 120g/km or less will be introduced.

Meanwhile, HM Revenue and Customs is currently investigating the interaction between ECO schemes, company car tax and tax-free Approved Mileage Allowance Payments to staff who drive their own cars on business – 40p a mile for the first 10,000 business miles and 25p a mile thereafter.

HMRC estimates that the carbon emissions of an average ECO scheme car are around 10g/km higher than an average company car. As a result, one aspect of the ongoing review will be whether changes are necessary in order to strengthen environmental incentives.

Separately, it is also consulting with the fleet industry on the rules governing capital allowances on business cars and the current rental disallowance for cars costing more than £12,000. Reforms later this year will centre on reducing the administrative burden facing companies and on incentivising the purchase of cleaner cars.

vehicle selection

Implementing ‘green’ vehicle solutions does not always mean introducing gas, electric or hybrid (petrol-electric) alternatives to traditional petrol or diesel vehicles.

Indeed, traditionally fuelled vehicles will, in virtually all cases, remain at the heart of fleet operations. In ensuring their cars are fit for purpose, however, companies should always analyse individual vehicles’ CO₂ emissions.

Typically the lower the CO₂, the better a vehicle’s MPG. While that will result in benefit-in-kind tax savings for drivers – as well as fuel savings for both employees who pay for private use fuel, and companies – there will be other corporate savings in respect of Class 1A National Insurance contributions and Vehicle Excise Duty.

Vehicle Excise Duty

Since March 2001, Vehicle Excise Duty has been based on CO₂ emissions for new cars, with engine size still used for pre-2001 cars. The seven-band scheme also includes a differential between fuel types, covering petrol, diesel and alternatively-fuelled vehicles.

To incentivise the uptake of low emission vehicles, almost a third of new models registered are in Band C (121-150g/km) and a further quarter are in Band D (151-165g/km). Present rates see a VED rate of £0 for sub-100g/km vehicles (Band A), while those above 225g/km and registered since 23 March 2006 (Band G) pay £200 (alternatively-fuelled), £210 (petrol) or £215 (diesel).

To further aid vehicle selection most dealer showrooms use a 'green fuel label', which categorises vehicles by CO₂ emissions bands and also highlights fuel economy.

congestion charging

The principle of meeting environmental cost applies to congestion and London Mayor Ken Livingstone has proposed CO₂-linked charges for vehicles entering the capital's central charging zone. If approved, the daily charge for vehicles in VED Band G (over 225 g/km of CO₂) will rise to £25 from 2009. However, in 2008, the charge will be removed for cars in Bands A (under 100g/km) and B (101-120g/km). Cars in other VED bands will continue to pay the £8 daily charge (£7 for fleet-registered vehicles).

A national congestion charging system, possibly CO₂-based, is being considered by the government in a bid to alleviate the £28bn cost to the economy of traffic jams, although this is still perhaps a decade away.

travel management

Road travel costs both time and money. With car and van journeys becoming increasingly longer, those companies that analyse their journey patterns and educate employees to consider whether a trip is essential or, for example, if a video conference call will suffice, will be both financial and 'green' winners.

Journey planning and mileage management are particularly useful for light commercial vehicle fleets such as delivery firms and couriers, many of which have pioneered the use of telematics to aid business operating efficiencies.

Effective mileage management will also bring the added benefits of better use of resources, reduced vehicle wear and tear and reduced exposure to work-related risk.

smart-driving

Smart-driving, also known as eco-driving, aims to improve road safety and cut pollution. This will also enable motorists to save money.

The management of occupational road risk and the operation of an environmentally friendly fleet are inextricably linked (see chapter 4).

ACTION PLAN

- analyse vehicle policy selection, focusing on low emission vehicles
- investigate alternative fuel options
- educate drivers in terms of vehicle selection, driving style and journey management
- introduce a corporate travel management focus
- choose alternative options to the car

fleet policy and corporate responsibility

In recent years, the fleet industry has talked much about green issues. But increasing fiscal and legislative focus from Whitehall and Brussels on the 'polluter pays' should be the tipping point for action from business in terms of widespread, considered and effective fleet action.

'Greening' a fleet is simple and has major financial and social benefits that will also contribute to a company's reputation as a corporately responsible organisation.

Some senior managers believe that 'greening' their fleet would cost money, not save money. In fact the reverse is true. The whole green fleet best practice agenda is designed entirely around reducing vehicle emissions and saving money by winning the 'hearts and minds battle' and changing deeply ingrained driver behaviour.

Irrespective of the size of business, putting in place a strategy to manage cars and vans driven on business makes enormous commercial sense. Compiling an environmentally-based fleet policy, including educating employees and providing alternative choices, makes even greater logic.

