Fleet News

—an overview of Vehicle Fleet Management for Chief Executives

Price 25p

Issue 1, March 1978

WHAT FLEET NEWS IS

FLEET NEWS is an independent newspaper published as a guide to the Fleet Industry for managing directors of companies that operate fleets.

What Fleet News does

Fleet News will tell you what Fleet Management is and should be . . . how to set up a system, and how to control it. More important, it will tell you how Fleet Management relates to your role as managing director.

The publishers are in continuous contact with all sections of the Fleet Industry — the motor manufacturers and importers, the finance companies, the distributors, the many suppliers of goods and services, and independent commentators. As a result, Fleet News is able to use the expertise of the market place to provide a rounded view of what is being done for you, the Fleet Operator.

Many people in the Fleet market want to tell you what they can do and how they can help. Fleet News will give them the opportunity to speak to you.

What's more, it offers you the same opportunity — use it as a forum to air your views, your criticisms, your needs and desires. The industry is ready and willing to listen and learn.

Why it speaks to you

Fleet Management is a **management** function. Hence **you**, the chief executive, must establish the policies, disciplines and responsibilities, and **you** must exercise overall supervision.

Since Transport and Distribution costs represent a significant percentage of your overheads, it is also very logical that **you** supervise the financial disciplines and consequent cost savings that sensible Fleet Management will involve.

What you do

To make this publication effective you must read it. To grasp the essentials will take up to ten minutes. To act upon them another ten.

One other point: try not to pre-judge. The Fleet Industry, like the motor industry, has attracted a lot of criticism over the years — deserved and undeserved. Judge what Fleet News says on its merits.

If you want future issues of Fleet News you need do nothing. They will come automatically bi-monthly. If you want other executives to receive a copy just let us know.

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ROLES ARE CHANGING— IS YOURS?

In the fleet industry, alert suppliers are constantly changing and extending services to meet changing market needs. But is the fleet operator aware of this and is he taking steps to benefit from it?

TWO subjects we will cover, and return to again and again in subsequent issues, are Fleet Financing and Cost Control.

They are, of course, intrinsic, which is justification enough for emphasising them. But we have three other reasons.

The first is the unprecedented range of alternatives and services available to you as an interested fleet operator, as well as the multitude of suppliers who offer them.

The second reason is the changing economic outlook. Many of you who have been holding back for the last two years will need to renew vehicles in 1978, and very possibly extend present fleet numbers.

Thirdly, we see a need to unconfuse a situation in which you are being subjected to a battery of approaches from all sectors of the very competitive fleet industry — some approaches well-informed, some ill-informed, and, regrettably, some misinformed.

To confuse matters further, you as chief executive are probably receiving these attentions at second hand, after they have been filtered through your transport, finance or other departments.

You are therefore exceptional if you have a clear understanding of the relevant differences for your company between the financial options available and of the implications of using (or not using) contract hire services.

And yet we are talking about an area which could account for as much as 10% of your company's capital expenditure, and 10% of its operating costs! An area which once contracted is a long-term commitment.

Elsewhere in this issue we feature articles on financing alternatives and cost control which we hope and believe will be of educative value. But first it seems appropriate to categorise the suppliers in this industry. There has been much change in financing emphasis, particularly over the last two years, culminating in the lifting of the Control of Hiring Order in 1977. Before and during this period, we have seen the phenomenal swing from private to company car ownership — England is unique in the

Continued on Page 3

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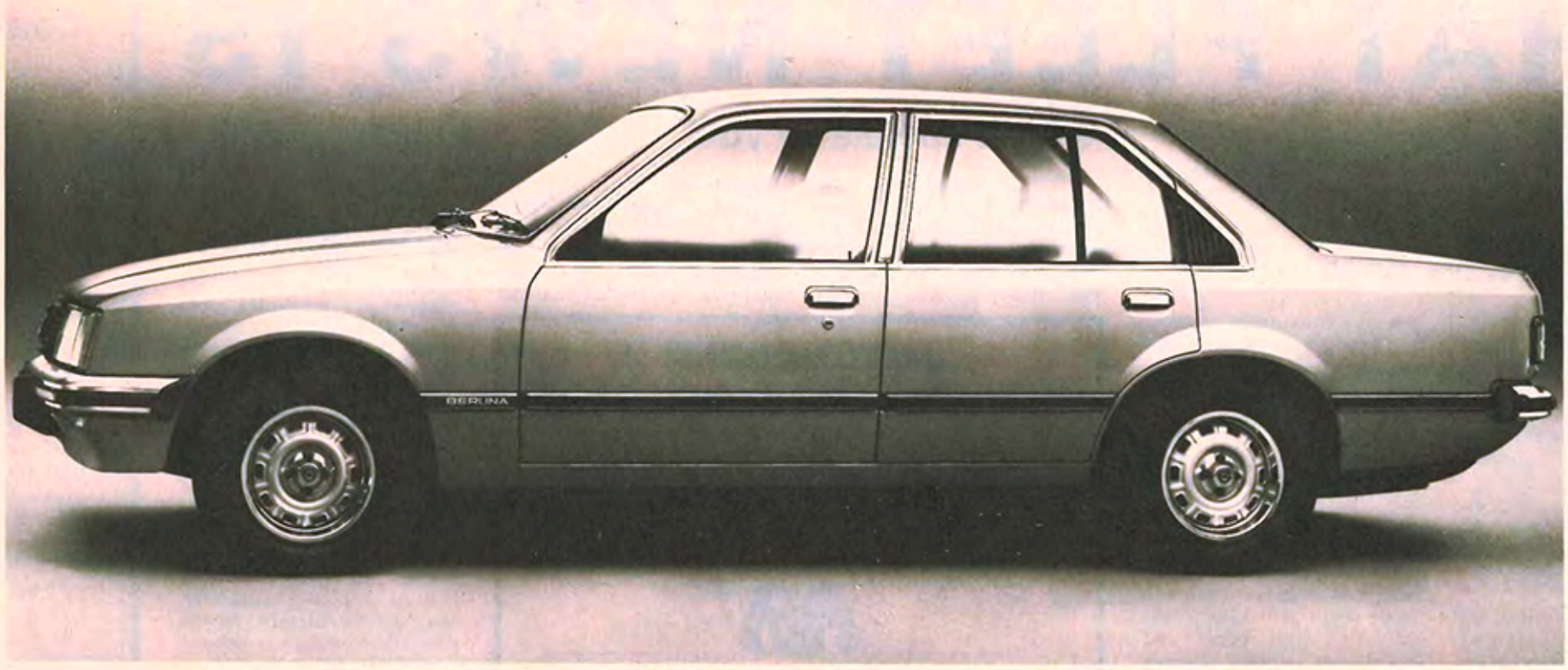
HARTWELLS OXFORD ROAD KIDLINGTON, OXFORD

The new Opel Rekord. A great shape for a big car to be in.



The new 2-litre Opel Rekord didn't get to look so good by chance. Those clean, sleek lines are purely the result of an exhaustive wind-tunnel testing programme designed to cut down wind resistance. Which means lower fuel consumption, better handling and a quieter ride.

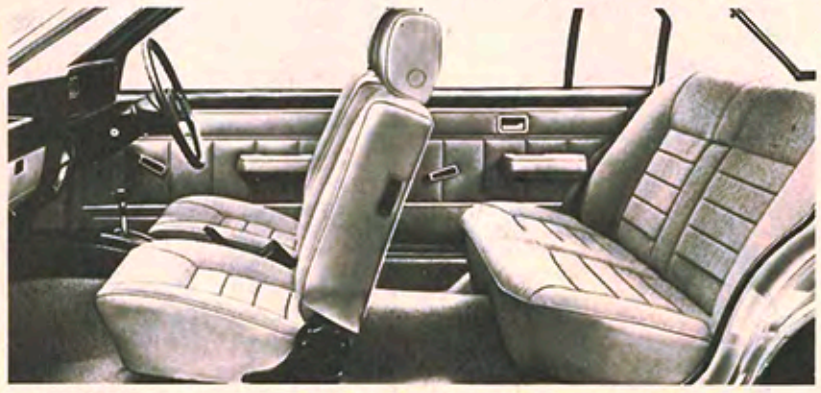
That sort of concern is typical of the way we set about creating the new Rekord.

In great shape under the bonnet.
First, we agreed a 2-litre capacity was just right for the majority of motorists who want big car performance plus realistic running costs. So the Rekord delivers 0-60 in 10.5 secs and 29 mpg (What Car? figures) with a top speed in excess of 100 mph.

In great shape inside.
Now for around £4,500 you're entitled to expect quite a lot, not just under the bonnet, but inside the car as well.

We're in great shape there too. Settle yourself in and you're immediately struck by the feeling of space and quiet

luxury. As *Car* magazine said..."their upholstery is so cleverly controlled in its spring and resistance as to give an uncommonly even distribution of pressure on body and thighs, as well as complete isolation from the motions communicated by the car's running gear." By which *Car* mean it's very quiet and comfortable indeed. And they summed up, comparing the new Rekord with the Ford Granada: "both cars ride well, but the Opel is notably the better."



In great shape for the driver.
Now a look from the driver's eye view. There's a practical, uncluttered dash with easy-to-read, non-reflective instruments and easily identified controls. Apart from the obvious, you have a 2-speed windscreen wiper (with intermittent action), quartz controlled clock, cigar lighter, illuminated heater controls and halogen headlights.

The top-of-the-line Rekord Berlina HL also boasts electrically operated windows, radio aerial imprinted in the windscreen, sun roof, headlamp wash/wipers, tinted glass and rich velour upholstery.

In great shape for servicing.
Spares are no problem either. Opel is the fourth largest manufacturer in Europe, so we have a highly sophisticated computerised spares network here in Britain, geared to get any parts you need with a minimum of fuss and bother. As for servicing, the new Rekord needs only 3 hours spent on it a year for the average motorist – something most manufacturers would give their right arm to be able to claim.

Now you've had your first look at the new Rekord Saloon we'd like you to see it – also the Estate and Diesels – in real life. For Fleet enquiries ring Tony West on 01-205 6541.

Keep your options Opel.

GM

Opel Rekord Berlina illustrated £4,390 (excluding metallic paint) De Luxe £4,265 Highline £5,150 Estates from £4,790 Diesels from £5,065.
Prices correct at time of going to press, include car tax and seat belts. Delivery and number plates extra. Radio and automatic transmission available at extra cost.

ROLES ARE CHANGING —
continued from Page 1

Western world in the proportion of company ownership, presently standing at 60%+. As a result, the motor industry and the finance houses have needed to review their facilities and services to fleet operators, which means that traditional roles have changed.

Who are the suppliers?

Where do the different categories of supplier fit into the market?

At the risk of under-definition — we welcome industry comment on this — let's look at the main 'elements' in the market place.

Finance houses

Most of the leading finance houses are associated with the clearing banks (eg Barclays Mercantile Industrial Finance with Barclays, Lombard with National Westminster, Lloyds and Scottish with Lloyds, Forward Trust with the Midland, Williams & Glyn also active through St Margaret's Leasing). United Dominions Trust has no clearing bank connection but strong insurance connections through the Prudential and Eagle Star. Bowmaker is a subsidiary of Bowrings.

Not surprisingly, the finance houses have played a major role in the market's increasing emphasis on leasing. They have very considerable profits — some more than others — against which to offset capital allowances and therefore are in a very good position to grasp the tax advantages available. Their rates to you will vary, dependent upon their profit position, and the degree to which they pass on tax benefits.

The Manufacturers

The manufacturers operate principally in two ways. Either they have equity in separate finance companies (eg Ford Motor Credit, British Leyland Finance) or they offer a service through their dealers and distributors who use the money of the finance houses (or other resources), or they combine both methods. If, for instance, you go to a Ford distributor, you may acquire vehicles on a finance lease, dealing directly with Ford Motor Credit, and providing maintenance yourself, or you may lease with maintenance (contract hire) using the finance of Lombard or Bowmaker or whoever, and the maintenance facilities of the dealer.

The Importers

The importers are beginning to follow the same route as they approach the fleet market more bullishly than in the past. Fiat, Renault, VW and Toyota are examples where finance companies have been set up.

Distributors

Today many motor distributors are in a position to offer leasing and many can offer some form of contract hire. Most of the time this is possible through the finance house or manufacturer/importer back-up referred to above.

Needless to say, the quality of the service varies considerably. The industry is well aware of the need for wider education at company contact level. The decision to acquire vehicles is not a simple one, and each company must have individual assessment. This can only come from some person/persons at distribution level with adequate expertise. Distributors who have set up a department for this purpose will have a fleet executive in this position.

Contract Hire/Leasing Companies

Going further, some distributors have their own leasing and contract hire companies, as well as offering services such as insurance, computer facilities and self-drive hire. There are also the companies who specialise in contract hire (or leasing with maintenance facilities) and in some cases have specialised for many years in this area. Despite the inevitable bad experiences of fleet users, the list of reputable companies is long — too long for us to cover. Many companies will be found in our issues, either featured in the Who's Who or advertising sections, or commenting on issues and news in their side of the industry.

Fleet Management Consultants and Leasing Brokers

Not surprisingly, the changes in the fleet market and the need for re-appraisal by fleet operators has led to the development of consultancy and lease brokerage facilities. Benson Knight & Co is an example. On the one hand they will appraise available funding options relative to your cash flow and tax position, and advise on operating cost control systems. On the other hand, they will undertake to act as independent brokers, and obtain the keenest terms available regardless of your individual size.

