

Managing Grey Fleet travel



A growing number of organisations have introduced professional procedures and policies to manage their employees' use of private cars for business travel. Why is formal management of the "grey fleet" now such an issue? What are the risks and what should business leaders know and do?

The Grey Fleet issue

"Grey Fleet" refers to employees' private cars (i.e. not cars provided via a car allowance or ECO scheme) that are used for business journeys. Employers effectively rent Grey Fleet cars from their employees on a trip-by-trip basis, rather than supplying a company car, pool car or daily rental car.

Today, employers are starting to exercise more discretion and control over Grey Fleet cars. This is because the last ten years have seen a steady rise in the cost and the legal liability attached to private cars used on business, requiring a more proactive management approach.

Before examining these costs and liabilities, it is necessary to deal with two commonly-held misconceptions.

Firstly, the belief that Grey Fleet cars do not cost the employer anything apart from mileage expenses claimed by drivers for work journeys. In fact, Grey Fleet cars have a range of financial impacts

on businesses. These may include excessive mileage claims, demands for additional remuneration, added administration (some employers, for example, add Grey Fleet vehicles to their insurance policy on a journey-by-journey basis) and driver downtime due to accidents or breakdowns. Increasingly, the main difference between a Grey Fleet car and a company car is not a matter of costs but of the business's ability to manage those costs.

Secondly, it is still sometimes believed that an employer is not legally responsible for employees if they drive their own cars on business. In fact, the legal Duty of Care is exactly the same for all work journeys, irrespective of who owns the vehicle. The Health & Safety at Work Act and the Corporate Manslaughter Act (to name but two laws out of nearly a dozen that affect business journeys) make no distinction between the use of corporate and Grey Fleet cars.

The financial and legal arguments for measuring and managing the use of employee-owned cars for work-related journeys are compelling.

Three Grey Fleet Business Impacts

Financial

1

Grey Fleet costs and potential savings easily go unnoticed, at considerable cost to the bottom line.

Legal

2

Business car travel is a major safety issue. Grey Fleet drivers must legally be included in Duty of Care.

Environmental

3

Corporate financial performance and social responsibility are affected by older, more polluting cars, as fuel costs and carbon taxes rise.

Making the Business Case for Managing Grey Fleet

Assuming that one of the main reasons why Grey Fleet travel has not yet been tackled is because it is not perceived to be a problem, it will be necessary to demonstrate the financial and other risks that Grey Fleet presents to the business, as well as the cost benefits of managing it. A business case for improving control over Grey Fleet travel should cover:

Business impact

- Scope and scale of Grey Fleet travel in the business
- Known annual costs (e.g. mileage expenses; car allowance payments; insurance)
- Other estimated costs (e.g. accident-related costs and claims)
- Health & Safety risks to drivers
- Duty of Care compliance liabilities of the business
- Environmental impacts

Alternatives to Grey Fleet

- Alternatives to own-car use
- Alternatives to travel

Recommendation and targets

- Recommended policy moves
- Estimated annual cost saving
- Potential reduction in road safety risk and environmental impact

The following sections discuss each element of the business case in more detail.

1. Business Impact Summary

Scope and scale

What is the total Grey Fleet mileage? An Employee Travel Survey is the best way to get a full picture not only of Grey Fleet travel patterns but also the use of company vehicles, public transport and other alternatives.

Known costs

The primary Grey Fleet cost – mileage payment claims – can be obtained from HR or Payroll or calculated from responses to the travel survey. Determine whether drivers receive ongoing car allowances or once took a salary increase in lieu of a company car and factor these costs into the overall annual amount.

Other financial impacts

According to authorities on loss control, accidents typically result in uninsured losses (e.g. lost productivity and costs of alternative travel arrangements) of between £10 and £55 for every £1 paid out by an insurer. This applies to Grey Fleet vehicles just as much as company-owned vehicles – more than one in six private motorists in the UK claim on motor insurance every year, with claims totalling £8 billion annually.