The real opportunity for improving the environmental performance of a company fleet does not depend on major changes to vehicle selection. In most cases, a few simple policy changes will 'green' the fleet, while producing significant cost savings and improved staff productivity.

However, it is not simply a matter of rewriting fleet policies to reflect a green stance. The reasons for change must be communicated to drivers, with achievable targets set for individuals and company divisions.

With the wide range of vehicle types and technologies, fuels and management techniques now available, running a green fleet has never been easier, or more cost effective.

As a first step, directors should ensure vehicles are allocated on the basis of whole-life cost rather than the cash price or monthly leasing rental.

By including the cost of fuel the company can incentivise drivers to move to more fuel-efficient vehicles. In general, this will also result in drivers choosing vehicles with lower CO₂ emissions, leading to benefit-in-kind tax savings.

All of these measures will not only reduce the carbon footprint of a fleet, but will also cut fleet operating costs for businesses and fuel and tax bills for drivers.

company car tax

Company bosses must explain to company car drivers that the lower a vehicle's CO₂ emissions the lower the benefit-in-kind tax bill. Not surprisingly, this has resulted in a marked trend towards company drivers choosing lower emission cars.

A report from HM Revenue & Customs, however, also suggests a move away from company cars. It reckons there were 400,000 fewer company cars on the roads in 2005 than in 2002.

The HMRC report, which makes clear the importance of company cars to businesses in the UK and to the economy as a whole, analysed the impact of the environmental-influenced 2002 switch to a carbon dioxide-based company car tax regime. It reveals:

- a reduction in CO₂ emissions from company cars, with employees choosing cars with lower CO₂ figures than if reforms had not occurred
- drivers who gave up their company car as a result of the changes typically chose private cars with CO₂ emissions figures 5g/km higher
- a reduction in business mileage of 300-400m miles due to the removal of the mileage incentive in the previous tax system
- a cut of 70-100 million private miles per year, due to a smaller number of company car drivers receiving company-funded fuel for private use

ECO schemes and company car alternatives

ECO schemes were initially viewed as tax-efficient and cost-effective. Yet, for some companies the promised scheme-related savings have not accrued and the administrative burden has been massive due to the complexity of some of the initiatives on the market.

Irrespective of who owns the car, all companies are legally responsible for the health and safety of their employees driving on company business. Many companies believe wrongly that allowing employees to drive their own cars on business absolves them of any responsibility. This is particularly the case with regard to the monitoring of service, maintenance and repair of vehicles, checking that the correct insurance is in place and if vehicles are 'fit for purpose'.

Evidence also suggests that:

- often drivers opt out of company cars because they cannot have the vehicle of choice. Therefore, widening choice lists, while shaping it around low emission vehicles will influence drivers to remain loyal to company cars
- most drivers who opt out of the company car system instead drive a privately-owned car that has a higher CO₂ figure

The payment of mileage rates to staff using privately-owned cars on business encourages unnecessary mileage.

Therefore companies should:

- provide clear guidelines as to when private cars should be used on business
- ensure sufficient controls are in place to monitor and validate mileage claims
- ensure claims are audited regularly to identify any irregularities or opportunities to reduce vehicle usage

Despite some businesses returning to the traditional company car scheme, a more flexible scheme can work. Nonetheless, there is no one-size fits all policy.

National Insurance contributions

Companies that take CO₂ emissions seriously when building their company car choice lists will benefit from both dramatically reduced National Insurance contributions and fuel bills.

In compiling company car choice lists businesses should always take account of the cost to the company of Class 1A National Insurance, which is paid at the rate of 12.8 per cent on the taxable benefit of the car to the employee.

All too often companies misguidedly leave benefit-in-kind tax out of the equation when determining the type of car to provide employees. However, failing to take NIC into account when compiling car choice lists can mean a company is on the receiving end of unexpectedly large NIC bills, despite believing that employees of a similar grade are eligible for a vehicle of similar value.

Calculations show that the impact of reducing a company car tax band by one level will reduce an organisation's annual company car NIC bill by five per cent.

ACTION PLAN

- let your employees know that the environmental impact of business transport is important by providing a list of dos and don'ts
- encourage take-up of low CO₂ emission/fuel efficient vehicles by communicating the financial benefits to drivers
- quote CO₂ emission/MPG figures alongside vehicles on company car choice lists
- reduce the size of the cash option available to staff to encourage company car opt-in
- audit all mileage claims

vehicle selection

Ensuring vehicles are fit for purpose is a crucial aspect of fleet management. With the widest ever choice of cars and vans available the opportunity has never been greater to select low emission vehicles for operational business needs and fulfil environmental objectives.