Your turn for re-appraisal

Whatever your past experiences with the motor trade or leasing companies, however great your reluctance to get involved in fleet matters in the past, it's an excellent time for review.

The volatile motor industry is reacting to economic changes, and the opportunities for the fleet operator to do the same and benefit, have never been better.

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FLEET FINANCING OPTIONS

Cars and Commercials

Undoubtedly, the British economy is showing signs of an upturn. Inflation is slowing down, if only temporarily. Industry is showing an increased degree of confidence in demand, even though unemployment is expected to remain high.

In the light of this upturn, one of the first areas that companies must review is transport — both cars and commercial vehicles. In the past two or three years, they may well have reduced their fleet size. Certainly, many vehicles have been kept long after they should have been replaced. As a result, the average age of a fleet vehicle may be as much as two or even three years greater than the economic ideal.

Now is the time for those over-age units to be replaced, and for the under-manned fleet to be expanded. However, the cost of new units may have increased by 50% in not much over two years. Operating costs have shown similar escalations. The company car and truck fleet is one of the most capital intensive areas of the organisation and has to compete with 'real company business' (ie the rebuilding of stocks of raw materials and finished products as well as new manufacturing equipment) for the scarce funds which are available.

It is against this background — and the fact that inflation is still running at one of the highest levels in industrialised Western Europe, that the fleet operator has to face a double problem — replacing over-age vehicles and expanding the total fleet.

The Financing Choices Available

The old question of 'where do we get the money from to replace our fleet?' no longer applies. It is now not a question of WHERE but a matter of HOW? The range of financing alternatives is becoming bewildering. If the operator wishes to purchase, he can purchase outright, or use a bank overdraft, or buy on hire purchase or on conditional purchase. Alternatively, he can contract hire — with/without maintenance or with/without a replacement vehicle, or open end lease, or have a maintenance agreement with some form of 'overs and unders' arrangement. Almost all of these schemes have some level of flexibility to help adjust them to the needs of the individual customer. Once, only some of these schemes would have been available, and then only for cars or for trucks. Now, the competition in the market is such that all schemes are generally available, for cars and trucks.

The decision as to which method of car acquisition to adopt has not been made any easier by the effective removal of the Control of Hiring Orders on business cars from June 1977.

Clearly, some form of rational analysis is essential if the fleet operator is to make the correct acquisition decision.

There are really two stages of analysis. First, he must establish exactly WHAT he wants from his fleet acquisition programme and, second, he must decide HOW to assess the possible alternatives against his own requirements.

What Does the Company Want from Its Fleet Financing Programme?

Fleet financing, we have suggested, is a matter of weighing up a series of complex, sometimes contradictory factors.

Among the main factors are:
- —minimising the net present cost of acquisition.
- —minimising cash flow distortion.
- —improving capital gearing and minimising company capital involvement.
- —maximising tax allowances.
- —spreading payments for the vehicle as much as possible.
- —fixing costs for budgetary purposes.

Within this range of apparently complex factors, the fleet executive and the finance executive have to evaluate the range of schemes open to them and compare the alternatives on a purely economic basis to establish which is 'cheapest' under alternative conditions.

Let us look at car and commercial vehicle financing separately.

Alternative Methods of Financing Company Cars

There are three basic alternatives for purchasing fleet cars — outright purchase with company finance or with bank funding or various forms of hire purchase. Similarly, there

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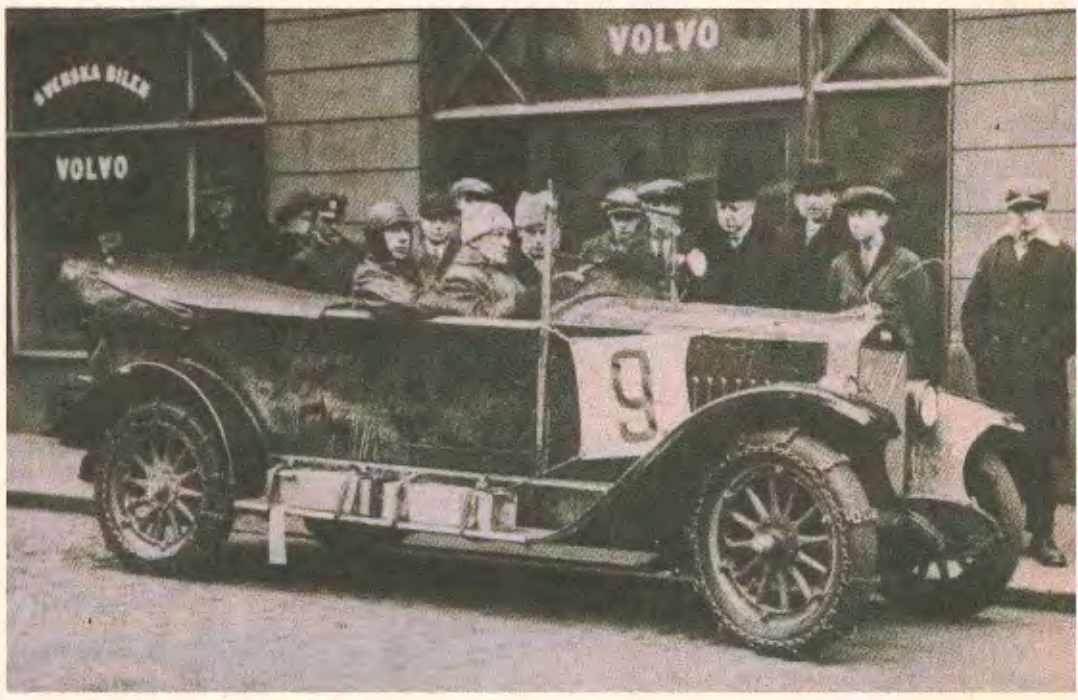

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FLEET FINANCING OPTIONS

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are three primary alternatives of hire or leasing — fixed period finance leasing, open end leasing and full maintenance contract hire. With any of the non-maintenance systems, it is generally possible to arrange a separate maintenance agreement or some form of 'unders and overs' agreement.

Outright purchase at its simplest means the company will fund the cars itself — and carry all of the risk of operation and take any benefits from the used vehicle. Similarly, funds may be used from the bank to acquire the car. However, when the company uses the purchase approach, it is using up liquid funds which might have better alternative uses elsewhere in the firm. As an economic method of acquisition, outright purchase is better for the firm expecting a low rate of return on its investment than for the company that expects a high rate of return.

Hire purchase has some advantages over outright purchase in that it creates a new credit line while leaving the fleet operator's own funds and uncommitted bank funds free for other purposes. At the same time, hire purchase defers the repayment.

The three alternatives of hiring offer different advantages to the fleet owner at the start of an economic recovery. In all three cases, the finance source puts up funds against the cars — thus creating a new credit line and leaving the company both its own and the bank's funds free. Rentals for leasing can be set 100% against tax.

Fixed Period leasing minimises the operator's financing task because the monthly rentals for the vehicle are fixed, as is the period of lease, and there is no administrative problem of vehicle acquisition or disposal. However, he must pay and budget for his own operating expenses.

Open End Leasing offers specific advantages to the fleet owner during a period of inflation and economic expansion. The first advantage intended is that the operator should benefit from used vehicle prices — important if inflation is continuing to lift residual values. With open end leasing, the rate may be based on a three or four year rental period although it is accepted that the unit may be changed after a stated minimum period, and a pre-determined settlement fee paid by the lessee. The lessee will then receive a rebate in rentals. Whether or not the rebate in rentals covers the settlement fee will depend upon the correctness of the companies' arithmetic; obviously, this is the objective.

Under open-end leasing, cash flow strain is reduced by maximising the payment periods. However, the lessee carries all of the risks of vehicle operating costs, and may be less able to budget accurately in this area.

With a **Full Maintenance Contract Hire** the lessee gets full repair and maintenance as part of his known fee and has to budget only for the known rental plus fuel, oil and insurance. The amount he will pay will cover administration and, possibly, he may feel he could do this job more cheaply himself. On the other hand, he might welcome the opportunity to redeploy staff previously engaged in routine fleet administration.

Alternative Methods of Commercial Vehicle Financing

The methods of financing commercial vehicles are basically very similar to those used for cars — subject to different tax treatment, the greater sums involved, longer operating lives and the effect which greater specialisation can have on the vehicle.

Outright Purchase: The basic method of truck acquisition is probably still outright purchase — either financed by the company or the bank. We see two significant differences between the car and truck purchase situation.

(1) In the case of trucks, acquisition appears to be more complex, with, for example, bodywork being fitted by one company and the chassis being supplied by another. As a result, some firms have traditionally stuck to outright purchase to mimimise the expected payment complications.

(2) The second difference is the matter of tax allowance. In the case of the commercial vehicle, 100% can be written down in the first year on a purchase deal, whether outright payment or hire purchase.

As we noted previously, the main problem with purchase is its adverse cash flow effect. This is especially important when one remembers that a large truck can cost well over £30,000!

Truck **Hire Purchase** continues to be widely used for vehicle acquisition — it is especially practical with the possibility of gaining a 100% writedown in the first year.

The alternative forms of truck hire are basically the same as those for cars. We cover them briefly below:

Fixed term finance leasing without maintenance is the method which has been the most widely used in the past. The maintenance option has tended to be ignored because the lessor, to cover himself, has needed to build in a high 'contingency' element.

Open end leasing is more widely used than with cars. Under this method, if the vehicle is disposed of early, the lessee gets a rebate in rentals after payment of a predetermined settlement fee. This is a very useful method of financing because it is designed to enable the operator to choose the period of operation and, at the same time, minimise strain on cash flows because of the use of a notional vehicle value to pay off the outstanding settlement sum.

Some leasing companies, even if they do not normally offer an open end leasing agreement, are willing to negotiate a buy-out price, if the operator wishes to foreclose.

Balloon Agreement

An interesting new development, particularly in the truck finance field, is the use of a

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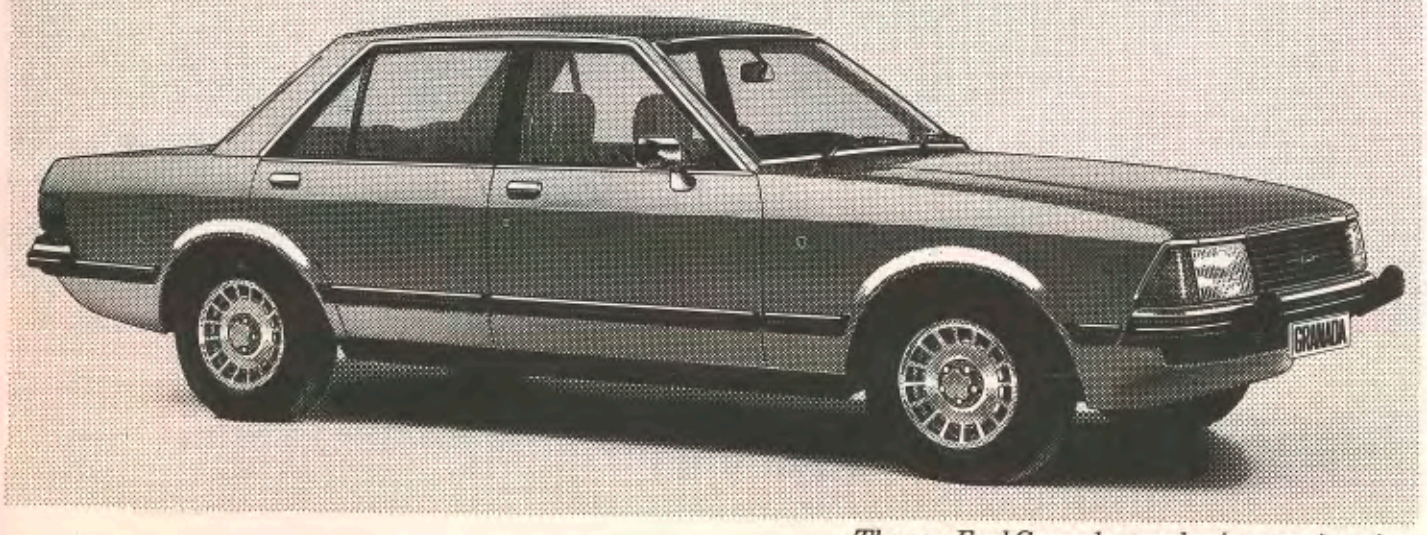
Leasing cars can save you money



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FLEET FINANCING OPTIONS

Alternative Forms of Car Financing Comparison

	Alternative form of Car Purchase			Alternative form of Car Hire		
	Outright Purchase: Own Finance	Outright Purchase: Bank Finance	Hire Purchase	Leasing: Finance Lease	Leasing: Open End Lease	Full Maint. Contract Hire
1. Source of funds	User Company	Bank—absorbs unallocated funds	Finance House		Leasing Company	
2. Minimise Net Present Cost	Tends to be most economic at lower expected return on investment		Tends to be most economic at higher expected return on investment			
3. Spreading of Cost of acquisition	Immediate payment	Payment deferred according to length of purchase/lease/contract/overdraft				
4. Participation in used vehicle sale proceeds	Yes—totally			No	Yes—according to contract	No
5. Budgeting Accuracy/Risk Minimisation	Company carries all risks and makes all own projections			No capital risk	Lessee has residual value risk	No lessee residual value or R & M risk (level set by contract)
6. Tax Allowances	25% of written down capital value			All leasing charges		
		Interest allowed separately				
	Operating expenses 100% allowable					
7. Company Administrative involvement	Complete Administration					Lessor handles routine admin.

