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Getting to grips with Grey Fleet





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Foreword

The fleet industry is the lifeblood of the UK economy, ensuring that people and products get where they need to be, when they need to be there.

It is a sector that prides itself on operating the newest, cleanest and safest vehicles on UK roads, but unfortunately, this is not the complete picture. The hidden part, the story that never gets told, is the 'grey fleet'.

For a sector that prides itself on making rational decisions based on a thorough understanding of costs of ownership and business requirements, this lack of clarity is mistifying and unacceptable.

Thanks to this ground-breaking report, compiled by the Energy Saving Trust with the help of the BVRLA and its members, we now have a much clearer view of the scale and scope of grey fleet use in both the private and public sector. The findings are shocking and represent an urgent call to action for anyone involved with UK work-related road transport.

This should be seen as an opportunity. It is an opportunity to save taxpayers' money and preserve public sector jobs; an opportunity to cut carbon emissions and tackle the UK's air quality crisis; and an opportunity for UK businesses to take a more responsible, sustainable and cost-effective approach to their transport needs.

These opportunities may be obvious, but one of the reasons they have remained so elusive in the past is that they are not always easy to grasp. That is why the second half of this report focusses on some of the barriers to tackling the grey fleet and provides some simple and straightforward advice on doing so, together with some



words of encouragement from organisations that have taken the plunge.

We hope that this report will be the start of some very productive discussions.

Gerry Keaney
BVRLA Chief Executive





Executive summary

The British Vehicle Rental and Leasing Association (BVRLA) commissioned the Energy Saving Trust (EST) to undertake research into the scale of grey fleet use in the UK.

The purpose of the project is to determine the size of the UK grey fleet and help identify ways in which organisations can reduce the costs, emissions and duty of care risk associated with driving at work. The report also provides best practice guidance illustrated with case studies highlighting both quick win solutions and longer-term investments.

Grey fleet is an important, but often neglected, aspect of fleet management. It consists of vehicles owned by employees in which business travel is carried out. Cash allowance schemes extensively used in the private sector are considered grey fleet too.

Findings from a number of studies and EST fleet consultancy projects across the public and private sectors have shown that many organisations are unaware of the costs, environmental impact and duty of care risks associated with employees using their own vehicles in the course of their work.

Although previous research has attempted to tackle grey fleet, most published reports have focussed on the negative aspects of grey fleet use and have highlighted failings in the management of this important fleet sector.

BVRLA and EST believe that recent years have seen a lot of positive progress made in tackling these costs and risks. Some of these initiatives are presented as case studies in **Appendix 1**. It is hoped that they will motivate readers to further investigate the benefits of active grey fleet management.

This report aims to build on this progress and show how it can be harnessed to achieve a step change in cost control, employee safety and reduced environmental impact. There is considerable potential for both public and private sector organisations to reduce grey fleet use by taking advantage of the innovative products and services offered by BVRLA members.

Project findings

PUBLIC SECTOR

Our analysis has confirmed that grey fleet has become the primary mobility solution used by certain areas of the public sector to deliver services in local communities:

1.5 billion miles per annum are driven in grey fleet vehicles in the public sector at a cost of £786 million.

40% of this cost is generated from NHS Trusts driving 624 million miles in employee owned vehicles at a cost of £317 million while 34% comes from Local Authorities undertaking 491 million miles in private vehicles at a cost of £266 million. The Civil Service accounts for 16% of grey fleet cost while Further and Higher Education along with Police and Emergency services are responsible for just 10% of grey fleet cost.

The cost of grey fleet attributed to journeys undertaken by staff in Local Authorities has been reduced over the last five years due to the austerity programme and the removal of lump sum payments alongside the introduction of HMRC Approved Mileage Allowance Payment (AMAP) rates by many employers. It should also be noted that some previously public sector bodies such as Highways England are still funded by the public purse but have seen their staff moved to partly-autonomous organisations where their business mileage is no longer visible.

However, the £266 million figure attributable to Local Authorities still presents a significant cost that should be addressed.

The entire public sector is under considerable pressure to reduce spending while maintaining existing services and the millions of pounds spent on grey fleet mileage each year represent a fantastic opportunity to save money and add value for the taxpayer.



Executive summary

As well as the significant financial cost, mileage driven also contributes to increased carbon emissions and air quality impacts. **Specifically mileage driven in grey fleet vehicles in the public sector generates around 447,000 tonnes CO₂, 1,118 tonnes NO_x and 40,000 kg of PM per year.**

PRIVATE SECTOR

Grey fleet mileage driven in the private sector is estimated to be up to 11 billion miles per annum at a cost of up to £5 billion.

Our model estimates that mileage driven in the private sector generate up to 3.2 millions of tonnes of CO₂, 7,038 tonnes of NO_x and 234,989 kg of PM.

In the private sector employees are often provided with an allowance (monthly or annually) as an alternative to a company car. The employee frequently has the freedom to either acquire a vehicle of their choice, for which they assume full liability of ownership including any associated finance payments, or use an existing household vehicle. Although the degree of management of cash allowance schemes varies considerably between employers, many collect little or no data on the cars driven by employees. This creates some challenges when trying to estimate grey fleet use in the private sector due to the relatively small sample of granular data available.

This highlights an area where further research is required to improve the understanding of grey fleet use in this sector.

How does grey fleet compare to alternative solutions?

The fleet industry has responded to the challenge of enabling more cost effective and cleaner business travel by developing a range of innovative products and services that can help organisations tackle grey fleet. These products include mileage management systems, lease vehicles, daily rental, car clubs and salary sacrifice schemes. These solutions can be used in a variety of different combinations to suit the requirements of organisations and drivers.

This report uses robust analysis to clearly demonstrate that the average grey fleet car is older, has fewer safety features and is more polluting, when compared to the cleaner, safer and more cost-effective alternatives on offer to employers.

By profiling the grey fleet against the total car parc and other modes of business car travel, this report is able to produce some very powerful comparisons:

- The grey fleet is an old fleet with an average age of 8.2 years followed by the UK car parc which is on average 7.9 years old.
- The vehicles used by employees under cash allowance schemes cover a wide range of ages and although more modern than grey fleet vehicles, a large proportion of them are over 5 years old.
- Grey fleet and cash allowance cars are significantly higher in terms of emissions when compared to rental, car club, lease cars and vehicles in salary sacrifice schemes.
- The rental fleet, which is subject to rapid turnover, has the highest proportion of Euro 6 (the latest standard for exhaust emissions of NO_x and other pollutants) vehicles but car clubs show the greatest proportion of zero emission electric vehicles (EVs).
- The grey fleet accounts for the lowest proportion of Euro 6 cars.
- Grey fleet and cash allowance vehicles have significantly lower Euro NCAP (European car safety assessment) ratings compared to the other vehicle fleets.

How much can be saved?

Replacing grey fleet journeys with alternative modes offers organisations financial, environmental and duty of care benefits.

The cost savings arise from a number of sources. Some are derived from reduced mileage or allowance payments and others accrue from improved efficiency and the reduction in secondary costs such as essential user payments and car parking charges.

There is no single technological solution to reducing grey fleet mileage and success depends on offering staff clear guidance in the form of a travel hierarchy and providing the practical, accessible business travel options they need.

Environmental savings are generated partly by the reduction in grey fleet mileage, but also by transferring a proportion of journeys to cleaner modes of transport. The vehicles which make up the car club, daily rental, lease and salary sacrifice fleets are newer models and therefore more efficient and less polluting. Some trips might also be undertaken on public transport, on foot or by bicycle which contribute to reducing CO₂ emissions and improving local air quality.

A 50% reduction in public sector grey fleet mileage could result in a total saving – including lost mileage – of 157,000 tonnes of CO₂ per annum.

Policy areas to be addressed

Recent increases in company car taxation risk increasing the momentum from company cars into grey fleet cash alternatives. Government should work with the industry to help promote the benefits of alternative solutions to reduce reliance on grey fleet.

Tackling grey fleet usage should be an absolute priority for the government, both in its role as a major fleet operator and as part of its responsibilities for allocating taxpayers' money and improving air quality and road safety.

It can make immediate progress by setting some ambitious grey fleet reduction targets for local authorities, central government and the NHS. As well as reducing emissions and improving work-related road safety, these could save the government millions of pounds that could be invested in other cash-strapped public services.

Fiscal measures are a powerful tool, and the government can make some simple, cost-neutral adjustments to the current motoring and company car tax regime to reduce private sector grey fleet use.

Both of these steps should be supported with a government communications campaign that helps to educate grey fleet operators and drivers about the alternatives that are available and how they can be used.

Future research

This report has highlighted the lack of routine data collection around private sector grey fleet, demonstrating that further research is urgently required if we are to better understand its impact. Distinguishing cash allowance from traditional grey fleet and better identifying the costs of each will benefit from further examination to ensure that current estimations of mileage and cost are robust. This presents an opportunity for BVRLA members to work with the private sector and help individual organisations reduce grey fleet use through the provision of alternative solutions.





Introduction

Energy Saving Trust (EST) was appointed by the British Vehicle Rental and Leasing Association (BVRLA) to undertake research into the scale of grey fleet use in the UK.

The purpose of the project is to determine the size of the UK grey fleet and help identify ways in which organisations can reduce the costs, emissions and duty of care risk associated with driving at work. The report also provides best practice guidance illustrated with case studies highlighting both quick-win solutions and longer-term investments.

BVRLA is the trade body for companies engaged in the leasing and rental of cars and commercial vehicles. Its members provide short-term self-drive rental, leasing and fleet management services to corporate users and consumers. BVRLA members operate a combined fleet of approximately 4.5 million cars, vans and trucks, and purchase around 80% of the UK-manufactured vehicles sold in this country. Vehicles run by BVRLA members are some of the safest, cleanest and most fuel-efficient vehicles on the road. In total, through its direct operations, the vehicles it purchases and its activities in dealerships and the used car market, the vehicle rental and leasing industry contributes an estimated £24.9bn to the UK economy.

The Energy Saving Trust Limited was formed in 1992 as part of the Government's action plan in response to the 1992 Earth Summit in Rio de Janeiro which addressed worldwide concerns on sustainable development issues. A major area of the Trust's work is to reduce emissions from road transport, offering advice to individuals about car choice and driving behaviour, and working with organisations to reduce emissions from their fleets.

EST has a proven track record of adding value for local and regional government, playing an independent and impartial role in influencing investment in technology that delivers real-world benefits.

The Transport directorate at EST has accumulated knowledge gained from years of providing grey fleet consultancy to more than 900 fleets. This combined with a unique independent and impartial positioning in the fleet market enables EST to influence both government and the wider business community of the benefits of acting to improve grey fleet management.

Chris Endacott of Gfleet has developed the methodology and the model for this report that estimates the savings from replacing grey fleet with alternative solutions. Chris has extensive experience in grey fleet data analysis and the analysis and implementation of car club initiatives. He has been working as an external consultant for the Energy Saving Trust transport advice programme since 2001.

BVRLA members supported this project sharing their sector expertise and knowledge as well as useful fleet profile data. This data was an invaluable contribution to the existing EST database as it helped us build the picture around the size of grey fleet and how it compares to alternative grey fleet management solutions.





Purpose and structure of the report

Grey fleet is an important but often neglected aspect of fleet management. It consists of vehicles owned by employees in which any business travel is carried out. Grey fleet use is endemic in both the public and private sector and recent research indicates that many organisations are oblivious to the scale of the costs, environmental impacts and legal risks associated with employees using their own vehicles in the course of their work. Cash allowance schemes used in the private sector – based on the often mistaken belief that these are cost effective – reduce administration and increase driver choice have also continued to exacerbate grey fleet use.

While several reports have sought to tackle this area in recent years, most have focussed on the negative aspects of grey fleet use and highlighted failings in the management of this important fleet sector. In compiling this report we see that positive progress, particularly in the public sector, has been made to tackle the costs and risks involved and we suggest how this momentum can be harnessed to achieve a step change in cost control, employee safety and reduced environmental impact. Additionally and for the first time, the grey fleet market definition for the purposes of this project has been broadened to include the private sector. Grey fleet in the form of cash allowances in lieu of a company car appears on the surface to be a convenient, low-intervention solution to providing business mobility and employees with the benefit of vehicle choice. Despite paying for the vehicles in the cash allowance fleet few companies appear to be exercising any significant degree of control over them. Government policy through Company Car Tax increases incentivises drivers to seek lower costs while maintaining or improving vehicle choice.

The timing of this report is key. Intense pressure on public sector budgets demands local solutions to reduce revenue spending while protecting services and the jobs of those who deliver them. In the private sector the solutions available can maintain vehicle choice for current drivers in receipt of cash allowances and reduce transport expenditure and risk for employers.

EST has unique experience understanding, and data on grey fleet usage having worked with more than 900 organisations over the last ten years. BVRLA members provide a range of mobility services to thousands of public and private sector organisations across the UK and have first-hand experience of helping clients implement grey fleet solutions that reduce cost, emissions and road risk. This combined expertise and fleet access has enabled EST to produce the most comprehensive, statistically valid, contemporary estimation of the size and cost of grey fleet in the UK, the reason why its use is so popular in certain sectors and why it should be effectively managed.

Practical guidance for fleets follows, explaining how the growing range of products available from the fleet management industry can be most effectively deployed to deliver substantial cost savings and improve risk management and how fleets should approach the procurement of these solutions. Case studies featuring these solutions provide examples of their application in a range of fleet scenarios and the resulting benefits to employers, employees and the communities they are part of. This report intends to improve understanding of the scale of grey fleet and the potential savings, but most importantly aims to influence a renewed focus on the positive actions fleets in the public and private sector can take to manage its use more effectively.



Context and progress

Definition of grey fleet

A grey fleet vehicle is one owned and driven by an employee for business purposes. The employee is reimbursed on a pence per mile basis for using their vehicle on business journeys. It is important therefore to understand the payments in the context of their impact on successful grey fleet management.

In 2002 HMRC set an Approved Mileage Allowance Payment (AMAP) rate of 40 pence per mile for the first 10,000 miles travelled by employees in their own cars and 25 pence for subsequent miles. In Budget 2011 the Chancellor increased the rate to 45 pence per mile to reflect the increasing costs involved in running a car. AMAP payments are intended to reimburse the cost of fuel and contribute to overall running costs including depreciation. If employees are paid higher rates or a lump sum for vehicle provision, income tax and national insurance is paid by the employee on the excess, with the employer subject to associated Class 1A National Insurance (NI).

In the private sector employees are often provided with an allowance (monthly or annually) as an alternative to a company car. The employee frequently has the freedom to acquire a vehicle of their choice for which they assume full liability of ownership including any associated finance payments. Cash allowance is considered to be a critical area of grey fleet and is further examined in this report. Although the degree of management of cash allowance schemes varies considerably between employers, many collect little or no data on the cars driven by employees.

Why is it used?

In many areas of the public sector, grey fleet has become the primary mobility solution to enable services to be delivered to local communities. It provides flexible, easily administered (through the expenses system via payroll), transport for employees who need to travel on business. Traditionally, the actual mileage rates paid have been set by bodies representing both employers and employees in their respective sectors, e.g. Local Government Employers representing local authorities on the National Joint Council (NJC) and the NHS Staff Council agreeing Agenda for Change (section 17) rates for NHS employers.

The tables in [Appendix 3](#) provide details of these nationally negotiated rates.

Why is it important to tackle grey fleet?

Findings from a number of studies and EST fleet consultancy projects across the public and private sectors have shown that many organisations are unaware of the costs, environmental impact and duty of care risks associated with employees using their own vehicles in the course of their work. Effective management is therefore crucial in respect to three key areas of grey fleet policy.

FINANCIAL IMPACT

Grey fleet costs when unmanaged and used as the default mode of transport for employees can be considerable. This is due to cost inflation effects which are typically found in three areas:

CLAIM INFLATION

In the absence of a structure for mileage verification or claim submission, drivers may claim mileage expenses for journeys undertaken at irregular intervals, lumping claims together and based on guesstimated, often exaggerated journey length.

As an example, a driver rounding up a claim from 8 to 10 miles increases the journey cost by 25 per cent. [Table 1](#) shows the cumulative financial implication of 50 drivers, averaging 2,000 miles a year, inflating mileage claims, on average, by 25 per cent. In this case costs would be increased by over £11,000, equivalent to a reimbursement rate in excess of 56 pence per mile.

TABLE 1 - CLAIM INFLATION EXAMPLE

Journey	Cost (at 45ppm)
50 drivers, avg. 2k miles p.a.	£45,000
As above +25%	£56,250
Additional cost	£11,250

INAPPROPRIATE CHOICE OF TRAVEL MODE

For short journeys, subject to mileage claims being effectively verified, grey fleet can be a cost effective and flexible transport solution, however as individual journeys increase in length, alternative modes of travel become financially advantageous.

Taking as an example an employee driving more than 55 miles in a day, the cost of a short term rental car is usually more cost effective as well as ensuring that the longer journey is driven in a newer, safer vehicle.

INFLATED MILEAGE PAYMENT RATES AND ACCOUNTING COMPLEXITY

Some organisations, particularly in the public sector, pay mileage rates higher than AMAP, particularly for regular users where up to 65 pence per mile may be paid. In the case of essential users paid on the NJC scale, taking the lump sum into account and payment at 50.5 pence per mile, a driver travelling 1,500 miles in a year would be paid an effective rate of £1.33 per mile, an extreme example but one which is quite possible if eligibility rules are not followed.

Paying rates following NJC or Agenda for Change guidelines means that the drivers are taxed on the excess above 45 pence per mile paid, until they reach 8,500 or 3,500 miles respectively when they are paid below the AMAP threshold. For net payments made below AMAP, employees are able to make a claim to HMRC for tax relief on the difference. This relief (Mileage Allowance Relief) requires that employees keep a record of their business mileage and the Mileage Allowance Payments (MAPS) paid by their employer. This built in complexity is likely to result in employees being out of pocket through failing to claim MAR.

The employer, in addition to paying higher mileage rates than necessary, also pays Class 1A NI contributions on net mileage paid above AMAP rates. Paying rates not in line with AMAP unnecessarily increases the complexity of the compensation process.

ENVIRONMENTAL IMPACT

Employee-owned vehicles are typically older and therefore more damaging to the environment, both in terms of carbon and emissions which contribute to poor local air quality. The detailed analysis in this report of the UK vehicle parc clearly demonstrates the negative environmental impact of grey fleet including vehicles associated with “cash for car” schemes. Grey fleet vehicles are statistically older (at 8.2 years) than all other sectors, with the exception of the overall vehicle parc in the UK of which they are wholly typical.

Grey fleet vehicles also have an adverse impact on air quality. Air quality is measured in terms of concentrations of certain pollutants including nitrogen oxides (NO_x), and particulate matter (PM). Transport is a major contributor of air pollution in urban areas in the UK as it is estimated that road transport contributes 20–30% of national emissions of air pollutants¹. Grey fleet consists of older vehicles with higher NO_x and PM emissions. As a result a reduction in grey fleet vehicle use and its replacement with cleaner forms of transport can contribute to air quality improvement.

Research indicates that UK drivers spent an average of 30 hours in delays in 2015 on the roads, a statistic that classifies the UK as the sixth most congested country in Europe². London is at the top of the list, with drivers wasting an average of 101 hours, or more than four days, in 2015. Taking into account results from the Road Use Statistics that two thirds of commuting/business trips are undertaken in cars the business case for grey fleet reduction becomes even more prevalent³. The use of public transport, walking or cycling, car sharing or daily rental instead of private cars will take some pressure off the roads and alleviate current congestion levels.

¹ National Atmospheric Emissions Inventory, 2013. UK NAEI: National Atmospheric Emissions Inventory

² Inrix 2015 Traffic Scorecard

³ DfT, Road Use Statistics, Great Britain 2016, 7 April 2016

► Context and progress

DUTY OF CARE AND HEALTH AND SAFETY

It is estimated that around 200 incidents involving someone at work, cause injury or death on the road every week. Road accidents are the biggest cause of work-related accidental death with the Health and Safety Executive (HSE) estimating costs arising from 'at-work' road traffic accidents are in the region of £2.7 billion per year.⁴

When employees use their own vehicles for business travel, their employer is not absolved from their duty of care responsibilities. The law is clear – an organisation has a legal duty of care to an employee at work, regardless of vehicle ownership, meaning grey fleet vehicles need to be managed as diligently as company-owned or leased vehicles.

Lack of guidance and policy surrounding grey fleet provision can mean that employees are driving vehicles which are unsuitable for the use they are being employed for. Additionally, older vehicles are fitted with fewer, less effective safety equipment. Later in the report Euro NCAP (New Car Assessment Programme) performance is considered alongside the MOT failure rates by vehicle age. More information on duty of care responsibilities of the employer is provided in [Appendix 2](#).

What makes grey fleet hard to manage?

The financial case for tackling grey fleet is, on the face of it, compelling. There are, however, many competing factors, predominantly financial but not solely limited to reimbursement, which can limit progress.

Employees in the public sector have been subject to pay restraint for a number of years, which makes negotiating any perceived cut in benefits difficult. The level of business mileage reimbursement has become part of the overall compensation package in the eyes of many employees including union representatives arguing their case with employers. With the average grey fleet car being 8.2 years old, depreciation is low and once fuel is taken into account, cost per mile is typically around 15 pence per mile. As a result, there is a strong incentive to drive and claim potentially unnecessary mileage.