Health & Safety risks to drivers

Quantify exposure to risk in terms of the number of miles and driving hours undertaken by drivers. Vehicle age and condition are also important safety factors. Surveys show that the average age of

privately-owned cars is seven years, which is more than four times older than the average company car. A significant proportion of older cars have mechanical defects. Private motoring insurance often excludes or limits business use. Although the driver of a vehicle is primarily responsible for ensuring that it is roadworthy and fully insured, employers have “vicarious liability” when cars are used on business.

Duty of Care compliance

Document the business’s policies on driver safety, licence checks and assessments. Do all Grey Fleet drivers know about and comply with them? In an Alphabet survey, 70% of companies thought they did but fewer than half of Grey Fleet drivers agreed. What audit trails are in place to demonstrate the company’s road safety management in the event of a Police or HSE investigation?

Environmental impacts

Use your mileage data and an online carbon footprint calculator to estimate the total CO₂ emissions from Grey Fleet travel. The Society of Motor Manufacturers and Traders (www.smmt.co.uk) publishes annual figures for the average CO₂ emissions of new cars. You can use these to contrast Grey Fleet emissions (the average for cars sold seven years ago) with those from the company car fleet (the average for cars sold two years ago).

Example Business Impact Summary

"Our review of Employee Travel found that employees travel five million business miles every year in their own vehicles.

- This costs over £2.5 million in mileage payments and incremental salary
- Total mileage and expenses payments have risen by 15% since 2006
- 22% of Grey Fleet drivers regularly make trips longer than 100 miles
- Employee absence due to accidents, minor repairs reimbursed by the company and other items cost £475,000 in 2008
- Grey Fleet employees spend over 110,000 hours a year driving in cars whose age, condition and fitness for purpose are not controlled by the company
- The average employee-owned car used on business is 6.2 years old with 73,000 miles on the clock
- Only 12% of Grey Fleet drivers have signed the company travel policy, undergone a driver licence check and completed a driver assessment
- Our risk management of Grey Fleet drivers therefore falls short of the HSE guidelines on managing at-work road safety, which would be the benchmark standard in any Health & Safety or Corporate Manslaughter court case
- Grey Fleet car travel contributed over 1,500 tonnes of CO₂ to the company's overall carbon footprint last year"

2. Alternatives to Grey Fleet

Experience shows that for journeys of over 90-100 miles, a daily rental car may be cheaper than paying an employee to use their own car (based on a Ford Focus sized rental car on a 1-day hire). Hiring may also have risk management benefits, especially if the employee's own car is not suited to long journeys.

There is no specific annual mileage at which it becomes more economic to replace a Grey Fleet car with a company car – it can be as few as 6,000 miles in some circumstances, especially when the tax advantages of leasing low-CO₂ cars come into play. From a risk perspective, employers need to take into account whether employees need to drive frequently on business and, if so, whether their own vehicles are suitable. Other alternatives include Employee Car Ownership arrangements or Salary Sacrifice schemes – both of which deliver professionally-managed new cars in a way that minimises the cost and tax burdens for both the company and the driver.

3. Recommendation and targets

The Business Impact Summary can now be used to make policy recommendations supported by estimates of savings and potential benefits.

The Best Practice section of this guide contains suggestions for developing policy guidelines in this area.

Alternatives to travel

Discouraging unnecessary business travel can deliver substantial savings. Of course, many business activities can only be performed on location: the level of "essential" business travel should be driven by the needs of the business, not by an arbitrary target for lowering car mileage.

In the absence of such a target, however, car travel is unlikely to diminish. Some public sector organisations have set Grey Fleet mileage reduction targets of 40% over two years (including substituting daily rental and lease cars and making more use of teleconferencing). Commercial businesses will probably want to start with smaller targets to gauge the impact on efficiency.

