Fleet 200 STRATEGY NETWORK

Van survey 2024

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EV transition tops the list of van fleet challenges

Charging infrastructure, cost and driver engagement make moving from diesel to electric difficult, latest Fleet200 Strategy Network survey shows. *Sarah Tooze* reports

Transitioning from internal combustion engine (ICE) vehicles to electric vehicles (EVs) is relatively easy for most company car fleets. Vans, however, are a different story.

The Fleet200 Strategy Network (FSN) Electric Report 2023 revealed the gulf, with full electric making up about a fifth (19.7%) of company car fleets and only 4% of van fleets.

Now, more than six months on from that survey, the latest FSN research shows that van fleets consider the EV transition to be their biggest challenge this year, followed by vehicle availability (see page 6) and rising costs (see panel below).

In some use cases, vehicle suitability is the main problem with electric vans not having sufficient real world range, particularly for towing, or payload for the job.

But, in general, it is charging infrastructure which is the biggest hurdle - even for organisations who have committed to electrifying most or all of their fleet by 2030, ahead of the UK Government's 2035 phase out date for new ICE vans.

The number of public chargers, reliability, access to them and the cost of rapid charging are all cause for concern. A nightmare scenario for a van driver is going to multiple public charging locations and finding they're not available, broken or unsuitable for a van.

"We are trying to minimise public charging because it's too expensive, it takes too long and we can't guarantee availability," says Stewart Lightbody, fleet management lead, Severn Trent.

Severn Trent intends to decarbonise as much of its fleet of 4,500 vehicles as possible by 2030. Seventy-five per cent of its car fleet is already electric and about 10% of its 3,500 vans will be fully electric this year.

It has identified which drivers do less than 100 miles a day and therefore can charge at home overnight and comfortably do their journeys during the day on a single charge.

Medium-size vans and vehicles which need to tow won't be as straightforward to transition, according to Lightbody, but every time a vehicle is due to be replaced he will be considering an EV.

Speedy Asset Services has committed to 66% of its 800 light commercial vehicles and 15% of its HGVs being full EV by 2030. It will be taking delivery of 150 Ford E-Transits by the end of March, with a further 66 on order.

"Infrastructure is one of the challenges," says Aaron Powell, fleet director at Speedy Asset Services. "As we don't own our sites it's difficult because we have to get landlord approval to install chargers."

Even so, Speedy has got 150 chargers installed nationally across its business, and its London depot recently became full EV. Drivers are given a network card to top-up at public chargers and Speedy is also considering investing in portable fast chargers.

Plastic Surgeon, which has a fleet of 28 cars and 243 vans, is just beginning its EV transition. It is trialling one electric van, a Vauxhall Vivaro Electric, over the next few months.

"The main challenges that we experience with electrification are charging infrastructure and the monthly lease cost," says Reece Seal, fleet administrator at Plastic Surgeon. "Electric vans are substantially more expensive - £200 to £300 more per month for the equivalent ICE van, either because of the residual value risk or the base price of the vehicle being higher."

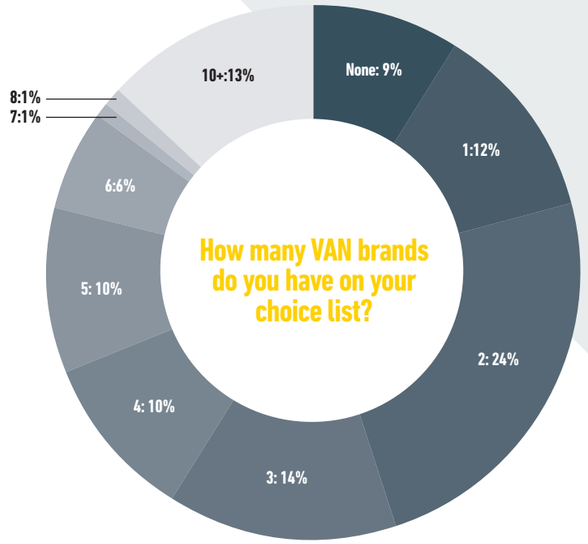
Plastic Surgeon's van drivers don't commute to a depot, they start and finish at home, and an internal survey found about two-thirds would not be able to charge at home due to factors such as not owning their property, not having off-street parking or only having one allocated parking space.