The responsibility for grey fleet management is often poorly defined in the public sector, with HR having responsibility for terms and conditions of employment, but with payments made against expenses claims. Most commonly the department responsible for and with expertise in vehicle fleet management has little, if any responsibility for grey fleet.

In the private sector, the choice afforded by using a grey fleet car and the relatively low and consistent impact on personal taxation through income tax and NI, in comparison to annual increases in Company Car Tax, requires a determined effort by the organisation to provide equally attractive alternatives which reduce overall costs and comply with HMRC and duty of care requirements.

A grey fleet vehicle is one owned and driven by an employee for business purposes. The employee is reimbursed on a pence per mile basis for using their private vehicle on business journeys. Vehicles used by employees under cash allowance schemes are considered grey fleet too.



⁴Basic facts about transport and work-related road safety, TUC

Industry's response to grey fleet

The fleet industry has responded to the challenge – encouraging more cost effective and cleaner business travel by developing a range of innovative products and services that can help organisations tackle grey fleet. This section of the report provides an overview of the solutions available and their benefits compared to grey fleet.

Mileage management

One of the fundamental principles for organisations wishing to reduce grey fleet use is that they should first understand the nature of journeys made, specifically how often they are made, popular origin and destination locations, average distance travelled per trip, trip duration and how much these grey fleet journeys cost the organisation. A detailed picture of travel requirements within the organisation will help decision makers determine the most suitable alternative to grey fleet.

Mileage management capture specialists suggest that there can be dramatic falls in business miles claimed once a mileage management system is implemented, due to changes in driver behaviour.

The benefits from managing grey fleet mileage include:

- Cost control given that mileage is managed effectively.
- Reduced administration work where mileage is managed by a central automatic platform without requiring heavy paper-based information from drivers.
- Enables an organisation to develop a travel hierarchy that meets staff travel requirements while at the same time being cost effective.
- Duty of care benefits can be addressed through driver declaration of insurance cover in place for work etc.
- Improved compliance of records due to comprehensive data collection to prove business mileage.

Once organisations have a better understanding of the trips made in grey fleet vehicles, they are in a better position to identify where its use is appropriate for their organisation and identify solutions to reduce inappropriate or excess grey fleet mileage.

Active travel

Active travel (walking and cycling) promotes health and wellbeing and can in some instances replace short trips previously made in grey fleet vehicles. Lack of physical activity may cause as many as 36,815 premature deaths in England each year, according to statistics released by the South West Public Health Observatory (SWPHO) and the charity Sustrans.⁵

Some of the benefits arising from active travel that employers should consider include:

- Healthier and more productive staff.
- Reduced travel costs.
- Reduced costs from parking space provision.
- Reduced congestion.
- Contribution to improved air quality.
- Can be combined with public transport.

Public transport

Public transport can be a viable alternative to grey fleet where good transport links exist. It is not uncommon for organisations to develop partnerships with train or bus companies to offer discounted tickets so they can encourage their staff to travel via public transport. Benefits from public transport are quite similar to active travel benefits.

Provision varies considerably by geographic area, so not all organisations will have an opportunity to take advantage of public transport to replace trips undertaken in private vehicles. Increased usage of public transport tends to be more viable in urban centres while non-urban locations will need to invest in alternative solutions.

Lease cars

For high mileage grey fleet users, particularly those travelling more than 10,000 miles per annum, a company or lease car becomes cost effective. Low emission cars will minimise Company Car Tax exposure for the employee and be a cost-effective and fuel efficient alternative for the employer.

Lease cars are offered by certain NHS bodies once regular users reach a particular mileage threshold, however Local Authorities – once large users of leasing for staff travel – have discontinued most schemes, often as a result of political pressure and the arguable belief that staff should not be seen driving around in new cars.

In the private sector company cars are frequently offered as a choice with cash for car as the alternative. Sometimes drivers buy their end of lease cars and continue to use them as grey fleet.

For the employer the benefits of lease vehicles include:

- Extensive vehicle choice.
- Fixed vehicle costs for the term of the lease.
- Reduced vehicle administration.
- Improved cash flow.
- Tax efficient if low emission vehicles are chosen.
- A range of additional services available from supplier.

For the employee benefits include:

- New, safe reliable transport.
- No financial risk, driver only pays for private vehicle use.

On average company cars are newer and cleaner than grey fleet vehicles and in 2015, plug-in vehicles represented 4% of BVRLA leasing members' new registrations which compares favourably to the 1.1% of all new plug-in vehicles registered in 2015⁶. This demonstrates the speed with which the industry is able to respond to changing market conditions and demand and isolate their clients from any perceived maintenance or resale value risk associated with the adoption of a new technology.

Daily rental

Hiring cars or vans only when they are needed can reduce an organisation's travel costs, decrease total fleet emissions, and enable employers to meet their duty of care of care requirements. Used appropriately, daily rental can offer reliability, flexibility and convenience in meeting staff transport needs.

Rental operators offer flexible models based on their clients' travel requirements. The flexibility offered by daily rental is based on the client paying for a vehicle only when needed.

Use of daily rental can also help to alleviate parking constraints, where vehicles are delivered to drivers' homes, removing the need for drivers to travel into work.

Certain grey fleet journey profiles fit very well with daily rental, however management is required and suppliers will work with clients to agree the most appropriate solution.

Daily rental vehicles are newer, cleaner and safer than private vehicles. They are 6-12 months old on average and their 2014 average emissions were 122g CO₂ per km (22% lower than the average privately owned car in 2014).

For the employer the benefits of daily rental include:

- Cost effective alternative to grey fleet.
- Reduced parking costs.
- Increased environmental credentials.
- Extensive vehicle choice.

For the employee benefits include:

- Time savings.
- New, reliable and clean travel alternative.

Car clubs

There are a number of types of car clubs but all involve the shared use of vehicles. A booking system enables users to check vehicle availability online and access the booked vehicle with a membership card or smartphone app.

⁵ <http://www.sustrans.org.uk/press-releases/inactive-lifestyles-kill-estimated-36815-people-england-each-year>

⁶ <http://www.bvrla.co.uk/news/leasing-sector-leads-low-emission-charge>

► Industry's response to grey fleet

Corporate membership of car clubs can be used for publicly available vehicles or for organisations who are heavy users, vehicles can be reserved during working hours for exclusive use of employees.

Car clubs can provide travel at a lower cost than grey fleet or a traditional pool car, particularly for short duration trips. Migrating an element of grey fleet travel to a car club contributes towards meeting duty of care requirements as driver licences are checked and the vehicles are maintained by the club.

Car club vehicles compare extremely favourably with grey fleet cars: in October 2015 the average carbon emissions of club cars in England and Wales were 90 g/km, 42% lower than the 2014 UK average car⁷ and operators have progressively introduced petrol and electric engines into their fleets, addressing concerns around the air quality impacts of vehicles driven in urban areas.

Other benefits include:

- Provision of detailed information on vehicle usage enabling organisations to easily attribute charges to departments or projects.
- Staff can book cars themselves using the online system provided, or longer term agreements can be made. In addition, any car from the club's network can be used, not just those assigned to the organisation. Giving staff access to a car during the day, some may be able to commute by public transport, freeing up valuable parking space and reducing congestion.
- Supporting a car club may provide the local community access to the benefits of a car club outside working hours.
- Car clubs can act as a mechanism to change people's behaviour in terms of the concept of vehicle ownership.

Salary sacrifice schemes

Salary sacrifice schemes for cars have attracted increased levels of interest from fleets and the media over the last decade. Such schemes have the potential to deliver cost savings to organisations, and offer a cost-effective benefit to employees.

A salary sacrifice scheme allows an employee to surrender part of their salary, under the terms and conditions of their employment, in return for the employer's agreement to provide a non-cash benefit. The benefit is deducted from the employee's gross salary, before statutory deductions, reducing their income tax and national insurance contributions.

The benefits of salary sacrifice schemes as a substitute for grey fleet use for employers include:

- Lowering business mileage reimbursement costs.
- Cost effective transport provision.
- Improving compliance with Health and Safety and duty of care legislation.
- Reducing employee travel carbon footprint by encouraging the move from older, less efficient grey fleet vehicles to safer and more efficient vehicles.

The benefits for employees entering a salary sacrifice scheme include:

- Access to a new car every three to four years, usually at a lower cost than other methods of new vehicle provision.
- Typically no deposit or credit checks and no impact on personal credit.
- Tax and National Insurance liabilities are reduced as payments are deducted from gross salary.
- All inclusive, hassle-free motoring at a fixed monthly cost. This can include servicing and maintenance, breakdown and recovery, road fund licence, fully comprehensive insurance, replacement tyres and accident management.

Another characteristic of salary sacrifice schemes is that they incentivise drivers to choose low emission vehicles to minimise company car tax liability. This leads to reduced environmental impact of the business travel undertaken and lower NI contributions for the employer.

It is important for employers to understand the potential rate of uptake in order to estimate the overall benefit of a scheme and elements such as staff turnover need to be taken into account to ensure that early termination fees due to cars being returned early can be factored into the design of the scheme.

Effective management of grey fleet is crucial in respect of the financial, environmental and duty of care impacts of grey fleet policy. Findings from a number of studies and EST fleet consultancy projects have shown that many organisations are unaware of the costs, environmental impact and duty of care risks associated with employees using their own vehicles in the course of their work.



⁷ Steer Davies Gleave, Carplus Annual Survey of car clubs 2015/16, April 2016

Grey fleet usage

The approach adopted to profile grey fleet mileage, cost, CO₂ and air quality emissions included data collection from EST grey fleet reports and data provided from BVRLA members.

Establishing the grey fleet mileage of the public sector required data to be drawn from a number of sources, validated and then scaled to represent the whole sector. Some sectors have been subject to extensive public scrutiny while others have been largely ignored and data in the public domain that directly relates to grey fleet mileage is limited.

EST identified some challenges when establishing the scale of grey fleet mileage in the private sector due to the relatively small sample of highly granular data available. However the researchers addressed these gaps by cross-referencing published information from Fleet News 200 fleet analysis and results from a grey fleet survey conducted by Sewells in 2016.

More information on data sources and the model can be found in Appendix 4.

This chapter presents modelled estimations of cost, mileage, CO₂ emissions and air quality impacts generated by grey fleet.

Public sector

The total grey fleet cost figure in the public sector is £786m generated from 1.5 billion miles driven by staff.

Table 2 demonstrates the best estimate of public sector grey fleet mileage in England, Wales and Scotland.

LOCAL AUTHORITIES

The model estimates that 491 million miles are undertaken in grey fleet vehicles costing UK Local Authorities £266m.

The cost estimate from the model of £266m is very close to the cost estimate of £275m from the Fleet News Freedom of Information (FoI) request which covered the period 2013/14 when more Local Authority staff were being paid National Joint Council (NJC) rates and fewer authorities had moved to the lower-cost HMRC scheme. This figure was built up from 21 Local Authority Green Fleet reviews encompassing 114,000 staff and 40.5 million miles. Direct comparison of the 21 Local Authorities in the EST data set with the same 21 authorities in the Fleet News data set showed a variance of only 2.5%.

The total figure of £266m represents a reduction of 37% in costs from a 2010 DECC Review estimate⁸ and this is more than might be expected from the austerity programme alone which might explain a 20% drop. The reason for this further cost reduction for grey fleet in Local Authorities is thought to be due to a number of additional factors including a growing move away from the NJC essential user and lump sum payment scheme to the flat rate HMRC scheme which reduces the average cost per mile. It is also due to staff in the education sector in England moving out of Local Authorities and into Academies – in Scotland the secondary education sector can be 10%-15% of local authority grey fleet mileage.

NHS TRUSTS

The NHS model estimates that 624 million miles are driven in private vehicles by NHS staff leading to a grey fleet cost of £317m.

This is based on data from 13 Trusts and 103,000 staff driving 34 million miles in 2013/15. The data is backed up by the Sustainable Development Unit (SDU) published carbon emission figures for business mileage which have not changed since 2010 when an earlier EST estimate estimated NHS grey fleet mileage at 667 million miles and a cost of £320m. It seems that there has been a small reduction in grey fleet mileage over the period which may reflect the efforts of some Trusts to tackle grey fleet over the last few years.

CIVIL SERVICE

The mileage estimate for the Civil Service is 265 million contributing to a total cost of £126m.

The Civil Service estimate is based on data from 18 departments and a range of agencies during the period 2006 to 2015. These figures have been adjusted to accommodate changes in staff numbers and the model has identified that average mileage per employee ranges from 234/annum to 4,479/annum across departments. The solution to estimating mileage in this sector has been to segment the service into low, medium, high and very high mileage departments using a categorisation developed for the 2010 DECC Review. This is the public sector estimate with the greatest potential for variation and the area where more recent data sets would be of value.

The final figure for 2015 of 265m miles and £126m cost for the Civil Service is also a large reduction of 35% from the 2010 DECC Review estimate and this would seem to be due to similar factors to those acting in Local Authorities. Part of the drop is explained by the austerity programme and part by the more extensive use of HMRC rates, although these were already in place across much of the civil service in 2010. The other factor is the loss of staff to organisations still funded by the public purse but not so visible such as Highways England which has taken 5,500 high-mileage staff out of the Department for Transport (DfT). There may have been similar moves of high mileage staff in the Ministry of Defence and in other departments to arms-length partially autonomous organisations.

FURTHER AND HIGHER EDUCATION AND POLICE AND FIRE SERVICES

The estimates for these sectors are based on limited data but they also represent a small fraction of public sector grey fleet mileage and it is certainly questionable if further effort in the fragmented education sector – including the academies – would achieve a worthwhile outcome.

It is of note that the final total estimate of 1.5 billion miles driven in the public sector is not very different to the estimate made by the OGC in 2006 of 1.4 billion miles which was based on 2004/05 mileage claims.

TABLE 2 – PUBLIC SECTOR GREY FLEET MILEAGE AND COST

	Local Authorities	NHS Trusts	Civil Service	Further & Higher Education	Police & Fire Services	Total
E&W Staff	1,167,100	1,756,649	381,400	438,017	256,862	4,000,000
Scotland	200,100	138,310	18,360	44,586	31,714	433,000
Total Staff	1,367,200	1,894,959	399,760	482,604	288,576	4,433,100
Mileage	491,000,000	624,000,000	265,000,000	79,000,000	53,000,000	1,512,000,000
Cost	£266,000,000	£317,000,000	£126,000,000	£36,000,000	£28,000,000	£786,000,000
Cost as % of total	34%	40%	16%	6%	4%	

⁸ In 2010 EST undertook a review for DECC of transport carbon emissions in English public sector organisations

► Grey fleet usage

Given the rise and fall in public sector employment over the intervening 10-year period it does seem likely that the estimate of 1.5 billion miles and £786m cost is robust and may well underestimate the total mileage funded by the public purse due to the loss of staff into areas which are less transparent to investigation.

ASSOCIATED LIMITATIONS

It should be noted that although the Local Authority and NHS Trusts figures are based on robust datasets, there is less confidence in Further and Higher Education and also the Emergency Services figures due to lack of available data. Further research in these sectors might improve the quality of the data but it is unlikely to identify significantly more mileage. The area of some concern is the Civil Service where a lack of engagement in recent years, major structural change and no accurate published data may indicate that this sector may be one where there are hidden opportunities to achieve significant changes.

CO₂ EMISSIONS AND AIR QUALITY

Our calculations show that mileage driven in grey fleet vehicles in the public sector generates around 447,000 tonnes CO₂, 1,118 tonnes NO_x and 40,000 kg PM per year.

These estimates are based on real world CO₂ emissions calculated using the established and validated EST Carbon Footprint calculation methodology. The average (OEM) CO₂ emissions rating of the 42,000 grey fleet cars in our sample (from data sets covering the periods 2013/14 and 2014/15) was 152 g/km while, according to DfT, the average for the national fleet in 2014 was 154 g/km. In 2014/15 the EST factor used to convert to real-world emissions was +21% so the 152 g/km average grey fleet car would be expected to have real world emissions of 184 g/km (the Defra average car factor for the same period was 186.4 g/km).

Based on the 184 g/km figure and estimated mileage **Table 3** shows predicted CO₂ emissions for public sector departments.

While we have a proven methodology available for estimating real world carbon dioxide emissions the same is not true for air quality emissions. This is because air quality depends on the age of the vehicle, the driving style, vehicle engine load, weather conditions and local topography. We have based our calculations on New European Driving Cycle (NEDC) nitrogen oxides (NO_x) and particulate matter (PM) conversion factors for an average car driven in an urban environment. See **Table 3** for more details. It should be noted that NEDC figures provide a guide to the level of emissions of a particular vehicle, however real world emissions can be significantly higher.

TABLE 3 – ENERGY CONSUMPTION, CO₂, NO_x AND PM OF THE PUBLIC SECTOR GREY FLEET

2014/15 Revised	Local Authority	NHS	Civil Service	FE & HE	Police & Fire	Total	Units
MWh Energy Use (at 0.775 kWh/km)	612,000	778,000	331,000	99,000	66,000	1,886,000	MWh
Tonnes CO₂ (at 152 g/km +21%)	145,000	185,000	78,000	23,000	16,000	447,000	tonnes
Tonnes NO_x emissions² (at 444 mg/km)	363	462	196	58	39	1,118	tonnes
Kg PM emissions² (at 15 mg/km)	13,000	17,000	7,000	2,000	1,000	40,000	kg

Private sector

Private sector mileage is estimated at up to 11 billion contributing to a cost of up to £5 billion.

These estimates include both grey fleet and cash allowance schemes and are based on data derived from Sewells surveys, EST Green Fleet Reviews, a survey undertaken by Lex Autolease and The Miles Consultancy (TMC) data.

The model estimates that mileage driven in the private sector generates up to 3.2 millions of tonnes of CO₂, 7,038 tonnes of NO_x and 234,989 kg of PM.

In the private sector, grey fleet mileage and cost estimates were more challenging than in the public sector due to the relatively small data samples that were available. The additional barrier encountered was related to the difficulty of identifying the number of people employed in the different market segments and the variability in the data.

The calculations

CASH ALLOWANCE

There are significant gaps in the private sector as grey fleet and cash allowance are not routinely differentiated and identifying how many companies run cash allowance schemes and how much it costs is challenging. However, EST has worked with hundreds of private sector fleets over the last ten years and our experience suggests that cash allowance schemes are more likely to be found in large companies (more than 250 employees). Smaller companies are more likely to fund their business travel using company cars and traditional grey fleet.

This assumption is supported by the Sewells survey⁹ which suggests that 42% of the companies that said they have cash allowance schemes are organisations with more than 250 employees while the percentage of smaller companies reporting cash allowance schemes ranged between 0%-7%.

Data from the Sewells survey demonstrates that the total number of vehicles in companies with more than 250 employees is 1.9m vehicles. Based on the fact that 42% of these companies have cash for car schemes we estimate that 2,100 fleets run cash for car schemes. The dataset suggests that cash for car vehicles account for 29% of total vehicles in companies examined. Applying the 29% to the 2,100 fleets running cash for car schemes puts the estimated number of cash for car vehicles in companies with more than 250 employees, at a total of 230,000 vehicles.

The dataset suggests that cash allowance drivers average around 7,000 miles/annum so we estimate cash allowance mileage at 1.6 billion and an associated cost of £722 million.

GREY FLEET

The dataset suggested that grey fleet drivers in the private sector average 800 miles/annum. The National Travel Survey (NTS) suggests a figure of 400 miles/annum driven on business in private cars (based on 6,941 cars). However, the NTS data represents an average which can be applied to the 30 million cars on the road in the UK. Data from Lex Autolease in its 2015 Report on Motoring suggest that 14 million private cars are used on business and therefore doubling the NTS figure average across the UK fleet to 800 miles/annum correlates with our dataset figure.

With 14 million private cars being used for business – or roughly half the UK car fleet, there are around 2.2 million (half the number of public sector employees) in use in the public sector with the remainder being driven in the private sector.

Removing the 230,000 cash allowance vehicles leaves 11.57 million cars being driven 400-800 miles/annum at costs up to £0.45/mile. At 800 miles/annum it is estimated that 9.2 billion miles are driven at a cost of £4.17 billion. Using the lower figure of 400 miles/annum the estimate falls to 4.63 billion miles at a cost of £2.08 billion. *Continued over*

⁹ Sewells, 2016 Fleet Market Insights

► Grey fleet usage

The total figure for private sector grey fleet is based on the sum of cash for car and traditional grey fleet figures.

It is clear that precise estimates of grey fleet mileage in the private sector are difficult to establish. To date, the focus has been on public sector use of grey fleet because it is largely concentrated in two sectors that are

easily identified and can be subjected to FOI requests, however there is clearly a greater use of grey fleet in the private sector. Tackling private sector grey fleet mileage is challenging because it is more dispersed and differentiated but presents a great opportunity for solutions provided by the fleet management industry to significantly reduce costs and emissions.

CO₂ EMISSIONS AND AIR QUALITY

Grey fleet in the private sector comprises of traditional grey fleet and cash allowance vehicles. The average real world CO₂ emissions for grey fleet vehicles in our sample is 184 gCO₂/km (152 g/km + 21%). The average real world CO₂ emissions for cash allowance vehicles are 188 gCO₂/km (155 g/lm+21%).

The cash allowance vehicle is on average 5.3 years old so estimates for NO_x and PM emissions are derived from National Atmospheric Emissions Inventory (NAEI) for an average Euro 5b vehicle driven in an urban environment.