Equally, given the increasing lifestyle choices and flexibility of recruitment and remuneration packages demanded by employees, the pros and cons of introducing alternative company car schemes or the use of private cars for business trips must be assessed.

company car choice

Introducing initiatives to reduce a fleet's average CO₂ emission rating by just one tax band can save a company thousands of pounds in overall operating costs and cut benefit-in-kind tax bills for employees.

Meanwhile, today's trend for smaller cars to be more spacious and equipped with executive vehicle features means that company car drivers should not feel short-changed when faced with a choice of lower emission cars.

There are huge benefits of such a shift for both companies and drivers:

- lower benefit-in-kind tax bills for drivers
- savings in purchase price or monthly rentals for companies

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- reductions in corporate Class 1A National Insurance contribution
- VED, MPG and emission cuts

To establish such a trend, companies should offer staff a percentage of the cash saved. It will give staff the perception that they are getting something for nothing. It is smart fleet management.

CASE STUDY – RENTOKIL INITIAL

Operating a nationwide fleet of some 900 vehicles, Rentokil Initial is on the road to reducing transport costs and carbon emissions with the help of the Energy Saving Trust.

Less than half of company boards discuss the impact of their company cars and vans. Even fewer collect data that could improve their fleet's efficiency. But, Rentokil Initial fleet controller Colin Blake approached the Energy Saving Trust for an impartial assessment of its fleet and for ideas on how and where to make improvements.

“An external viewpoint of our operations was needed to highlight inefficiencies, suggest solutions and provide impartial backing for introducing more efficient practices,” comments Blake.

“The Energy Saving Trust review will help me to make the business case for a greener fleet. While I can give management my reasons for turning the fleet green, the external consultant's advice adds extra weight. After we receive the report it will be up to us to make changes. Issues up for discussion include: vehicle acquisition and disposal methods, the environmental impact of the fleet, maintenance and insurance issues as well as day-to-day fleet management.”

Meanwhile, a CO₂ emissions cap on company car choice lists should not affect efficiency and effectiveness, but will reduce fleet whole-life operating costs, cut employee benefit-in-kind tax bills and help the environment.

private car usage

Irrespective of who owns a vehicle, if it is driven on business then legally it is the responsibility of the company.

However, many companies that allow staff to drive their own vehicles on business don't know: which vehicles are being used; how old they are; whether the correct insurance is in place; and if they are serviced and maintained in accordance with regulations.

All are important from both an environmental and health and safety at work perspective. Therefore, documentation checks should be made with companies recording vehicle service, insurance and MoT information applicable to privately-owned cars used on business.

Company cars emit less CO₂ than private ones (see page 9). So employers that allow private car use should issue selection parameters to staff to ensure they take an environmentally-friendly approach to motoring. As a consequence of buying a 'cleaner' car that uses less fuel, driving more economically and using the car less, their transport costs can reduce by about 20 per cent.

fuel choices

Choice of fuel types and control of their use is critical in the quest to both save money and produce fewer and less harmful vehicle emissions.

petrol versus diesel

Although diesel cars and vans offer better MPG than their petrol equivalents, advances in petrol engine technology and lower pump prices for fuel means a diesel-only fleet could be a dream ticket or a false economy. It all depends on usage, including annual mileage.

However, while CO₂ emissions from diesels are lower than from equivalent petrol models they do produce more exhaust emissions that are bad for air quality in urban areas. As a rule, therefore, diesel vehicles are best for high mileage fleets, while petrol vehicles are best for low-mileage largely urban travel.

alternative fuels

There are also other options that are viable, depending on where vehicles are going to be mainly driven. Alternatively-fuelled vehicles – initially gas-powered vehicles (both liquefied petroleum gas and compressed natural gas) – were going to change the company car landscape and now hybrid vehicles (petrol-electric) are available, with pure electric models also in showrooms.

Meanwhile, sales of hybrid vehicles have increased, with four models now available and manufacturers promising more in the coming years. Demand for hybrid has been fuelled in the South East because of their entitlement to a 100 per cent discount – along with some other alternatively-fuelled vehicles – on the London congestion charge.

Gas-power may still be suitable for some fleets, particularly for companies that operate depot-based vans on largely urban trips and have the ability to refuel on site, as refuelling

points are less common across the UK than for petrol/diesel.

Electric-powered vehicles could make commercial as well as environmental sense for short urban journeys, although current battery technology limits the range.

hydrogen

Hydrogen powered vehicles – which only emit water vapour – might seem to be the Holy Grail for vehicle manufacturers. But the hydrogen needs to be obtained from a renewable energy source for such vehicles to be truly emissions free – and this technology will also only be viable when vehicles can be priced on a par with the mainstream car park and a refuelling infrastructure can be created. Both are at least a decade away.

biofuels

Biodiesel and bioethanol (a petrol additive or substitute) are liquid fuels made from plant material and recycled elements of the food chain, such as cooking oil. The major oil companies are continuing to assess the widescale future of biofuels as viable alternatives to petrol and diesel. Meanwhile, the government has suggested incentivising their uptake through the company car tax system, but there is also a belief that there need to be significant pump price incentives.