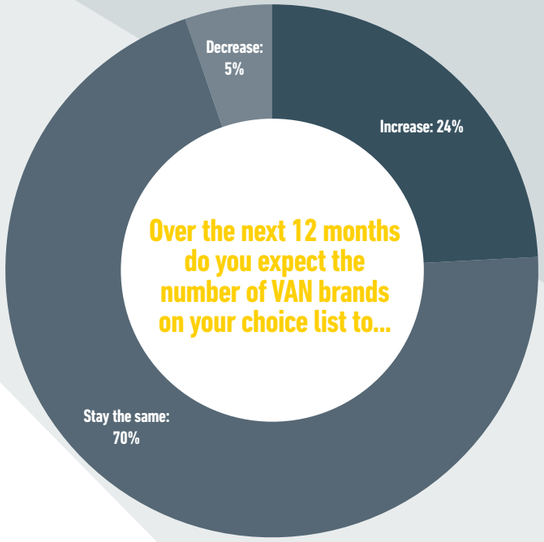
"There are a lot of complexities which are completely out of our control," says Seal. "We can't dictate where people live or where they park their van. They might have several vehicles which take precedence on the driveway and it would be too hostile to say 'our van needs to be on your driveway'."

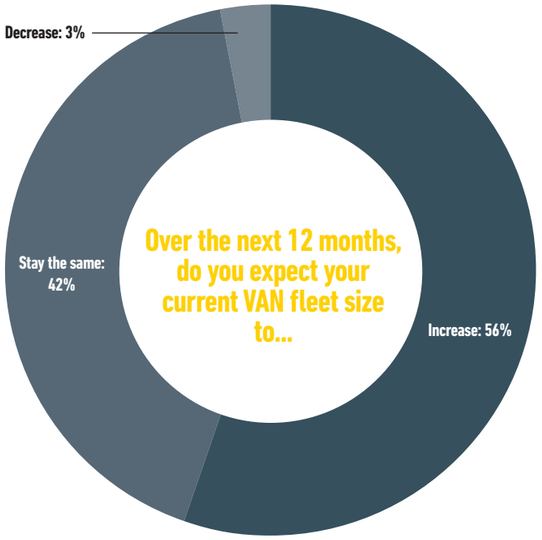
What is your current average VAN replacement age/mileage per vehicle?

Months: 56

Mileage: 118,150







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>
> **STEWART LIGHTBODY, FLEET MANAGEMENT LEAD, SEVERN TRENT.**

FLEET COST EXPECTED TO SOAR

Van fleets expect costs to rise across the board this year. Two-thirds think total cost of ownership will go up, 65% think insurance premiums will, 62% expect petrol/diesel costs to rise, 59% think accident repair costs will go up, 57% expect leasing rates to increase, 57% think tyre costs will go up, 56% think service, maintenance and repair (SMR) will and 49% think electric charging will.

Matt Hammond, head of fleet and plant at Altrad Services, says that insurance is a big challenge. However, "we mitigate by heavily focusing on risk management across the fleet, working with our insurers to target our high-risk areas to reduce our overall risk profile", he says.

Insurance is a "huge focus" for Reece Seal, fleet administrator at Plastic Surgeon. It has appointed an accident management provider to tackle first notification of loss and is focusing on KPIs such as overall claim value.

"We're increasing the amount of information and training provided to the drivers to help them avoid situations where they might find themselves in an at-fault road traffic collision," says Seal.

Speedy Asset Services is developing four new accident training courses for managers, company car drivers, van drivers and HGV drivers, which uses different scenarios to educate people what happens in the event of an accident.

On the SMR side, Speedy limits downtime by using mobile servicing where possible.