Table 4 shows estimated CO₂ and air quality emissions for private sector organisations.

TABLE 4 - CO₂, NO_x AND PM OF THE PRIVATE SECTOR GREY FLEET

	Grey fleet	Cash allowance	Total
Miles (billion)	9.3	1.6	11
Average gCO ₂ /km	152	155	
Real world gCO ₂ /km	184	188	
Tonnes CO ₂	2,723,734	481,964	3,205,698
Tonnes NO _x emissions	6,575	463	7,038
Kg PM emissions	222,140	12,849	234,989

Our model estimates that UK employees travel more than 12 billion miles in grey fleet vehicles each year at a cost of around £5.5 billion.

The amount of CO₂ emitted by grey fleet vehicles in the public sector is enough to fill Wembley stadium 56 times, while the CO₂ emitted by private sector grey fleet is equivalent to driving around the world 430,000 times.



How grey fleet compares to alternative solutions

Although the case for change has been made elsewhere, it needs to be substantiated by a robust analysis of the sustainability profile of the grey and cash allowance fleets as well as the profiles of the fleets of BVRLA members. This approach supports the arguments developed at the beginning of the report in relation to why it is important for organisations to tackle grey fleet.

The following illustrations clearly demonstrate the fact that grey fleet is an old, statistically less safe and high polluting form of business travel. Products and services from BVRLA members can offer fleets a sustainable solution that will reduce their grey fleet bills and emissions.

The information presented in the next ten pages is based on anonymised data provided by a number of BVRLA members as well as data sets from EST fleet review work which have also been stripped of corporate information.








Summary of Findings

The key indicators of the sustainability of a vehicle fleet are age, carbon emissions (gCO₂/km), Euro air quality emission standard, fuel type (which links to air quality) and NCAP for safety.

Table 5 opposite illustrates the average sustainability indicators' figures for different fleet types. It should be noted that market size figures for each type of fleet (apart from UK car fleet) are based on estimates.

Age is a key factor as it significantly influences the rest of the factors in the table. The older the vehicle, the more likely it is to have high carbon emissions, meet an outdated air quality standard and have a lower safety rating. Diesel is important because of its poor real-world air quality emissions – use of diesel Euro 3, Euro 4 and Euro 5 vehicles is an issue in urban areas.

TABLE 5 - SUMMARY OF SUSTAINABILITY FACTORS¹²

FLEET	AV. AGE (YEARS)	AV. CO ₂ (G/KM)	EURO 6	DIESEL	5+ STAR	MARKET SIZE (CARS)
 RENTAL FLEET	0.7	122	57%	49%	81%	320,000
 CAR CLUBS	0.8	104	35%	14%	87%	3,800
 SALARY SACRIFICE	1.3	103	28%	50%	75%	30-50,000
 LEASE CAR	1.6	119	39%	80%	77%	1,293,000 ¹⁰
 CASH ALLOWANCE ¹¹	5.3	155	3%	67%	45%	230,000
 UK CAR FLEET	7.9	154	6%	37%	Unknown	30m (DfT Data)
 GREY FLEET ¹¹	8.2	152	<1%	30%	9%	11,569,800

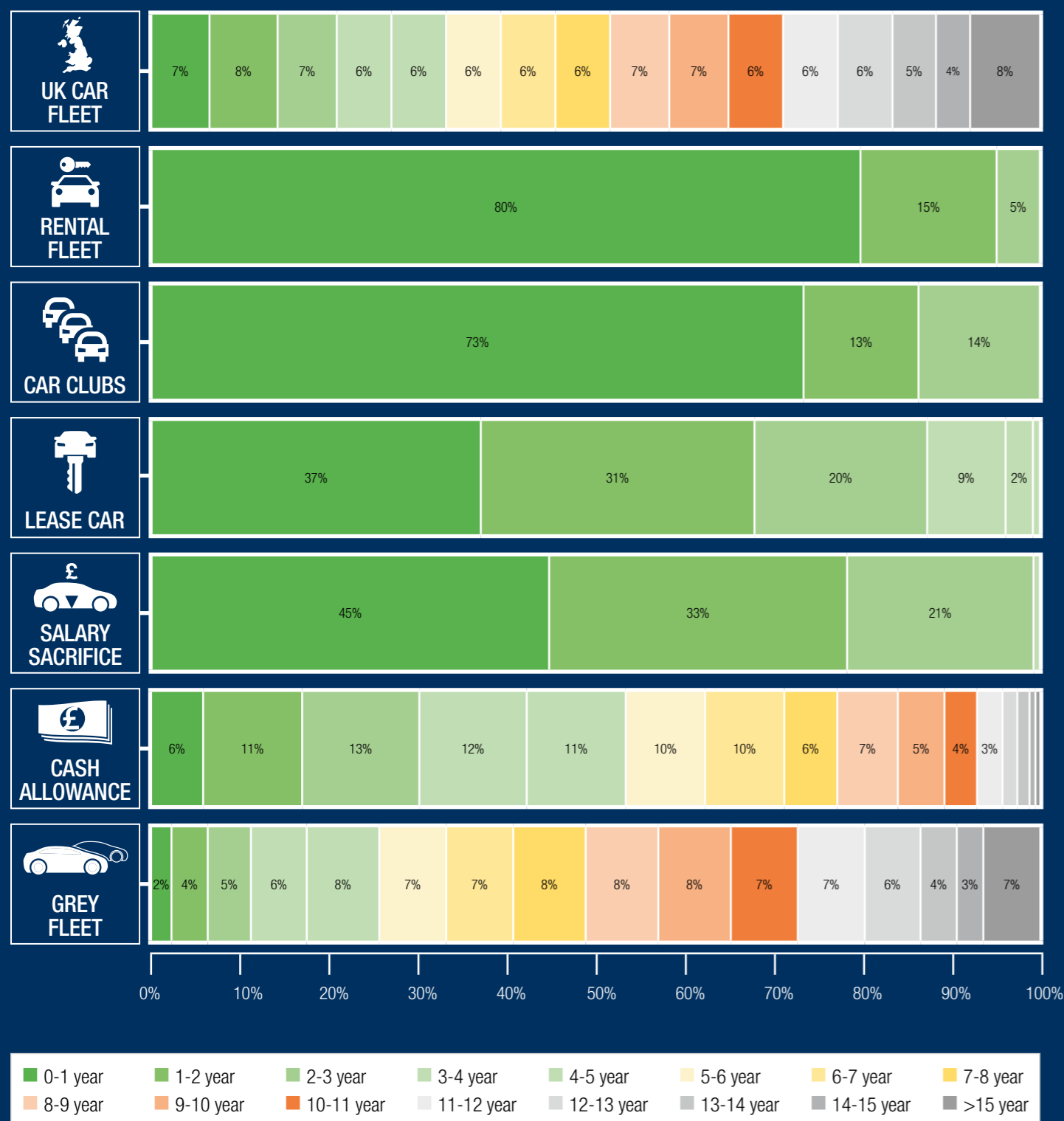
¹⁰ The figure excludes fleet management and Motability

¹¹ Are 2014/15 data sets so would expect fewer Euro 6 vehicles. Euro 6: Includes Zero Emission EVs

¹² Please see Glossary of terms for definitions

► How grey fleet compares to alternative solutions

FIGURE 1 – AGE PROFILE



AGE PROFILE

As Figure 1 shows the youngest fleet is the rental fleet and this is explained by the fact that it has a very rapid turnover. The car club fleet is also very new but this reflects a period of vehicle replacement following major acquisitions in the sector. Lease car and salary sacrifice fleets reflect the three to four year term of a typical lease agreement. Grey fleet is the oldest fleet with an average age of 8.2 years followed by the UK car fleet which is on average 7.9 years old.

This close correlation between the age profile of the grey fleet and the UK car fleet is not surprising as they are privately owned cars and in most organisations there are no restrictions on the vehicles being used despite having an obligation to show they are fit for purpose and roadworthy. The essential user allowance still paid by some local authorities is a maximum of £1,239/annum and this is taxable so it is unlikely to encourage the purchase of a new car.

What is perhaps more surprising is the profile of the cash allowance fleet. Organisations are paying staff significant monthly amounts – usually equivalent to the lease

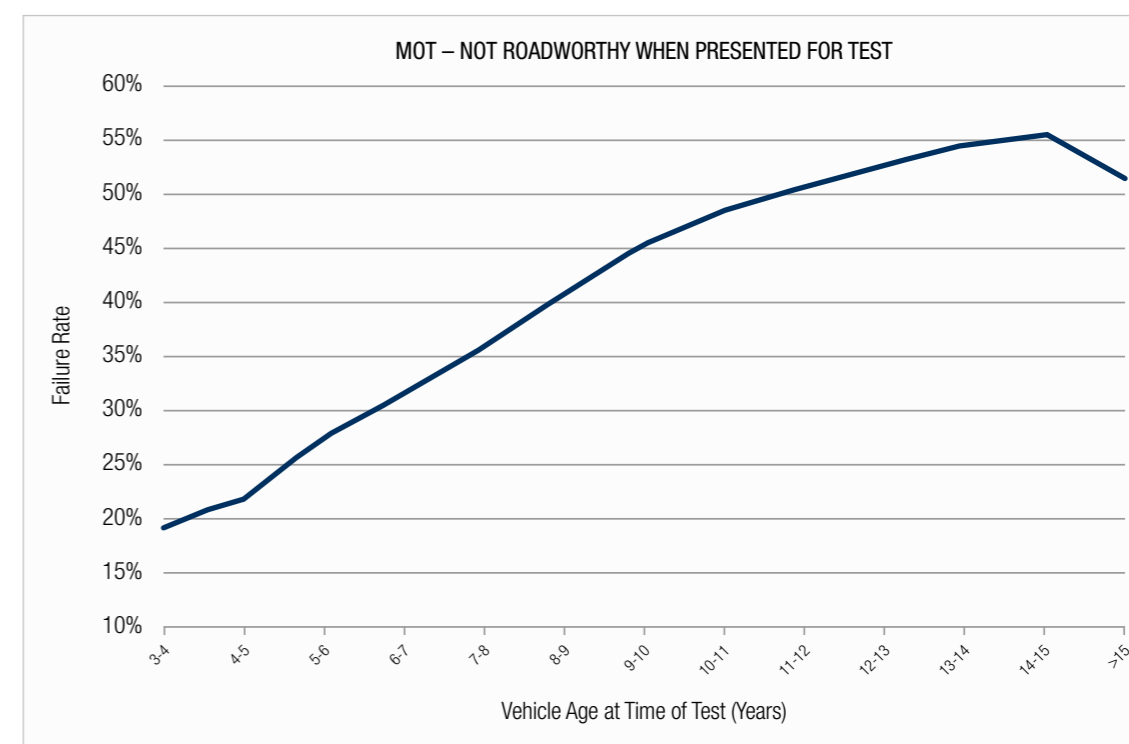
cost of a company car. Figure 1 shows that vehicles purchased under cash allowance schemes cover a wide age range and although more modern than grey fleet vehicles, a large proportion of them are older vehicles: 47% are over five years old and 11% are over 10 years old.

“Driving for Better Business” is a campaign developed to champion work related road safety and is supported by a steering group and a stakeholder forum, consisting of experts in work related road safety, business leaders, representatives of the transport industry and the DfT and its agencies. Part of the campaign’s advice is: “The standard set for ‘cash for car’ vehicles should be equivalent to those for company vehicles (see selection of appropriate vehicles for minimum standards)”¹³. Clearly this is not current practice in most cash allowance fleets.

The age profile of these fleets is also linked to their road worthiness. The MoT test is often used as an indicator of the vehicle’s maintenance standard although it is just a snapshot in time.

Data published by the DfT shows that there is a strong correlation between age and first-time MoT failure:

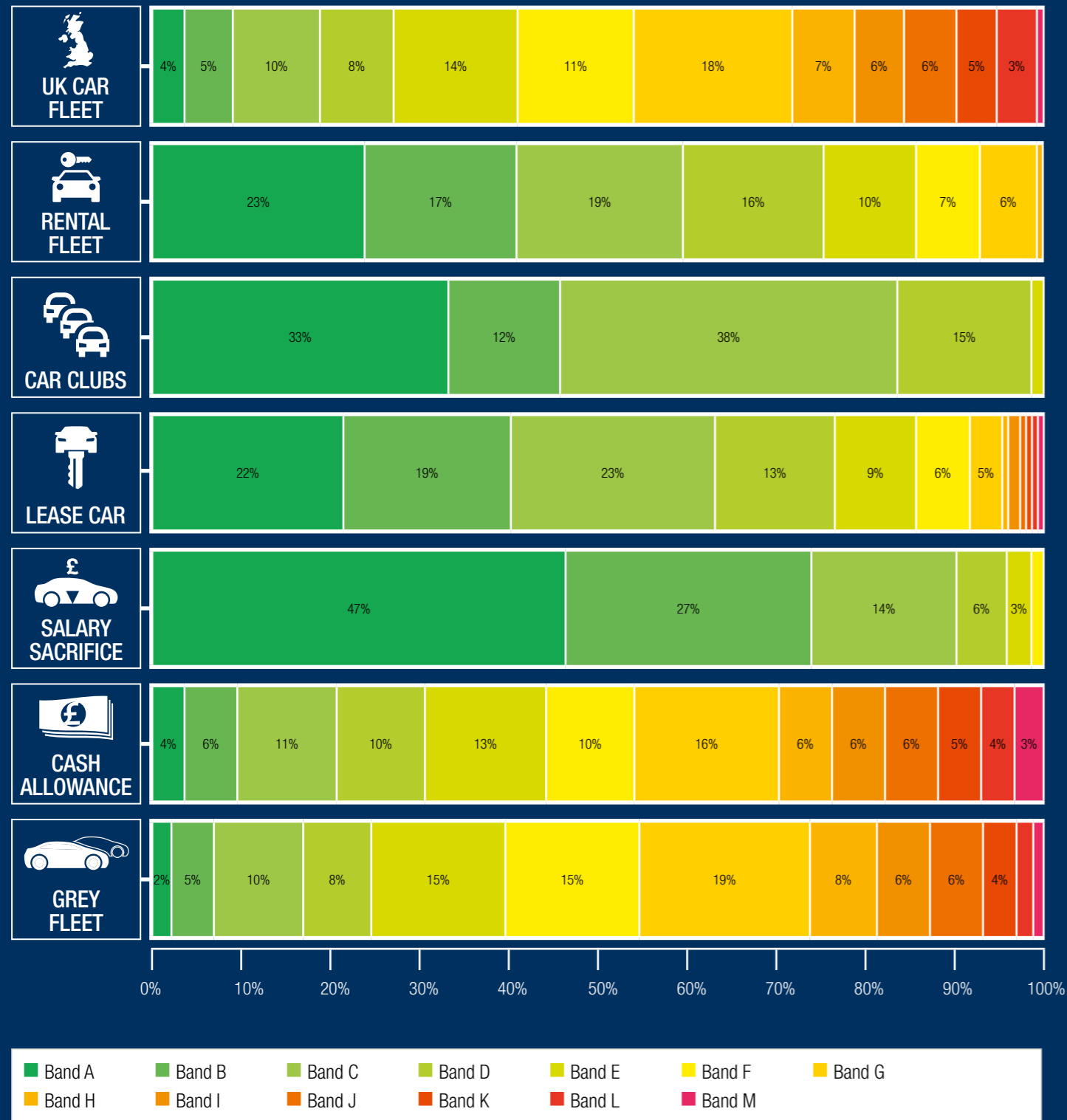
FIGURE 2 – CAR MOT FAILURE RATE (2013)



¹³ <http://www.drivingforbetterbusiness.com/how/privatevehicles.aspx>

► How grey fleet compares to alternative solutions

FIGURE 3 - CARBON EMISSIONS



According to this dataset about 40% of eight-year-old vehicles (the grey fleet average age) fail when first presented for test. This falls to 28% for five-year-old vehicles (the car allowance fleet average age) and around 18% for vehicles at the end of a typical lease period.

CARBON EMISSIONS PROFILE

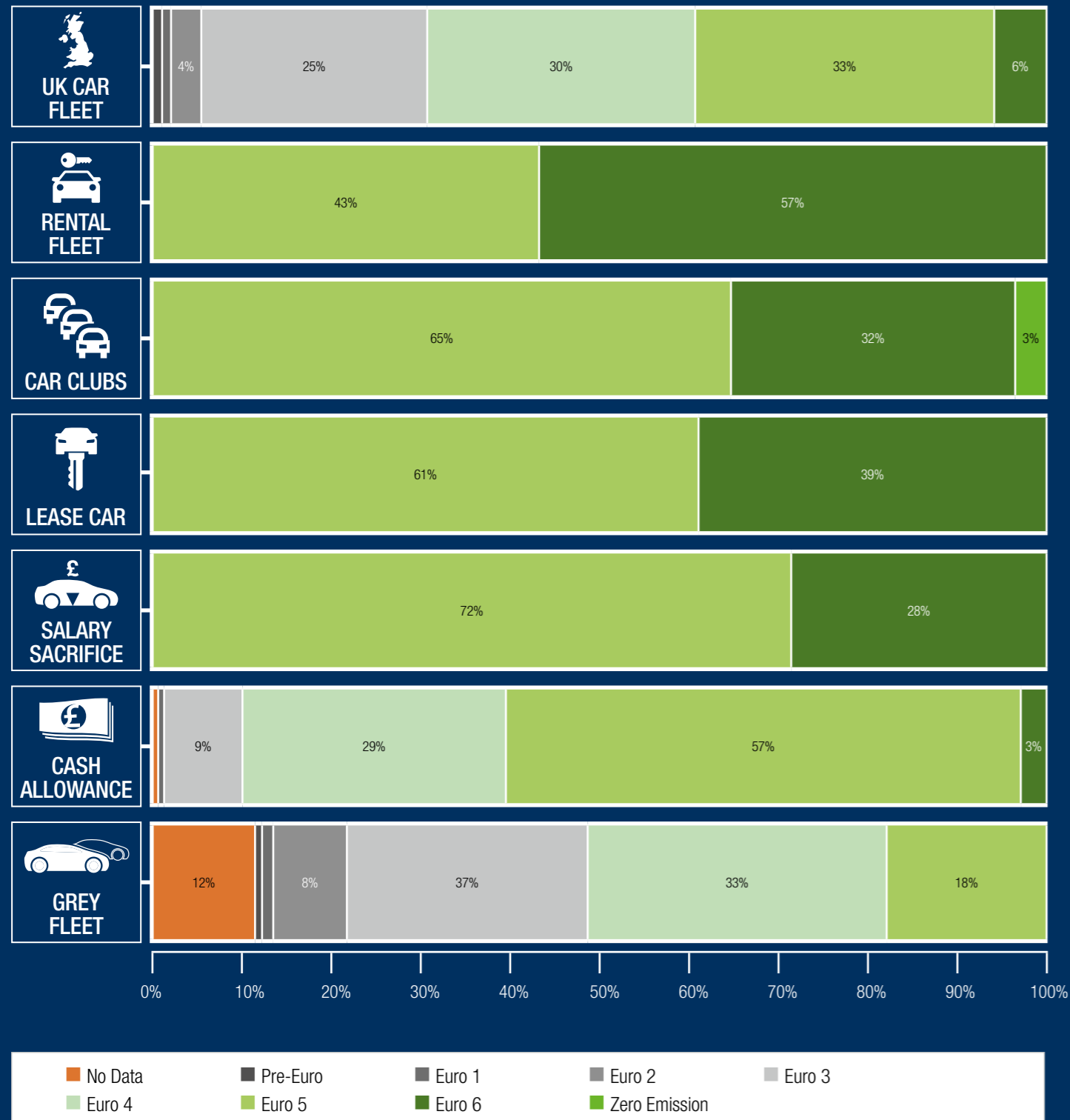
Figure 3 shows some significant differences between the CO₂ emissions of the grey fleet, cash allowance vehicles and the alternative solutions. While the rental, car club, lease and salary sacrifice fleet all have a high proportion of low carbon Band A, B and C vehicles the cash allowance and grey fleets are strikingly similar to the UK national

fleet. The cash allowance fleet has a higher proportion of high carbon vehicles (Band M) than the national fleet and this supports the anecdotal evidence that staff opt-out of company car schemes in order to choose higher performance vehicles or SUVs. Although companies are in effect funding the purchase of these vehicles, few appear to be exercising significant control over them.

The fleet with the highest proportion of low carbon cars is the salary sacrifice fleet and this is not surprising because the vehicles must be low carbon if the scheme is to minimise company car tax and national insurance liability. The profile of this fleet clearly indicates the influence of taxation and government policy in a driver's vehicle choice.

