FIT FOR PURPOSE VEHICLES **TODAY**

Organisations should periodically review the make-up of their fleet to ensure it remains fit for purpose and is aligned to business strategy. For urban driving, switching to electric vehicles could reduce maintenance and fuel costs and contribute to air quality improvements within the local area, while plug in hybrid vehicles can combine the fuel savings of electric cars with the long range of petrol-driven cars if used correctly.

THE RIGHT VEHICLE FOR THE JOB

Vehicles have to be appropriate for the user and for the job. For example, large 4x4s may not be the best option for town driving and come with higher fuel costs, but they may be essential for driving off road in rural areas.

Electric vehicles offer significant cost savings in terms of maintenance and fuel when compared to diesel and petrol vehicles, although are typically a higher initial outlay. If drivers are mostly doing short trips in urban areas, switching part or all of the fleet to electric vehicles may be possible.

If occasional long-distance trips are needed, a plug in hybrid vehicle might prove more efficient, although these vehicles will have maintenance costs more comparative to conventionally fuelled vehicles and if not charged regularly can lead to overall higher fuel costs. A traditionally-fuelled daily rental vehicle might be a more cost effective option for those occasional long journeys.

IMPORTANT FEATURES FOR A CAR

72%

MILEAGE RANGE IN LINE WITH PETROL CAR

49%

ELECTRIC POWER SYSTEM

41%

LOCATION BASED SERVICES

It is important to think about who will be driving the vehicle, as well as what it will be used for. If the employee lives in an eighth-floor flat, for example, it could be impossible for them to charge an electric car at their home.

Vehicle choice must also take account of benefit-in-kind (BIK) taxation, which is applied to employee benefits such as company cars. The tax rate rises in accordance with the CO_2 emission levels of the car, so vehicles with more efficient engines or that run on alternative fuels can offer tax breaks as well as greater fuel efficiency.

The new BIK taxation coming into force in 2020 recognises the benefit of zero emission driving capability and hence all vehicles with a CO_2 emission level of 50g/km or below will have the opportunity to reduce the levels of tax based on their zero emission range capability, i.e. how far they can travel in electric mode on a single charge.

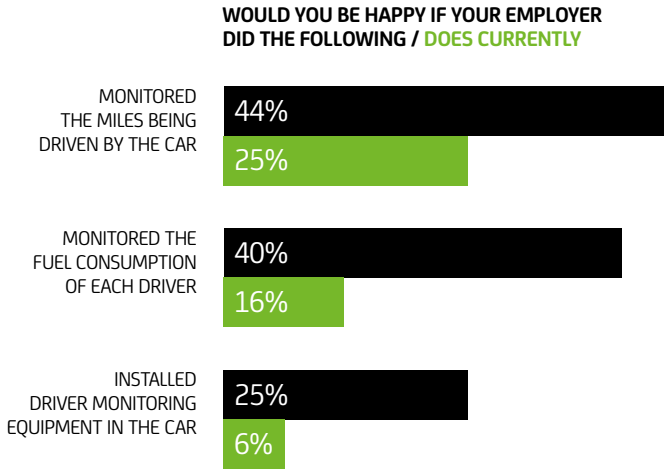
WHICH TECHNOLOGIES ARE RIGHT FOR THE ORGANISATION?

Various add-on technologies are available when a vehicle is purchased, all of which have a cost implication. There should be consideration as to whether these technologies are essential, simply 'nice to have' or of no benefit. A careful cost analysis should also be performed to work out how much the organisation could save by using the system versus how much it would cost to purchase, implement and maintain.

Creating a Whole Life Cost (WLC) model could be key. WLC is a financial model to show the true cost of running a vehicle and goes beyond the basic cost of funding and maintaining a vehicle to take into account taxation, fuel and other operating costs. These include the cost of different technologies.

A third party, such as a leasing company, can compare the WLC impact of different fuels, or compare the cost of adding certain technologies against the expected savings.

Organisations should also work out the major advantages and disadvantages of each new piece of technology. For example, dashboard cameras could potentially reduce insurance premiums and prove that an accident was not a driver's fault, but they also raise privacy issues, and drivers may resent being monitored.



The organisation's rules concerning these technologies must therefore be clearly highlighted in the drivers' policy.

CALL TO **ACTION**

- It is important to choose fuels/ technologies that are appropriate for the use of the vehicle. If drivers mostly cover short distances in urban areas, the organisation could save money by switching to fully electric vehicles. Telematics can help pinpoint this ability, as mentioned in the **TELEMATICS** chapter.
- The driver's needs and situation should be considered when choosing a vehicle – they will need somewhere to charge an electric vehicle, for example.
- Decision-making should be supported by a thorough whole life cost analysis: how much does the technology cost to buy, maintain and replace versus how much it will save?
- New technologies can be exciting, but they need to be appropriate for the organisation. Their major benefits and disadvantages need to be evaluated.