"We're running a trial with Ford Pro where they contact the driver, arrange to meet at a location where the driver will be and service the vehicle there. That's helping massively with uptime," says Aaron Powell, fleet director at Speedy Asset Services.

To mitigate parts shortages, some fleets are also using 'green' (recycled) parts and increasing the number of parts suppliers they use.

As for fuel costs, buying in bulk can help lock in prices, and fleet operators are monitoring via fuel cards where drivers are filling up and if they're using premium fuels.

Despite concerns about increased costs in most areas, fleet operators are optimistic that the price of electric vans will fall this year as manufacturers look to hit the 10% ZEV mandate.

Both Speedy and Severn Trent have made costs work for them by opting for five year leases. The Fleet200 Strategy Network (FSN) also shows fleets are optimistic about business growth, with 56% predicting their van fleet size will increase this year.

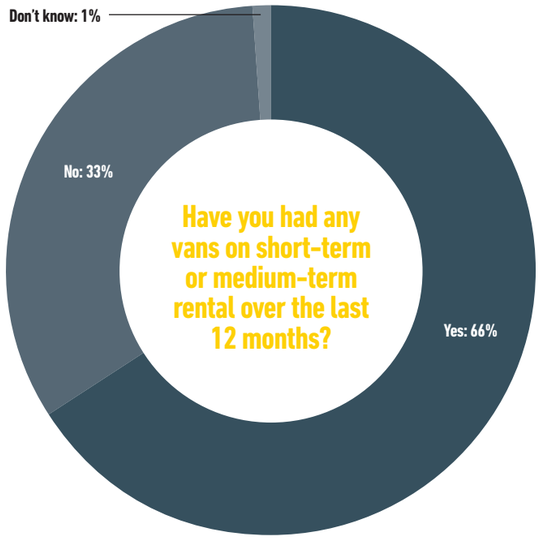
"Things have been bad and fleets have been vocal but in my opinion, things are improving and there is a strong sense that all parts of the industry are working to improve," says Hammond.

"We need to keep working with our partners within our businesses and adopt our way of working to best suit all concerned. We have all done the shouting and felt the frustration but I feel now is the time to review, revise and support to meet the new norm."

Public charging isn't seen as an option either due to the time it would take to charge the vehicles. "We book our technicians in by block hours and if we have to factor in a 40-minute charge once or twice a day that may mean we have to turn down a job which is lost revenue. So it doesn't make sense at this point," says Seal, adding: "I think a lot of small to medium fleets are struggling with the cost of charging, the cost of EVs and actually implementing EVs into the business model."

One solution for fleets may be businesses making their own chargers available to other organisations on a reciprocal basis - a concept which is currently being explored by the Association of Fleet Professionals (AFP).

It has formed a charging committee which will examine questions around accessibility to chargers, booking charge times and how electricity would be paid for.



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> **REECE SEAL, FLEET ADMINISTRATOR AT PLASTIC SURGEON**

DRIVER ENGAGEMENT

Making sure drivers are keen to switch to an electric van, understand the reasons for doing it and have had the appropriate training is essential for a successful EV transition.

To educate drivers, Severn Trent has produced a video on driving an EV in conjunction with the manufacturer and leasing provider.

"We've had lots of positive endorsement from our drivers - the vans are quiet, they're comfortable and some of our drivers are keen to be early adopters," says Lightbody.

At Speedy Asset Services, drivers are "fully on board" with the business' commitment to transitioning to electric, according to Powell.

"They love driving them, they're nice and quiet, and good for their well being," he says.

Speedy has developed its own alternative fuels training for drivers which includes guidance on how to precondition the vehicle, how to get the best range out of it and what vehicle checks are required.

Seal believes Plastic Surgeon's EV van trial will help to get driver buy-in to EVs. The vehicle will be used by three different drivers who all have the ability to charge at home. One is based in Wales and will be doing mainly rural journeys, another is in the Midlands, and the third is in Scotland to test how the vehicle performs in a colder climate.

"The drivers we have selected are quite excited about the trial," he says. "It's an easier 'sell' when drivers hear firsthand from other drivers. I can say that an EV works but in their eyes I sit in an office behind a computer all day, I'm not the one out on the road every day."