► How grey fleet compares to alternative solutions

FIGURE 4 - AIR QUALITY/EURO STANDARD



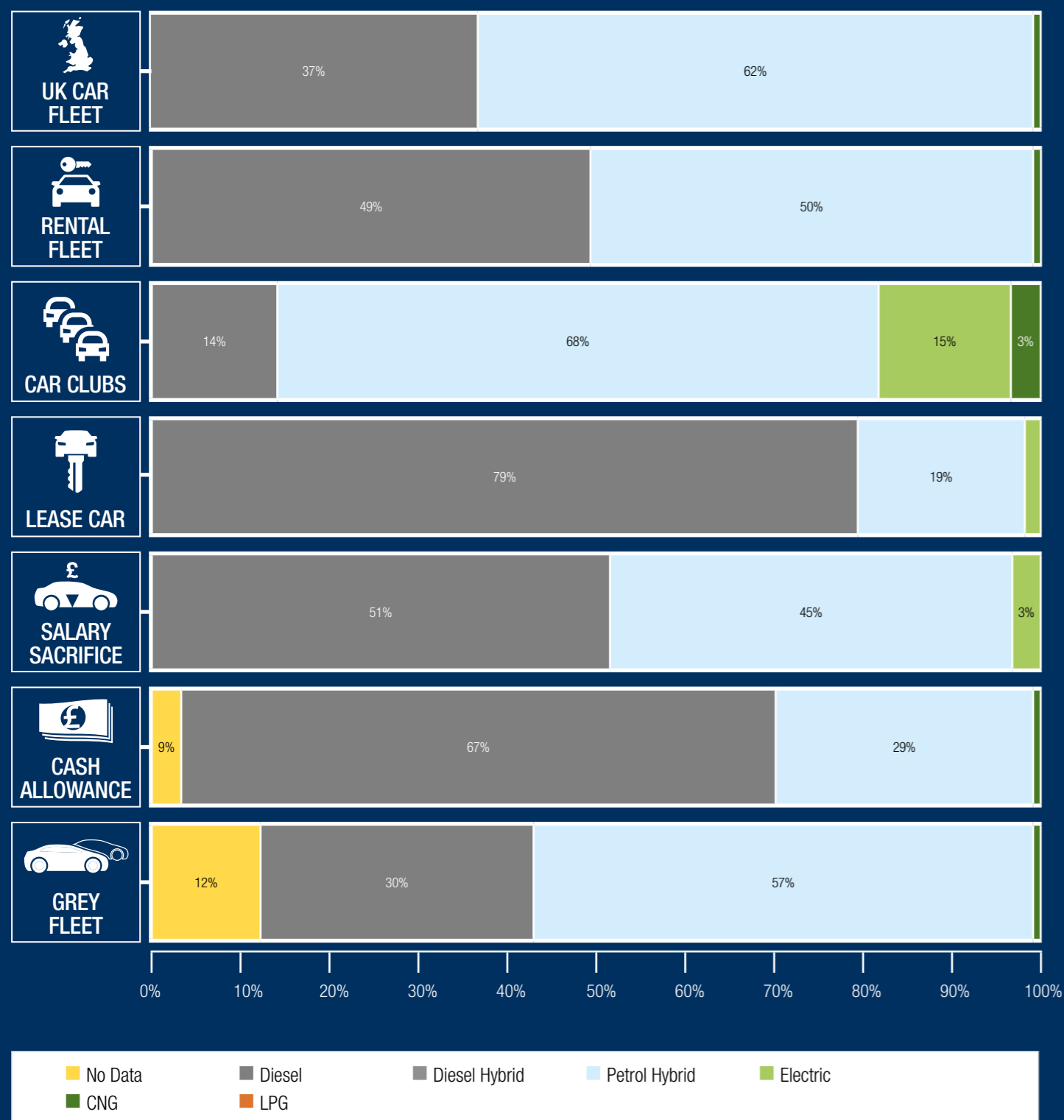
AIR QUALITY/ EURO STANDARD PROFILE

Figure 4 shows that the rental fleet, which is subject to rapid turnover, has the highest number of Euro 6 vehicles but it is car clubs that show the greatest proportion of zero emission EVs. There is a small proportion of Euro 6 vehicles in the Cash Allowance fleet. The grey fleet sample is from 2013/15 and so it pre-dates mandatory Euro 6 (September 2015) and this, combined with the small number of new cars in the fleet, accounts for the lowest proportion of Euro 6 cars.

Clearly the operation of a cash allowance or grey fleet in an urban area is going to have a greater impact on poor air quality than the operation of BVRLA managed fleet vehicles would.

How grey fleet compares to alternative solutions

FIGURE 5 - FUEL TYPE



FUEL TYPE PROFILE

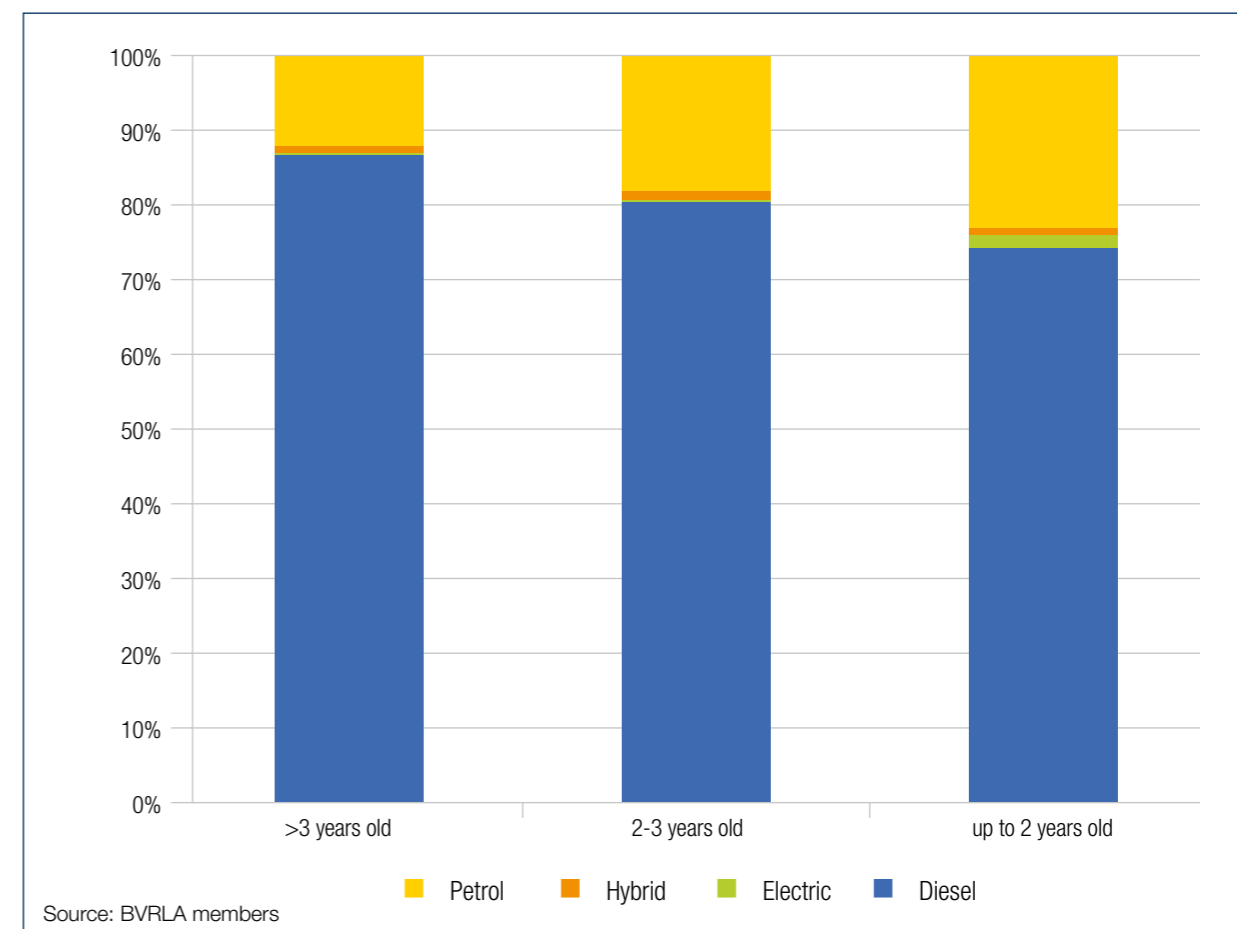
The proportion of diesel cars in the national fleet has grown significantly in the last 15 years and recent data regarding the poor real world performance of Euro 3, Euro 4 and Euro 5 diesels in terms of both nitrogen oxides (NO_x) and particulate (PM₁₀ and PM_{2.5}) emissions has undermined the environmental benefit from their fuel efficiency. Car clubs – which often operate in urban areas affected by poor air quality – have responded to this challenge by phasing out diesel vehicles from their fleets. However lease cars and salary sacrifice schemes are driven by the company car taxation model and they are more focused on fuel efficiency and tailpipe emission (g/CO₂) ratings. It seems that diesel remains the most appropriate fuel choice for people regularly undertaking high-mileage motorway journeys due to fuel efficiency benefits.

However, further data analysis (Figure 6) demonstrates that although diesel remains the most popular choice amongst lease car drivers, its percentage as part of the fuel mix for lease cars has decreased over the last three years. This might be attributed to a switch of company car drivers to petrol vehicles due to their recently improved efficiency but also to hybrid and electric vehicles as a wider choice has become available.

What is clear is that BVRLA members' fleets have the ability to respond quickly to changes in priority. The car club fleet has already responded, the rental fleet could also change quickly as it has a rapid turnover of vehicles and the other fleets will respond if company car taxation and fuel duty are targeted towards improving air quality.

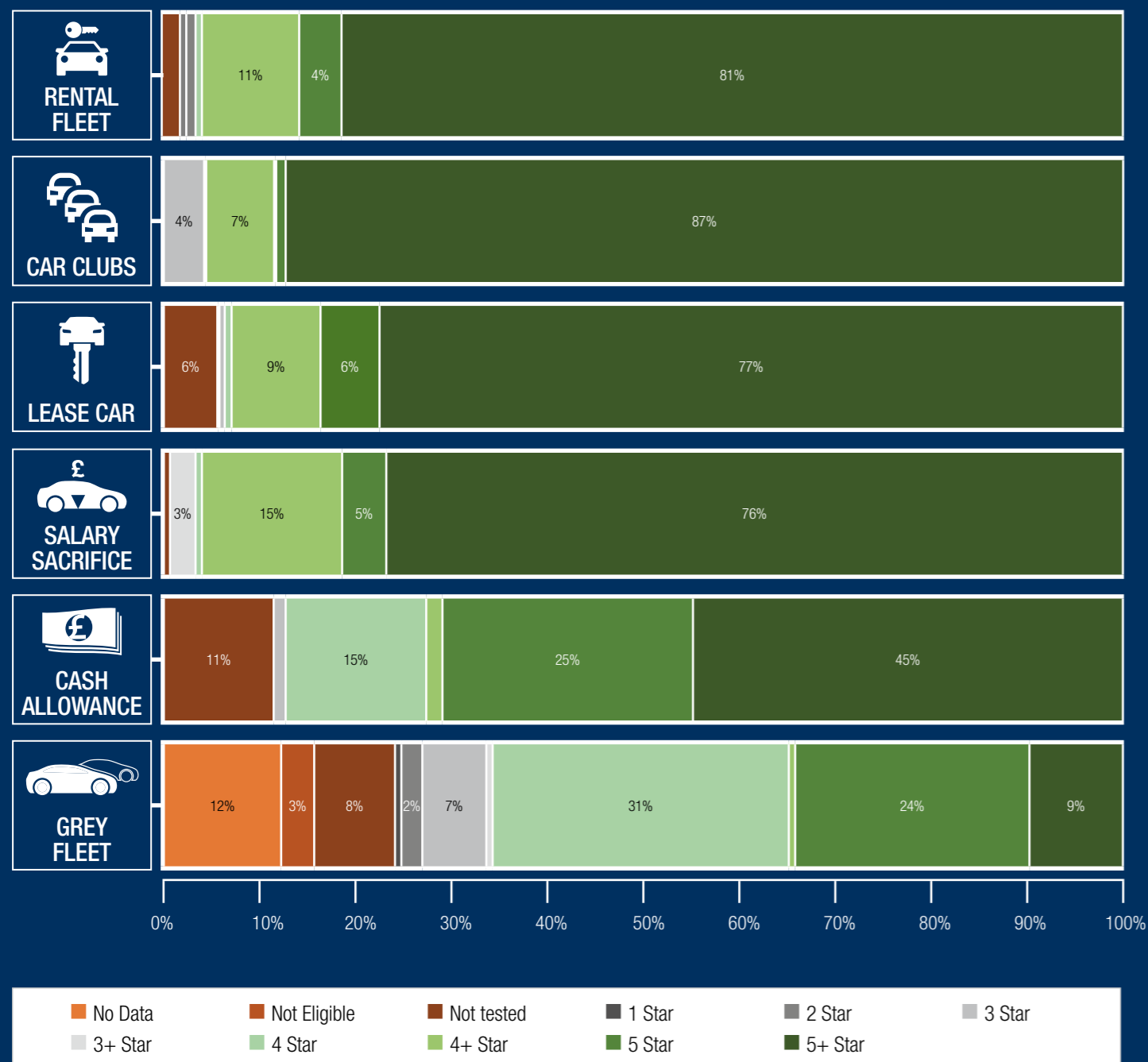
The cash allowance and grey fleets are both unmanaged and will be driven by personal choice and financial constraint.

FIGURE 6 - CHANGING PROFILE OF COMPANY CAR FLEET



How grey fleet compares to alternative solutions

FIGURE 7 – NCAP SAFETY RATING¹⁴



NCAP SAFETY RATING PROFILE

The number of stars reflects how well the car performs in Euro NCAP tests, but it is also influenced by the safety equipment the vehicle manufacturer is offering in each market. These tests represent, in a simplified way, important real life accident scenarios that could result in injured or killed car occupants or other road users. For instance:

5 stars: Indicates overall good performance in crash protection. Well equipped with robust crash avoidance technology.

4 stars: Indicates overall good performance in crash protection; additional crash avoidance technology **may** be present.

The NCAP rating (opposite) was established by matching make, model and date of registration with a database of NCAP test results. This was not possible with the national data set of 30m cars but the grey fleet is a good proxy for the national fleet. With some models this method may over-estimate the number of tested vehicles and it is dependent on the vehicles being described consistently. However, these errors are only 1-2% and it is apparent from **Figure 7** that the least safe fleet is the grey fleet with less than 10% of the vehicles having a 5+ star rating.

Conclusions on findings

There is clear evidence that most drivers do not take factors such as carbon emissions, air quality and safety features into consideration when choosing a car.

In the case of a cash allowance or “opt-out” fleet it appears that some drivers are deliberately choosing cars which have high carbon emissions, which may be because they are not permitted these cars in the company car policy.

Providing staff with real alternatives to the grey fleet is important in the public sector where there are few company cars and cash allowance packages. In the private sector there is a need to regulate the cash allowance fleet, reduce its carbon emissions and bring it up to the same standard of sustainability as the lease and salary sacrifice fleets.

¹⁴ The + sign indicates the rating is due to a test that was conducted after 2009 when the standard of testing was raised and “Safety Assist” added to the assessment

How much can be saved

A move away from using grey or cash allowance fleets offers organisations substantial cost, carbon emissions, air quality and vehicle safety benefits.

The cost savings arise from a number of sources. Some are derived from reduced mileage or allowance payments and others accrue from improved efficiency and the reduction in secondary costs such as essential user payments and car parking charges.

There is no single technological solution to reducing grey fleet mileage and success depends on offering staff clear guidance in the form of a travel hierarchy and providing the practical business travel options they need.

Alongside encouraging staff to reconsider the journey and follow a travel hierarchy model, it is important that a range of transport options are available; from easy access to public transport, to lease cars (including salary sacrifice), pool cars, daily rental and car club vehicles. Each option has its place and each can achieve direct savings on each mile driven.

Mileage Management

A first step to controlling the grey fleet can be to introduce electronic mileage management for all staff business travel. Mileage claims for all journeys are made online using postcode point-to-point data, distances are calculated by the system and can only be overruled with management sign-off – for example when routes are blocked by floods or road works. Some companies offer in-car units or phone Apps to assist with the journey recording.

This service – offered by BVRLA members such as TMC and Vertivia – can achieve savings by eliminating claims inflation in the grey and cash allowance fleet as well as ensuring the split between private and business mileage is accurate in the company car fleet. Mileage and cost reductions in excess of 15% are typically achieved. Accurate data including the length and duration of journeys can be obtained and this can then inform the operation of the rest of the business travel strategy.

Daily Rental

Perhaps the easiest option to justify is the use of daily rental or hire cars. Large companies and public sector bodies can hire cars, self-insured, under framework agreements for £18/day or less. With a typical fuel cost of £0.12/mile, the balance from the AMAP rate of £0.45 per mile to fund the hire car is £0.33/mile. After 55 miles this will fully fund an £18 car, thereafter the business saves £0.33/mile. This is a simple calculation and can be adjusted to include home delivery charges. In essence all journeys that average over 55 miles/day should be driven in a daily rental car. For example, a 200 mile journey spread over three days would fall into this category. Although fewer than 5% of journeys typically fall into this category, they can account for 15% or more of the total mileage driven by a grey fleet vehicle.

Lease Cars

This is the solution for high mileage drivers in the grey fleet whose regular journeys cannot be accommodated by the use of daily rental. Driving 8,000 miles each year at HMRC rates costs the business £3,600 but with a low carbon car the cost of fuel can be as low as £0.10/mile leaving £2,800 or £230/month to lease and insure a company car. If staff are paid essential user allowances then these, and the tax paid on them, can also be included in the scheme cost model and may lower the threshold further. It is certainly the case that any organisation with grey fleet drivers exceeding 10,000 miles/annum would find the lease car a more cost effective option and in addition can specify a car that is low carbon, low emission and has a high Euro NCAP rating.

The lease car also has a role in an organisation's pool car fleet. Many fleet managers will place their heads in their hands when the concept of a pool fleet is raised and it is certainly the case that an individual car, apparently abandoned outside the front door of the building and booked by an arcane process known to only a few will not be successful. The pool car needs to be part of a business travel solution and an option that is readily accessible and whose use is encouraged.

It can be a lease car with a simple online booking system based around a tool such as MS Exchange Calendar, a low-cost booking tool like **SuperSaaS** or it can be a vehicle with in-car telemetry and a web based booking system installed such as that provided by **Instacar**. There are also turn-key “managed pool car” solutions on offer from BVRLA members such as Enterprise rent-a-car and Alphacity. Utilisation is a key benchmark to any pool fleet and vehicles usually need to exceed 8,000-10,000 miles/annum to break even compared to the grey fleet rate of £0.45/mile. Well run pool fleets can have a total operating cost including management and fuel of less than £0.40/mile.

Salary Sacrifice

Lease cars are not popular in some areas of the public sector where the idea of staff being provided with a “company car” is seen as politically unpalatable even when it is saving the organisation money. Structuring a lease car under a salary sacrifice scheme can address this resistance and vehicles under such schemes can be offered to high mileage staff but cannot be made compulsory or only made available to an exclusive group.

Car Clubs

For those journeys under the hire car threshold and made by staff who do not qualify for a lease car the choice is either a pool car or a car club car. In large urban areas such as London and Edinburgh the car club can be self-sustaining and businesses can join under a standard business contract or negotiate with a provider to block-book car club cars during business hours when utilisation by domestic users is usually at its lowest.

In less populous towns and cities, the transfer of grey fleet mileage from public and private sector bodies to a local car club by block booking vehicles during business hours can sustain the development of a new car club in a region which would not otherwise have one and save the organisation money by reducing overall mileage. As with a pool car utilization is critical to the financial success of a block-booked car club car and for savings to be achieved it must be integrated into a wider business travel strategy.

How are cost savings calculated?

The savings from reducing grey fleet mileage do not result from the alternatives having a lower cost per mile, instead they come from reductions in the overall mileage driven and a range of associated savings:

- Elimination of mileage claims inflation – the rounding up of journey mileage.
- Reduction in the number of journeys as no financial incentive to travel.
- Transfer of some journeys to non-travel modes such as audio conferencing.
- No requirement to pay essential user allowances.
- No requirement to provide car parking for essential users.
- Elimination of time spent making, processing and correcting paper based travel claims.
- Time savings for staff due to the reduction in overall travel.

The exact percentage saving assignable to each of these factors varies from organisation to organisation depending on the area of operation (urban or rural), the nature of the journeys made and the systems already in place but the overall reduction – reported in case studies – can be as high as 40%.

► How much can be saved

COST SAVINGS MODEL EXAMPLE

The following model is based on a public sector body with 550 essential users paid £1,000/annum and 400 car park spaces costing £210,000/annum. There are also 600 casual users. Staff drive a total of 1,050,000 miles at £0.45/mile.

The total cost of the current grey fleet including allowances, mileage payments, national insurance and car parking is just over £1.3m or £1.25/mile. All mileage claims are made using an online system but journey distances are not calculated.