FLEET FINANCING OPTIONS
continued from Page 4

'balloon' agreement. Under this system, the lessee pays back a reduced sum — equivalent to say 80% of the vehicle plus the appropriate interest over a contractual number of years. The outstanding sum, 'the balloon', is tied to the used vehicle and is paid off when the truck is sold. Interest is paid on the balloon portion, but the operator pays a much lower monthly figure because it is based on 80% capital repayment rather than 100%. The cash flow advantages are obvious.

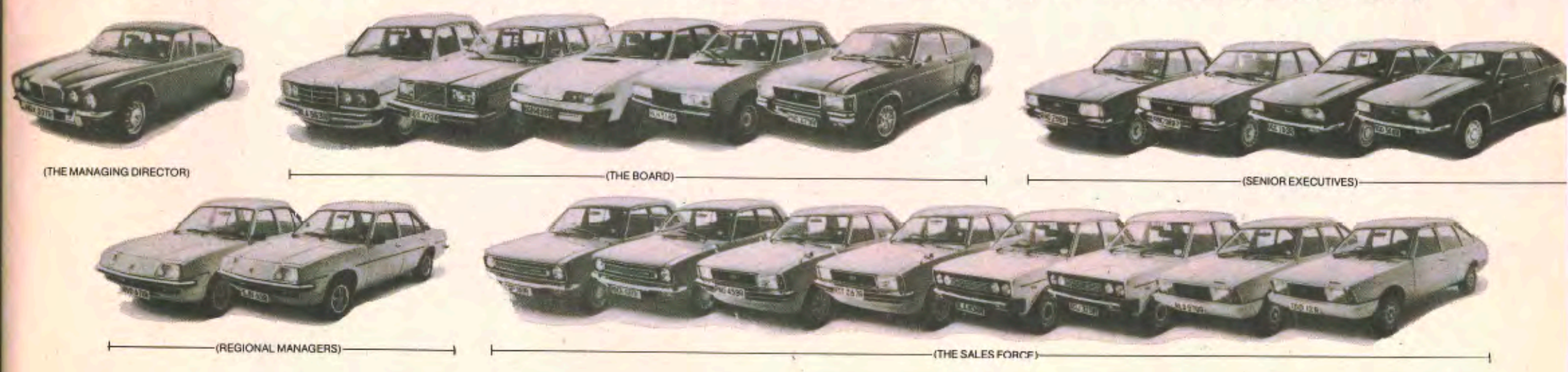
Which Method to Choose

No single method of company vehicle financing is 'right' in every situation, or even necessarily within a single fleet. All of the factors we have raised, plus many more detailed and specific, will govern the final mix.

In the end, it is for you, the chief executive, to decide which factors have priority in your Fleet Management Policy within the broader framework of company and corporate policy.

To help clarify this question further, we shall discuss in detail the advantages and disadvantages of each method in subsequent issues. If you would like to add fuel to the fire, you are welcome to put thoughts and problems to us, and we will endeavour to discuss them in the next issue, or as soon as is feasible.

Here are 80,000 excellent reasons why you should consider finance from Lombard.



When you're buying or replacing Company cars, the cost can soon escalate.

This Company car fleet would cost around £80,000. With so many other demands on cash flow, can you really afford to exhaust your capital and Bank overdraft facilities?

If the answer is – No, we have the alternative funding options which allow you to "mix" your fleet and include everything from the Managing Director's limousine to the cars for your sales force in one financial package.

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FLEET OPERATING COSTS— What do they tell you?

by Peter N. C. Cooke

IT IS certainly foolhardy not to keep records of operating costs. But it is even more foolish to record them and do nothing with them.

While you probably fall in neither camp, it is likely that your use of information available could be considerably improved.

The cost of recording data

In the first place, what does it cost you to record operating costs? Estimates vary, but it's likely to be ±70p per invoice (more if it's complex). Over a year, 'the average car' on that basis is likely to generate £100 of cost recording and analysis expense, and that is certainly worth justifying!

The methods to use

To be trite, the right method is the one that suits your requirements and resources. If a computerised system is needed and cost effective, install one — provided your accounting and transport people can operate it. We know of many computerised systems which work very smoothly, but we also know one major operator who had to scrap a very fine system for that reason — it had not been planned with the management, accounting or transport functions in mind. At the other end of the spectrum, we know one operator who runs a very simple system based on files with cost summaries at the front. Simple, but very effective in providing the information *his company* requires.

What do you really want to know?

This is the crux of the matter. If you know what information *you* need, your transport and management accounting departments will soon determine the data they need to meet your requirements. Only then does it make sense to evaluate the alternative systems available.

Let's look at some of the main applications of 'operating cost data'.

For Tax determination

This is the simplest application, involving only a total figure for those expenses which may be offset against Corporation Tax. VAT complicates the issue slightly but entails only a further mechanical breakdown.

For establishing customer charges

If you cost on this basis, you must, of course, include all costs of transport in the costing figure. Thus, in addition to operating costs – fuel and oil, repairs and maintenance, tyres, parking, administration, etc, you must build in replacement units, insurance, capital costs, and depreciation.

You will likely differentiate between different 'charge classes' of vehicles, and will need some form of mileage relationship built in so that you can charge by mile.

For budgeting

With the rise in vehicle costs, particularly over the last three years, it's inevitable that operating costs come under close scrutiny, both for the purpose of control and budgeting.

In general terms, you will use historical data as a base from which to forecast fleet costs — whether you break them down on a per unit basis, for an 'average' car or truck, or for the whole fleet.

The degree of detail and sophistication that you introduce into your information base will depend upon your budgeting requirements, but it would seem desirable to aim at having 'average' costs as criteria for each model and for each type of usage.

In many firms, the capital aspects of budgeting are separated from the operating cost aspects. Because of the overlap between these areas in the case of fleet vehicles, it could well save these companies money to integrate the budgeting function, since they would then be able to assess much better the financing options available to them.

For determining replacement cycles

In the previous examples, operating cost data have been used to give 'average' costs. A bonus, to the operator who has planned his data collection system and controls it properly, is the ability to use it to determine economic replacement cycles for his vehicles.

For this type of calculation, you must be able not only to split costs into vehicle groups, but also into individual unit expenditures within the defined period. You must also be able from your information to differentiate between different ages of vehicle and different funning periods. Thus your data should record costs on a short period basis and cumulatively (see Chart 1).

Only with this more detailed picture of historical costs can you undertake replacement cycle projections with confidence.

The age in the chart is not age from new, but age from joining the fleet.

The averages developed from Chart 1 can be combined with capital costs and residual values to give replacement cycle bases.

Even at this stage, the analysis will not tell you when *during* the year the vehicle should be replaced. Only very detailed and accessible costs can make this possible. It could well be that you would not be interested in greater exactitude, but for the operator who

CHART 1
Operating Cost Data Requirements for Replacement Cycles

Vehicle age	All operating costs in period—average vehicle costs excluding fuel											
	0–3 months	3–6	6–9	9–12	12–15	15–18	18–21	21–24	24–27	27–30	30–33	33–36
3 years old												
2 years old												
1 year old												
6 months old												
Average												

CHART 2
Detailed Operating Cost Data

Vehicle	Total operating costs in period—average unit versus individual unit												
			0–3	3–6	6–9	9–12	12–15	15–18	18–21	21–24	24–27	27–30	30–33	33–3
Total cost in period £	95	117	139	195	275	280	175	179	190	170	454	305	
Sample size	10	10	10	10	10	10	10	8	6	5	5	5	
Average unit cost £	10	12	14	20	28	28	18	22	32	34	91	61	
Fleet unit No. 3 £	13	13	11	15	29	28	19	20	29	*O	?	?	

*Replace here

Continued on page 7

There are better ways to tie up your capital and still have the fleet you need.

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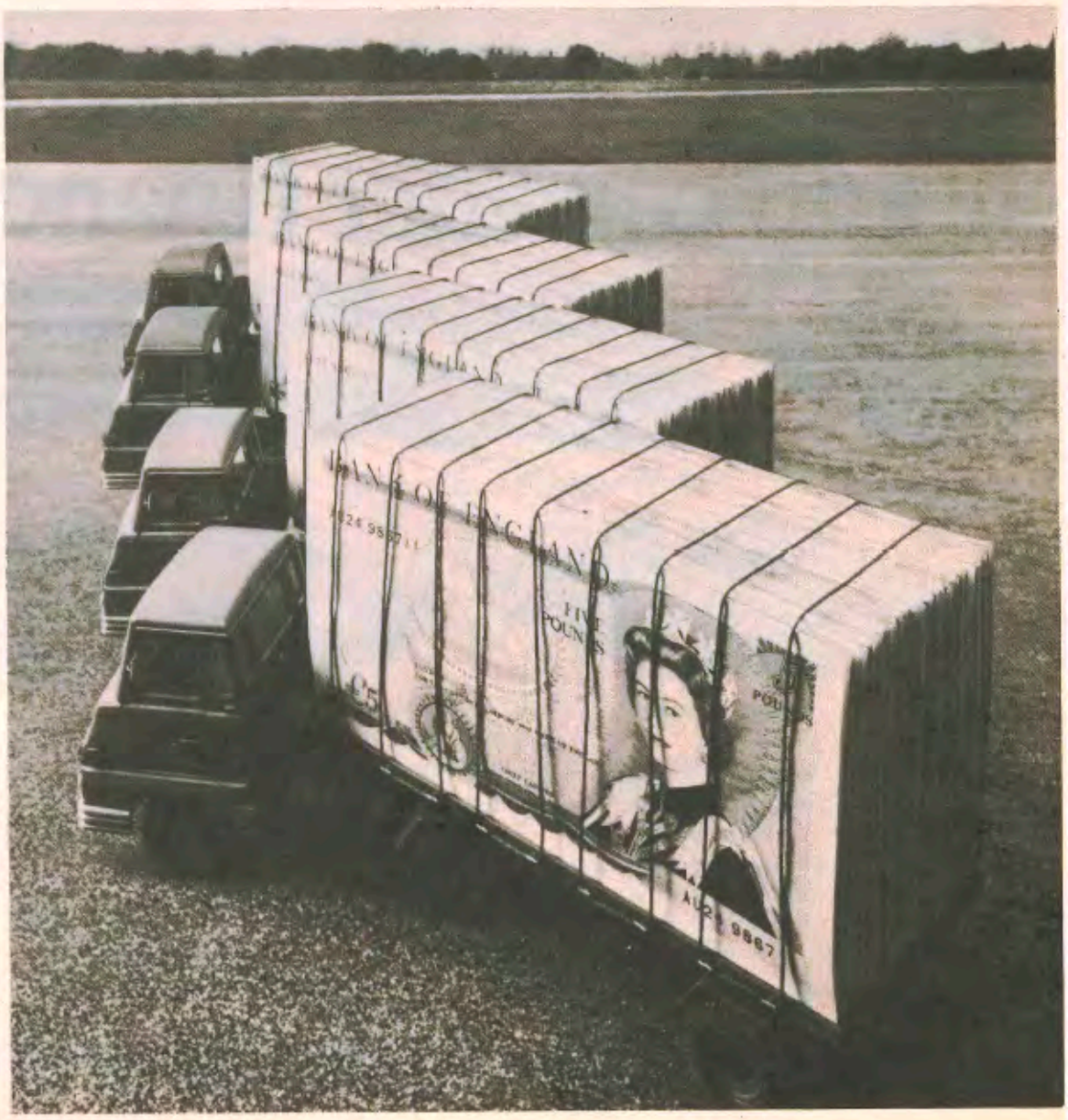

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FLEET OPERATING COSTS

Continued from page 6

is, the following example illustrates the point simply. In the example, Chart 2, the fleet comprises light commercial vehicles. Fleet unit No. 3 can clearly be seen to be nearing a major service, and probably in need of early replacement. You must accept that the 'average' unit costs are for similar vehicles, run under similar operating conditions.

Early replacement could save £100 without influencing residual value significantly.

In the United States, this use of data retrieval and cost forecasting has reached a very advanced stage. Some of the largest rental and leasing companies apply very sophisticated statistical information to the practice of *preventive maintenance*. They can predict from the data available on early units in the fleet, the problems likely to occur with vehicles recently introduced — often before the motor manufacturers themselves are aware of the problems. This means they often replace certain components before they are statistically liable to fail.

For inter-model comparisons

Once operating data is being recorded by time, mileage and type of operation, you can use it to compare types of vehicle within the same operation, or even types of components. This may not be of critical importance to you if your vehicles are used for a mixture of applications. But if you have a large fleet doing the same task, it is vital to isolate the most economic models for that task. *Vital not just for the fleet executive, but for the chief executive who must commit to long-term strategies.* Once again it is the 'average' that must be contracted. In this case, the 'average' model profile working under defined operating conditions.