Ford and Saab both have ‘flex fuel’ vehicles on sale in the UK that can either run on ordinary petrol, or on a high-blend mixture of eco-friendly renewable bioethanol and petrol known as E85 (85 per cent bioethanol and 15 per cent petrol). Meanwhile,

carmakers say a five per cent bioethanol or biodiesel blend will not impair vehicle performance and can be used in all of today's modern cars, while some models can operate on a 30 per cent biodiesel blend.

The number of forecourts selling biofuels is increasing and the government has indicated that by 2010, five per cent of all fuel sold in the UK must be biofuel.

tighter emission standards

As with any vehicle choice there are pros and cons to the alternative options. But the message is simple: ignore what is under the bonnet and look at the CO₂ emissions that each vehicle produces. Then decide which choice is most cost-effective for your fleet and your drivers.

The European Commission has plans to further tighten vehicle emission levels. So-called Euro 5 and Euro 6 emission standards, which will be introduced progressively from 1 September 2009, are aimed at reducing levels of nitrogen oxides (NOx) and particles. They are therefore targeted particularly at diesel vehicles.

The Society for Motor Manufacturers and Traders (SMMT) is predicting that the measures will add around £600 to the price of new diesel cars as particulate traps will have to be fitted to all exhaust systems. But, many commentators argue that that figure is high, and already some diesel cars are on sale with filters fitted.

secondhand market

Businesses are responsible for buying over 50 per cent of all new cars registered in the UK. Today's new company cars are tomorrow's secondhand models, so

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vehicles bought by fleets sharply influence the shape of the used-car market.

With private buyers heavily influenced by both the price of fuel and road tax, the continuing escalation in the cost of both will drive secondhand car purchasers towards more fuel efficient models.

As government taxes are targeted at encouraging the uptake of 'clean' vehicles, the residual values of high-CO₂ emission models are likely to suffer as demand for used cars wavers.

Therefore, through careful upfront selection of low emission vehicles, companies can potentially capitalise from improved residual values, either on disposal or – if vehicles are leased – through lower monthly rental payments.

ACTION PLAN

- remove high-emission cars from the fleet policy and incentivise downsizing
- evaluate the potential for the use of alternative fuel vehicles
- consider a CO₂ emissions cap on company car choice lists
- issue best practice environmental advice to private car drivers
- observe used-car market demand for fuel-efficient vehicles

managing occupational road risk

The management of occupational road risk has received more coverage in recent years than the environment, but fleets that implement best practice health and safety measures will enjoy real-world CO₂ emission savings.

Managing corporate risk and the environmental impact of at-work driving are synonymous with each other. The combined benefits include:

- fewer trips = both less CO₂ emissions and reduced driving hours
- driver training = fuel consumption savings and improved driving techniques
- better journey planning = fewer miles travelled and smoother journeys
- operating newer vehicles = a cleaner fleet and vehicles equipped with the latest safety features

Fleets that do not implement environmental best practice measures may find drivers more likely to be involved in expensive road crashes.

Laws governing health and safety at work apply to employees who use the road while working irrespective of who owns the vehicle. In addition, tougher fines and prison sentences for breaking road traffic laws are continually being introduced.

Road risk should be effectively managed within an overall health and safety management programme. Comprehensive guidance can be found in the Health and Safety Executive guide *Driving at Work – Managing Work-Related Road Safety*, which is available at www.hse.gov.uk/pubns/indg382.pdf.

smart-driving

Changing driver behaviour can have a major impact on CO₂ emissions. Smart-driving, also known as eco-driving, equals cost-effective driving. With the rise in fuel costs and motoring taxes, companies need to promote initiatives that will control, if not cut, operating costs. The aim is to encourage motorists to anticipate the road ahead of them and to drive as smoothly as possible, avoiding aggressive acceleration and harsh braking.

The AA calculates that smart-driving for a medium-sized car on a 100-mile motorway trip can typically cut fuel consumption by 10 per cent. Multiply that across a fleet of vehicles and the savings can be huge.

The Energy Saving Trust's 'top 10' list of tips to improve safety and cut vehicle emissions are listed on page 41.

driver training

To deliver long-term business benefits, driver training needs to be part of an overall programme of reducing occupational road risk, tailored to the specific needs and requirements of the company and implemented over the long term.