One concern drivers have is that they are not 'out of pocket' by running an electric van. Charging at home can be solved with the right software for accurate reimbursement but public charging is still problematic.

The AFP says that EV highway payments are not yet "frictionless or contactless".

One of the other main concerns from its members is the barriers surrounding 4.25 tonne electric van adoption, such as the requirement for an MOT test every 12 months from new and a speed limiter to be fitted. Vehicles operating outside of a 100km radius of the base, must also comply with EU driver hours rules and have a tachograph fitted.

FLEETS LOOK BEYOND ELECTRIC TO REDUCE EMISSIONS

A number of fleet operators are keeping a close eye on hydrogen as a means of decarbonising their fleet.

"I'm closely monitoring hydrogen, I think that is the solution for light commercial vehicles," says Reece Seal, fleet administrator at Plastic Surgeon

"With hydrogen you get the zero emission benefit and you also get the convenience of refilling it within six to 10 minutes."

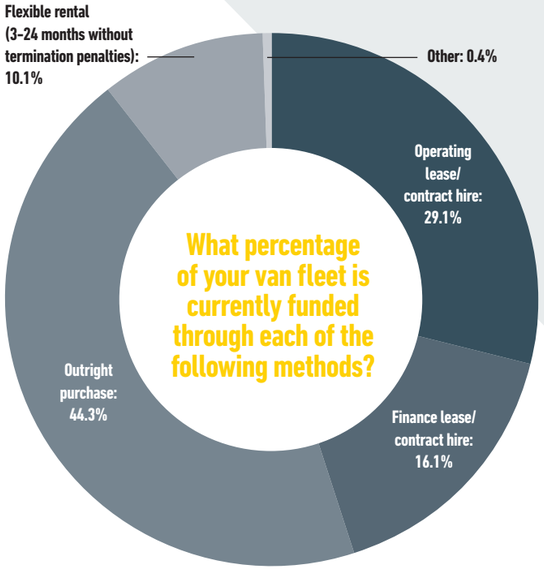
Last year, Speedy and AFC Energy, a provider of hydrogen powered generator technologies, launched a joint venture company Speedy Hydrogen Solutions.

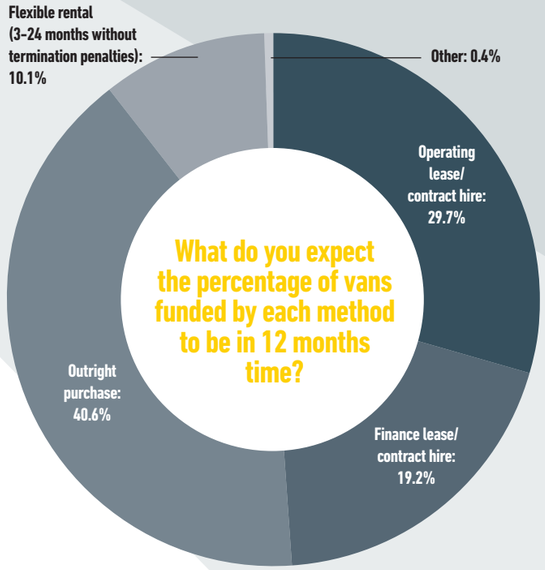
"If we do decide to go down the hydrogen vehicle route we'll be able to use our own hydrogen to fuel them," says Aaron Powell, fleet director at Speedy Asset Services.

Altrad Services has paused its transition to EV on its van fleet and turned to hydrotreated vegetable oil (HVO) fuel as a way to reduce its carbon impact without the need to change vehicles.

It initially introduced HVO to its HGVs and large plant items in November 2022 and rolled it out to the van fleet at the beginning of 2023.

Matt Hammond, head of fleet and plant at Altrad Services, says: "To date we are seeing carbon emission reduction of 86% on average across all our vans. Cost wise, we pay slightly more per litre more for HVO than diesel but it was deemed a cost worth paying to reduce our carbon figures."





