The Premier Organisation for Fleet Operators

Press Release

31 March 2019

FLEET CHIEFS AND COMPANY CARS HAVE INFLUENTIAL ROLE TO PLAY IN ENSURING GOVERNMENT MEETS 'GREEN' TARGETS, ACFO SEMINAR TOLD

- Diesel has key role to play in fleets but Government must 'play fair' on tax
- Fleets urged to be aware of 'unintended consequences' of offering a cash option
- Fleet operators tackle 'forest of fires' with Government hamstrung by Brexit
- Fleet bosses told to be 'ready' for Brexit, Clean Air Zone and WLTP challenges
- Personal development key to improving fleet managers' standing, says ICFM
- Revised BVRLA guide aims to educate drivers on vehicle 'fair wear and tear'

Fleet managers have a hugely influential role to play in promoting the uptake of company cars if the Government is to achieve its environmentally-focused 'Road to Zero Strategy'.

Employees in increasing numbers are said to be opting to take cash in lieu of a company car amid year-on-year rises in benefit-in-kind taxation. But with many then driving seven-to-10-year-old vehicles that trend was counter-productive to the Government's air quality programme and its aim to ensure that by 2050 almost every car and van on the roads was zero emission.

Delegates to ACFO's spring seminar were told by Ashley Barnett, head of fleet consultancy at Lex Autolease, the UK's largest vehicle leasing and fleet management company, that a growing number of cash takers triggered among fleet managers a loss of control and influence over vehicle-related decision-making and conflicted not only with Government strategy but with employers' own sustainability agendas.

At the seminar, entitled 'Another Year of Evolution' held at the British Motor Museum, Gaydon, and sponsored by Jaguar Land Rover with support from Lex Autolease and Reflex Vehicle Hire, Mr Barnett outlined a six-point action plan for fleet managers:

- Identify future fleet strategy and how its sustainability fitted
- Understand why their organisation offered a car or cash benefit
- What should the company car benefit look like in the future in line with the objectives of their employer

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- How could sustainability be ensured within future fleet policies
- Identify how they could influence future fleet policy changes
- Identify how they could measure fleet policy success.

"Fleet managers should question why their organisation offered a cash or car option and because it had always been available did not mean that it should be continued," said Mr Barnett. "If a business has a policy around sustainability you don't want a car policy that is at odds with it.

"The Government is very clear on its 'Road to Zero Strategy'. It has 31 years to achieve its aim, that is seven car replacement cycles, and fleet managers have the ability to influence change today."

Highlighting that developing a sustainable fleet policy offered "immense challenges but also immense opportunities", Mr Barnett urged fleet managers "to be an active participant in change and not a victim".

Explaining that Lex Autolease had met with HM Treasury officials and provided data on actions the company's fleet customers were taking in relation to company car benefit-in-kind tax rises, Mr Barnett said he believed "they were listening".

With the Government continuing to review the shape of future company car benefit-in-kind taxation from April 2020 ahead of an anticipated summer announcement, Mr Barnett highlighted that fleet uptake of plug-in vehicles was "way behind the curve" required to meet official targets.

"Fleet managers have the ability to influence change, but it is not about changing the fleet all in one go," he said. "We can all see that tax is rising, and the Government wants cars to be at the bottom end of the tax structure in terms of emission levels.

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"Too many businesses view company cars as a cost and not a benefit, but some policies have become too restrictive. Fleet managers have the ability to take back control, promote company cars as a reward and give employees the responsibility to select the car they want. We could then see an increase in company car take-up. Company cars should be valued because they provide a hassle-free comfort blanket for employees, particularly in terms of maintenance and insurance"

Diesel has key role to play in fleets but Government must 'play fair' on tax

Diesel has a key role to play in fleet operations for many years to come with the Government urged not to penalise company car drivers for choosing the fuel as it continued its review of future benefit-in-kind taxation.

An impassioned plea for the Government to 'play fair' with company car drivers was made by Scott Dicken, sales director, at seminar headline sponsor Jaguar Land Rover.

The Government is reviewing company car benefit-in-kind tax and Vehicle Excise Duty regimes from April 2020 in the wake of last year's introduction of the Worldwide harmonised Light vehicles Test Procedure (WLTP). In the recent Spring Statement, it promised to announce the outcome of its review "in the coming months".

Highlighting that the "demonisation of diesel" in sections of the media had "destabilised" the market with sales slumping, Mr Dicken said: "The Government has not been in control. Consumers have been supplied with lots of misinformation."

Highlighting the efficiency of today's Euro 6 compliant diesel engines, Mr Dicken said he believed that the debate had moved on and added: "We are now getting more sensible discussions. It is no longer the simplistic view that diesel is bad and petrol is good, which has led to some people making the wrong decision about what is best for them."