It is also important that training is tailored to individual driver's needs, hence the recent trend for online driver

CASE STUDY – CORGI

CORGI, which is responsible for monitoring gas installations and maintaining the UK register of gas installers, operates a 167-strong car fleet.

The organisation has used its health and safety policy and its focus on reducing crashes to improve the efficient management of its fleet and to provide a framework for introducing environmental improvements.

Following an Energy Saving Trust ‘green fleet review’, the company switched from petrol vehicles to a mix of diesel and hybrid to achieve fuel efficiency improvements and reductions in CO₂ emissions.

The focus on safety limits CORGI inspectors to a maximum of 30,000 miles travelling per year. In cases where drivers breach the limit, the company works with them to analyse ways of reducing mileage.

Staff are encouraged to plan journeys in advance and to make the best use of alternative travel choices such as taking a train, which is contributing towards reducing vehicle emissions and achieving cost savings.

The use of private cars on CORGI business is banned except in cases where the journey is less than 40 miles. In addition, the car is expected to meet strict criteria and must have a full service history according to the manufacturer’s instructions, be fully insured to cover business use, and the driver must have breakdown cover.

risk profiling. These findings can then be used to determine the most appropriate training for the driver – be it on-road, workshop, e-learning or simply ‘best practice’ driving tips.

vehicle maintenance

The mechanical condition of a car can have a massive impact on fuel economy and therefore vehicle emissions. Data from the Department for Transport shows that a

well maintained vehicle can significantly reduce fuel consumption and emissions. Fuel consumption can increase by as much as:

- 10 per cent with an out-of-tune engine
- 10 per cent with a clogged air filter
- 6 per cent with misaligned wheels
- up to 10 per cent with under/over inflated tyres

Employees should carry out routine maintenance checks on fluid levels and tyres at least once a month. Some companies have ensured these happen by conducting on-the-spot checks, asking employees to confirm their compliance when claiming monthly expenses, or making the failure to carry them out a disciplinary offence.

Adhering to service, maintenance and repair recommendations of vehicle manufacturers not only optimises fuel economy, but also road safety and, at disposal time, residual values.

ACTION PLAN

- focusing on managing occupational road risk will bring simultaneous environmental benefits
- ensure drivers keep vehicles properly and regularly serviced and maintained
- ensure drivers understand how to drive in a more environmentally-friendly way
- use fuel management reports to identify poor driving habits and where driver training may be required
- improve journey planning to cut pollution and increase safety

managing fuel

Fuel expenditure typically accounts for around 25 per cent of total fleet costs and is the second biggest budget item associated with business cars after depreciation. So gaining an accurate picture of driver and vehicle behaviour is essential for managing this cost.

UK pump prices are not only affected by fuel duty rates decided by the Chancellor of the Exchequer, but are hit by global issues that directly impact on the price of crude oil. Fuel costs have been volatile in recent years, and may remain high in the UK in the future, due to strong global demand for oil and variable supply. Robust fuel management is therefore a corporate essential.

CASE STUDY – NHS BLOOD AND TRANSPORT SERVICE (NHSBT)

The NHSBT, which provides the vital service of optimising the supply of blood, organs, plasma and tissue, can prove that savings result from minor changes to fleet and travel policies. An 18 per cent reduction in the eight million miles clocked up annually by the 525 vehicles in the NHSBT has helped contribute to a 12 per cent reduction in CO₂ emissions within three years.

The improvements followed an initial Energy Saving Trust fleet assessment. This led to the introduction of five per cent biodiesel across virtually all vehicles and a rationalisation of the fleet, with fewer makes and models. Additionally, all vehicles over five years-old have gradually been replaced, reducing the average age profile of the fleet to 3.5 years, from 7.2 years five years ago. To ensure vehicle emissions are further minimised, NHSBT monitors any servicing and maintenance slippage on a monthly basis against a range of key performance indicators.

By taking a thorough approach to fuel management, companies can achieve real competitive advantage and environmental leadership.

Broadly, there are two areas where companies can take action to control fuel spend:

- to ensure the most appropriate fuel is being used, and that the fuel is being acquired as efficiently as possible
- to improve the efficiency of fuel use by establishing a fuel policy and linking it to comprehensive monitoring to assess driver and vehicle performance. The type of vehicles operated, as well as ensuring they are serviced and maintained in line with manufacturer recommendations will all influence fuel efficiency

A clear and integrated policy on fuel use can reduce consumption and change driver behaviour.

fuel cards

Fuel cards make sense for drivers of either company cars or privately-owned vehicles. They can be used for fully expensed cars, or when private mileage is not provided. When used in conjunction with an associated fuel reclaim system they can provide companies with a raft of information to aid cost control. This includes:

- target pricing reports to direct drivers to buy fuel at the cheapest outlets
- distances travelled and MPG statistics to highlight fuel economy and identify good/bad driver behaviour and vehicle performance

Such data can then be used to highlight individual issues with drivers and/or vehicles. It can also influence decisions on vehicle selection, vehicle maintenance and driver training programmes.

fuel reimbursement

Mileage reimbursement policies should not encourage drivers to clock up excessive mileage. However, some payments are so high that they encourage staff to opt out of company cars and into privately-owned vehicles.