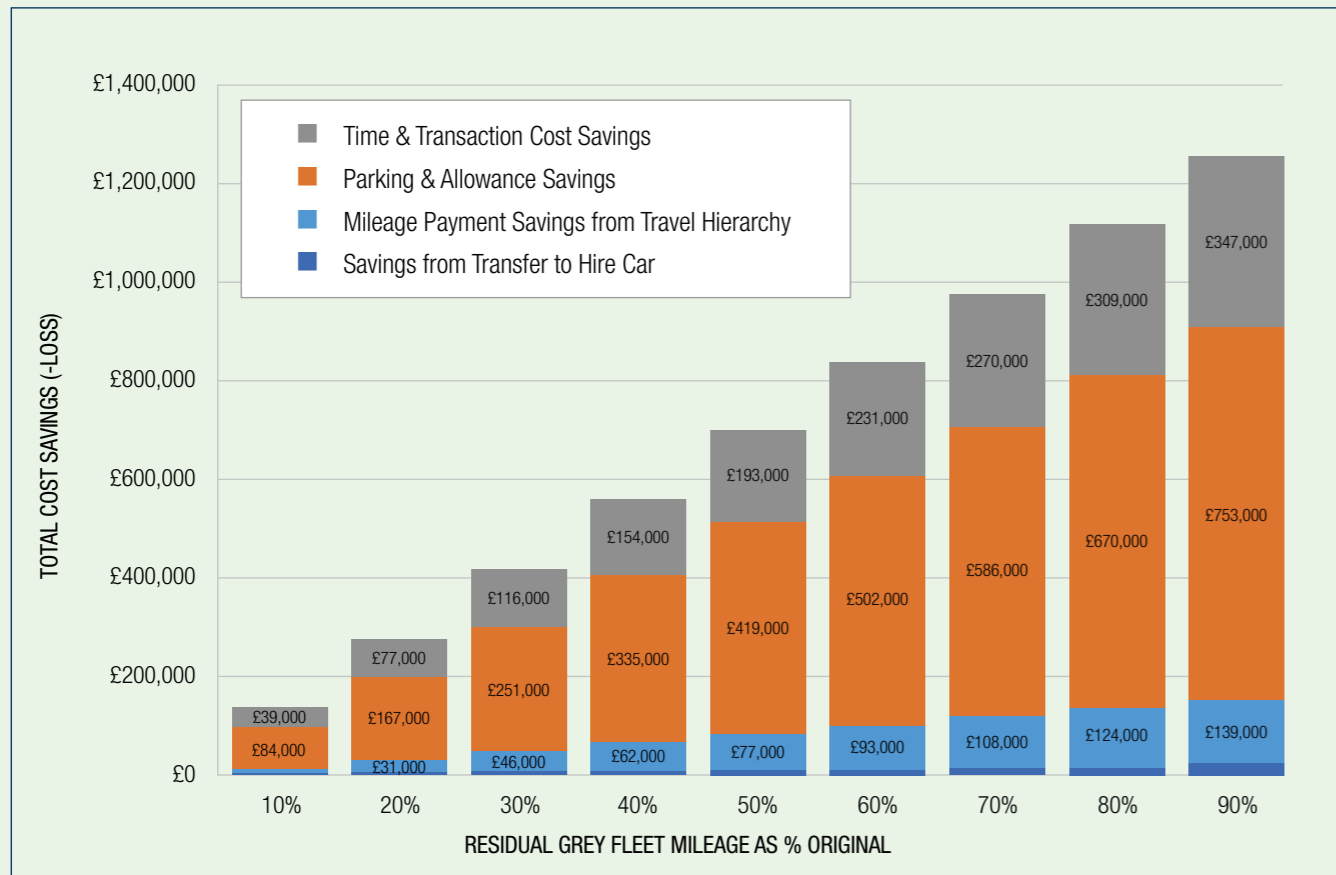
15% of mileage could be transferred to hire cars at lower cost but the average journey over 55 miles was 90 miles long so savings are modest. These numbers are based on an organisation which has successfully addressed grey fleet use and are from 2014/15.

In this model (Figure 8) it has been assumed that 15% of mileage is down to claims inflation and that a further 15% is due to unnecessary or poorly planned journeys.

5% has been transferred to non-travel options such as video and audio conferencing. However, the biggest savings in this organisation arise from the removal of essential user payments and car parking provision.

Some organisations have, over a number of years, successfully reduced grey fleet mileage to 10-15% of its original level; this may still represent 20%-25% of all journeys as the ones that remain tend to be short; under 5 miles in length. Daily rental (Hire Car) car savings in this model are low because this organisation had an urban base and there were relatively few long-distance journeys. It would be useful to be able to apply this model to the whole public sector but the variation between organisations: payment of essential users, provision of car parking, mileage rate paid, and length of journeys is so great that it is difficult to generalise. However, experience suggests the expectation should be that total mileage reductions after transfer to other modes of 40% are achievable and that net savings should exceed 20% of the original gross budget.

FIGURE 8 - POTENTIAL SAVINGS FROM GREY FLEET MILEAGE MANAGEMENT



Public sector – CO₂ emission savings

CO₂ emission savings in public sector grey fleet are estimated taking into account the mileage that will disappear as well as savings from mileage moved to cleaner modes.

Assuming grey fleet mileage in the public sector was reduced to 50% of the estimated 2015 mileage it is likely – in the light of experience in organisations that have achieved significant reductions in grey fleet mileage – that up to 40% of that 50% reduction (20% of total mileage) would disappear altogether and not transfer to other modes.

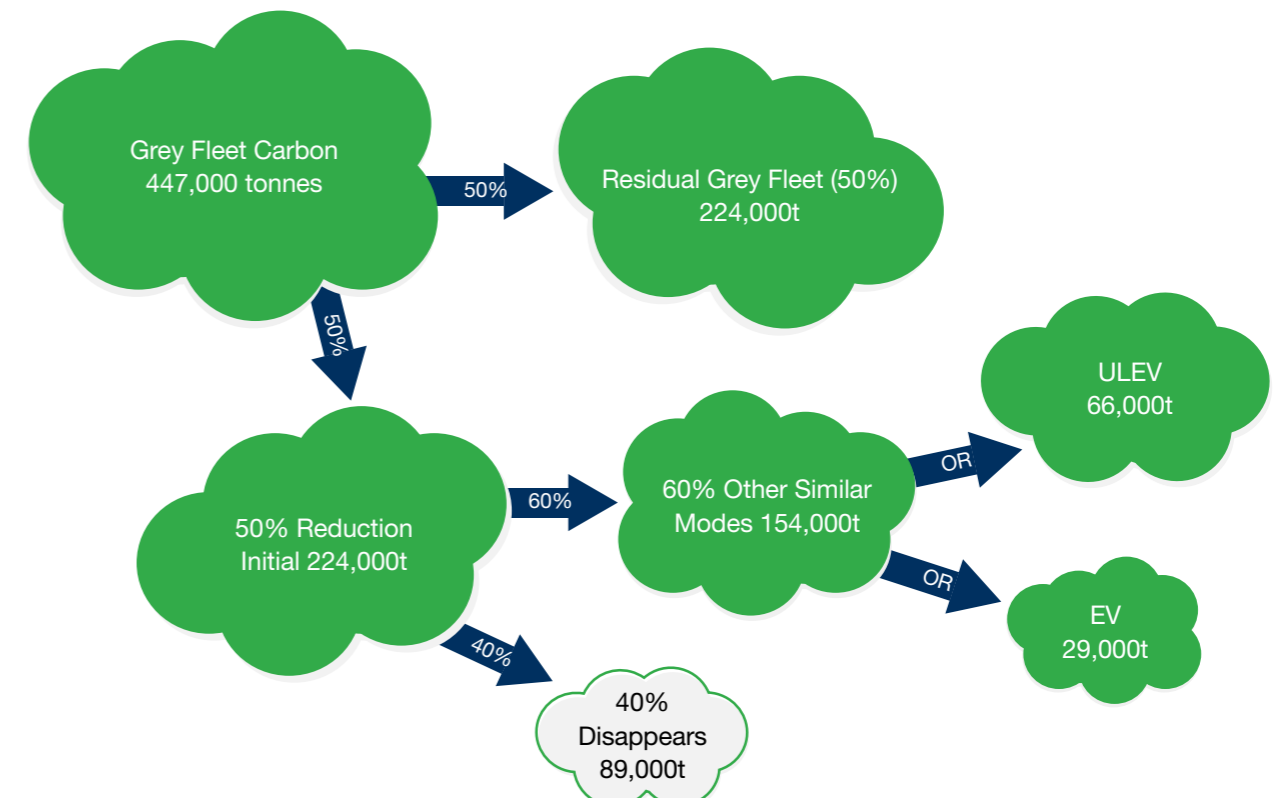
So reducing grey fleet mileage from the current estimate of 1.52 billion miles to 756 million miles would result in 302 million miles not being driven which is equivalent to 89,000 tonnes of carbon dioxide. However, some of this reduction would be due to the loss of claims inflation for which carbon wasn't produced even though it was paid and accounted for.

The other 60% would transfer to other modes and it has been proposed these should include public transport or cars with emissions of 75 g/km or less (Ultra Low Emission Vehicles). As shown in Figure 9 this would result in a 50% reduction in the carbon emissions associated with that mileage when compared with the grey fleet (from 152 g/km to 75 g/km).

A total saving including "lost mileage" of up to 157,000 tonnes (35%) can be achieved.

The carbon and energy savings could be even greater if electric vehicles are deployed for all grey fleet journeys under 70 miles/day. Between 01:00 and 06:00 hrs in the morning the national grid carbon intensity can be as low as 250 g/kWh compared to the peak at 17:00 hrs of 340 g/kWh. An EV achieving a real-world energy efficiency of 4 miles/kWh charged between 01:00 hrs and 06:00 hrs will have indirect (Scope 2) carbon dioxide emissions equivalent to 38.5 gCO₂/km – less than half that of a 75 g/km petrol-electric hybrid with real-world emissions of at least 90 g/km.

FIGURE 9 - POTENTIAL SAVINGS FROM GREY FLEET MILEAGE MANAGEMENT



► How much can be saved

Public sector – Air quality savings

If grey fleet mileage was reduced by 50% with 20% disappearing altogether and 30% transferring to vehicles with similar emissions, then there would be an assured 20% reduction in air quality emissions.

However, it is possible to transfer the mileage from old cars to new cars and achieve a real increase in air quality emissions. According to NAEI NO_x emissions of 686 mg/km for an average grey fleet diesel car in urban use and 155 mg/km for a petrol car, a reduction of 75% is in theory possible by switching fuel types and new petrol cars are definitely cleaner than old petrol cars.

As with carbon emissions, an even greater reduction in air quality emissions can be made by switching to EVs which have zero tailpipe emissions. A policy of switching from a grey fleet to a combination of EVs and fuel efficient petrol-electric hybrids and plug-in hybrids would have a significant impact on air quality emissions while also achieving a reduction in carbon dioxide emissions and energy use.

Table 6 Illustrates the impact of fuel type on the three key emission factors for one model of car. The internal combustion engine (ICE) vehicle that performs best in all three categories is the petrol hybrid – however if an electric Yaris was available it would out-perform all the ICE models on emissions.

TABLE 6 – IMPACT OF FUEL TYPE ON EMISSIONS OF A EURO 6 TOYOTA YARIS

Yaris Model	Fuel	CO ₂ g/km	NO _x mg/km
1.4 D-4D	Diesel	91	50
1.0 VVT-i	Petrol	99	15
1.5 VVT-i	Petrol Electric Hybrid	75	6

Private sector cost and CO₂ savings

EXAMPLES OF LOW, MEDIUM AND HIGH MILEAGE REDUCTION SCENARIOS

The following examples demonstrate the cost and CO₂ savings that organisations can achieve by implementing a range of different measures. A low, medium and high savings scenario have been applied and the range of different initiatives are explained below. Grey fleet mileage reduction refers to the total grey fleet miles reduced in each scenario. Residual grey fleet miles are the miles still driven. A percentage of the total grey fleet miles reduced in each scenario will disappear while the rest will move to other modes. Cost and CO₂ for grey fleet miles transferred to other modes has not been calculated as it varies and depends on the modes chosen.

BASELINE DATA

Miles	1,520,000
Cost	£684,000
CO ₂ emissions (tonnes)	443

LOW SCENARIO

This organisation reduces grey fleet mileage by 10% by:

- Video conferencing.
- Encouraging greater use of public transport.
- Promoting cycle to work scheme.

MEDIUM SCENARIO

This organisation reduces grey fleet mileage by 30% by:

- Using mileage management software that prevents claims' inflation and provides more information about business journeys.
- Introducing a new travel hierarchy that discourages people from using grey fleet and promoting the use of car clubs for short journeys previously undertaken in private vehicles.
- Reducing parking permits for private vehicles.

HIGH SCENARIO

This organisation reduces grey fleet mileage by 50% by:

- Employing a revised expenses policy that discourages grey fleet use by reducing mileage payments.
- Implementing an online expenses system where any journey over 70 miles has to be undertaken in low emission daily rental vehicles.
- Making car club vehicles (including ULEVs) available for shorter journeys.

TABLE 7 – EXAMPLE OF COST AND CO₂ SAVINGS IN DIFFERENT MILEAGE REDUCTION SCENARIOS

Scenarios	Low	Medium	High
% of miles reduction	10%	30%	50%
Grey fleet miles reduction	152,000	456,000	760,000
CO ₂ from grey fleet miles reduction	44 tonnes	133 tonnes	221 tonnes
Cost reduction	£68,400	£205,200	£342,000
Residual grey fleet miles	1,368,000	1,064,000	760,000
CO ₂ from residual grey fleet miles	398 tonnes	310 tonnes	221 tonnes
Residual cost	£615,600	£478,800	£342,000
Grey fleet miles removed	60,800	182,400	304,000
CO ₂ removed	18 tonnes	53 tonnes	89 tonnes
Cost saving	£27,360	£82,080	£136,800
Grey fleet miles transferred to other modes	91,200	273,600	456,000

Best practice guidance

Getting started

The starting point for any organisation wishing to address grey fleet use depends on the level of control already in place and the data being collected. This can range from the ad-hoc submission of mileage expenses by staff and the checking of new claimants' driving licences, through to the adoption of accurate mileage records and self-certification by drivers that they and their vehicle are fully insured and fit to complete the journey being claimed for. Cash allowance schemes, most prevalent in the private sector, are equally diverse in terms of management control; some organisations allow drivers to buy almost any vehicle for business use, while a minority apply policies incorporating controls which mirror best practice in company car scheme management.

Establishing who is involved, how claims are processed and checked and what records are kept will help to determine the next steps to be taken. It is likely that individuals from more than one department are involved, HR and Finance almost certainly but departmental autonomy is not unusual.

IDENTIFY STAKEHOLDERS

Identifying the individuals who are impacted by grey fleet policy changes is important and will be different for each organisation. Creating a stakeholder map will help determine who should be involved and their likely impact on the successful integration of policies once implemented. The figure below shows an example of such analysis in a local authority.

In practice it may not be practical or possible in terms of available time and resource to involve all who may be influential, but this relatively quick process will determine those with the most influence and impact and highlight others who may become involved as policies are implemented. Identifying and involving key stakeholders at an early stage will help with the communication of initiatives and policies as they are launched.

A virtual team comprising senior level sponsor(s), key stakeholders and influencers should be appointed to provide appropriate expertise and experience and the following steps assume their involvement.

DETERMINE OBJECTIVES

The main benefits of effective grey fleet management are cost control, a reduction in vehicle emissions relating to CO₂ and poor air quality and the health and safety of staff driving at work (duty of care). In most cases a balance will need to be struck which also ensures that there will be a positive impact on service delivery and organisational efficiency.

Objectives might include:

- CO₂ emissions reduction.
- Grey fleet mileage reduction.
- Reduced cost of travel.
- Compliance with duty of care policies.
- HMRC compliance (business & private travel records).
- Departmental service delivery.
- Reduction in congestion.
- Encouraging active travel.
- Improving employee efficiency.
- Reducing employee stress.
- Improving employee benefits.

Understanding mileage driven to this degree will also provide the evidence to support policies and the introduction of services to remove grey fleet mileage and replace it with cleaner, safer alternatives. Organisations can either collect this data through an enhancement to their existing expenses claim process or work with a provider of mileage management and capture.

The results of grey fleet mileage analysis will drive a tailored travel hierarchy which in part will be determined by location. For example grey fleet travel for a city centre based organisation will look very different to that generated by a similar organisation based in a rural location. Similarly, the most effective solutions will be different and this should be borne in mind when considering suppliers.

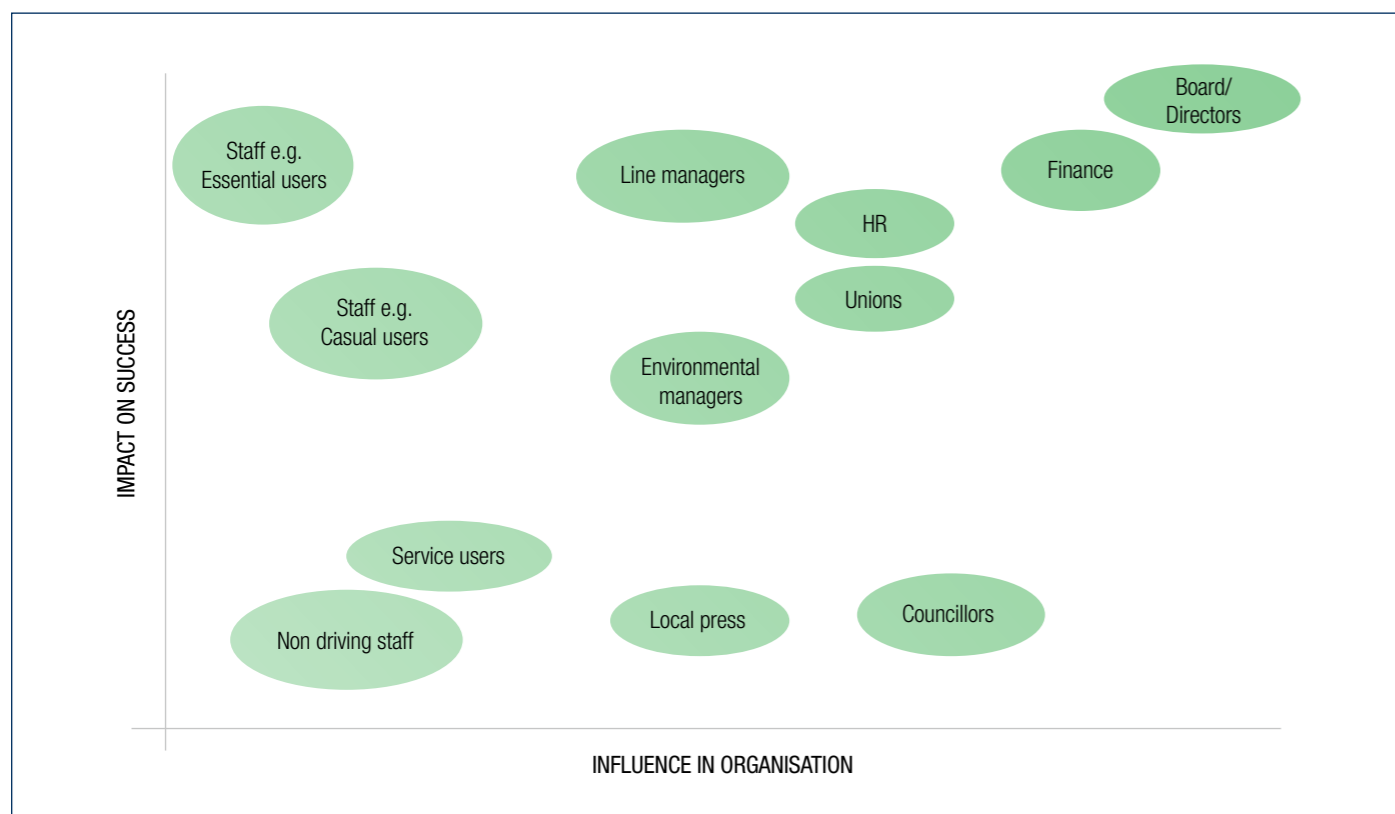
The remainder of this section of the report is illustrated by links to case studies ([Appendix 1](#)) covering private sector, public sector and government departmental examples of the implementation of grey fleet management solutions.

Use a travel hierarchy

Once some journey analysis has been carried out it is recommended that a business travel policy should be implemented and enforced, explaining to staff what is expected of them when arranging and undertaking travel. A good travel hierarchy involves establishing a simple but clear and robust decision making process for staff to consider before choosing to use a vehicle for their journey and when followed, will minimise travel and its impact. The framework can take the form of a simple flow chart or an interactive web site. Staff should follow the framework to help them make the right travel/transport choice.

For such a hierarchy to work, appropriate travel options taking into account the pattern of grey fleet travel must be available to staff including video and audio conferencing, easy booking of rail tickets, availability of bus route and timetable information, pool car or car club cars and hire cars where appropriate. A good example of an effective travel hierarchy is that employed by [Bath and North East Somerset Council](#) who ensured such options were made available to staff as part of their carbon reduction programme.

FIGURE 10 – STAKEHOLDER MAP



Once objectives are agreed, setting realistic, measurable targets will allow progress to be monitored and fed back to staff.

Understand the nature of trips made in grey fleet vehicles

The solutions presented earlier in “[Industry response to grey fleet](#)” will be straightforward to implement if there is a good understanding of the journeys undertaken in grey fleet vehicles. This includes duration of trip (time), origin and destination locations, frequency of trips and mileage driven. It is likely that when claim records are reviewed some if not most of this information will be absent and implementing its collection will be the first step to tackling grey fleet management.

► Best practice guidance

The key is to make staff aware of alternatives and encourage them to consider them. With the hierarchy and options in place, managers must challenge the travel choices employees make, with this process becoming part of a “local budget” process. This needs to be communicated to all staff and included in any driving related policy documents. The **University of Cumbria** implemented a range of measures to ensure available alternatives were offered to staff.

An effective way of encouraging the move away from grey fleet is to reduce mileage rates paid for grey fleet travel when an alternative is available. The **University of Cumbria** revised its travel policy by reducing private car mileage reimbursement from 45 pence to 30 pence per mile.

BATH AND NORTH EAST SOMERSET COUNCIL CASE STUDY

A mature and thorough approach has reduced cost and CO₂ from grey fleet travel.