"There's no reason why it should have an MOT every year, there are less moving parts, it will just create a huge backlog," says Powell.

ACCIDENTS CAN BE TWICE AS COSTLY

Repair costs, downtime and insurance for EVs are also concerning for fleets.

National Grid, which has switched 18% of its commercial fleet to electric, has found that when electric vans have accident damage it can cost twice as much as an ICE equivalent due to difficulties sourcing parts and having enough trained technicians.

Downtime can be excessive - it took 12 months to get a body panel for one of National Grid's electric vans, for example. These factors can contribute to a 'cautious' approach to EVs from insurers, fleet operators believe.

The limited number of electric vans on the road mean there isn't sufficient data and fleets fear that using electric car data, where vehicles may have been written off rather than repaired, can 'skew' the market.

However, AFP's conversations with insurers suggest that the most important factor in controlling premiums is for fleets to do more to prevent EV accidents and theft.

Despite all the challenges surrounding the EV transition, vans fleets need to make a start.

"If everybody waits until 2034 there won't be enough supply," says Speedy Asset Services' Powell.

"My advice to fleets is to 'get on and do it', get yourself at least one electric van to start the journey."

FINANCE LEASE ON THE RISE

Outright purchase is still the most popular funding method among Fleet200 Strategy Network (FSN) members, followed by operating lease.

However, the latest survey shows close to a four percentage point drop in businesses buying their vehicles (from 44.3% to 40.6%), largely in favour of finance lease (up from 16.1% to 19.2%).

This supports findings from the FN50 last year, which showed finance lease grew from 8.80% in 2022 to double figures (11.7%) in 2023.

With a finance lease the fleet takes the residual value and depreciation risk, and is responsible for settling a final balloon payment.

That means if a vehicle exceeds its forecast value the fleet gets the benefit of the profits, but if it drops below its projected value the fleet will have to make up the shortfall.

Unlike an operating lease, there are no excess mileage charges or damage charges at the end of the contract.

Instead, the condition of the vehicle will be reflected in the price it achieves when it's sold at the end of the lease.

Plastic Surgeon is currently trialling finance lease.

"It's a fully flexible contract, we can end it whenever we want," explains Reece Seal, fleet administrator at Plastic Surgeon.

"We have a team internally who liaise with different kinds of vehicle sellers and advise us when they believe is the most profitable time to sell the vehicles. So it's very market driven and centres on analytics and portfolio management.

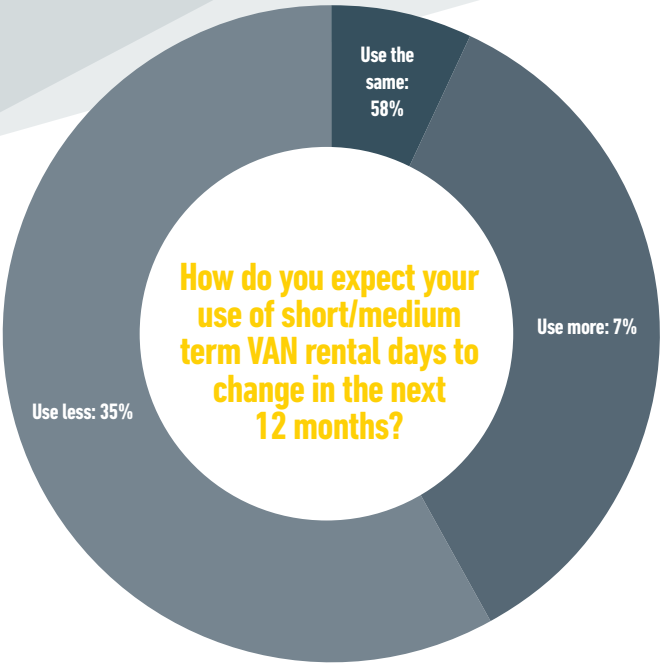
"But ultimately we don't know how well the vehicles will sell and there is a risk of a loss. Because we're taking on that risk we do get preferred rates versus contract hire where the lease company takes the risk."