If privately-owned cars are driven on business, companies usually reimburse drivers using AMAP rates or the public authority equivalent, and ring fence those situations where drivers should not be allowed to drive their own vehicle. This is usually for drivers who clock up more than about 7,000 miles a year, where a company car is likely to be more cost-efficient, or if journeys are over 90 miles per day, where a rental car would be cheaper.

CASE STUDY – THE INTERNATIONAL LEAGUE FOR THE PROTECTION OF HORSES (ILPH)

Norfolk-based charity ILPH is the largest rehomer of horses in the UK. It is reliant on public donations, so cost savings are vital and are fed back into its horse welfare work. In addition, it is important to ILPH that it keeps its environmental impact to a minimum.

As a result of an Energy Saving Trust green fleet review, the focus is on reducing CO₂ emissions from the charity's 22-strong company car fleet. Petrol-engined 4x4s driven by field officers are rapidly being replaced with mainly diesel-engined estate cars that still provide an off-road capability.

When the changeover is complete, annual CO₂ emissions savings could exceed 20-25 tonnes a year and yield up to £2,500 in fuel cost savings. There are also the added benefits of reduced company car tax for employees (about £500 a year for a basic rate taxpayer) and National Insurance savings for ILPH (about £300 a year per vehicle).

In addition, further cost savings are anticipated from more accurate recording of journey patterns and mileage, bringing the mileage element of contract hire rental agreements closer into line with reality. Annual mileages are lower than currently agreed with lease car suppliers.

In recompensing drivers fairly, companies should consider withdrawing 'higher rates' of reimbursement for staff who drive fuel hungry vehicles. This will both reduce mileage and dissuade staff from opting for fuel hungry models.

Businesses should also avoid providing fuel for private use, but instead ensure that staff pay back the cost of any private mileage used. In most cases it is more cost-effective for both companies and drivers than paying tax and NIC on the fuel benefit.

telematics

Telematics is the use of highly sophisticated technology to transmit a range of information to and from a vehicle. Telematics systems can embrace satellite navigation, track vehicles and capture vehicle-specific data. The more sophisticated the system, the greater the range of data it can provide. The real-time information, used in tandem with route planning software, can significantly improve fleet efficiency by eliminating unnecessary mileage, and reducing multiple and duplicate journeys.

ACTION PLAN

- introduce fuel cards so that areas of excessive spend can be identified and managed
- journey plan so drivers do not travel more than necessary – trips of fewer than six miles can increase fuel consumption by 50 per cent in winter and 20 per cent in summer
- record and analyse vehicle fuel profiles identifying areas of low and high fuel efficiency for targeted action
- ensure travel remuneration policies are environmentally sensitive
- use telematics systems to aid operating efficiencies

vans and the environment

The boom in internet shopping has contributed to a record number of vans travelling along the UK's roads. Simultaneously, time pressures on van drivers to meet ever-tighter delivery deadlines and service schedules are increasing, as the demands of today's businesses and customers are met.

These factors, together with the need to beat ever-increasing traffic congestion, are prompting companies to use telematics. It can help them route plan, improve vehicle deployment and ultimately reduce operating costs, cut van emissions and boost safety.

safe and fuel-efficient driving

Improving van driver safety and encouraging the adoption of a more fuel-efficient driving style is the ethos behind the Department for Transport's Safe and Fuel Efficient Driving (SAFED) scheme. Operators actively monitor and manage the fuel used by vehicles, and a fleet's consumption can typically be cut by 10 per cent, with an equivalent fall in cost and emissions.

Using fuel more efficiently means:

- lower costs
- improved profit margins
- reduced emissions
- improved environmental performance

Safer driving means:

- fewer injuries and fatalities on the roads
- less accident damage to vehicles
- less unproductive downtime for vehicle repair
- reduced insurance premiums

Results from a pilot LCV SAFED scheme, involving drivers from the Royal Mail and 'Sainsbury's to You' stores, found that benefits for a typical driver clocking up 20,000 miles a year included:

- a saving of up to £500 of diesel per vehicle due to fuel consumption improvements of around ten per cent
- a significant reduction (over a quarter of a tonne) in carbon emissions
- 59 per cent fewer gear changes
- fewer accidents, lower insurance premiums and running costs and higher resale value of vehicles

The pilot also highlighted that safe and fuel-efficient driving does not add extra time to journeys. Drivers also reported reduced stress and fatigue levels as a result of doing less physical work in the vehicle and by approaching hazards with greater control. They also indicated that they had more time to assess the actions of other road users.