Inter-model comparisons need not be restricted to vehicles. The principle could apply equally to major components. In the example that follows, Chart 3, you see the cost spread a company has found for its tyre costs — represented by the envelope curve AB. However, this operator should really be looking at his costs by type of operation. He has two types of pattern. The first, shown in line CD, is incurred by vehicles used for farm and building site delivery. This is the higher cost line, with costs produced by tear, not wear — damage to the tyre causing replacement before the tread is worn out. The second pattern, shown in line EF, is for vehicles operated only on urban deliveries. The tyre cost is lower and the treads are the part that wear out.

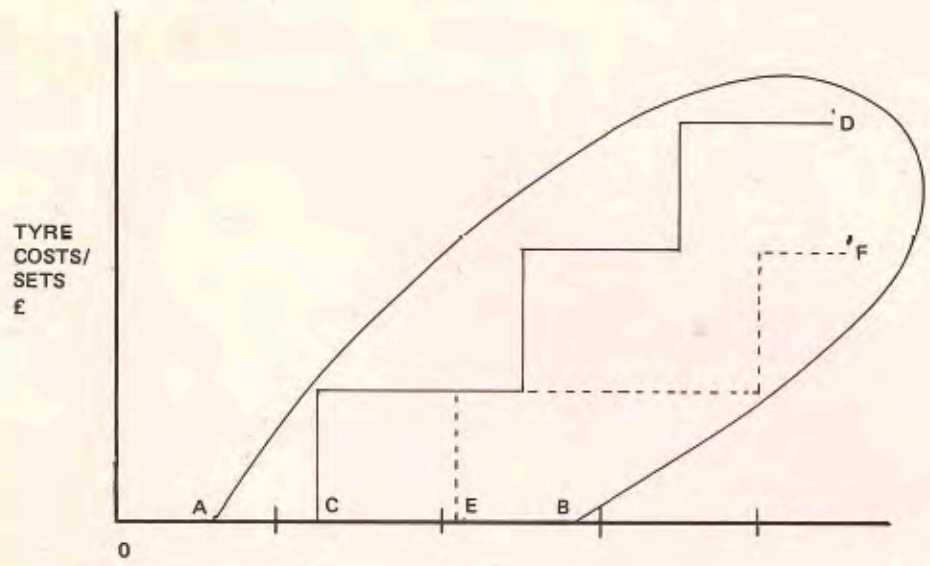
The cost saving solution for the fleet owner in this case might be to specify premium tyres only for those units used for High Street deliveries (EF line). The other vehicles could run on lower cost tyres, or even remoulds, on the assumption that they would not wear out but be replaced because of damage.

The second comparison, with vehicle No. 7, shows a more serious situation. This unit also has costs that are higher than average, but this time the variance runs right across its life. Any available split into mechanical and bodywork may give a clue to the problem. It may well be a case of vehicle abuse. Again an area of possible cost savings!

CHART 4
Control Cost Comparison

Vehicle type	Application type — (to be filled in)									
		0-3 months	3-6	6-9	9-12	12-15	15-18	18-21	21-24	24-27
Total cost in period £	91	117	139	195	275	280	175	179	190	
Sample size—units	10	10	10	10	10	10	10	8	6	
Average unit cost £	10	11	14	20	28	28	18	22	32	
Fleet unit No. 5 £	17	19	37	37	28	30	17	23	31	
Fleet unit No. 7 £	13	12	14	39	54	87	80	66	40	

CHART 3
Tyre Cost Analysis



To check individual unit costs and minimise abuse

Good operating cost data on an 'average' and individual unit basis finally enables you to compare the two at a glance. Any variations can then be investigated, and hopefully accounted for. Chart 4 shows such a comparison. The top lines show the average vehicle number on the fleet, the total costs and the average unit cost. This is compared with fleet vehicles Nos. 5 and 7. In the case of vehicle No. 5, costs in the first months are very high. If the operator's invoices are readily accessible, they should be examined for work done during the warranty period. Provided the operator has sufficient details of work done under warranty, he may be able to claim back money. A simple case which will rarely arise if the dealer relationship is good.

The chief executive's role

Of course, many of these points are aspects of transport management, and naturally fall under the relevant department. **Your** role can be seen as threefold:

1. To determine the objectives of any system within the constraints of company policy and department limitations.
2. To evaluate proposed systems against these objectives and select the best.
3. To supervise the system in operation using built-in control procedures.

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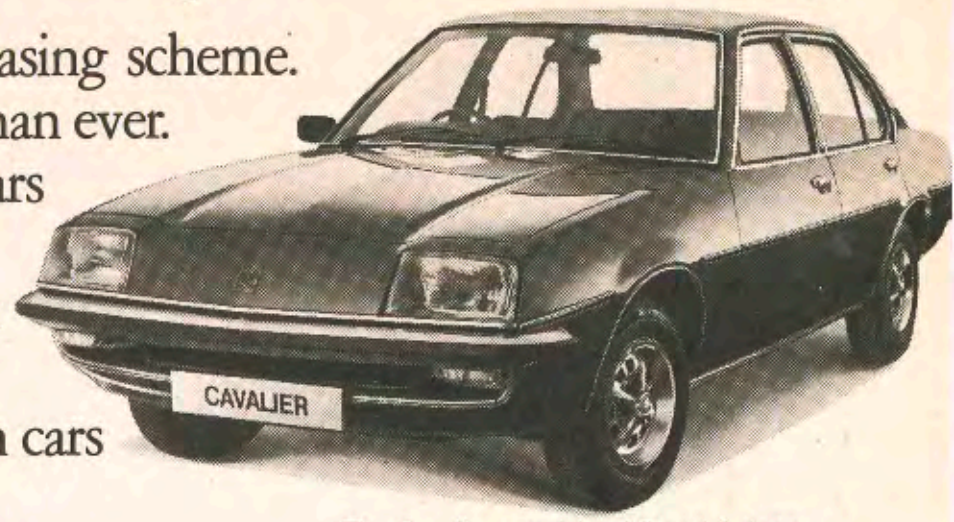

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Specialised Vehicles

Special Problems

THIS is the first in a series of articles in which we look at the unique factors influencing the acquisition and operating economics of the specialised vehicles used by local authorities and government agencies.

The group of vehicles is very wide — fire engines, ambulances, refuse trucks, gully emptying and road-sweeping vehicles, tower wagons, to name but a few.

Operating Conditions

Not only are the vehicles themselves specialised, but they operate under special conditions — for instance, as emergency vehicles in the case of ambulances and fire engines, and under special operational speeds as with refuse collectors and road sweepers.

Financial Criteria

Nor do these vehicles have to meet the normal commercial criteria. Local authorities and government bodies do not pay tax against which capital and operating allowances may be claimed, and are accountable for their decisions in a very different way than the company executive.

In this series we will try to analyse some of these 'peculiarities', and highlight answers to the problems they pose. In this first article, we examine the difficulties involved in calculating replacement cycles. In the second feature, we will look at actual calculations, and in the third we will discuss the whole area of municipal vehicle finance.

Replacement Cycles — the main factors

The factors influencing replacement cycles for the specialised municipal vehicle can be identified as:

—the amount of work obtained from the vehicle;
—high initial purchase price;
—residual value;
—technological obsolescence;
—operating expenses.

Let's look at each of these in some detail, and see what deductions can be made.

Amount of work obtained from vehicle

Operationally, there are two distinct groups of vehicles:

—**emergency vehicles** where usage and operating expenses are low and the emphasis is on *availability;*
—**utility vehicles** with high operating expenses and usually high labour costs.

An example of the first group is the fire engine, and of the second group, the refuse collection truck. Naturally, there are hybrid units, as for example the ambulance, which serves both as an emergency vehicle and as a collector of the ill for routine examination and treatment.

How Do These Very Different Types of Work Output Affect Replacement Decisions?

Emergency Vehicles. Fire engines and other genuine emergency vehicles are unique in providing a service simply by being available. As a result, their mileages tend to be minimal, and maintenance and repair work are spread over an unrealistically low mileage — even if they are moved between stations. Problems in the replacement cycle analysis occur if units in country areas are compared with those in urban areas. The mileage in a rural area could be greater, simply because of the distance involved in servicing a call, but the urban unit is likely to make many more calls.

Under conditions like these, probably the most effective measure of costs is on a cost per day available, rather than the measure used in industry of pence per mile or per load.

Dual-purpose emergency vehicles, namely ambulances and the like, have another peculiar operational characteristic — most probably 90% of their work is routine, and only 10% is a matter of providing round-the-clock coverage. As a result, the operator will need to have a proportion of his fleet constantly available for emergency use, while the bulk of his fleet works a routine service pattern.

However, the two distinct forms of duty suggest the cost per day approach is the most satisfactory.

Utility vehicles, exemplified by the refuse collector, introduce a new element into the analysis — the cost of labour or operatives' wages.

A calculation of work obtained per vehicle will be very

Continued on Page 23

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THE COMPANY CAR

Personal Tax Liability

by P. N. C. Cooke

SINCE the 1976 Budget speech, one of the commonest topics of conversation among executives — apart from the state of the economy and inflation, must surely be the personal tax position of the executive provided with a company car.

The original rules, as laid down in the 1976 Finance Act, were intended both to raise more tax and to simplify the tax treatment of business cars. However, as with practically every tax change, there are countless subtle ways of interpreting the rules which can be used to minimise the impact of tax and keep the business car as probably the most sought-after remuneration perk in the United Kingdom.

In this article, we will outline, very briefly, the rules laid down in the 1976 Finance Act, and the changes and clarifications brought in with the 1977 Finance Act. 1976 is now history but the 1976 Rules only came into effect at the start of the 1977 fiscal year, and we are only now starting to hear of the rulings and definitions that have been made by 'the powers that be' — the Inland Revenue. The second part of the article will put forward a number of general ideas which have been widely accepted as ways of minimising tax liability from a company car.

Loopholes

While every effort has been made to ensure accuracy, it must be stressed that the authors cannot accept any liability for the interpretations put forward in this article. Obviously any plans which the executive or company intends to use to minimise the impact of tax must be checked out with professional advisers to ensure they are in line with current thinking. As with so many tax matters, loopholes will steadily be closed up, but the tax specialists will constantly be finding new ones which will be applicable for a time until they, in turn, are blocked.

Current Company Car Tax Regulations

Chapter II of the 1976 Finance Act lays down new rules for directors or persons in higher paid employment, in respect of company cars. Section 60(4) specifies the new legislation will be effective for Fiscal 1977–78 onwards.

Higher paid employment is defined as £5,000 or more per annum, including expenses or other payments. This figure has subsequently been lifted to £7,500 — including the imputed value of the car, by later legislation.

Subsequently, the definitions covering full-time working directors have been clarified. The exemptions are not likely to affect readers.

Thus, not only executives but even middle-high ranking representatives could be included because of their expense levels.

Employees below this magic threshold level for personal tax will be covered by legislation which the Chancellor indicated he would introduce when the tax system could cope with it — no real indications as to when this might occur have been given, but it might be left in abeyance and 'salary creep' allowed to extend the net.

Personal Tax Incidence

Let us turn for a few moments to examine the impact of the regulations as laid down in the Act.

The primary division is to split 'higher paid' personnel, as noted above, into two distinct groups — executives provided with a car and whose business mileage is 'insubstantial' and the second group — those with 'substantial' business mileage. The definition of 'insubstantial' is still open to some degree of negotiation, but a widely accepted definition appears to be 'substantial business mileage is about 10% of annual mileage'. However, this is still open to tighter definition and the company's professional advisers are the best people to comment on the most up-to-date definition in *your* tax district.

Let us now examine in a little more detail the two groups of personal tax incidence.

Insubstantial Business Mileage

This smaller numerical group is covered by Section 62(1). It embraces employees, their families and households, who receive a car which is NOT used for the employee's business travel, or, if business travel is involved it is insubstantial compared with the private use.

For these people, Section 63(5)(b) specifies that the annual value of the asset, in the relevant year, is 20% of its original market value, or 10% if its age exceeds four years. Additionally, Section 63(4)(b) adds the total of any expense incurred in, or in connection with, the provision of the benefit.

Additionally, if the car is hired, and the hire charge is greater than that defined above, Section 63(6)(a) lays down that this higher charge is to be used as the basis for calculating the value of the personal benefit.

For the people in this group, the tax liability is calculated and treated as a monetary benefit, and taxed at the employee's or director's highest tax rate. In other words, if the car is calculated to be worth £500 in the relevant year, the employee will, for tax purposes, be credited with another £500 income equivalent to be taxed.

Substantial Business Mileage

The majority of company car recipients will be covered by the second category of user, ie people who, according to Sections 64(1)(a) and 64(1)(b) have a car made available by reason of employment and available for the employee's and his family's or household's private use, which is not chargeable to tax as income (except under the second of these sections).

For this group of company car recipients, Tables A, B and C in Part I of Schedule 7 are relevant. They are shown below:

Table A: Table of Flat Rate Cash Equivalent

Cars with original market value up to £6,000 and having a Cylinder Capacity.

Cylinder Capacity of Car in CCs	Age of car at end of relevant year of assessment	
	Under 4 yrs	4 yrs plus
1,300cc or less	£175	£120
1,300cc to 1,800cc	£225	£150
More than 1,800cc	£350	£235

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Table B: Table of Flat Rate Cash Equivalent

Cars with Original Market Value up to £6,000 and not having a Cylinder Capacity.