The council recognised that commuting and business travel undertaken by its staff should be managed by a Corporate Travel Plan which would act as a strategic tool for setting mileage, cost and CO₂ reduction targets. The council developed its first Carbon Management Plan in 2009 with a target to reduce its operational carbon emissions by 30%. In 2014/15 it had managed to reduce its CO₂ emissions arising from business mileage by an impressive 48%.

THE CHALLENGE – HIGH GREY FLEET COSTS AND SUSTAINABILITY CHALLENGES

Apart from the significant costs associated with grey fleet travel, B&NES also wanted to recognise and act on its responsibility to provide leadership across the district to tackle congestion, poor air quality and sustainable travel choices for other organisations and employers. Baseline data in 2009/10 was a grey fleet cost of £677,770, 611 tonnes of CO₂ and 1,823,224 grey fleet miles.

THE SOLUTION – A COMBINATION OF TRAVEL PLANNING, POOL CARS AND PROMOTION OF ALTERNATIVES TO GREY FLEET

- A Travel Decision Model was embedded in a new corporate electronic mileage claim form as a claimant & manager sign off requirement.
- A pool car pilot scheme with three cars from Co-wheels Car Club comprised of one EV and two low emission petrol vehicles.
- HMRC mileage rates adopted after negotiated removal of the Essential Car User payments and 5p per mile business passenger mileage rate introduced to encourage lift sharing.
- Charging points installed at two council offices, plus the fleet depot, for the electric pool cars.
- A staff salary sacrifice scheme introduced limited to vehicles with official carbon emissions below 120 g/km.
- 200 bus and train tickets for in-work travel were supplied to provide an alternative to grey fleet.
- Free travel advice roadshows and personal travel planning sessions to deliver practical alternatives to commuting and in work car trips.
- An inter-departmental cycling group represents cyclists' interests and a 40p per mile rate for cycle mileage for in work business travel was confirmed.
- Funding & providing pool bikes and access to cyclist training and improved facilities empowered more staff to opt for cycle trips for site visits- especially in Bath using electric bikes.

THE RESULTS – CO₂ EMISSIONS ALMOST HALVED AND GREY FLEET COSTS FELL BY 31%

The wide selection of initiatives has led to the following savings compared to 2009/10 levels:

- a 31% decrease in grey fleet costs.
- a 48% decrease in CO₂ emissions.
- a 43% decrease in grey fleet mileage.
- 8% fewer staff driving alone to work.
- 36% of staff using sustainable travel modes for in work travel.
- The EV removed over 8,000 grey fleet miles to date.
- Travel behaviour change is encouraged and rewarded.

THE PROCESS

Demonstrating the business case to senior management to gain their engagement was a critical success factor in delivering the health & safety and wider staff wellbeing benefits from addressing grey fleet use. Senior managers signed up to the car club scheme, using and championing the cars. This helped raise the profile of the car club and promoted a positive experience to staff.

Timing also played a role as the initiatives were aligned to a two year programme to develop flexible working encouraging and helping everyone to consider their travel behaviours.

Anthony Meehan, Corporate Sustainability Officer at B&NES notes: “Seeing car use as essential for work was a potential barrier to replacing Essential Car User payments but this was achieved with the Trade Unions' support recognising the benefits of the savings made for all staff. Positive communications on the savings achieved and the travel options available were shared with staff to maximise their engagement and support”.

B&NES received the Grey Fleet Management Award from EST in the 2015 Fleet Hero Awards.

Implementing grey fleet alternatives

The vehicle and mobility services supply chain are continuously designing and refining their products and services to make them more flexible to meet a wider range of client needs. It may not therefore be necessary to add a large portfolio of suppliers to meet grey fleet reduction targets. All of them will need to understand policy ambitions in order to provide the appropriate solutions. All initiatives will need to be effectively communicated to staff with the supplier playing a role as necessary and regular account management meetings will quickly address any problems, enabling client policies and supplier delivery to be modified as necessary.

Being in a position to provide a data baseline will enable the measurement of the effectiveness of any solution and a trial with a limited number of staff may be recommended to ensure that any issues can be quickly addressed before organisation-wide roll out.

The solutions which follow can offer significant cost, carbon emission and duty of care benefits to organisations.

There are however factors that will need to be considered when implementing these solutions to ensure the following:

- The organisation has a good understanding of staff travel requirements.
- The solution is suitable to fleet's requirements.
- A smooth implementation is achieved and is positively endorsed by staff.
- Benefits from the new scheme are maximised.
- Potential risks are taken into account.

Industry Response to Grey Fleet provides a description of the products available, here their suitability is considered along with some of the information which will be required for their effective deployment and links to appropriate case studies in **Appendix 1**.

▶ Best practice guidance

Mileage management/capture

Understanding at a granular level the journeys made by the grey fleet may require a significant increase in administration, checking and possibly investment in technology by the organisation. An alternative is to employ the services of a mileage management/capture company who will provide the employee interface (webpage, phone app, dongle) to capture mileage driven by employees and interface with existing expenses systems. Mileage capture is not limited to grey fleet and can be used for all fleet vehicles and where fuel card data is imported vehicle efficiency can be established.

Any organisation that is unable to effectively manage its grey fleet mileage data could benefit from the services of one of these suppliers as this stage in the management of grey fleet is universal.

Information that would be required by a supplier includes:

- Fuel card and expenses policies and systems in use.
- Details of the population of drivers (grey fleet, cash for car, company car etc) and how policies should be applied to each.
- Current baseline.
- Duty of care requirements.

Daily rental

Daily rental vehicles can reduce grey fleet costs as they can be a cost effective solution typically for trips over 55 miles a day. The business case will depend on the rental rate as well as the mileage reimbursement rate paid for grey fleet journeys. Usually very short journeys will be cheaper in a car club vehicle or public transport. It is important therefore to understand which journeys can be made in rental vehicles.

Rental vehicles are usually an integral part of a grey fleet solution for longer journeys and for trips where public transport provision is limited. Organisations with a significant number of longer journeys being carried out in grey fleet vehicles will benefit most from daily rental; those with a shorter, urban grey fleet profile less so. Suppliers may be able to provide shorter term rental solutions including car club provision as part of their service offering. [Aylesbury Vale District Council](#) use an integrated service provided by Enterprise rent-a-car to manage their grey fleet.

Factors to consider when considering daily rental provision include:

- Vehicle fuelling requirements.
- Delivery and collection requirements and parking availability at business or drivers' home.
- Vehicle insurance, own or rental companies' provision.
- Check existing supplier rates to ensure the arrangement is competitive.
- Rental company will check drivers' licences and ensure vehicles are insured for business purposes, providing a degree of compliance with duty of care policies.
- Agree vehicle specifications with the provider e.g.: smaller, cleaner cars are the default vehicle provided.
- Ensure that a realistic period for each rental is advised. If a vehicle is required for an extended period, lower daily charges should be agreed in advance.
- Advise the rental company as soon as the car is ready for collection, reducing unnecessary charges for unused provision.
- Request a consolidated monthly invoice and schedule. This should include details of the hire group ordered, the group actually supplied, the car's P11d price, CO₂ emissions, rental cost, duration and any refurbishment charges. Use this information to monitor and manage your agreed policy both internally and with your supplier.

Information which will help a supplier determine the best package includes:

- Vehicle mix required.
- Average length of hire.
- One way hire %.
- Out of hours hire %.
- Mileage profile.
- Delivery & collection %.
- Delivery & collection mileage.
- Location of hires.

Car clubs

Car club vehicles can offer a viable solution to short trips both in terms of distance and duration currently undertaken in private vehicles, reducing overall costs and emissions. Car clubs are most effective when there is a consistent demand from multiple users, from the same location. The implementation and operation of a car club requires some steps to be followed to ensure organisations take advantage of the benefits on offer.

UNDERSTAND TRIPS MADE BY STAFF

This is particularly important before any further decisions are made on which car club model would work. Auditing grey fleet mileage and journey duration will provide a baseline against which progress can be made. Understanding demand profiles, i.e. when users are likely to require vehicles is important to help car club operators determine which trips could be migrated to car club vehicles. Car club provision in an urban environment can free up existing staff parking as it did for the [London Borough of Croydon](#) or significantly reduce parking charges which is a benefit enjoyed by estate agent [Knight Frank](#).

[Aylesbury Vale District Council](#) worked with its supplier to analyse grey fleet journeys and realise that a car share solution would meet its requirements. For organisations currently operating a pool car fleet, it may be possible to install car club technology to improve vehicle and booking management and increase utilisation. Car club vehicles can be reserved for organisations during the day and made available to the local community outside core working hours. This model may be attractive to organisations with strong corporate social responsibility policies.

INVESTIGATE CAR CLUB OPTIONS

Car clubs may be commercial or not-for-profit operators and may offer different operating models.

COMMERCIAL OPERATORS

Most operators have a significant geographical footprint; however there are still areas with limited provision. Membership may still be of benefit if members of staff regularly travel to a city or town hosting a car club. There is also a wide range of local car clubs operating over the UK. A full list can be found on the [Car Plus website](#).

COMMUNITY CAR CLUBS

For some public sector organisations such as Local Authorities and NHS Trusts, investing in a local car club is one way of redirecting expenditure from grey fleet into the provision of a community resource. While this may not result in financial savings in the early stages of operation, it allows a car club to become established in an area that would otherwise not be commercially viable for a commercial operator to start one. After a period of support, the club would move to a commercial model once it has become established.

For a local authority, supporting the start-up of a car club involves providing parking bays (on street or in council-owned car parks), and sometimes covering monthly operating costs while membership builds. The cost is in part offset against staff use of the cars. The parking bays need to be in locations convenient to council staff, yet accessible to members of the public and other organisations around the clock.

The [London Borough of Croydon's](#) car club scheme offers community benefits as does the scheme introduced by [Derbyshire Community Health Services NHS Trust](#).

Factors to consider when considering a car club include:

- Shortlist options that might work and interview suppliers.
- Understand staff travel requirements and provide details.
- Ensure a travel hierarchy is clear about when a car club car should be used.
- Consider how the car club can be promoted.
- Incorporate indirect savings such as reduced parking charges or the availability of car parking spaces into the financial model.

See how [Woking Borough Council](#) and [Derbyshire Community Health Services NHS Trust](#) engaged with staff to address any issues arising from their car share scheme.

▶ Best practice guidance

Lease cars

For employees who are identified as driving high annual mileages in grey fleet cars, including those in receipt of cash allowances, a lease car can be a cost effective alternative. A number of factors should be taken into account when considering their implementation:

MILEAGE DRIVEN

Identifying high mileage drivers and setting a robust policy for qualification is important. Drivers covering more than 10,000 business miles annually should be transferred to a company car; this threshold could be lowered if significant numbers of drivers fall just below this figure.

RESEARCH LEASE RATES

Leasing companies offer competitive rates for almost all cars available for sale. Employee choice lists can be generated based on lease cost and emissions rating and scenarios can be modelled and benchmarked against existing cash allowance or grey fleet payments to determine the optimum mileage threshold at which company cars become cost effective. See the case study of [an organisation](#) which replaced a cash for car scheme with a company car scheme.

USE WHOLELIFE COST CALCULATIONS

It is crucial to understand the true cost of the vehicles. Depreciation and maintenance will be covered by the lease provider. However the costs of employer NI, insurance and fuel should be included as should lease allowances and driver BIK. This analysis will ensure that a policy is introduced which will be cost effective for both employer and employee and that contracts with an appropriate mileage allowance are entered into.

CONSIDER PLUG-IN VEHICLES

Pure EVs and hybrid cars are generally most suitable for urban and lower speed open road driving conditions. Cars with efficient diesel engines are typically most efficient and cost effective for longer distance journeys typically on motorways. Understanding the journeys

covered by drivers and whether they have off-road parking suitable for overnight recharging will enable these vehicles to be incorporated into a policy. Company car tax liability and employer NI are based on a vehicle's CO₂ emissions. Significant cost and emission savings can be achieved if employees whose driving pattern is compatible, choose an Ultra Low Emission Vehicle (ULEV).

STAFF ENGAGEMENT

Any scheme launch should ensure that employees understand the new vehicle policy and how vehicle choice can impact on their personal tax liability. It is also important for employees to understand the wider benefits of the scheme, particularly where grey fleet mileage payments may have been seen as an additional source of income. A communication strategy should address any negative feedback from employees.

Information required by leasing companies includes:

- Drivers' journey types, mileage driven and locations.
- Current cars driven, cash & business mileage reimbursement rates.
- Requirements for carrying equipment or passengers.
- This information will help a supplier advise on appropriate policies and contract term and mileage.

Salary sacrifice

Offering a salary sacrifice scheme to staff can form a part of grey fleet management strategy in both private and public sector organisations. Schemes can offer a cost effective way for employees to drive a new, low emission, fully insured and maintained car, addressing many grey fleet issues and providing safer, cleaner cars for staff irrespective of the business miles they drive.

Schemes can be designed to enhance cost savings to the employer or to provide a significant employee benefit. A well planned and implemented scheme can meet both of these objectives.

Factors to consider include:

- Determine objectives clearly. Which is more important – savings for the organisation or staff benefit?
- Undertake research to determine the suitability of a scheme, potential audience size, how best to manage and communicate the scheme, and potential costs and carbon savings.

Once the reasons for offering a salary sacrifice scheme and its suitability within the organisation have been determined it is necessary to ensure that the potential benefits and risks associated with a scheme are understood by the organisation and employees. Risks can include early termination charges for organisations with a high staff turnover or impact on credit lines for some businesses. Organisations who offer the schemes have a range of products that can mitigate risks identified.

Estimating employee appetite for a salary sacrifice scheme is important and although a scheme may be offered to all employees, the level of participation will vary considerably between employers. Working with a scheme provider will enable the realistic savings that could be achieved based on lease rates and staff profile to be realised.

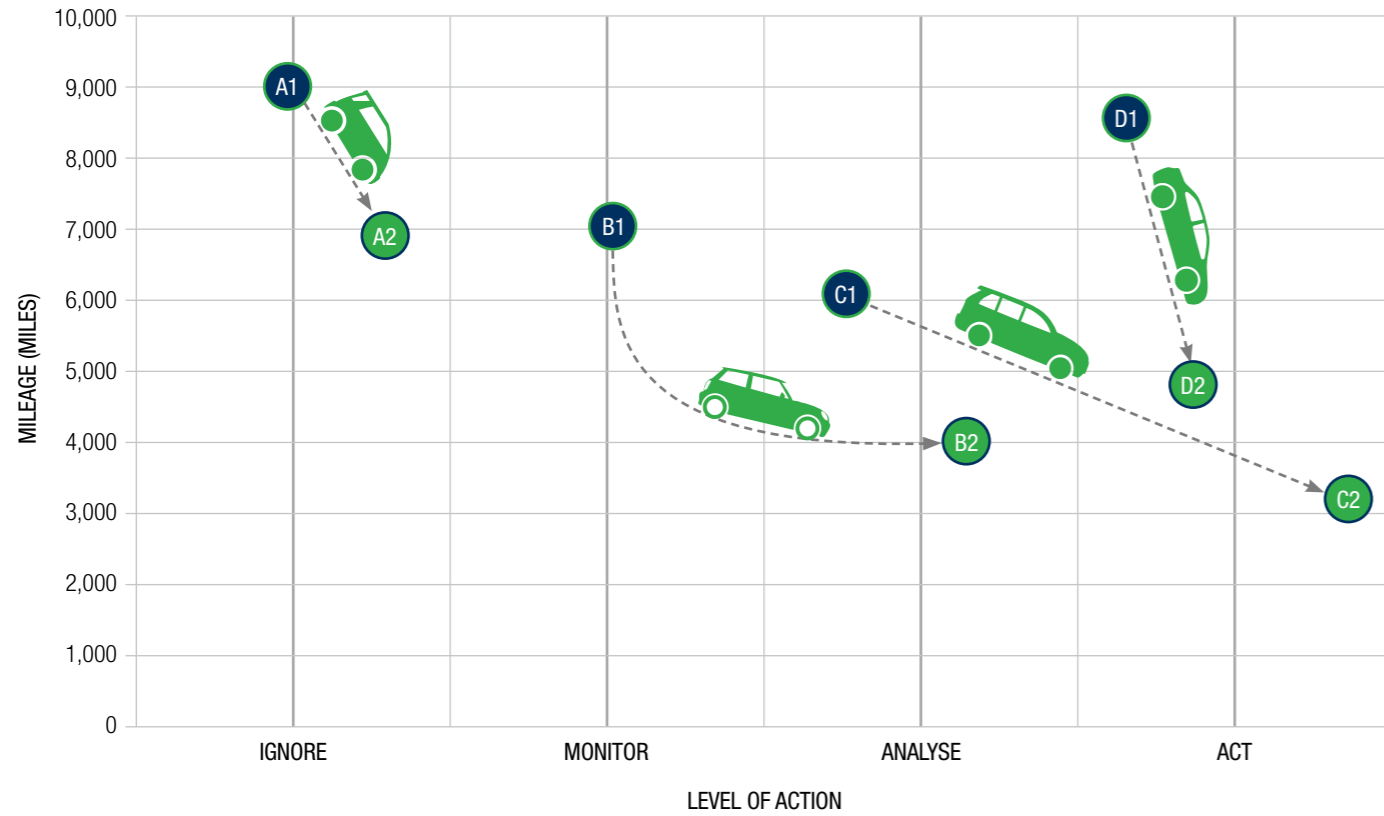
Having considered the areas highlighted above, consideration of how the scheme will operate needs attention. It needs to be robust, HMRC-compliant, and properly communicated to the target audience. It will be useful to reference the [HMRC guidance](#)¹⁵ as part of this process.

Read about [research](#) carried out by salary sacrifice provider Tusker on page 64.

¹⁵ <http://www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-pay>

▶ Best practice guidance

FIGURE 11 – GREY FLEET MANAGEMENT APPROACHES



The infographic above (Figure 11) describes how combinations of different grey fleet management solutions can help organisations reduce grey fleet mileage. Companies A, B, C and D start their grey fleet management journey from different levels of mileage and depending on the actions they take the impact on mileage reduction is evident.

COMPANY A1

In this company grey fleet mileage is high but the company doesn't have any control of this mileage. Paper based expense system used and no evidence of travel hierarchy.

COMPANY A2

Mileage management system in place to understand nature of trips and online expense system to address claims inflation.

COMPANY B1

This company has a mileage management system in place which helps them address duty of care and HMRC compliance issues but they don't utilise this data sufficiently to transfer grey fleet miles to other modes.

COMPANY B2

The company has utilised findings from mileage management to analyse journeys undertaken in grey fleet vehicles. The company has replaced journeys over 70 miles with daily rental and shorter journeys with car club vehicles and organised communication campaigns to engage with staff.

COMPANY C1

This company has reduced grey fleet miles by implementing mileage management software to understand nature of journeys, introducing travel hierarchy to promote alternative modes, and promoting cycling.

COMPANY C2

This company has introduced a combination of car share and daily rental to replace grey fleet journeys, continuous communication campaigns to discourage staff from using private vehicles and reduction in grey fleet mileage payments.

COMPANY D1

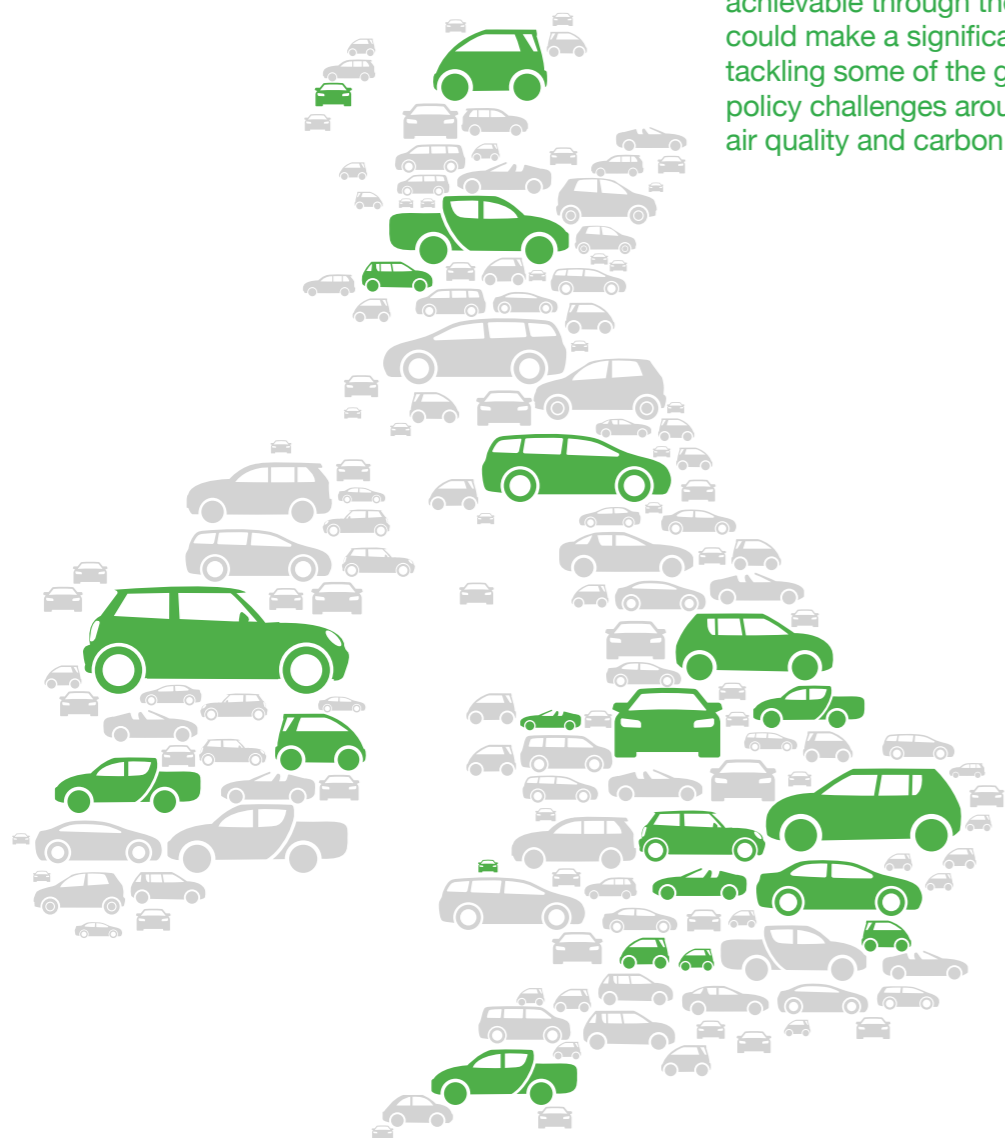
The company has good control of journeys undertaken in grey fleet vehicles and it has implemented measures to reduce them, but not successfully yet.

