INDUSTRY INSIGHT

Richard Schooling, chief operating officer at Alphabet, suggests employers demand bespoke solutions from vehicle suppliers that meet clear objectives around funding and risk management

Tailored funding strategies

Fleets face a cocktail of difficult challenges over the next 12 months but there are several key areas where changing from 'common practice' to 'best practice' will help to contain mounting costs and risks.

Firstly, worldwide oil supply is likely to remain tight in 2008, adding significantly to business and private mileage costs. Political turmoil in global hotspots could send fuel prices soaring to highly damaging levels.

So, if you don't already do so, consider using fuel cards to control purchasing and improve management information. Fuel cards also allow you to move from fixed pence per mile expenses, which are definitely not best practice in the current climate, to actual cost reimbursement.

Question your auditors if they suggest that you get rid of fuel cards. Such advice is usually based on a misunderstanding of how fuel cards work as a management tool. If they persist, suggest that they try doing their job without a spreadsheet programme.

If your company still bases its car selection policy on up-front lease costs or P11D prices, 2008 is the year to review this practice. The former are at best only a rough guide to whole-life operating costs and the latter are no guide at all.

Ask your vehicle supplier to work with you on a tailored funding strategy that takes into account every important factor for your business. This should definitely include 'true cost of ownership' as well as important issues such as safety and environmental tax performance that could revolutionise the performance of your car scheme.

The area of risk will continue to be important for fleet in 2008 and the Health and Safety Executive (HSE) admits that up to 1,000 'at-work' deaths each year are not recorded within the official statistics. Road risk is a potentially lethal issue for employers.

Fortunately, there is a straightforward starting point for best practice when it comes to risk.

As an employer you can start by reading the HSE guidelines on managing work-related road safety and putting them into practice. Employers will find help on how to protect against potential health and safety risks, and also valuable clarity around what their organisation needs to do about drivers with mobile phones, driving licences, employee training and so on.

The drawbacks of grey fleet, which refers to employees' own cars used for business miles have been well-documented. They include immeasurable and unmanaged risks, and opaque costs.

It is essential to set minimum quality standards for private cars used on business, such as age, maintenance records and insurance.

In the current fiscal and legislative climate, one best practice approach would be to undertake a root and branch review of car provision. If possible, enlist the help of an expert in multi-funded car schemes.

If you are serious about setting objectives for your fleet around issues such as risk and cost cutting, try summing up the key issues and objectives for your car scheme in 2008 on two presentation slides. Then, call in your major suppliers and challenge them to show you, in four slides, how they would help you achieve them.