Original Market Value of Car	Age of car at end of year of assessment	
	Under 4 yrs	4 years plus
Less than £2,000	£175	£120
£2,000 or more but less than £3,000	£225	£150
£3,000 or more but less than £6,000	£350	£235

Table C: Table of Flat Rate Cash Equivalent

Cars with an Original Market Value of more than £6,000.

Original Market Value of Car	Age of car at end of relevant year of assessment	
	Under 4 yrs	4 years plus
More than £6,000 but not more than £10,000	£500	£335
More than £10,000	£800	£535

Specific points to note from the tables include:

The original market value of the car is the base for the calculation. With recent inflation, this is important, especially if the car is more than four years old. The four year rule applies to the END of the relevant year.

If the car is not available for the full year, cost of flat rate cash equivalent is reduced on a pro rata basis of 365. 'Non-availability' is defined as follows:

—not made available to the employee until after that day, or it had ceased before that day to be available to him;

—was incapable of being used at all throughout a period of NOT LESS THAN THIRTY DAYS CONSECUTIVELY.

If the car is used preponderantly for business, ie more than 25,000 miles per annum on business, the flat rate income equivalent is halved.

There are also reductions in the flat rate income equivalent for any contributions made by the employee towards the car. Any payment is deducted straight from the flat rate income equivalent. The charge can be cut to nil by this method — however, it is paid out of post tax income!

Pool Car Regulations

So much for the regulations as they apply to cars allocated to individual business car users. Pool car regulations have also been specified and laid down carefully in the Finance Act:

A Pool Car is one included in a pool for the use of the employees of one or more employers.

Section 65(2)(a) states that it must be available to AND ACTUALLY USED BY, more than one of those employees, and was made available by reason of employment. It must not have been used by one to the exclusion of the other users.

Section 65(2)(b) says that any private mileage in that car was purely incidental to his other use; AND

Section 65(2)(c) it was in that year not normally kept overnight on or in the vicinity of any residential premises where any of the employees were residing.

If any employee claims a car is a pool car, and the inspector disallows that claim, other members of the pool also automatically lose the pool car status.

Should the employee be able to satisfy the inspector of the validity of his pool car status, he will not be liable to a flat rate cash equivalent.

How to Reduce Personal Tax Liability

The company's professional advisers will be up to date with the most recent schemes to minimise the executive's tax liability. A number of broad principles underlie many of the programmes in use. The most widely used schemes are directed at executives whose business mileage is 'insubstantial'. We will concentrate on these, but will mention some of the other schemes for executives with higher business mileage.

Outline Schemes for Executives whose Business Mileage is Insubstantial

Although no hard and fast official ruling on the precise definition of 'Insubstantial' has yet been published, a Press Release has suggested that anything in excess of 10% of the annual mileage on business will indicate that the car is one provided for business purposes, and so move the recipient out of this category.

For the recipient who is still classed as an 'Insubstantial' business mileage user, the following general thoughts may be of interest:

Increase Business Mileage: in the course of the year, opportunities generally exist to boost business mileage, even if this means an occasional car trip when the train might have been more suitable. The average private motorist drives about 12,000 miles per year, so to obey the general rules the executive is looking for something in excess of 1,200 miles in the year, on business.

Executives meeting staff in the field should use the executive's car for any travel during the day in preference to the representative's, even if the representative drives, as this can build up the business mileage.

Any driver who feels he will be close to that 10% of mileage level is strongly advised to keep a company mileage log in case his claim should be challenged. An 'Annual Cumulative' column should be included as well.

Selection of Acquisition Method: generally, from the tax liability point of view, it is cheaper for the employee if the company purchases the car.

A Contract Hire car includes elements for administration, profit and contingency — none of which can easily be identified in the tax liability analysis. Strict application of the rules might make outright purchase slightly cheaper than hire purchase for the employee, despite the benefits which the latter may have for the company.

Choice of Services Provided in Contract Hire Arrangements: if the company car is hired, it is possible to minimise the apparent value of the benefit and cut the annual cost. A number of possibilities are worth pursuing:

—is the minimum possible mileage for contract hire being used? The smaller the mileage, the lower will be the charge. Beware of the minimum legal mileage.

—is the lowest level of backup service provided? For example, the man who has a car virtually for private domestic use does not need an instantly available replacement vehicle, should his normal one break down.

—is the contract agreement non-maintenance? If it is, only the actual charges should be built into the value of the benefit.

Provision of Older Car: the 20% of capital cost of the car rule can sometimes be played to advantage. For example, a very senior executive may have an old Aston Martin or a pre-war Bentley. Capital cost when bought is, in present-day terms, low, so will be the 20% charge. However, the executive may be caught out by high repair and maintenance charges.

Grand Slam Approach: the alternative approach to minimising the benefit of the company car is to heap on the benefits and pay everything for the employee. The individual company could have problems with the Pay Code.

In this case, the executive will have to pay tax on the car and its benefits, but the value may be open-ended and the company may consider negotiating it instead of a pay rise for the year in question. This approach may be useful in the case of partnerships.

As we will illustrate in our next issue, the company car is here to stay, indeed its importance and dominance of the motor car market is increasing.

As a result, we can expect tax machinery governing it to become increasingly sophisticated, and to spawn in turn ever subtler methods of tax avoidance. We shall monitor events later in the year.

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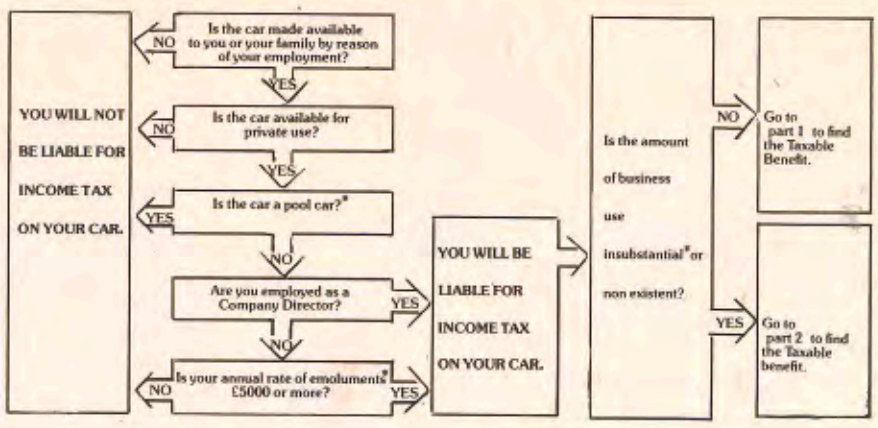
Will I pay income tax on my car?

A graphic ready-reckoner (reproduced courtesy of British Leyland)



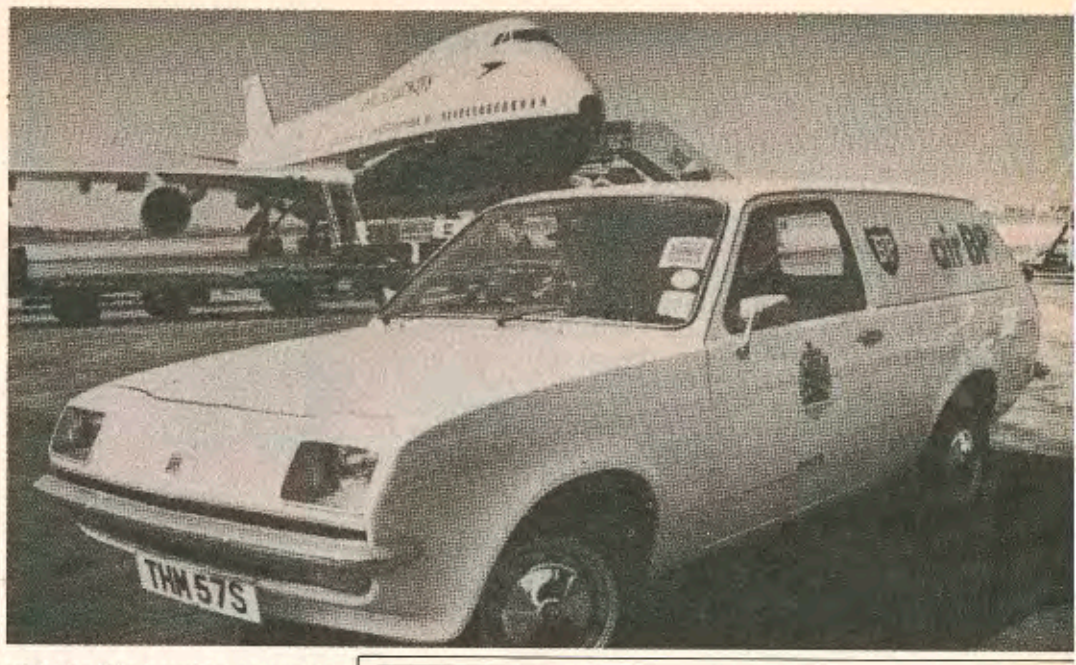
PART 1 BUSINESS USE NOT INSUBSTANTIAL	Example 1 Original market value: £3250 Cubic capacity: 1600 cc Car less than 4 years old Reimbursed expenses:- Repairs/Servicing: £120 All petrol used: £800 Total mileage: 30,000 m Private mileage: 4,000 m Car available for full tax year No employee contribution.	Example 2 Original market value: £6250 Car less than 4 years old Reimbursed expenses:- Repairs/Servicing: £200 All petrol used: £400 Total mileage: 12,000 m Private mileage: 2,000 m Car available for nine months No employee contribution.
STEP 1 **Decide whether your car has 'Preponderant Business Use'** If your business mileage is at least 25,000 miles p.a. it is classed as PREPONDERANT BUSINESS USE. Any other substantial business mileage is referred to in this section as SIGNIFICANT BUSINESS USE.	Business mileage: 26,000 m **Preponderant Business use**	Business mileage: 10,000 m **Significant Business use**
STEP 2 **Use the table below to work out the Flat Rate Benefit applicable to your car.** The benefits are fixed scales laid down by the legislation. They may depend on age, original market value and engine capacity of the car as well as the amount of business use.	From the table: Original market value: £6,000 or less Cubic capacity: 1301 to 1800 cc Age of car: Under 4 years Business use: Preponderant Therefore: **Flat Rate Benefit** £112 **Carried Forward £112**	From the table: Original market value: £6,001 to £10,000 Cubic capacity: Not applicable Age of car: Under 4 years Business use: Significant Therefore: **Flat Rate Benefit** £500 **Carried Forward £500**
STEP 3 **If the car is not available for a full tax year, reduce the flat rate benefit pro rata.**	No adjustment required. **Carried Forward £112**	£500×9/12=£375 **Carried Forward £375**
STEP 4 **Add on the private element of the cost to the employer of providing a driver for the car.**	Not applicable. **Carried Forward £112**	Not applicable. **Carried Forward £375**
STEP 5 **Add on the private element of car expenses which are borne by the employer where these are met by way of reimbursement to you.** The private elements of Steps 4 and 5 can normally be calculated by pro-rating the cost of a driver, or reimbursed expenses by the proportion which private mileage forms of the total.	Proportion of total mileage relating to private purposes. 4,000/30,000 = 0.13 Reimbursed expenses: £920 Private element: £920×0.13=£120 **Carried Forward £112** **+ £120** **£232**	Proportion of total mileage relating to private purposes. 2000/12000 = 0.167 Reimbursed expenses=£600 Private element: £600×0.167=£100 **Carried Forward £375** **+ £100** **£475**
STEP 6 **Subtract any contribution you make to your employer towards the private use of the car.**	Not applicable. **Carried Forward £232**	Not applicable. **Carried Forward £475**
The resulting sum is the Taxable Car Benefit which will be subject to income tax at your marginal rate of liability.	**Total Taxable Car Benefit £232**	**Total Taxable Car Benefit £475**

You are taxed on:— **TO SUMMARISE**
Flat rate benefit
plus
Private element of driver
plus
Private element of reimbursed expenses
less
Your contribution

PART 2 INSUBSTANTIAL OR NON-EXISTENT BUSINESS USE	Example 3 Original market value: £3250 Car less than 4 years old Insurance/Excise duty: £110 Repairs/Servicing: £70 No other running expenses borne by employer No business mileage Car available for 6 months No employee contribution.	Example 4 Original market value: £2000 Car over 4 years old Insurance/Excise duty: £110 Repairs/Servicing: £100 AA Membership: £9 No other running expenses borne by employer Total mileage: 5000 m Private mileage: 4875 m Car available for full tax year Employee contribution: £120
STEP 1 **Take 20% of the original market value of the car OR 10% if the car is at least 4 years old by the end of the tax year.***	20% of £3250=£650 **Carried Forward £650**	10% of £2000=£200 **Carried Forward £200**
STEP 2 **If the car is not available for the full tax year reduce the above figure pro rata.**	£650×6/12=£325 **Carried Forward £325**	No adjustment required **Carried Forward £200**
STEP 3 **Add on the vehicle excise duty, insurance and repair costs and other running costs borne by your employer.** (Apportioned where necessary to the period of availability) * NB If your employer pays a lease rental or hire charge for the car, the annual amount payable is, if greater, substituted for the figure as calculated at Step 1.	Total cost: £180 Adjustment: £180×6/12=£90 **Carried Forward £325** **+ £90** **£415**	Total cost: £219 No adjustment **Carried Forward £200** **+ £219** **£419**
STEP 4 **Calculate the proportion relating to business use (if any) and deduct this from the total brought forward.**	No business mileage. **Carried Forward £415**	Proportion of total mileage relating to Business use 125/5000 = 0.025 Business element of total brought forward from Step 3 £419×0.025=£10 **Carried Forward £419** **− £10** **£409**
STEP 5 **Subtract any contribution you make to your employer towards the private use of the car.**	Not applicable. **Carried Forward £415**	Employee contribution: £120 **Carried Forward £409** **− £120** **£289**
The resulting sum is the Taxable Car Benefit which will be subject to income tax at your marginal rate of liability.	**Total Taxable Car Benefit £415**	**Total Taxable Car Benefit £289**

You are taxed on:— **TO SUMMARISE**
Appropriate percentage of original market value
plus
Running costs borne by the employer
less
Business element of above
less
Your contribution.