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While committing that Jaguar Land Rover would have electric options across its model line-up from 2020, Mr Dicken said: "There is a role for the internal combustion engine and diesel because it offers an optimised way to reduce CO2 emissions. Electric vehicles cannot currently replace diesel."

Stressing the importance of educating fleet managers, company car drivers and consumers on the merits of diesel vehicles, Mr Dicken believed that the automotive industry had been "a little bit passive" in fighting back at the negativity surrounding diesel.

But, he continued: "We have established a much closer relationship with the Government and particularly HM Treasury. We believe that fiscal policies have created a negative environment that is impacting the industry and taxation because consumers are making decisions that are wrong for the environment and for them personally.

"We are working to educate customers and also influencing Government to make sure they are making the right decisions. The issues are complex, but the key motivator for consumers are the financials."

Highlighting that company car drivers selecting a new diesel model now paid a 4% tax supplement if it did not comply with the Real Driving Emission Step 2 (RDE2) standard - almost every diesel car available does not - Mr Dicken said: "The unintended consequence of Government policy is customers are paying more tax when the intent should be to change behaviour without paying more."

In completing its review of future company car benefit-in-kind tax, Mr Dicken said: "We want distortion of the market to be avoided and singling out diesel is creating negativity. The Government's CO2 targets will not be met without diesel so we have to have a more graduated approach to tax in the future."

Meanwhile, with the new "game changing" Range Rover Evoque now on sale and new models in the pipeline including a replacement for the Land Rover Defender and an electric version of the Jaguar I-Pace due next year, Mr Dicken said the business was looking to boost fleet sales.

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Under the leadership of national fleet and business sales manager Fiona Kinner and with new recruits to the fleet team and a restructuring taking place, he promised: "We are growing the business and establishing new relationships."

Fleets urged to be aware of 'unintended consequences' of offering a cash option

Fleets may come under pressure from employees to allow them to take a cash in lieu of a company car, but employers should be aware of "unintended consequences", Mike Moore, tax director at professional services firm Deloitte told seminar delegates.

He acknowledged that some company car drivers may have seen their benefit-in-kind tax bill increase by as much as 127% over two four-year vehicle replacement cycles.

However, distinguishing between 'perk' and 'essential user' drivers, Mr Moore said: "Employers must be very careful about what the aims are in offering cash and undertake due diligence to ensure it meets business needs and there are no unintended consequences - a higher tax bill for both a company and driver because of the way a deal was structured."

Anticipating that the Government would publish draft clauses related to future changes in company car benefit-in-kind tax ahead of the summer Parliamentary recess with a final announcement in the autumn 2019 Budget, the fleet industry is concerned at the rising number of employees opting out of company cars.

But, Mr Moore highlighted that company cars offered benefits to both employers and employees. In respect of employers, benefits included an easier ability to meet duty of care and corporate responsibility requirements as well as harmonised benefit provision at job/car grade level; while for employees the benefits included business/private mileage profile protection, comfort around vehicle service and maintenance and insurance costs being covered and no issue with potentially having to meet credit rating requirements if acquiring a vehicle privately.

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He also suggested that establishing the 'right level' of cash allowance could prove troublesome - employer or employee neutral with "most businesses going somewhere in between".

Hoping that the Government would provide tax clarity with its forthcoming announcement, Mr Moore said: "In the next five to six years fleets may come under pressure from drivers to move towards cash, but I don't think it is the answer for all drivers."

Fleet operators tackle 'forest of fires' with Government hamstrung by Brexit

Fleet operators are tackling a "forest of fires" in part influenced by a UK Government unable to set the agenda with it consumed by Brexit, ACFO chairman John Pryor told seminar delegates.

As seminar speakers addressed all the key issues confronting fleet operators ranging from company car benefit-in-kind taxation uncertainty post-April 2020 to the impact of Brexit and the imminent implementation of Clean Air Zones across the UK to fleet funding and the rise of personal contract hire, Mr Pryor said: "ACFO seminars have always strived to cover the burning questions of the day, but currently it seems more like a forest fire of events, in that so much is going on, and so intensely, we are all in a flux as to which one to tackle first."

Highlighting the "range and diversity" of issues that required fleet operators' attention, Mr Pryor continued: "It is becoming quite obvious that the Government is unable to set the agenda, and it is we who have to take up that mantle.

"The seminar subjects show us the issues that are out there and how much we all now have to think about, and cover, and if we can help by working together we can lead the changes that are needed."