COMPANY D2

The company has obliged staff to use daily rental for journeys over 70 miles and promoted their travel hierarchy model for replacement of shorter journeys with public transport, cycling and walking.

BVRLA Grey Fleet Policy Proposals

To address the issues raised throughout this paper, the BVRLA offers the following policy proposals, which are aimed at encouraging the take-up of safer, cleaner and lower emission vehicles. The various benefits achievable through these recommendations could make a significant contribution in tackling some of the government's key policy challenges around road safety, air quality and carbon reduction.



PUBLIC SECTOR

Public sector fleets should set ambitious targets for reducing the impact of their grey fleet by:

- Increasing the portion of ultra-low emission grey fleet cars (with CO₂ of 75g/km or less) to 50% by 2020.
- Cutting total grey fleet mileage by 50% by 2020 – a reduction of 750m miles per annum.
- Cutting annual grey fleet costs by 50% by 2020.
- Improving road safety by ensuring that relevant documents – driving licences, insurance cover, MOT status – are checked at least annually, and that records are kept.

PRIVATE SECTOR

Private sector fleets should set ambitious goals for reducing the impact of their grey fleet, by:

- Increasing the portion of ultra-low emission grey fleet cars (with CO₂ of 75g/km or less) to 50% by 2020.
- Cutting total grey fleet mileage by 50% by 2020 – a reduction of 5.5bn miles per annum.
- Cutting annual grey fleet costs by 50% by 2020.

PROPOSED LEGISLATIVE CHANGES

The government can help organisations to get to grips with their grey fleet by:

- Launching a communications campaign highlighting the alternatives to grey fleet use and offering best practice guidance. For example, establishing a business car club.
- Reforming the benefit-in-kind (BIK) tax ratings to encourage the use of low emission company cars. This could be achieved by making the rates for cars emitting up to 120g/km CO₂ more attractive and the rates for cars emitting more than this more punitive.
- Introducing new tax categories that provide additional incentives for drivers of pure electric vehicles (EVs) with longer ranges.
- Providing more in-life incentives to encourage use of new and used EVs. For example, free parking or bus lane access.
- Making ultra-low emission leased vehicles eligible for First Year Capital Allowances. This enables businesses to offset the cost premium associated with these cars by allowing them to deduct the full cost against their pre-tax profits.



Appendix 1 – Case studies

1. University of Cumbria

INTRODUCTION

The University of Cumbria operates at several campuses across the north west of England and supervises student placements at a large number of locations. Most of the University's business travel used to be done by a combination of pool cars and private vehicles. However, during the last six years the University has been pursuing a programme of work to reduce the impacts of student and staff travel.

THE CHALLENGE – GROWING USE OF GREY FLEET AND NO CONTROL ON CO₂ EMISSIONS AND COSTS

The dispersed nature of sites and student placements had contributed to the establishment of a culture of driving at the University which led to an increase in grey fleet use and associated costs and CO₂ emissions. A review of the baseline data conducted in 2012-13 showed that drivers claimed expenses for 611,000 grey fleet miles, costing the University £275,000.

THE SOLUTION – REVISION OF TRAVEL POLICY, PROMOTION OF LOW EMISSION TRAVEL ALTERNATIVES

Facilities Management, HR, Finance and other departments of the University worked together on a wide programme of initiatives to reduce grey fleet and wider business travel.

Ian Rodham, Travel Planner at the University notes: "We wanted to reduce costs, emissions and road risk by reducing overall business travel. The key first step was to ensure that a range of alternatives were available before we targeted business driving and grey fleet mileage".

As part of this programme, the main initiatives implemented included:

- Revision of expenses policy to promote travel reduction and prioritise lower impact modes.
- An updated travel hierarchy ensured only essential travel is undertaken and private cars are the last option only when all other options are not available.
- Better provision of smaller, more efficient hire vehicles, public transport alternatives and online communication tools.

- Reduction in the mileage rate payable to employees using their own private cars from 45p per mile to 30p per mile.
- Obligation on staff to maximise car sharing for all their business journeys by car.
- Collaboration with the Institute of Advanced Motorists to provide a range of driver training and information to their drivers to ensure increased levels of vehicle utilisation.

Andrew Heron, Deputy Director, Finance at the University of Cumbria adds: "The Finance and Planning Service worked with Human Resources and Facilities Management to determine the best approach to car travel taking into consideration feedback on business needs, our approach to sustainability and cost. Crucially, the senior managers responsible for these areas jointly oversaw this work".

RESULTS – £170,000 SAVED IN GREY FLEET COST AND 42% REDUCTION IN GREY FLEET MILEAGE CLAIMED

The above actions led to significant cost and carbon savings within academic years (August to July) 2012-13 and 2014-15.

- 42% reduction of grey fleet mileage claims (a 258,000 mile decrease).
- 62% reduction in grey fleet reimbursement payments (a fall of £169,000).
- 36% reduction of CO₂ emissions from grey fleet.
- During 2015 emissions from hire cars reduced a further 8%.

These great results didn't happen overnight and coordinated efforts from the different departments to communicate the changes and ensure everyone was aware of their responsibilities were required. Ian adds: "Although there were instances when staff thought that the changes were not appropriate, effective communication and provision of alternative choices helped us overcome these barriers".

The University was recognised for its successful efforts to tackle grey fleet and won the Grey fleet management category at the 2014 Energy Saving Trust Fleet Hero Awards.

2. City of York Council

INTRODUCTION

In 2013 the City of York Council moved to a single main council headquarters from a range of smaller offices across the city and this was an initial step towards reducing grey fleet activity. The Council is planning to introduce effective travel management policies across the organisation that will enable grey fleet use to decrease naturally and only be used when there is no other alternative.

THE CHALLENGE – GREY FLEET JOURNEYS TO BE UNDERTAKEN IN MORE SUSTAINABLE TRANSPORT MODES

The classic drivers for grey fleet management are cost, duty of care risk, and CO₂ emissions. The Council was also interested in 're-direction', and the shifting of various types of grey fleet onto other preferred travel options: especially pool bikes for short journeys, and train or hire car for long journeys.

At the moment 40,000 grey fleet miles are undertaken per month, at a cost of 45p a mile, and a typical CO₂ of 152 gm/km for each vehicle.

THE PROPOSED SOLUTION – ENABLE GREY FLEET BE REDUCED NATURALLY

The overall approach has been to provide a full range of travel options, so that grey fleet activity can be reduced naturally and only used where it is most suitable. Specifically, they are planning to reduce grey fleet by type of team:

For a social work team or similar, with a very high monthly mileage, a travel plan for that team setting out where and when grey fleet should be used will be fixed. For an office based team, the aim will be to cut grey fleet use to an absolute minimum.

THE RESULTS – EXPECTED TO REDUCE TRAVEL BUDGETS AND CO₂ EMISSIONS

Given the extent of the change across all the various travel options (including six new or revised travel offerings) and the introduction of a new travel policy, as well as the diversity of travel patterns within a local authority, the Council is not offering up savings targets in advance of the change. The Council's position is that it is building a new baseline for travel costs and activity, and that future activity and change will be measured against this baseline.

That being said, staff anticipate significant CO₂ reductions and a noticeable reduction in travel budgets, especially in terms of 'mobilisation budgets' – this being the total cost, for a particular team, across all their travel and transport activity.

THE PROCESS – WILL FOCUS ON GREY FLEET REDUCTION PLANS FOR EACH PARTICULAR TEAM IN THE COUNCIL

The Council has consulted extensively, both with internal and external partners, and with senior management. In terms of implementing grey fleet reduction, it is focusing not on individual staff behaviour but on the service delivery in their particular team.

Mark Hewlett, Travel Management Officer at City of York County Council adds: "We want to harness staff interest in their own service, and to show how improved travel can in turn improve that service; with the reduction of grey fleet being a natural part of that change".

The main management actions planned to be implemented by the Council to ensure the success of the project are:

- The travel management team to be as open and available as possible, to engage with staff, and to respond promptly and effectively to any queries and questions.
- To provide a dedicated travel management intranet site, covering proper use of all the travel options.
- To engage with service managers, and to provide them with data on travel patterns and costs in their own team, and to work with them in successfully effecting change in their own team over time.

▶ Appendix 1 – Case studies

3. London Borough of Croydon

INTRODUCTION

In early 2010, London Borough of Croydon (LBC) launched a radical transport review looking at reducing grey fleet costs, carbon emissions and traffic congestion to relieve local parking pressures. Encouraging more sustainable transport use resulted in a trial of the Zipcar service.

THE CHALLENGE – HIGH GREY FLEET COSTS, INSUFFICIENT PARKING AND INCREASED CO₂ EMISSIONS

The main drivers that urged LBC to tackle grey fleet were:

- 30% of staff (1,284 employees) were essential and casual car users.
- There were 1.1 million grey fleet miles travelled per annum on LBC business.
- The cost of grey fleet travel equated to £1.3m per annum.
- The volume of car travel was generating 324 tonnes of CO₂ emissions.
- The staff car park was oversubscribed; 250 places with in excess of 400 permits issued.

THE SOLUTION – A ZIPCAR POOL CAR SCHEME FOR COUNCIL STAFF AND CROYDON RESIDENTS

LBC conducted a review of the essential car user scheme which found that car allowances were provided even to employees that didn't have to travel regularly for business purposes. This made LBC realise that a pay-as-you-go solution could replace its grey fleet travel and thus a pilot of the Zipcar pool car scheme was initiated. The 28 Zipcars now used are emitting less CO₂ than private cars.

The council also wanted to extend the transport options available to Croydon's 2,139 Zipcar members, by providing public access to the pool car vehicles outside of working hours. This "split service" model maximised the use of each vehicle, while minimising the need for car ownership. Ruth Morley, Service Performance Manager at LBC adds: "Using the same vehicles for both public and private use is a great example of how a single investment

in an innovative service can bring about benefits that go beyond the Council and directly help the local community".

In conjunction with the introduction of the Zipcar pool car scheme, the Council has also implemented Cycle to Work, corporate Oyster cards, lift-share (for commuting), flexible working and working-from-home policies.

THE RESULTS – £500,000 REDUCTION IN TRANSPORT COSTS IN THE FIRST YEAR

The results of these initiatives were impressive and included:

- Employee transport costs reduced by 42%, saving over £500,000 in the first year.
- Reduction of transport carbon emissions and annual employees' business miles by 36% and 42% respectively.
- 28% of staff living within five miles of their place of work now walk or cycle to work.
- The number of staff who travel to work by public transport increased by 26%.
- The number of staff travelling by car to work decreased by 27%.

THE PROCESS

Communication was one of the fundamental factors which ensured success of the project. The implementation of a Client Terms and Conditions document which each employee is required to sign before joining the scheme clearly shows users how the scheme works. As with any new policy, there was initially a concern among staff about losing an annual car allowance or lack of workplace parking, but once up and running, these concerns quickly disappeared.

Ruth adds: "The challenges to the finances of local government were communicated to all staff and showed clearly the need to reduce costs to protect front line services. We introduced the scheme as a voluntary pilot initially and targeted a small group of staff who had the most need of vehicles for business purposes. The numbers of members increased steadily through the pilot mainly due to 'word of mouth' recommendations from these staff to their colleagues".

Croydon, being the first London Borough to implement such an innovative new solution to staff travel whilst

simultaneously including significant benefits for its residents, is now sharing their knowledge, experience, best practice and expertise with other councils and public bodies so that they can apply the same innovative approach to their own employee travel services.

4. Aylesbury Vale District Council

INTRODUCTION

The initiatives implemented by Aylesbury Vale District Council (AVDC) to reduce grey fleet mileage and address duty of care risks demonstrate best practice grey fleet management. This scheme won the runner up award in the November 2015 EST Fleet Hero Awards for grey fleet management.

THE CHALLENGE – BUDGET CUTS AND REQUIREMENTS FOR COST EFFICIENT ALTERNATIVES

Economic, environmental and social drivers led AVDC to significantly reduce grey fleet use. During a period of tight public sector budgets, measures to achieve cost efficiencies and better control are more than ever necessary.

The council worked with Enterprise rent-a-car who, together with AVDC, analysed the most popular grey fleet trip destinations, distances and frequency of these trips. The analysis determined that 81% of those trips were shorter than 50 miles while 71% lasted for fewer than four hours. Also, staff travel surveys revealed the most common reason staff didn't use public transport for their journeys was because there was no train station available near their destination.

THE SOLUTION – A COMBINATION OF DAILY RENTAL, CAR – SHARING AND A REVISED EXPENSES POLICY

AVDC currently uses eight Enterprise pool cars including three pure EVs and six lease cars (for higher mileage drivers) including two BMWi3 Extended Range cars and a petrol hybrid. Charging requirements are covered by the seven charging points that have been installed on site. Staff can also use daily rental as long as their trip is longer than 75 miles or eight hours in duration.

As a last option, the mileage reimbursement rate for staff using their own vehicles was reduced to £0.15 pence/mile to discourage the use of private vehicles. Alan Asbury,

Sustainability and Energy Manager at AVDC points out: "For those that had to, or simply wanted to use their own vehicles, we implemented a risk based approach and a mandatory booking tool was established to take control of implicit risks (licenses, insurance, vehicle and driver safety etc.)".

Additional measures included the revision of the expenses policy and the removal of historic cash lump sums to ensure consistency and fairness for all staff.

THE RESULTS – £90,000, 100,000 MILES AND 50% OF CO₂ EMISSIONS SAVED

Within one year of the car share scheme being introduced, the Council has saved £90,000 on travel costs and reduced annual mileage by over 100,000 miles which has allowed the re-negotiation and introduction of a 50% staff bus subsidy on all four locally operated bus routes. CO₂ emissions have decreased by more than 50%, as journeys are now undertaken in less polluting, more fuel efficient cars. This has contributed to local air quality improvement and reduced congestion, reinforced by the replacement of private car journeys by bus and train journeys (with a 34% discount negotiated with Chiltern Trains).

THE PROCESS – CONTINUOUS COMMUNICATION WITH STAFF ENSURES SUCCESSFUL SCHEME IMPLEMENTATION

AVDC has maintained staff involvement and buy-in by reacting rapidly to issues and resolving them in partnership with Enterprise rent-a-car. Alan adds: "This has meant that staff drive a clean and safe fleet with regular safety checks where any damage reported is repaired immediately and staff feel they are being listened to".

Following the success of the first year of the scheme, the pool car contract has been renewed and the Council has added one more pure EV and a range extended EV to its lease fleet. The Council is continuously improving the scheme in partnership with Enterprise rent-a-car and is helping other organisations to establish successful schemes by sharing its experiences and learning from its journey.

▶ Appendix 1 – Case studies

5. Woking Borough Council

INTRODUCTION

As part of its Climate Change Strategy, Woking Borough Council is focused on reducing its CO₂ emissions and impact on the environment. Following a review of its transport policy, it became apparent that a car sharing solution could help the Council manage its vehicle use to reduce both CO₂ emissions and costs.

THE CHALLENGE – HIGH GREY FLEET COST COMING FROM CASUAL USERS

Woking Borough Council had “casual user” employees who were using their own cars for business creating significant cost for the Council.

THE SOLUTION – A MIXTURE OF DAILY AND HOURLY RENTAL TO COVER LONG AND SHORT JOURNEY REQUIREMENTS

The results of the Fleet Health Check the Council had from the Energy Saving Trust were combined with the results offered by the Enterprise rent-a-car Grey Fleet Tool Kit. This offered the Council information about the frequency, length and types of journeys made by individuals, and the amount of carbon emitted by the vehicles they used. The analysis showed over 30,000 miles were travelled every year by employees using their own cars leading to an annual mileage reimbursement bill of £17,778.

Given that many of these journeys were of short distance and duration Enterprise rent-a-car advised that a comprehensive rental package would be the best solution to help the Council control these costs, manage carbon emissions and fulfil its transport needs. This package consists of a mixture of daily rental, used for longer journeys and a unique hourly rental product, called CarShare designed specifically for shorter journeys.

The CarShare product offers employees the option to book one of the two dedicated sub 120g/km vehicles based in one of Woking’s central multi-storey car parks. The vehicles are available 24 hours a day for up to four hours at a time while Enterprise rent-a-car daily rental vehicles are used for longer journeys.

THE RESULTS – GREY FLEET COSTS DECREASED BY 29% AND 1.2 TONNES CO₂ EMISSIONS SAVED

The two cars have been used for an average of 145 hours per month, or about 4.5 working days each week, since the scheme was launched in 2010. This has seen a saving of just over 29% on mileage costs and 1.2 tonnes of CO₂. The programme also provides the Council with Duty of Care benefits helping to mitigate the risks associated with private car usage.

The introduction of the scheme has also meant that the Council no longer requires a pool car vehicle. This results in a saving of just over £2,000 per year in leasing costs.

THE PROCESS – CLOSE ENGAGEMENT WITH EMPLOYEES TO ENSURE THE PRODUCT IS FIT FOR PURPOSE

Before the scheme was implemented, Enterprise rent-a-car engaged with employees to understand their concerns and tailor the service to make sure it was fit for purpose. This involved visiting the Civic Offices and holding a staff briefing to explain the benefits of the service as a tailored hourly rental service. An important aspect of the service was the helpline set up for the Council employees, so any problems or questions could be answered swiftly and directly by Enterprise rent-a-car. Employees quickly embraced the scheme, with a 90% increase in members in the first month alone.

Ray Morgan, Chief Executive at Woking Borough Council, notes: “By working with Enterprise rent-a-car and benefiting from their expertise and comprehensive rental offerings we have been able to address two key issues – cost and emissions – whilst at the same time providing a flexible and easy to use business travel resource”.

Woking’s long term aim is to increase the number of cars in the scheme, to continue reducing mileage reimbursement costs and CO₂ emissions.

6. Derbyshire Community Health Services NHS Foundation Trust

INTRODUCTION

Derbyshire Community Health Services NHS Foundation Trust (DCHS) is one of the largest providers of specialist community health services in the country, serving a patient population of more than one million. Regular travel required by the community nursing team means that business travel is an essential part of the Trust’s operation. However, DCHS has implemented a wide range of measures targeting grey fleet aiming to reduce the financial and environmental impact of travel.

THE CHALLENGE – INCREASED GREY FLEET TRAVEL REQUIREMENTS ACROSS DERBYSHIRE

DCHS has 4,500 staff with around 2,500 claiming expenses for travel using their own vehicles. A large percentage of their work involves clinical staff driving across Derbyshire to deliver patient care at home. These Care in the Community teams have recently expanded, due to the NHS strategy to have more care in the community, which puts pressure on travel requirements.

The solution included a pool car fleet, revision of expenses policies and the promotion of low emission lease cars – the results speak for themselves.

A number of initiatives were implemented to provide staff alternatives to grey fleet and to reduce the need for travel:

- Introduction of a pool car fleet of 20 cars including one pure electric Nissan Leaf and seven plug-in hybrid vehicles. This has led to a considerable reduction in casual users’ claims who are now using the pool cars. 13 out of the 20 vehicles are also available to the public and therefore also provide a community benefit as a result of this initiative.
- An old paper-based mileage claim system was replaced by an e-pay system which includes manager checks to confirm the validity of driver and vehicle details.

- Teleconferencing and web-conferencing was introduced to reduce the need to travel leading to a 3% reduction in mileage claims.
- Expenses policies were revised to include HMRC approved rates for grey fleet mileage leading to grey fleet cost reduction.
- Cycle mileage rate was doubled to 20 pence per mile to incentivise active travel.
- Revised lease car policy encouraged the adoption of low emission vehicles and led to average CO₂ emissions of 105 g/km for new lease cars ordered in 2015.
- Installation of a total of 10 EV chargepoints at nine sites to facilitate further utilisation of electric and plug-in hybrid pool vehicles by staff.

THE PROCESS – COLLABORATION WITH THE TRADE UNIONS AND ONGOING STAFF ENGAGEMENT

DCHS has worked closely with the trade unions to ensure the new measures meet staff requirements and offer practical alternatives to travel. Although there were some complaints and resistance to the new mileage claim system as well as the introduction of the pool car fleet, ongoing communication with staff has ensured a smooth implementation of the measures.