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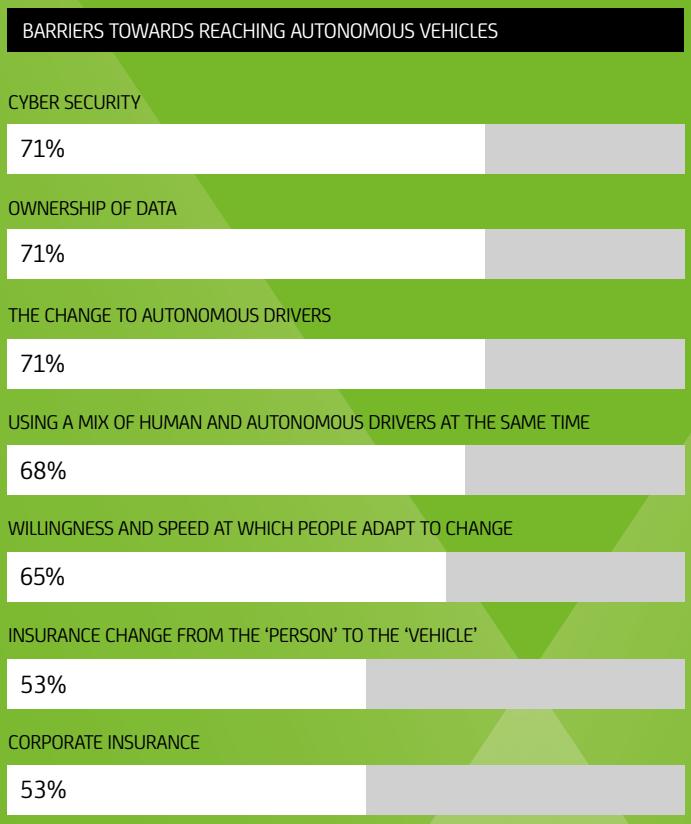
FIT FOR PURPOSE VEHICLES **TOMORROW**

Improved connectivity will make it easier to evaluate a vehicle's appropriateness to an organisation's needs. Data on fuel consumption, reliability and maintenance will become easier to obtain, but this increased connectivity also comes with risks from hacking. Fuel choices will also become ever more important, as environmental concerns continue to grow in significance.



FUTURE TRENDS AND RISKS

There is a growing trend towards vehicles with added connectivity – devices and systems which can connect with each other both in the car and externally. Telematics systems can already connect the vehicle with an organisation's head office in real time, showing where the driver is and whether they are moving or stationary. In the future, cars will also be able to connect with each other and with roadside infrastructure such as signs and traffic lights, while sourcing information on optimal routes, traffic congestion or potential hazards.

Vauxhall OnStar gives a glimpse of the connected future. It turns the car into a Wi-Fi hotspot, provides vehicle diagnostics, tracks the vehicle if it is stolen, calls the emergency services if the car is involved in a crash and can be controlled via a smartphone app. In the US, it can be linked to a MasterCard so that drivers can pay for petrol without leaving the vehicle, or order coffee on the move. Jaguar and Shell, for example, recently linked up to provide drivers with a safe, secure way of paying for fuel. This uses the vehicle's touchscreen to select how much fuel is required and then submits the payment details.

The Vauxhall OnStar system also uses machine learning to analyse a driver's style and provides information on a display that is appropriate to their location.

Such developments are exciting, but any benefits should be weighed up against the cost as well as the risks involved. For example, how safe is the vehicle's data? Could connected systems be hacked remotely? How much protection is there to stop fraudulent use of the driver's payment details?

FLEET MANAGERS AND DECISION-MAKERS VIEW ON TECHNOLOGY

TECHNOLOGY IS IMPROVING MI ON THE **CAR FLEET**

71% AGREE

TECHNOLOGY IS IMPROVING MI ON THE **VAN FLEET**

56% AGREE

EMPLOYEES ARE INCREASINGLY MANAGING **THEIR CAR** THROUGH ONLINE SERVICES

41% AGREE

EMPLOYEES ARE INCREASINGLY MANAGING **THEIR VAN** THROUGH ONLINE SERVICES

28% AGREE

CHOOSING THE RIGHT VEHICLE

The increased use of connectivity could make it easier for organisations to evaluate their vehicles for appropriateness to their needs. Continuous monitoring through telematics and fuel expenditure will help to pinpoint the most cost-effective vehicles for each individual and working role.

This could result in organisations switching to a different fuel type, such as diesel, when a current leasing agreement is set to expire. Fuel choice will become ever more important as awareness of environmental impacts grows, and the organisation's fleet will need to reflect legislative and environmental concerns as well as their own financial ones.

CALL TO **ACTION**

- New technologies must fit with the organisation's needs. They must be proven to save money, time or lives, rather than just being something that looks good but has little practical application.
- Improved connectivity will offer greater efficiency and safety, but it also comes with risks of remote hacking, data theft and increased distraction for the driver.
- Telematics data can be leveraged to decide whether a vehicle is right for the organisation.
- There will be growing focus on legislation and environmental concerns, as well as financial ones, and an organisation's fleet needs to reflect this.