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With ACFO and fleet decision-maker training organisation ICFM working closely together to promote the benefits of professional fleet management and the importance of training and education, coupled with the implementation of best practice, Mr Pryor said: “It is only perhaps ACFO and the ICFM which can bring such a diverse agenda together and see the joined up relevance.

“It perhaps has never been as important for bodies like ACFO and ICFM to help shape this agenda. We all through various job rolls and business requirements know what we need to do to get the job done.

“Businesses are no longer so compartmentalised and seminar delegates with their wide range of job titles only reinforces that belief. Business today within the growing area of mobility of their employees, are wanting and needing to understand the issues and seek the answers to them.”

And with the advent of Clean Air Zones in towns and cities nationwide with their different vehicle entry criteria, Mr Pryor speculated: “Why bother to have a country-wide joined up single policy when you can devolve and push down to every city, town or even rural hamlet for their own policy.”

Fleet bosses told to be ‘ready’ for Brexit, Clean Air Zone and WLTP challenges

Political and regulatory developments around numerous issues, but notably Brexit, Clean Air Zones and the Worldwide harmonised Light vehicles Test Procedure (WLTP), means fleet decision-makers should be ‘in a state of readiness’.

Successive speakers outlined the impact that the UK’s departure from the European Union, which has now been delayed until April 12 at the earliest, would have in the event of a ‘no-deal’ Brexit.

The Department for Transport and ABTA (Association of British Travel Agents) have already published a raft of information on actions fleet managers, drivers and travellers may wish to take to help avoid unnecessary future disruption in the event of a 'no-deal' scenario.

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Malcolm Maycock, managing director of Licence Bureau, the largest provider of licence verification in the UK, urged fleets to be particularly vigilant in respect of European Union driver licence holders complying with UK regulations and potentially either exchanging their licence for a UK one or taking a UK driving test to obtain one.

He also advised fleet managers to not only undertake checks on driver licences to ensure their validity and whether drivers had any convictions, but also to risk assess foreign driver licence holders and put them through UK familiarisation training.

Meanwhile, Len Benson, associate director/motor manager at insurance broker Peter Lole & Co and an ACFO member, told fleet managers that if they expected drivers to be abroad after April 12 then a Green Card - an international certificate of insurance - should be applied for from their insurer or broker.

"Fleets may have a blanket insurance certificate but a blanket Green Card is not available. A Green Card is required for every vehicle when driven in a European Union member state and some other countries (Andorra, Serbia and Switzerland) in the event of no-deal Brexit," he said.

Many fleet managers also have responsibility for corporate travel and Fiona Kail, national account manager at business travel experts Clarity, reminded delegates that it was important that they checked that passports of employees travelling abroad were valid for a further six months after their intended stay.

Even in a no-deal scenario, UK travellers will still be able to visit European Union countries without a visa up until the end of 2020. However, after that date the European Commission has said that UK citizens would need to pay a fee of around €7 for a so-called visa exemption. It is part of a new electronic travel authorisation system applying to all third country visitors to the European Union, similar to the United States of America's ESTA regime.

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Mr Maycock also warned of a potential driver shortage, particularly in the parcel delivery sector, as a consequence of Brexit with many foreign workers currently considering whether or not to remain in the UK following the UK's European Union departure and some already having left the country.

A similar warning came from Oliver Waring, managing director of seminar supporter Reflex Vehicle Hire, who warned that many people employed as drivers, valeters and yard staff were from the European Union with some already leaving.

"The opportunity arises to bring in ambitious school leavers and the older generation who may be retired or semi-retired as mentors," he said.

Mr Waring also outlined how fleets could overcome a Brexit-inspired lack of business confidence and economic uncertainty and minimise residual value and balance sheet risk exposure by turning to rental companies for vehicles.

"Make these issues someone else's problem by turning to flexible hire as part of your financing and operating strategy," he told fleet managers.

Complexities surrounding the introduction of the WLTP emission and MPG regulatory regime for both cars and light commercial vehicles and the related RDE2 standard continued to haunt vehicle data providers, vehicle suppliers such as contract hire and leasing companies and rental organisations and fleet operators, said Beth Davies, product manager - manufacturers at automotive industry data provider CAP HPI.

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Initial evidence revealed that cars' CO_2 emissions increased by up to 20% as a result of testing switching from the old New European Driving Cycle (NEDC) protocol to interim correlated values with a further 20% rise anticipated as a result of the switch to WLTP values for tax purposes from April 2020, according to Ms Davies.

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However, with that information not yet available Ms Davies said: "There is a huge amount of change taking place, but with very little guidance."

What's more with optional extras to become part of the WLTP testing regime - they are not part of the NEDC regime - it meant that new configurator tools would have to be made available so fleet managers and drivers could calculate CO_2 impact.