The initiatives that drivers learn during the one-day SAFED course can be implemented by all light commercial fleets. They include: better use of gears; avoiding harsh braking; handling time pressures; improved road awareness; and fuel economy.

In the long term, if the SAFED style of driving and fuel monitoring is continued, there could be significant changes in the running costs of a van fleet.

vehicle choice and tax

CO₂ emission data for light commercial vehicles (sub 3.5 tonne vans) do not have to be declared by vehicle manufacturers. Fuel economy, therefore, is the crucial environmental ingredient in selecting a vehicle. But since many LCVs have the same engine technologies as cars, the CO₂ benefits applicable to certain cars can also be found in their van 'equivalent'.

In the future, taxation measures for sub 3.5 tonne vans are likely to become more CO₂-focused, particularly as individual annual mileage is invariably higher than for cars. So cutting emission levels is crucial in cutting transport pollution.

As part of the equation to encourage drivers to limit private use of company vans and cut mileage, from 2007/8 the government is set to increase benefit-in-kind tax on 'unrestricted' private use of a van by 600 per cent to £3,000, with a £500 charge for employer-provided fuel.

Alternatively fuelled vehicles may well be more applicable to van operations than company cars because their body structures mean gas fuel tanks or electric batteries can be more easily accommodated. Refuelling is also likely to be easier as many van fleets are depot-based, so the option of on-site fuel is possible.

ACTION PLAN

- actively monitor and manage fuel usage
- introduce telematics to improve route planning and travel management
- restrict 'private use' of vans to what is allowed by the Inland Revenue
- operate fuel-efficient vans
- provide safe driving advice

transport alternatives

Time is money and companies are likely to be wasting millions of hours of staff time because employees invariably consider making almost all journeys by car.

While travel by car and van remains very much part of a business' overall operations, companies that achieve environmental excellence are the ones that have provided both alternatives and environment training to staff.

With many journeys being single-person trips, research shows that often the car is not only more expensive in terms of cash than alternatives – such as the train or plane – but also more time-consuming.

Napier University's Transport Research Institute has calculated that in real terms, on typical intercity journeys, car travel is 37 per cent more expensive than the train.

As well as cost implications, productivity is also draining away from British business as employees could be working while they are travelling by train or plane. So the benefits to business of alternatives to car travel continue to multiply.

Alternatives to car use are not limited to using public transport. In some circumstances it could also mean walking, cycling, motorcycling or home working.

The Energy Saving Trust has calculated that if all commuters left the car at home one day a week this would save enough miles a year to drive to the moon and back 35,000 times.

CASE STUDY – EDF ENERGY

EDF Energy, one of the UK's largest providers of gas and electricity, already ensures that the thousands of commercial vehicles on its fleet are the most efficient and least polluting available.

In 2003, the energy supplier introduced significant transport policy changes that have so far resulted in a 17 per cent cut in CO₂ emissions. With the help of the Energy Saving Trust it is now looking to introduce further initiatives aimed at obtaining a further 20 per cent reduction over the next five years.

Video and tele-conferencing are used for a third of EDF Energy's meetings as the company continues to reduce all forms of transport use following the introduction of various measures to reduce CO₂ emissions.

The next raft of emission improvements will be based on both technology and non-technology options.

Dr Jonathan Foot, the company's health, safety and environmental advisor, said: "This is a challenging target because we have already reduced our carbon dioxide emissions from transport and travel by 17 per cent, while the company has been growing."

video conferencing

A vehicle's CO₂ output is entirely dependent on the extent of its usage. So, limiting vehicle use by educating employees to utilise alternatives to vehicles will yield environmental benefits.

Whether holding meetings in the UK or abroad, an increasing number of companies are becoming video conferencing converts.

Video conferencing supporters point to the time-saving benefits of the technology and improvements in staff quality of life, as exposure to risk, stress and fatigue which business travel increases, is minimised.

Video conferencing company Face2Face Meetings claims that the average single business trip costs more than £2,000, with an average of three employees travelling to a single meeting (Source: Fleet News Green Fleet Guide, December 2006). In addition, it is claimed that the total amount of time actually spent in meetings on most trips is often under two hours, or 30 per cent of the total time spent out of the office.