A PLANE ON THE GROUND COSTS MONEY!



ONE of us who worked for Aer Lingus some years ago remembers this saying which sums up the recurring nightmare of airlines.

Translated into a maxim for fleet operators it might read 'a vehicle off the road costs money' and be equally appropriate.

Elsewhere in this issue we discuss car rental and pool cars both of which are designed to replace vehicles off the road. But what of the emergency situations that occur at the worst of times in the worst of places? What of the services which exist to provide immediate on-the-spot treatment and save a day or more of driver and vehicle time?

This article discusses just a few of the services that exist for the convenience of fleet operators. In subsequent issues we shall discuss the several others that are often overlooked.

HEADING FOR A BREAKDOWN?

Standing in a telephone box in Cumbria in winter at midnight is not to be recommended. But then tyres do not decide to deflate in the middle of Dartmoor in Springtime at around 10 am, for Murphy's Law does not work that way! So, in that telephone box at midnight there is also the delicate question of whom to call, whether they will turn out, and having the right number and denomination of coins.

275,000 Calls for Help

This is all a preamble to the fact that there are some 275,000 calls a year for help which are received by the National Tyre Distributors Association members from commercial vehicle operators who have a tyre problem ... and the number of cries for assistance is obviously far higher since there are many hauliers who do not have any tie-up with an Association member.

National Freefone Service

But those who do receive a number of advantages, one of the greatest being the national Freefone service inaugurated just over a year ago. While NTDA members have always been ready to turn out to help commercial operators in distress, the response has obviously been patchy depending on area and potential demand as well as time of occurrence.

Now, all a driver has to do is to call Freefone 3737 and the operator will do the rest. The driver needs to have basic details, such as his service book number, which is supplied to all NTDA commercial vehicle customers, and preferably tyre size and problem. After that, all he has to do is sit back and wait for help to arrive! The Freefone operator meanwhile is busily ringing depots in the area listed as providing the necessary service day or night and, if a customer wants a particular NTDA member to give the service and there is a depot in the area, the driver can tell the operator to ring there first. If none are specified, the operator has a list that is rotated every so often, so that all NTDA members, particularly the smaller independents, can have an equal opportunity with the 'big boys' to go out on emergency calls. If a tyre failure occurs on a refrigerated truck that is due to be on a ferry for a long-haul trip into Europe, this can be costly in the extreme unless there is a prompt, efficient service to get the vehicle back on the road as swiftly as possible.

International Breakdown Scheme

This United Kingdom breakdown scheme has now been extended to six European countries through the international tyre association BIPAVER, and there are reciprocal agreements with Belgium, France, Germany, Great Britain, Holland and Norway, with the service books of the other five countries being available to members of the NTDA for the use of members' customers travelling in those places and vice versa. Agreement has also now been reached with the International Road Transport Union, who have published a supplement listing tyre distributors in the countries who will come to a haulier's aid, in their IRU mechanical breakdown directory.

No Cash Required

The beauty of the scheme is that the whole service operates on a credit and trust basis, so that the Association service book (and those issued by the member countries' Associations) is itself a guarantee of payment. Hence a driver does not have to be responsible for any cash transaction at the time beyond the telephone calls. A Freefone service does not operate on the Continent, but at least there is a booklet detailing cities and towns where there is an emergency service operating. Although details of the scheme seem extremely

Continued on Page 14

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"Will you summarise the details of the Autoplan Fleet Guarantee?"

"The Fleet Guarantee is an unlimited mileage full mechanical parts guarantee. Service items, tyres, exhausts and other consumables are excluded. The guarantee extends the manufacturers 12 months warranty by a further 12 months on new or existing fleet vehicles up to 9 months old. For existing vehicles older than 9 months the guarantee will commence 3 months after registration of the vehicle with Autoplan. Existing vehicles must not be more than 3 years old or the recorded mileage more than 40,000. The premium for new and existing vehicles up to 9 months old includes two years membership of the Car Recovery Club plus 3 day car hire for the same two years should the vehicle be subject to mechanical failure or accident."

"Which of my vehicles can I have guaranteed?"
"Any make or size of car or light commercial up to 1 ton carrying capacity may come under the scheme at the same premium."

"Do we have to use oil additives or have extra services?"
"No Autoplan is a form of insurance not a means of selling additives or other products, and servicing is at manufacturers recommended intervals."

"To what extent is my company involved in administration?"
"Repair, recovery and car hire are organised to a predetermined system without your company being involved in such organisation or administration, which must represent a cost and time saving."

"Do we have to pay repair bills etc. and then claim on Autoplan?"
"No. Claims are authorised by Autoplan to the repairing garage and recoveries are handled by Car Recovery Service Club Limited."

"Can our vehicle workshop carry out repairs?"
"Yes. Any Autoplan appointed or company approved garage may carry out repairs or servicing."

"So, the basic benefits are ....."

1. Budgets can be determined accurately for a two year period, and you are also eliminating an unknown inflation factor. Without the Autoplan programme accurate budgeting is almost impossible as you cannot possibly determine how many breakdowns, particularly major, may occur, how many recoveries and their cost or how you may be affected by inflation during a two year period.
2. Documentation is compiled in such a simple easy to follow manner that the vehicle driver can proceed with recovery, and repairs as a result of mechanical failure without ever contacting your fleet administration staff.
3. Recovery and car hire facility means no lost man hours for employees driving guaranteed cars.
4. Where fleet vehicles are allowed to be used privately they are still covered.
5. There are no mileage limitations during the period of guarantee.
6. When the vehicles are offered for sale you have available a full service record, which could command a higher price.

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☎ Wolverhampton (0902) 20244/5

Sirs,

Your Fleet Guarantee is of interest. Will you please contact me to arrange a meeting.

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Position .....
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A PLANE ON THE GROUND
continued from Page 13

complicated, it works in practice and the settling up process is achieved basically between the national secretaries of the respective tyre associations, who are responsible for the accounts going to the members, who then settle up with the customers.

National and international trucking operations are ever more complicated and expensive, so that any agreements between associations in different countries to enable trucks to be kept moving must be of value.

Time Is Money

The NTDA was formed in 1930. It now consists of over 250 tyre specialist members operating some 2,500 outlets throughout the United Kingdom, dealing in all forms of tyres from bicycle to earth-mover, from £2 to upwards of £20,000 for **each** tyre, so never was the phrase 'time is money' more valid. The Association offers a range of services to members, including a comprehensive training scheme for tyre fitters in cars and trucks, and with a training manual that is in demand world-wide because of the comprehensiveness of the treatment given, with all the expertise of the NTDA, the British Rubber Manufacturers' Association, the Rubber & Plastics Processing Industry Training Board, the Motor Agents' Association and the City and Guilds of London Institute behind it.

Living with Murphy's Law

Murphy's Law says that if there is going to be tyre trouble it will happen at the most critical time — like the Hammersmith flyover in rush hour — and particularly if the driver has no service book or his employer is not a member of any aid association! Nothing stops the operation of this Law, but a few sensible precautions will help to contain it within reasonable bounds. The NTDA Freefone service, and the international link-up, would seem to be one answer.

EMERGENCY WINDSHIELD SERVICE

WINDSCREEN breakage in this country has reached a level of approximately 400,000 'happenings' per year. This statement is based on a number of factors and as a figure, gives a fair indication of the chances the average motorist stands of sustaining screen damage in his normal daily habits. Obviously the more miles one drives, the greater the risk. With this thought in mind, the motorist is faced with the problem of replacement when such an incident occurs. Today there is a service available to road users which offers the driver, private car or business vehicle, the answer in terms of 'what do I do?'.

The Windshield Enterprises group, known as '**Windshields**', operate a national mobile windscreen replacement service 24 hours every day of the year. Working from bases placed in strategic areas, they operate a fleet of vans equipped to carry out replacement work almost anywhere in the land. By using a base-to-van radio system they are able to direct the qualified fitters to the job in the shortest possible time — an obvious advantage to the business user, whether passenger car for the sales executive, or a heavy commercial carrying urgently required supplies. In this manner both time and money are saved.

One major 'plus' for the system involves pricing, there is one national tariff which, as far as fleet usage is concerned, guarantees the costs, no matter which branch handles the work. Group arrangements are a speciality and can be tailored to suit the requirements of the individual company. For instance, the problem of payment can be alleviated by account facilities which take the 'pain' away from the situation, and allow the vehicle to proceed with minimum of delay. In addition all vehicles carry Barclaycard and Access machines for those who wish to settle the account with 'plastic money'. Of course cash is always acceptable as are cheques with the appropriate banker's card. But as far as fleet users are concerned, the normal account facilities cover most eventualities.

EXTENDED WARRANTIES

THE principle of extended warranty plans is to give protection to the fleet operator after the manufacturer's warranty expires. The advantage of these plans, apart from their convenience, is that you can predict the costs of repairs (and any car hire and recovery) for another one or two years after the normal warranty period.

The concept is the same whichever company you go to, but the extent and cost of services vary.

Autoplan

For information, we spoke to Autoplan, launched in 1973, and Autoguard, formed in 1974, the two largest independent companies.

Autoplan's warranty is designed for the fleet operator, giving an unlimited mileage, full mechanical parts guarantee. It allows a maximum claim of £300 parts and/or labour on any one occasion. Service items, tyres, exhausts and other consumables are excluded. It extends the manufacturer's warranty by a further 12 months on new or existing vehicles up to three years old. The package (for vehicles up to nine months old) includes two years' membership of the Car Recovery Club plus three-day car hire for the same period should the vehicle be subject to mechanical failure or accident. The guarantee, which is fully underwritten by insurers, covers any make of car or light commercial up to one ton carrying capacity.

Autoplan handle all the administration and organisation of repairs, recovery and car hire, and pay repair bills direct. Servicing is recorded by drivers on service coupons which are sent to Autoplan after each service. This system gives them very detailed operating histories of each vehicle which in turn can provide an operator with precise and valuable historical information on his fleet's operating costs. Autoplan point out that an operator's own vehicle workshop can carry out repairs as can any Autoplan appointed or company approved garage.

The Autoguard plans embrace a basic plan, and various additions which may be built on or added to it.

For instance, the basic mechanical cover for engine, gearbox and back axle may be extended to cover clutch. The basic plan allows up to £200 for any one claim, but again this may be extended to £400. There is a three-day free car hire service which may be increased to seven days. A free breakdown recovery service — 24 hours a day, 365 days a year — is a separate service under the Autoguard programme (called Overdrive Mobility) and is sold as a specific.

Major differences between the two companies seem to be in their attitude to service coupons (Autoplan use them, Autoguard do not), the payment of repairs (Autoplan pay direct, Autoguard reimburse you) and costs — Autoguard's basic plan starts at around £39.50, but is much less comprehensive than Autoplan's which costs more than twice this figure.

From your point of view, it's reassuring to know that your extended warranty cover can be as comprehensive as you wish to tailor it. However, it does pay to get competitive quotes, and to explore the extent to which the companies you approach can meet the requirements of your system.

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THE largest specialist exhaust-fitting company in Europe is the group Euro-Exhaust Centre Holdings Ltd, which originated with two drive-in, free-fit exhaust centres in 1971.

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POOL CARS OR SPARE CARS?

(Some questions you should be asking) by Nicholas Collins

Do you know what your vehicles are being used for?

IT is right and makes business sense to ensure that emergency transport problems are anticipated and solved.

One way to ensure that an executive gets where he needs to be on time is to have a pool car available when his is out of action. One answer certainly, but is it the best? A basic system and some elementary controls will tell you.

Is the Pool Car really a Spare Car?

If policy permits, a pool car will be viewed as a SPARE or EXTRA CAR and used for a dozen unintended purposes — for the regular odd trip to town by car-less junior staff, as the extra car for senior executives with temporary and minor transport problems, and even as the de-facto possession of some individual — to mention a few.

You know this as well as we do, and you may be happy to keep it that way for whatever good reasons. But if you're not (and even if you are), consider the following check list:

Pool Car Check List:

1. How many pool cars have we got?
2. What do we use them for?
3. What sort of cars do we use?
4. Who authorises their use, and under what conditions?
5. For how long may one person/department keep a car?
6. Are detailed costs kept? How are they allocated?
7. What life do we give cars?
8. Should we have them at all?