The pool cars have been an absolute success with 400 staff currently registered. Low emission, pure electric and hybrid models have replaced mileage driven in highly polluting private vehicles. Mark Armstrong-Read, Senior Project Manager at DCHS adds: “This pool fleet has benefitted DCHS by transferring almost 75,000 miles per annum during 2015 to these cars, saving over 6.5 tonnes of CO₂ emissions, and this figure is increasing each month as more drivers use the cars.” Feedback from staff has been extremely positive and there are many wider benefits in addition to the environmental benefits, including improved safety and availability of the cars to members of the public outside core working hours through the Co-wheels car club website.

Mark adds: “As a health-promoting organisation, we want to support these wider social and health benefits, as well as provide further environmental and business benefits to DCHS itself”.

► Appendix 1 – Case studies

7. NHS Trusts – Tusker Direct

A salary sacrifice arrangement is an agreement between an employer and an employee to change the terms of the employment contract to reduce the employee's entitlement to cash pay. This sacrifice of cash entitlement is usually made in return for some form of non-cash benefit, in this case a car.

The idea behind the scheme is quite simple. Once the employee accepts the scheme, the overall earnings are lower and therefore tax and National Insurance to be paid will be lower. Also the employer benefits from reduced National Insurance Contributions (NICs) given that part of the salary is given up by the employee.

Salary sacrifice company Tusker works with many organisations helping them to reduce their fleet operation costs and CO₂ emissions through salary sacrifice schemes. NHS Foundation Trusts specifically have an important driver to provide their employees with incentives to move from older, more polluting to new, safe and cleaner cars. And the salary sacrifice option fits in well within their operations.

Tusker carried out research for nearly 50 NHS Trust customers that had replaced grey fleet with salary sacrifice cars. Tusker identified that cars on the salary sacrifice scheme are brand new and on average are replacing 7 – 8 year old vehicles. They also noticed a reduction of 37% in average CO₂ emissions given that the new vehicles are much cleaner and fuel efficient.

Out of the 552 vehicles analysed, new models included the plug-in hybrid Mitsubishi Outlander, the 100% zero-emission Renault Zoe and the range extender BMWi3.

A successful example of a Trust that decided to implement this solution is the Newcastle Upon Tyne Hospitals NHS Foundation Trust (NUTH). The Trust worked with Tusker to implement a salary sacrifice scheme of which approximately 13,000 employees are currently members. The scheme is open to staff across all sites both full time and part time who meet the Trust's minimum requirements for the scheme. NUTH currently has a fleet of 863 cars and the feedback received from staff has exceeded expectations.

8. Anonymous private sector company

INTRODUCTION AND THE CHALLENGE

A private sector company who wished to remain anonymous used to offer cash for car schemes to its employees who received the cash allowance and used their own private vehicles for any travel requirements. The employer wanted to investigate whether alternative travel methods would be more cost effective for the organisation. Environmental and corporate social responsibility benefits from an alternative travel method were also high on the employer's agenda.

The organisation was open to the benefits a company car will have for both the employer and its employees but was not prepared for its budget to increase by doing so.

THE SOLUTION AND PROCESS

ALD worked with the organisation and carried out some comparative analysis between existing cash for car scheme and a proposed company car solution.

ALD was asked which cars are usually taken within a sales function, across various industries and provided the organisation with a list of vehicles typically offered combined with example company car policies for limited or open choice of vehicles.

The organisation requested the cost comparison was completed on a VW Golf 5 Door 2.0 TDi. The results showed that the cash for car scheme was costing the organisation £22,205 for travelling 75,000 miles (60,000 business, 15,000 private) over 3 years. On the other hand, the company car would cost them £20,798 over the same term and mileage. The comparison was completed using Deloitte's Software and engagement with the organisation's finance team ensured they had a clear understanding and agreed with the methodology of the analysis.

The cost comparison results for the VW Golf as well as a Managers' proposed car are illustrated in the following table:

Scheme	Cash for car scheme (Cash at £4k/ annum)	Company car – VW Golf	Cash for car scheme (Cash at £5.5k/ annum)	Company car – VW Passat
Band	Sales	Sales	Manager	Manager
Mileage	75,000	75,000	75,000	75,000
Tax rate		Basic		Higher
Period of analysis	36 months	36 months	36 months	36 months
Cost of scheme	£22,205	£20,798	£26,332	£21,645

The organisation also required a funding comparison to ensure that Contract Hire was the most cost effective funding method so ALD compared Contract Hire, Contract Purchase and Outright Purchase. The finance reconciliation resulted in a decision by their finance director to move to a company car offering, using Contract Hire.

Although at the time of the analysis, savings on cash for car compared to company cars did not include any additional support from manufacturers, they have since been approached and support terms agreed.

The organisation's decision to move to a company car solution is not only expected to lead to significant cost savings but also to reduced CO₂ emissions with the added benefit of fully serviced and managed cars from the duty of care perspective.

9. Knight Frank

INTRODUCTION

Knight Frank is a leading independent property agency, with branches across London; and agents often have to drive clients from one viewing to another. In the past, this was achieved by a combination of company car provision and grey fleet where employees were using their own private cars.

CHALLENGE

With the cost of a parking season ticket around £3,000 pa, the cost of ad hoc parking at £28 per day and over 10,000 business miles being driven each year, for eight branches, the total cost of parking and expensed mileage alone, amounted to £49,241 pa.

SOLUTION AND RESULTS

By switching to Zipcar, with its network of cars parked in dedicated bays, conveniently close to the Knight Frank branches, and its pay-as-you-drive model, the total cost of achieving the same client viewings has been reduced to £24,442 – a 50% saving.

In addition to the cost savings enjoyed by Knight Frank:

- CO₂ emissions are reduced, due to employees commuting to work by public transport, rather than driving their private cars to/from work;
- Zipcar trips are undertaken in lower emitting cars, such as the Toyota Yaris Hybrid.

10. Environment Agency

INTRODUCTION – LEADING BY EXAMPLE

The Environment Agency (EA) is a public body and its main goal is to protect and improve the environment and promote sustainable development. Its fleet strategy makes a significant contribution to the reduction of its environmental impacts and for its achievements, the EA has won several prestigious awards including Green Van Fleet of the Year (2009), Green Fleet of the Year (2015) and several EST Fleet Hero Awards.

THE CHALLENGE – MEETING THEIR CORE TRAVEL OBJECTIVES

The EA had three core travel objectives:

- To reduce the total business mileage of vehicles.
- To dramatically lower CO₂ emissions from business travel.
- To lower the cost of business travel.

The EA has been working with Enterprise to understand how vehicles are utilised within the business in order to improve internal transport policies.

THE SOLUTION – IDENTIFIED WHICH TRIPS CAN BE TRANSFERRED TO DAILY RENTAL TO REDUCE GREY FLEET USE

Specifically, the EA has been able to use the Enterprise Grey Fleet Toolkit which enables them to review daily rental vehicles' specific profile and identify that 70 miles is the point at which daily rental becomes a more cost effective option. This provides the EA with the necessary information and tools to understand when it makes more sense to hire a car rather than pay mileage reimbursement rates.

To reduce grey fleet use even more the EA has promoted a travel hierarchy which only permits car use if all alternative methods of transport have been exhausted.

The EA has also put over 1,200 of its drivers through the Energy Saving Trust Smarter Driving Training aiming to achieve an average MPG improvement of 3.5%. Savings are equivalent to 200 tonnes of CO₂ and over £110,000 a year in fuel. The introduction of telematics into the commercial vehicle fleet has also already reduced fuel usage and carbon output by 10%.

THE RESULTS – SIGNIFICANT GREY FLEET MILEAGE REDUCTION AND BEHAVIOUR CHANGE

The EA has revised its vehicle rental booking policy from a default class D vehicle to class B. This means that a change in driver behaviour is facilitated by automatically selecting a class B vehicle when bookings are made and only allowing a larger vehicle class to be selected if certain criteria are met. This change gave unique insights into car usage and meant the EA has set a limit for grey fleet mileage claims to 3,000 per year and 75 miles per journey.

The policy also states that any mileage reimbursement claims over 75 miles would only be reimbursed up to 75 miles and any journeys over 75 miles should be undertaken in a rental vehicle. This policy has helped to reduce the incentive for employees to travel in their own vehicles and facilitated a change in attitude towards mileage reimbursement.

Appendix 2 – Duty of Care

Further information on employers' responsibilities on duty of care

Employers have duties under health and safety law for on-the-road work activities. The Health and Safety at Work Act 1974¹⁵ states that "it shall be the duty of every employer to ensure, so far as is reasonably practicable, the health, safety and welfare at work of all employees".

The Management of Health and Safety at Work Regulations 1999 require every employer to carry out an assessment of the risks to the health and safety of employees, or themselves, while they are at work, and to other people who may be affected by their work activities. This includes any driving activity on the road.

Furthermore, under the Corporate Manslaughter Act (2007), companies can be prosecuted for the death of drivers resulting from work-related journeys where negligence is proven. If it can be demonstrated that senior management are responsible for a gross breach of duty of care resulting in death, penalties can be applied including unlimited fines and publicity orders. Businesses also have duties under road traffic law, e.g. the Road Traffic Act and the Road Vehicles (Construction and Use) Regulations, which are administered by the police and other agencies such as the Driver and Vehicle Standards Agency (DVSA) and which apply to all vehicles in which business journeys are made.

Data revealed by Sewells¹⁶ demonstrated that in 2015 there was a 42% average car incident rate in the public sector of which 25% was their own fault. Sewells survey results indicate that 67% of public sector organisations use driving licence checking.

HOW MILEAGE MANAGEMENT CAN HELP EMPLOYERS COMPLY WITH DUTY OF CARE REQUIREMENTS?

Mileage management companies offer products that involve a licence and document checking service, along with information capture such as last service date, last safety check etc. Grey fleet drivers submit vehicle declaration details as part of their mileage submission

to audit mileage data as well as check insurance and MOT details to ensure they are valid. Medical conditions can be monitored and systems can prevent drivers who don't complete a licence mandate or the required documentation from making any claims

HOW THE USE OF LEASE CARS HELPS EMPLOYERS RESPOND TO DUTY OF CARE RISKS?

Leasing companies often have a range of risk management products that cover licence checking, risk assessment and grey fleet management. While the implementation of these programmes cannot absolve the customer of all responsibility towards its drivers, it will provide a robust and auditable mechanism that will demonstrate steps have been taken to ensure the health and safety implications of driving at work have been addressed. The success of these programmes depends very much on the commitment behind it. With management support and driver buy-in, there is a potential for major savings in accident downtime, fuel and insurance costs.

HOW DAILY RENTAL OFFERS EMPLOYERS DUTY OF CARE BENEFITS?

A daily rental fleet typically consists of new vehicles, often younger than six months old. This usually means better fuel consumption which reduces cost but safety, reliability and environmental impact are improved.

As employers have a duty of care regarding the health and safety of their employees, daily rental offers peace of mind that employees will be driving vehicles which comply with the latest safety features.

Furthermore, vehicles undergo comprehensive checks to ensure they are ready for rent and are maintained in line with manufacturer's recommended service schedules. Similarly, regular checks are undertaken on car club vehicles to ensure they are undamaged.

Any incidents involving drivers and vehicles are captured, managed and recorded. Driver licence checks are also included as is car insurance. In addition, the detailed management information available helps determine whether all journeys are necessary.

¹⁵ Health and Safety at Work etc Act, 1974

¹⁶ Sewells Incident Rate and Controls research 2015, Source: Fleet200, fieldwork May-July 2015

Appendix 3 – Public sector mileage rates

NJC CAR ALLOWANCES			
VEHICLE ENGINE SIZE (CC)	451-999	1000-1199	1200-1450
ESSENTIAL USERS			
Lump sum per annum (£)	846	963	1,239
Per mile first 8,500 (p)	36.9	40.9	50.5
Per mile after 8,500 (p)	13.7	14.4	16.4
CASUAL USERS			
Per mile first 8,500 (p)	46.9	52.2	65.0
Per mile after 8,500 (p)	13.7	14.4	16.4

FIGURE 7 – NJC CAR ALLOWANCES

AGENDA FOR CHANGE RATES OF REIMBURSEMENT			
Type of vehicle	Annual Mileage up to 3,500 miles	Annual Mileage over 3,500 miles	All eligible miles travelled
Car (all fuel types)	56 pence per mile	20 pence per mile	
Motor cycle			28 pence per mile
Pedal cycle			20 pence per mile
Passenger Allowance			5 pence per mile
Reserve Rate			28 pence per mile
Carrying heavy or bulky equipment			3 pence per mile

FIGURE 8 – AGENDA FOR CHANGE RATES OF REIMBURSEMENT

AGENDA FOR CHANGE RATES FROM JULY 2014

This rate format replaced a similar allowance format to the NJC rates which was separated into Regular User (including lump sum) and Standard User and incorporated three engine capacity bands. The mileage rates were reduced at 3,500 miles and both the pence per mile figures and engine capacity bands were different to NJC.

The revised rate structure was introduced from July 2010 when the key car allowance rates were 67 pence per mile (up to 3,500 miles) and 24 pence per mile for subsequent miles driven.

In the private sector, employees have faced increasing levels of Company Car Tax, a rate of increase which is set to continue for the balance of the current decade. This has limited appeal to some drivers, who would often prefer to drive a larger, less fuel efficient vehicle. The solution for some organisations has been to introduce or extend “company car opt out” or offer “cash for car” only schemes.

Some employers believe such schemes reduce administration when compared to running a company car fleet. In adopting a “hands off” approach the scheme is likely to be inefficient in terms of mileage claim management and expose the employer to considerable duty of care and HMRC compliance risk.

Appendix 4 – Data sources and the model

The approach adopted to size grey fleet mileage and cost included data collection from EST grey fleet reports and data provided from BVRLA members, and results in a unique, flexible and robust modelling approach.

Data sources

PUBLIC SECTOR

Establishing the grey fleet mileage of the public sector requires data to be drawn from a number of sources, validated and then scaled to represent the whole sector. Some sectors have been subject to extensive public scrutiny while others have been largely ignored and data in the public domain that directly relates to grey fleet mileage is limited.

The model for the Local Authority cost and size estimate was built up from 21 EST Green Fleet reviews encompassing 114,000 staff and 40.5 million miles. The NHS model is based on data from 13 Trusts and 103,000 staff driving 34 million miles in 2013/15 and is backed up by the SDU published carbon emission figures. The Civil Service estimate is based on data from 18 departments and a range of agencies over a period from 2006 to 2015. These figures have been adjusted to accommodate changes in staff numbers.

PRIVATE SECTOR

The model for private sector grey fleet included data from 28 companies in the EST dataset and data provided by Vertivia and The Miles Consultancy (TMC). TMC data was especially useful as it included individual journey details not available in the EST datasets. The estimate for private sector grey fleet size and cost has also taken into account results from a grey fleet survey conducted by Sewells for the purposes of this project.

Associated limitations

We identified some challenges when establishing the scale of grey fleet mileage in the private sector due to the relatively small sample of highly granular data available. There were challenges in scaling the data related to limited information regarding the number of people employed in the different market segments. However, these gaps were addressed by cross-reference with published information from Fleet News 200 fleet analysis as well as results from a recent grey fleet survey conducted by Sewells.

The model

LOCAL AUTHORITIES AND THE NHS

The two sectors which make the greatest contribution to total grey fleet mileage in the public sector are Local Authorities and the NHS, estimated between them to account for over 70% of the sector's total mileage. These are the two sectors about which most information is available.

Local Authorities have been the subject of at least two Freedom of Information (FOI) requests in the public domain; one by the Taxpayers Alliance (2010) and one by Fleet News (2015) both of which identified the cost of the mileage driven and the payment schemes in use but not mileage. EST has also worked extensively with Local Authorities over the last decade helping them to address grey fleet issues and anonymised results from the most recent of these reviews have been included into the model. Data on Local Authorities' staff numbers is also publicly available which allowed the numbers to be scaled and sense checked against the results of FOI requests.

The NHS has not been subject to systematic FOI requests on grey fleet usage but some Trusts have been active users of the EST advice framework, in addition to which the NHS SDU publishes some data on the carbon emissions from business travel. In 2010 EST undertook a review for DECC of transport carbon emissions in English public sector organisations. NHS staff levels and carbon emissions from business travel have subsequently not changed significantly and the estimates arrived at in 2010 and 2015 are within 2% of each other, an important correlation as the estimates are based on different datasets.

THE CIVIL SERVICE

There has been less activity by EST in this sector in recent years and no FOI requests. In addition, little data is published by the departments in the form of specific grey fleet carbon or mileage reporting. As a result it has been necessary to use civil service grey fleet data from a wide period (2006-2015) and adjust the reported mileage for changes in staff numbers.

The variation in grey fleet use between departments appears to be wide. In 2010 the methodology agreed with DECC was to classify each department into Very High, High, Medium and Low grey fleet use and apportion mileage accordingly. Wherever possible the same categorisation was used in this analysis unless actual data was available for the department. However the departmental structure has changed and some sectors have disappeared from the civil service. Further analysis of departmental data would be beneficial, however testing of the available data suggests the model is robust.

HIGHER AND FURTHER EDUCATION

Staff numbers derived from data published by the Universities and carbon emission data for their estates departments was available. Although grey fleet mileage forms part of their carbon report many Universities reported zero business mileage which may reflect their focus on emissions from building energy use.

EST has worked with many Universities and has found that obtaining grey fleet data is challenging due to the departmental structures in place. This also proved to be the case when EST undertook the 2010 DECC review, when the total grey fleet mileage was built up from a small sample of Universities

Basing the 2015 estimate on the 2014 published carbon emission data has resulted in a large drop in overall mileage from previous estimates but this is thought to be due to systematic under-reporting.

Data regarding the further education colleges is even sparser in the absence of comprehensive reporting of staff numbers, carbon emissions or significant engagement with EST. An estimate was made using staff numbers and the mileage/employee factor as used for the 2010 DECC report which was based on secondary school mileage.

It is worth noting that further education is only 2% of the total and although this could be a significant under or over estimate it would still be only 1%-4% of the total public sector grey fleet.

THE EMERGENCY SERVICES (POLICE AND FIRE)

The police and fire service mileage was based on three recent EST police service Green Fleet Reviews. Although this is a small dataset, staff numbers in these two sectors is small compared to the rest of the public sector and even accounting for considerable variance in the data, it is a comparatively insignificant element of public sector grey fleet mileage. It should be noted that the Ambulance Services are included in the NHS assessment.

THE PRIVATE SECTOR

There are significant gaps in private sector grey fleet data. No systematic study for the sector has been undertaken and analysis of 29 companies in 12 sectors showed no systematic correlation between or within sectors. A similar anonymised dataset covering 15 sectors provided by TMC showed the same lack of correlation between and within sectors.

Some organisations are heavily dependent on grey fleet with staff averaging over 20,000 miles/annum while in other organisations the employees average fewer than 500 miles/annum even where the companies operate in the same sector. It is also possible that this variation between and within sectors is explained by some confusion amongst companies between the grey fleet funded wholly by mileage payments and the cash allowance fleet funded by a monthly lump sum combined with mileage payments to meet fuel costs.

The estimate of total grey fleet mileage in the private sector has been derived from the detailed datasets of the specific companies analysed, in conjunction with findings from Sewells surveys and the Lex Autolease 2015 report on company motoring which published an estimate of 14,000,000 grey fleet cars in use in the UK across all sectors. This combined data has been used to build up the estimate of total private sector grey fleet.

Glossary of terms

Term	Definition
Approved Mileage Allowance Payments	Employers paying their employees for using their own car up to 45 pence per mile (first 10,000 miles) and 25 pence per mile (above 10,000 miles) a year do not have to report them to HMRC.
Class 1A National Insurance (NI)	Tax employers pay when providing their employees with work benefits, e.g. company car.
Euro (3, 4, 5 or 6)	Increasingly stringent standards for the limits of exhaust emissions of new vehicles sold in EU member states.
Extended range electric vehicle (E-REV)	A vehicle which combines a battery, electric motor and an ICE. The electric motor always drives the wheels with the ICE acting as a generator when the battery is depleted.
MOT	Test of vehicle safety, road worthiness aspects and exhaust emissions.
NAEI	National Atmospheric Emissions Inventory.
NCAP	The European New Car Assessment Programme awards 'star ratings' based on the performance of vehicles in a variety of crash tests.
New European Driving Cycle	NEDC is designed to assess the emission levels of car engines and fuel economy in passenger cars and light commercial vehicles.
NO_x	A generic term for nitric oxide, nitrous oxide and nitrogen dioxide.
NTS	National Transport Survey.
OEM	Original Equipment Manufacturer.
PM (10 and 2.5)	Suspended particulate matter categorised by the size of the particle (for example PM ₁₀ is particles with a diameter of less than 10 microns).
SDU	Sustainable Development Unit – a national unit established in April 2008 working on behalf of the health and care system in England.
SUV	Sports Utility Vehicle.
ULEV	Ultra Low Emission Vehicle.

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BRITISH VEHICLE RENTAL
AND LEASING ASSOCIATION

River Lodge Badminton Court
Amersham
Buckinghamshire
HP7 0DD

Phone: +44 1494 434747
Fax: +44 1494 434499

www.bvrla.co.uk