Example Policy Recommendations

"This paper makes the following recommendations for reducing costs and enhancing the safety of our Grey Fleet:

- Reduce Grey Fleet mileage by 10% in the next FY and a further 10% in the following FY via policies that:
 - Require employees to use the most economic and efficient method of travel (e.g. pool car or hire car)
 - Encourage any alternatives to driving, e.g. teleconferencing
 - Move drivers out of Grey Fleet into company owned vehicles where effective
 - Strictly enforce uniform standards of occupational road risk management for all employees who drive for work. These standards will cover:
 - Driver licence validity, risk assessment, insurance declaration and fitness to drive
 - Driver's responsibility for ensuring their vehicles are fit for purpose
 - Phased introduction of minimum standards (age and mileage) for Grey Fleet cars
 - All employees who drive on company business must accept these conditions in writing and provide signed acceptance
- The benefits of these recommendations, will include:
- Estimated direct cost savings of 15% in mileage and other costs, amounting to £520,000 by the end of FY2
 - Estimated annual reduction in carbon emissions of 150 tonnes
 - Improved occupational road risk management and a better travel safety record, with less employee downtime due to accidents and injury"

Best Practice

Best practice in Grey Fleet is essentially a question of managing the three areas discussed so far: cost, Duty of Care and the environment. The objective is to ensure that your business avoids unnecessary costs and risks arising from Grey Fleet travel without allowing the alternatives or the management process itself to become a significant additional burden on your company's resources and bottom line.

For example, Alphabet offers several suitable policy templates. These are designed to be adapted to individual customers' needs and are available at no cost on 0870 50 50 181.

The three stages of Grey Fleet Best Practice are:

- Measure the impacts of Grey Fleet travel on the business
- Develop and implement policies and practices to control costs and risks
- Measure their effect (and revise if necessary)

Measurement

Unless your organisation already holds detailed information on every employee's business travel patterns, licence status, etc, you will almost certainly need to collect this information via a survey. A sample survey template is available from Alphabet on 0870 50 50 181. Individual safety concerns revealed by the survey, such as licence or insurance issues, should be tackled immediately.

A key objective of the measurement stage should be to establish the parameters for cost-effective Grey Fleet travel, i.e. when it becomes preferable from a cost and safety perspective to insist that employees use a hire car or accept a company/ECO car. It is important to use Whole Life Cost calculations when considering providing company cars as these are the most accurate way of comparing costs.

Policy and implementation

The following checklist should be part of any policy on Grey Fleet travel:

Vehicles

- Compliance with Road Traffic Law
- Fitness for purpose
- Suitability for company/ brand image
- Age
- CO₂ emissions
- MOT
- Insurance (valid for business use)
- Serviced to manufacturer schedule

Drivers

- Valid licence
- Eyesight tests
- Other medical conditions

Journeys

- Line manager approval
- Alternatives to travel e.g. video or audio-conferencing
- Alternatives to Grey Fleet e.g. hire car or public transport
- Combining journeys
- Route planning

For maximum effectiveness, implementation must be driven from the top down. Senior management need to know why and how the policy is addressing costs and Duty of Care (for more on this, see the IoD/HSE guide Leading Health & Safety at Work). Line management need to understand their responsibility for challenging employees' travel choices and managing costs and risks.

It is absolutely essential to ensure that every employee who drives on company business provides written confirmation that they have read and accepted the relevant company policy documentation.

What can Alphabet do?

Alphabet can help you solve your Grey Fleet problems. To help you at little or no cost, we can provide you with free templates for an employee survey, a driver policy covering corporate and Grey Fleet drivers, and a driver declaration form. If you need more, our comprehensive product range includes innovative funding solutions such as Salary Sacrifice, designed with non-company car drivers in mind. And when it comes to achieving employee buy-in, our experience of successfully communicating new schemes and policies across organisations large and small is second to none.

If you would like to find out more, or to request any of our free guides and templates, please call us on **0870 50 50 181**.

Alphabet is a multi-marque fleet funding company, part of the BMW Group. We are known for our progressive motoring solutions for businesses and employees. In addition to traditional company car products, we provide attractive packages for drivers opting out of company cars, along with all-employee car schemes.

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