1. How many pool cars have we got?

An obvious question that will throw up a lot of interesting facts. Of course, your transport department will have budgeted for a certain number of cars. However, it is not uncommon for the actual number to be greater because of a system of 'used car retention'. This means that a car that has finished its field life is kept by the transport department for one to three months 'until the tax runs out'. As a result, they have additional vehicles to meet emergency demands, or even special favours to a manager or representative, who could be hundreds of miles away. Asking this question, a number of chief executives have unearthed, even in modest fleets, two or three vehicles buried as unofficial spares at a residual value of say £1,500 per car! Indeed, if it becomes practice for unofficial spare cars to become the perks of certain staff, you can easily find your company maintaining a larger car fleet than is necessary or even planned. Remember, the onus is on **you** to probe. A transport department may account for a significant proportion of your capital budget but it rarely receives equal recognition. Hence, you will know what pressures can be put upon it by privileged departments and executives!

2. What do we use them for?

Definition:

In the strict sense, a pool car is a convenience for the use of company staff (as defined) on a temporary replacement basis or to meet ad hoc requirements. It is provided to enable staff to fulfil company business — the assumption being that, without a car, that company business would suffer.

Interpretation:

This is a trite definition — easy to write and easy to understand. The difference between a successful and an unsuccessful pool policy lies in interpretation.

3. What sort of cars do we use?

Specification:

Do you have a specification? If not, why not start with 'a set of wheels' and resist with every fibre all arguments for embellishing this. There will be many, most of which boil down to a question of status and image. Unfortunately, in so emotive an area as motor cars, probably only you can play the devil's advocate.

Returned Cars:.

It is common for companies to put all returned cars of the relevant specification into the pool for two or three months before disposal. However, this means that quality used cars will likely suffer reduction in residual value — particularly bearing in mind that pool cars invariably receive rougher treatment than allocated vehicles.

It seems more logical to nominate one returned unit (or however many you budget) as the pool car and keep it for some time so that the reduction in residual value is restricted only to that one vehicle.

4. Who authorises their use and under what conditions?

System:

You must have an authorisation system. It must be formal and documented.

Senior Level Authorisation:

Authorisation should be at a senior executive level. The Transport Department should only be allowed to release a vehicle on authorisation by an approved signatory.

Conditions:

The authorisation should require a statement of the purpose for which the car is required. A tick against one of several previously agreed reasons is probably the best way, but does leave considerable room for abuse. To minimise this, the reason should be substantiated in a space left for that purpose. Like everything else, the conditions imposed will be as good as the thinking that produced them.

Continued on Page 16

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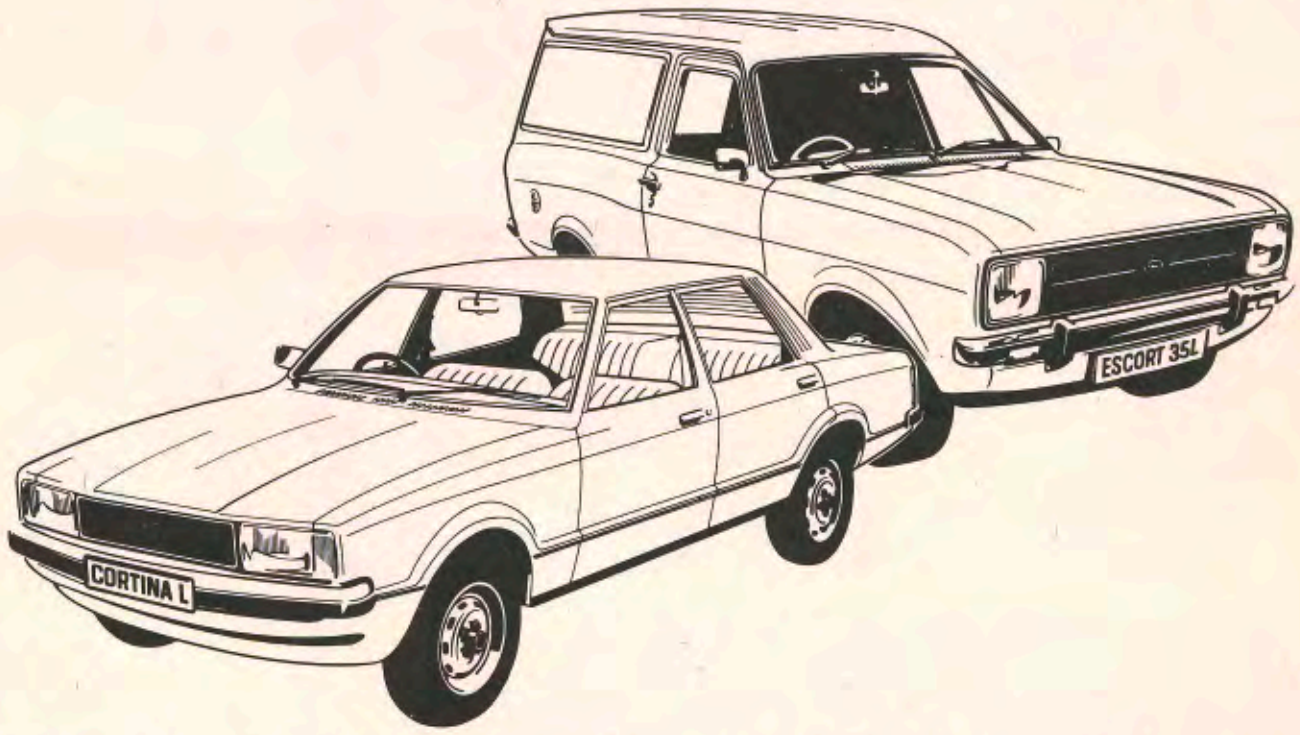

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POOL CARS OR SPARE CARS?

Continued from Page 15

So it would be obviously sensible to spend time considering the acceptable reasons and conditions, and anticipating as much as possible the devious thinking of the system-breakers.

5. For how long may one person/ department keep a car?

If a car is intended only for ad hoc purposes, probably the answer to the question is a week maximum. Such a time should cover any single field arrangement by a non-field person, and would ensure that the user avoids major tax problems involving the use of a company car. If the need is for longer term replacement vehicles, it is important to compare estimated costs of replacement with the cost of hiring a vehicle — in whatever form. As this publication shows elsewhere, there are many companies qualified to help and advise. The company might also benefit by considering short term rental to meet at least some of its ad hoc requirements.

6. Are detailed costs kept?

Of course, budgeting and cost comparisons dictate that detailed operating costs be kept.

It is all too easy to lose a pool car's operating costs in the 'Transport Overhead'. It may be very difficult to show them separately under your system. But it is obvious that costs should be allocated as far as possible to individual cars and then charged out to departments according to their use of the cars.

A refinement of this system is to have a split charge — part on a daily basis and part allocated according to mileage covered by the car. Certainly, this system operated stringently would encourage departments to return pool cars as quickly as possible, since it would affect departmental budgets!

7. What life do we give cars?

Necessarily, the life of your pool cars relates to the life of your other company cars. We recommended earlier that you keep a pre-determined number of your returned cars for pool usage, rather than operate a loose system of keeping every returned vehicle for an extra two or three months. If you follow this course, you will concentrate on two or three vehicles and establish the best disposal time based on projected residual values and estimated operating costs.

8. Should we have them at all?

We place this question last although it might well come first.

Our point is that, like any other system, the pool car system needs to be rationalised and costed before its implications can be assessed. At that point, your needs can very quickly be costed on a comparative basis between operating on pool, contract hire, rental, or some extended warranty plan — or some combination of these.

In the end, what we are saying is this:

1. A pool car costing ±£1,500 pa has to justify its existence.
2. It is your job to ensure that it does.

SHORT TERM RENTAL

by David Owens, Network Rental (UK) Limited

THE UK rental industry is one of the most sophisticated in the world, embracing many types of suppliers and a very comprehensive range of services.

There are two broad segments:

Short-term rental providing hourly, daily, weekly and monthly hires, and

Long-term rental (leasing) covering annual requirements.

A complete range of vehicles is available in both segments from cars, vans and trucks to specialised trailers and purpose-built vehicles.

For the purposes of this article we deal with SHORT-TERM RENTALS.

WADHAM STRINGER

Reasons for renting

Undoubtedly the highest and most regular fleet requirement is for cars and light vans . . .

1) to replace a vehicle which is being serviced or repaired, or
2) as a temporary addition due to additional work load, non-delivery of a new fleet vehicle, or special requirements.

Unplanned emergency usage

In both cases the decision to rent is usually unplanned. The number of organisations which have examined the full potential and cost effectiveness of short-term rentals is few.

It is interesting to note that one of the largest sources of short-term rental business is from the leasing companies. These companies have great experience in vehicle costing and readily appreciate that the use of short-term rental enables them to provide a prompt and economic service for the customer.

Alternative to Pool Cars

A rented car is obviously not a substitute for a fleet car, but it provides a very attractive alternative to the provision of a stand-by pool vehicle.

Pool vehicles are probably the most abused company vehicles. Controlling their use not only takes considerable administrative time, but often requires the wisdom of Solomon when deciding which of two contenders should have priority on any particular day. Inevitably the condition of these vehicles deteriorates as none of the drivers feels any responsibility for them which leads to increased operating costs and losses in residual value.

As an alternative the use of rental vehicles enables the fleet user: to choose the right vehicle to meet each requirement; to have as many or as few vehicles as required; to ensure employees drive well-maintained current vehicles; to provide replacement vehicles in other areas of the country immediately; to eliminate the administrative problems of pool vehicles.

FIAT

Cost comparison: Rented Cars versus Pool Cars

The comparative costs depend very much on how you finance and cost your pool vehicles.

Our experience is that if you have accurate knowledge of your pool car costs, after allowing for the periods when they are out of service for repairs/servicing/valeting and holiday closures and including administrative time, you would find a comparison with the cost of rental very profitable. We have seldom found a fleet situation where the advantages of rental mentioned above do not outweigh any premium in cost . . . indeed, we have often found that rental is no more expensive in the first place.

bvrla

The British Vehicle Rental and Leasing Association

Rental has been provided in the UK since the turn of the century and grew up as a cottage industry. Fortunately, the days when 'Fred's Garage' rented out A35s and 105Es writing out an insurance cover note when and *if* there was an accident are past. In the last fifteen years the industry has developed and become very professional.

The trade association for the industry is the British Vehicle Rental and Leasing Association, 11 North Pallant, Chichester. As well as being able to provide a list of members providing rental or leasing, they impose sensible membership requirements.

Members are required to register only new vehicles for the rental fleet; to change vehicles within three years; to provide sound insurance and

Continued on Page 17

SHORT TERM RENTAL

Continued from Page 16

use approved rental agreements and tariffs.

It is therefore recommended that if you intend to hire from a local rental company, you find out if they are BVRLA members.

Mann Egerton

Types of Rental Companies

We see six types of companies:

1. The inevitable (bucket shop) backstreet operator.
2. The very small private operator.
3. The medium-sized independent operators.
4. The rental arms of motor manufacturers.
5. Large independent rental companies.
6. International rental organisations.

CHRYSLER

Criteria of your Rental Policy

The factors that must be considered when formulating a rental policy are as follows:

Location
Billing
One-way rentals
Known cost
Insurance
Collision damage waiver
Terms and conditions
Payment
Delivery and collection
Age
Vehicle standards

Location: Is your requirement for vehicles on a local or national basis? Obviously if the requirement is nationwide then it is sensible to make arrangements through one of the national networks which has good distribution. Where there is only a local requirement then a local company may well provide a better facility and service to you.

Billing: Do you require national or central billing or will accounts be settled on a local basis? If accounts are needed on a local basis then there is little limitation of choice of company. If there is a real need for central billing, then the choice will be confined to the major companies.

One-way Rental: If there is a large requirement for one-way rental then the choice of company is even more restricted, and will certainly be with one of the major international organisations.

Known Costs: A number of the major companies do not operate unlimited mileage tariffs on certain hires. On low mileage hires this is not relevant, but on hires above sixty miles per day, it can prove costly, even allowing for discounts.

Insurance: There is a tendency for fleet users to transfer their own insurance to hired vehicles. This should not be an automatic practice unless there are direct benefits from such action, eg better terms, better insurance provisions.

Generally the insurance cover provided by the major companies is comparable to most fleet policies. If your own insurance has special benefits, say personal accident for employees, then it is right that the insurance is transferred. Obvious points to check include whether or not the hire vehicle can be used for business purposes, or for the carriage of goods, samples, etc.

Collision Damage Waiver: Most rental companies make the customer liable for the first £40–£150 on any accident/collision/damage.

This liability can often be waived by an extra payment of £1–£2 per day.

Be aware of the amount of the collision damage liability and the offset charge. It is quite possible that the damage charge is comparable to an excess existing on your own fleet policy. If, however, you have no excess on your policy and can transfer insurance at no cost, then this factor could be the justification for not using the rental company's insurance.

Terms and Conditions of Business: Be very careful with hiring from non-BVRLA members. Inevitably, there are the black sheep in the industry. They may offer attractive rates but you may find that as the hirer you are responsible for any mechanical repairs.

Payment: The rental industry is geared to cash or credit card transactions and therefore will normally expect prompt payment often within fourteen days of the end of the hire.

If because of administrative reasons or company policy you are unable to meet these requirements, then it would be wise to discuss this before the deal is set up. Too often both parties ignore arrangements at the outset which creates friction in what would otherwise be a harmonious business relationship.

Delivery/Collection: Many rental companies advertise the facility of delivery and collection either free, or with a small charge, while some companies will not provide it at any price.