Finally, Tim Anderson, senior transport advice manager at the Energy Saving Trust, reminded fleet managers to consider the impact that the new London Ultra Low Emission Zone, which goes live on Monday, April 8, and other Clean Air Zones to be introduced in towns and cities nationwide would have on their vehicle operations.

Both Birmingham and Leeds are scheduled to introduce chargeable Clean Air Zones from January 2020 with other locations, including Bristol and Manchester, anticipated to implement the measure in a bid to improve air quality.

Mr Anderson urged fleet managers to: consider current vehicle compliance with the de facto Clean Air Zone standard being Euro 6 for diesel vehicles and Euro 4 for petrol derivatives; the cost of operating non-compliant vehicles in chargeable Clean Air Zones; plan vehicle replacement schedules with Clean Air Zones in mind and consider operating ultra-low emission and electric vehicles; and communicate advise on the introduction of Clean Air Zones to drivers.

- Further information is available at https://www.gov.uk/guidance/prepare-to-drive-in-the-eu-after-brexit#eu-drivers-visiting-or-living-in-the-uk-after-eu-exit and https://www.abta.com/tips-and-advice/brexit-advice-for-travellers

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Personal development key to improving fleet managers' standing, says ICFM

Personal development can improve the standing of fleet managers and fleet itself within businesses, according to Paul Hollick, chairman of ICFM, the organisation dedicated to to advancing the profession of car and light commercial fleet management through training and qualifications.

Providing an update on the organisation's programmes, Mr Hollick told delegates that fleet management had changed in recent years and the skills required were now "far more strategic".

He said: "Paperwork is outsourced and the skills required are strategic and transformational - be curious, creative, and imaginative and continue learning, which is what ICFM is about.

"Businesses want to employ ICFM-qualified people in their fleet teams. They give businesses improved insight and networking and a return on investment by thinking in more depth around topics. ICFM coaches and drives fleet people to think outside the box."

Revised BVRLA guide aims to educate drivers on vehicle 'fair wear and tear'

Educating and advising drivers on the expected condition of vehicles returned at the end of lease contracts was critical to avoiding often contentious damage charges, seminar delegates heard with the British Vehicle Rental and Leasing Association (BVRLA) due to launch its updated industry standard 'Fair Wear and Tear Guide: Cars'.

The Guide, which was first published in 1996 and is regularly revised, has most recently been updated with input from BVRLA member companies and an expert working group, including ACFO, which has previously advised that end-of-contract damage charges are one of the most contentious industry issues.

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The huge growth in personal leasing in recent years and the fact that drivers need to be aware of what the 'fair, wear and tear' standard is and how it applies to vehicles when they are returned at the end of contracts underpinned revisions made in the latest review, said Nora Leggett, the BVRLA's head of member services.

"Many people do not know how to look after a vehicle. We need greater transparency," said Ms Leggett, who revealed that the organisation's dispute resolution service had handled more than a doubling of complaints in the past three years with the vast majority relating to vehicle damage.

"Customers are not aware of their responsibilities. Vehicles are an expensive asset and drivers can be expected to be charged if they don't look after them.

"But the BVRLA wants to ensure that drivers receive information on how they should service and maintain vehicles and generally ensure they are looked after so they are returned in good condition and to a standard in accordance with the Guide.

"We are recommending that leasing companies and vehicle providers have more contact with their customers during the life-time of the contract. We want leasing companies to act as more of an adviser to customers and educate. I don't think that it is fair that there is no contact with drivers over the period of a contract, usually three years.

"Customers fear that they will be treated harshly by their supplier so our members must be seen to be undertaking a fair vehicle appraisal/assessment at the end of a contract and advise customers accordingly."

Ms Leggett advised that to potentially avoid any charges drivers should self-appraise a vehicle 10-12 weeks prior to its return thus providing enough time for repairs to be undertaken and any missing items, for example a spare key, replaced.

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Ultimately, said Ms Leggett: "The aim of the guide is to describe the condition vehicles should be returned in and to be a source of advice to drivers. I don't think that we can eradicate complaints, but we can make a much better job as to what 'fair wear and tear' standards are and how they can be implemented at end of lease."

Notes for Editors

ACFO Ltd is a non-profit making organisation. It is the largest UK body representing the interests of businesses which operate cars and vans as part of their normal commercial activities.

Members are represented within ACFO by a named delegate, often but not exclusively, the fleet or transport manager of the member organisation. There is, however, a very wide range of job titles involved, reflecting the different styles of fleet operation. ACFO provides a national representation platform, and regional webinar-based networking opportunities, to support its key objective of improving the discipline and craft of fleet management, and its status.

Further information can be obtained from:

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