Plastic Surgeon also has a small portion of its fleet on long-term, flexible rental.

"Again, that comes with financial uncertainty," Seal says. "The provider could suddenly turn round tomorrow and say they are increasing the monthly fee."

The FSN survey shows that two-thirds of van fleets have used short/ medium term rental over the past 12 months, with large fleets more likely to have vans funded this way.

However, 35% of van fleets are looking to cut back on rental this year. This may be because rental has been used as a stop gap while businesses wait for new vans to be delivered.



What is your expectation for the following company van-related costs over the next year?

Cost	Increase	Stay the same	Decrease
Leasing rates	57%	37%	6%
Insurance premiums	65%	31%	3%
SMR	56%	35%	10%
Tyres	57%	35%	8%
Fuel - petrol/diesel	62%	28%	10%
Electric charging	49%	40%	11%
Accident repair	59%	30%	11%
Total cost of ownership	66%	26%	8%

FLEETS STILL WAITING UP TO A YEAR FOR ICE VANS

Fleet200 Strategy Network (FSN) members say that lead times for new internal combustion engine (ICE) vans can stretch up to a year.

Although it's an improving picture compared to wait times of 18 months to two years or a cancellation, it's still a far cry from pre-Covid when lead times of three to four months were the norm.

"For me, the biggest challenge has been in the supply side for my ICE vans. Delays in supply across most manufacturers continues to disrupt replacement plans, meaning vehicles are being retained for prolonged periods, resulting in more maintenance requirements and servicing," says Matt Hammond, head of fleet and plant at Altrad Services.

"Average lead times are still eight-plus months, which is high but significantly lower than this time last year. The hope of reaching pre-Covid lead times of three-four months will very much depend on all manufacturers increasing production."

Plastic Surgeon has 50 vehicles that are out of contract due to vehicle supply problems and it is experiencing more expensive repairs such as water pump and cambelt repairs and clutch repairs.

"We will be replacing those vehicles very soon," says Reece Seal, fleet administrator at Plastic Surgeon. "We ordered some vehicles in February last year and they are due in March this year."

The FSN survey indicates that other fleet operators will be replacing vehicles soon too.

The average van replacement cycle is currently 56 months and more than 118,000 miles and this is expected to drop to 52 months and under 100,000 miles this year.

Despite the delays on new ICE vans, most FSN survey respondents expect the number of brands they operate to remain the same. Currently, about half of van fleets have between one and three vans on their choice list and only about a quarter (24%) expect to increase the number of brands, with 70% expecting them to remain the same and 5% forecasting a decrease.

ELECTRIC VANS ARE 'READILY AVAILABLE'

Average lead times for electric vans are much better than ICE vans.

National Grid is seeing lead times of just two to four months for EVs, compared to four to 12 months for ICE vans.

"Electric vans are readily available now because everyone has ramped up their production of electric vans," says Aaron Powell, fleet director at Speedy Asset Services.

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> **MATT HAMMOND, HEAD OF FLEET AND PLANT AT ALTRAD SERVICES**

The challenge, he says, is the wait times for bodybuilders and conversions for commercial vehicles.

"Now that vehicles have started arriving they've got a backlog," he says.

Stewart Lightbody, fleet management lead, Severn Trent, agrees: "The biggest pinch point is the conversion industry. We have regular calls with our converter and manufacturer to try and minimise any 'surprises' because if anything happens late in the process it causes real problems. That level of communication and collaboration works well."

Severn Trent orders its vans well in advance to reduce any issues.

"We predominantly use one manufacturer and we aggregate volumes that can be flexed and moved around to a degree," says Lightbody.

Even with careful planning, issues which are beyond a fleet manager's control can crop up.

The ongoing attacks on cargo vessels in the Red Sea is the latest example. It has already resulted in fleet managers being quoted double the standard shipping costs by one manufacturer due to the extra handling and longer route which will now need to be taken.

One fleet manager has challenged the increased cost and is waiting to hear the outcome.