Experts advise that businesses should undertake a travel and communications audit to see how many journeys could be substituted by video conferencing. While meetings to initiate or conclude a deal may well need to be face-to-face, the routine day-to-day procedural meetings can be carried out via video link. High quality video conferencing facilities cost £5,000-£6,000, while the price of audio conferencing is significantly less as no specialist equipment is required.

With fuel prices remaining high and road space being increasingly fought over, road transport is likely to become less efficient. Indeed, if road pricing is also rolled out in future, as seems increasingly likely, overall business costs will rise further. Video or teleconferencing, like many of the alternatives available, is not only green, but it is efficient and cost-effective.

car hire

The UK car rental industry believes it has a key role to play in helping businesses with their transport solutions, particularly organisations that opt to run smaller, more fuel-efficient cars, but now and again need a larger vehicle. As companies analyse the changing factors behind corporate vehicle choice, some are discovering that there is no need to run more

expensive, less fuel-efficient larger cars when in reality a business only needs one occasionally.

The rental industry argues it can provide larger vehicles for short-term hire as needed, allowing businesses to keep their running costs and environmental impact down.

Also, many major short-term vehicle hire companies provide a range of low-emission vehicles to fulfil a specific staff journey requirement, as they react to mounting environmental pressures.

Not only are daily rental cars amongst the newest on the road and so are equipped with the newest technology and the latest safety features – typically less than 12 months old – but they overcome a range of issues associated with at-work driving health and safety regulations.

In considering car hire for business trips as an alternative to employees using their own vehicles on business, organisations should calculate the break-even point of a journey. Typically, for a round trip of 90 miles or more the daily rental option will be cheaper than paying staff a mileage allowance.

car sharing

With many businesses now operating from out-of-town business parks, the trend of establishing a car share scheme – with a database holding details of staff that would like to be involved – is growing.

Car share schemes address many issues. As well as ensuring employees can get to and from work safely and reliably, fewer cars means less impact on the local environment, reducing both emissions and congestion and motoring costs.

The central database matches together staff that may not know each other and work in different departments, but live close together or travel along similar routes.

Companies that have invested in car sharing have incentivised the option by providing priority car parking close to office buildings.

ACTION PLAN

- record and analyse business mileage patterns to identify areas of inefficiency
- record and analyse staff time spent travelling by car
- review mileage reimbursement schemes to ensure they do not encourage car use at the expense of alternatives
- provide guidance on transport alternatives, such as video/tele-conferencing, car hire, car sharing, rail or air travel, etc.
- companies with a proven environmental management system in place can apply for ISO 14001 – the international standard awarded by the British Standards Institution

Energy Saving Trust's top ten tips for green fleet management

- 1 promote cars with low CO₂ emissions to reduce employee car tax and National Insurance
- 2 evaluate alternative fuel cars to see if they might benefit your fleet
- 3 ensure vehicles are regularly serviced – poorly maintained vehicles have higher toxic emissions and fuel consumption
- 4 identify opportunities to reduce mileage by recording and analysing business travel
- 5 record and analyse individual fuel consumption to encourage fuel efficient driving
- 6 promote safe, economic and environmentally friendly driver training
- 7 ensure mileage reimbursement rates are environmentally sensitive and do not encourage drivers to make excessive journeys
- 8 provide access to web sites and route planners to minimise vehicle mileage
- 9 promote satellite navigation and telematics to help drivers avoid congestion and use the most efficient route to reach their destination
- 10 review arrangements for tele/video conferencing as an alternative to business travel

To find out more, contact the Energy Saving Trust on 0845 602 1425 or access: www.est.org.uk/transport

Energy Saving Trust

www.est.org.uk/transport or call 0845 602 1425

Department for Transport

www.dft.gov.uk

Scottish Executive

www.scotland.gov.uk

Safe and Fuel Efficient Driving Scheme

www.safed.org.uk or call 0870 190 8440

Society of Motor Manufacturers and Traders

www.smmt.co.uk

Association of Car Fleet Operators

www.fleetoperator.co.uk

HM Revenue & Customs

www.hmrc.gov.uk

Royal Society for the Prevention of Accidents

www.rospa.co.uk

Brake – the road safety charity

www.brake.org.uk

Road Safe

www.roadsafe.com

Health and Safety Executive

www.hse.gov.uk/roadsafety

Fleet News

www.fleetnews.co.uk

British Vehicle Rental and Leasing Association

www.bvrla.co.uk

Travel Line – raising awareness of different forms of travel

www.traveline.co.uk

Comcar – company car tax calculator

www.comcar.co.uk

VCA – data on vehicle CO₂

www.vca.gov.uk

Transport Direct – travel planner

www.transportdirect.info

Institute of Car Fleet Management

www.icfmonline.co.uk

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ISBN: 1 904520 51 0