On the whole, companies may be willing to provide a collection and delivery service outside the peak hours of Monday morning and Friday afternoon, but it is rare for one to be able to guarantee this service **at all times.** The reason is obvious. Rental companies can no more afford to have a pool of drivers waiting for work than any others.

Where possible it is far wiser to expect to collect and return the vehicle yourselves and only use the rental company's services when an internal difficulty arises.

Age Groups: The normal age groups accepted are 23–65 although 23-25-year-olds may face some limitations, eg vehicle size. Some companies do offer vehicles to 21-year-olds or under but care should be taken regarding cover and collision waiver liability for this group.

Godfrey Davis

Vehicle Standards

The standard of rental vehicles has risen tremendously over the last five years. The international companies who were alone in offering cars up to one year old now have competition from local companies.

There are many local companies, especially those operated by franchised motor dealers, who are regularly changing their vehicles between six to nine months. They provide clean, well-maintained vehicles. It must also be pointed out that these vehicles are being maintained by factory-trained mechanics in dealerships' workshops.

The franchised dealer has very good reasons to ensure his vehicles are maintained in top condition. He will first be taking maximum advantage of manufacturers' warranties, and secondly he will be anxious to obtain the best possible resale prices at the end of their rental life. Clearly, the reputable dealer will also want to offer a competitive product and one that reflects well upon his other services.

Hertz

Customer Service

Inevitably, service standards are as good or bad as the local management allow. Obviously all the major networks are interested in providing good customer service and it is unlikely that any of them would survive in this competitive industry unless they were generally meeting acceptable standards.

Free Sale

A number of companies will, if pushed, offer free sale.

An arrangement will be made that when given 24 hours' notice, the company will guarantee to provide a certain category of car, eg a group three Cortina.

In the event of them being unable to provide such a vehicle, they will provide an alternative better vehicle at the same rate.

It is sometimes possible to come to an arrangement whereby the rental company will provide any car at an agreed daily rental charge. This type of arrangement offers distinct advantages to both parties; the hirer normally obtains the best car and service from the rental company, and the rental company has added flexibility.

VAUXHALL

Tariff Rates

The price variance in rental is at times enormous. For instance, you can pay as little as £69.00 per week for an automatic 1,600cc car from one major company, and as much as £162.00 per week from another (prices as of writing). It is difficult to explain away that size of premium by dwelling on quality of service, etc. Hence, you have to accept the need for several quotations.

RENAULT

Selection of Supplier

Before comparing rates, it is obviously necessary to decide what type of rental you are likely to require, ie average number of days, average mileage per day, vehicle size, and then to compare exact nett charges for these typical hires. Comparisons over different rental periods and vehicles should also be made.

The final choice will obviously have to take account of the services being supplied, and the criteria in your rental policy.

Where there is a volume of rental business, the national

continued on page 18

Buying or leasing a fleet-

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★ Henlys many distribution points give nationwide coverage. No matter where you are, or what your needs, we offer the biggest choice of all Leyland vehicles.

★ Henlys provide an unrivalled after-sales service and we have a parts service in most branches throughout the country.

★ Henlys can supply your fleet with all Leyland cars *and* commercial vehicles.

★ Henlys offer you total flexibility. Each sales and leasing contract is tailored to suit your needs.

★ Henlys terms of sale and lease are among the best in the business, offering some of the most competitive terms you can find.

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SHORT TERM RENTAL — *continued from Page 17*

Principal Rental Networks in the UK

Organisation	Number of UK Outlets	Central Billing Facility	One-Way Rental	Tariff Format	National Tariff	Contact
FORD RENT A CAR	313	NO	NO	Most offices offer unlimited mileage rates	NO	Mr R. Goudge, Ext 2115, Ford Motor Co Ltd, Eagle Way, Warley, Brentwood, Essex. Tel: Brentwood 253000
CHRYSLER RENT A CAR	286	NO	NO	Unlimited mileage rates available many offices	NO	Mr F. Scharenguivel, Ext 130, Chrysler UK Ltd, PO Box 46, London Road, Ryton on Dunsmore, Coventry. Tel: 0203 303030
GODFREY DAVIS	200	YES	YES FREE	No unlimited on first and second day	YES	Mr B. Evans, Godfrey Davis Ltd, Crown House, North Circular Road, London NW10. Tel: 01-965 8733
BUDGET RENT A CAR	120	YES	NO	Unlimited on all hires to account customers	YES	Mr C. Stone, Budget Rent A Car UK Ltd, International House, Hatfield, Herts. Tel: Hatfield 68266
FIAT RENT A CAR	114	NO	NO	Unlimited on all hires	YES	Mr A. Brisbourne, Fiat Motor Co UK Ltd, Great West Road, Brentford. Tel: 568 8822
VAUXHALL RENTAL	110	NO	NO	Unlimited mileage rates available most offices	NO	Mr J. Chamberlain, Ext 4148, Vauxhall Motors, Kimpton Road, Luton. Tel: Luton 21122
KENNINGS	90	YES	YES FREE	Unlimited mileage rates by negotiation dependent on volume.	YES	Mr K. Preece, Kenning Car Hire Ltd, Manor Offices, Old Road, Chesterfield, Derbyshire. Tel: Chesterfield 77241
AVIS	75	YES	YES FREE	Unlimited mileage for companies but not on Granada and above.	YES	Mr I. Renwick, Avis Ltd, 35 Headfort Place, London SW1. Tel: 01-235 9388
SWAN	70	YES	YES FREE	Unlimited mileage after first 2 days. Not on larger cars, ie Rover 3500.	YES	Mr C. Rust, Swan National Ltd, 305-307 Chiswick High Road, London W4 4HH. Tel: 01-995 9242
HERTZ	40	YES	One way service on economy group at fixed price available with surcharge on larger cars	Daily unlimited only on smaller groups. Weekly unlimited only available on lower groups A, B, C.	YES	Mr M. F. Carruana, Radnor House, 127 London Road, Norbury, London SW16. Tel: 01-679 1777

Correct as at 12/1/78

companies may well offer some special deals which could prove attractive. Similarly, if the majority of business is of a local nature, then the local franchised dealers could make most sense.

The schedule at the end of this article details the principal rental networks in the UK and some of the services that are regularly available. There are over 3,000 rental outlets in the UK and so the schedule does not include many successful operators, nor the several motor dealers like Wadham Stringer and Mann Egerton who have considerable experience in supplying rental vehicles to the fleet user.

In all areas of the UK there are large independent rental companies who because of their local concentration in rental may be well placed to provide the services required. We produce a selection of some of them in our schedule.

Whatever your final decision on rental company, it is clear that if you know what you want, you can get it from any one of several categories of suppliers, in a very competitive and thereby customer-orientated industry. The more informed your demands, the longer this healthy state of affairs will prevail.

★ ★ ★

Some Independent Localised Companies

East Anglia	Willhire	Mildenhall (0638) 712080
London	International Car Rental	01-727 1467
Western England	Temeside	Ludlow (0584) 3521
Merseyside	Brook Hire	051-427 8881
Manchester	Salford Van Hire	061-833 0771
Leeds	Brown & White	Leeds (0532) 620033
North East	Cowies	Newcastle (0632) 24888
Scotland	Calendars	041-334 4646
	Mitchells	Aberdeen (0224) 50308
	SMT	031-229 7270

BOOK REVIEW

Managing the Transport Services Function: Second Edition

Gower Press 1977
320 pp £10

Frank H. Woodward

FRANK Woodward is probably one of the best speakers on practical transport management in the United Kingdom today. He is also one of the widest read writers on the topic. The popularity of his writing is borne out by this standard work's second edition.

This study reflects, in the clearest practical terms, the operational considerations of the provision of a company's transport activity — not just cars and trucks, but aircraft and helicopters as well.

For the chief executive who wants to know something about the practical management of transport, this is the book with which to start.

The first section of the book deals with the management objectives of the transport function in terms of organisation and division of responsibilities. This section has been updated to take account of the syllabus for Qualifications of Professional Competence.

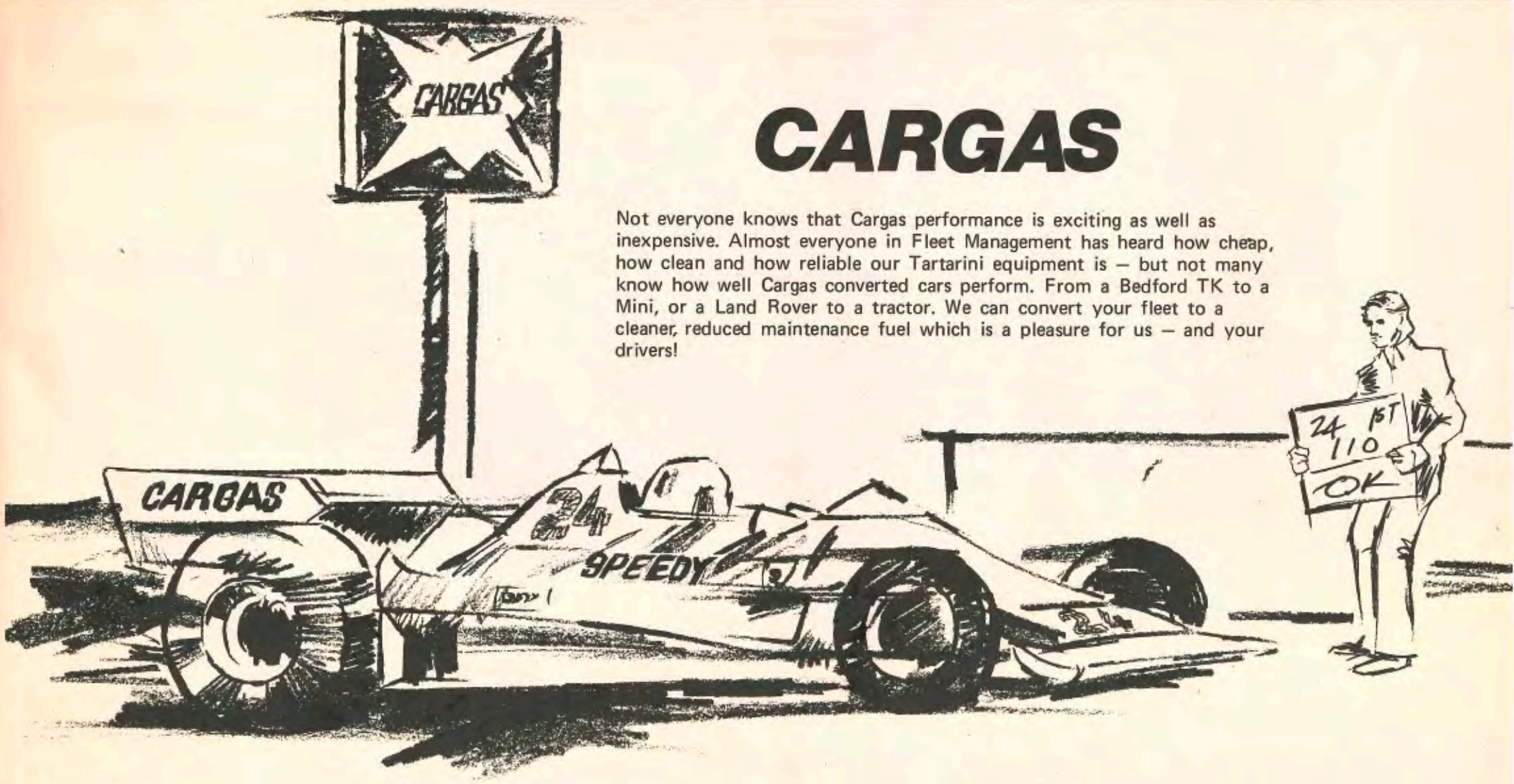
In the second part of the book Mr Woodward discusses the achievement of a cost effective transport operation — and his comments on budgetary controls bear the hallmark of a man who has had to put them to work!

Part 3 examines the movement of freight from transport planning through vehicle selection and design to the fleet plan.

The final part examines personnel movements, not only by car, but also chauffeur-driven car, helicopter and company plane.

For the senior executive who wants to familiarise himself with the problems of operation which his transport manager has to overcome, there can be few better starting points than this book. Not only does it describe the problems and their practical solutions in a clear but interesting style, but it also has a fair number of photographs — most useful for the chief executive who can't tell a Dolly Converter from a Rear Semi Trailer!

PNCC



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Wellington Street,
LEEDS (0532) 457042

CARGAS HULL LTD.,
Clay Street,
HULL (0482) 224690

Should your fuel be gas?

by Roy Hughes, Managing Director of Cargas Sales

GAS, or more specifically liquid petroleum gas, is today an ever-increasing subject for discussion amongst companies involved in transport and distribution in the UK. It has long been possible to run an automotive engine on gas, but only since petrol prices escalated has gas been considered as an economic alternative.

Throughout Europe, where gas usage has been developing since 1945, the leaders in the field have been Italian companies who were forced to develop the right equipment during war-time petrol rationing. There are now eight manufacturers in Italy alone, of whom the largest (Tartarini) produces more than 800 units each day. The Italian industry has developed to such an extent that any motor dealer will supply and fit gas equipment to any production car on request, just like a fog lamp or sun roof.

In Holland, the use of LPG became appreciable about 1958 and since then more than 1,300 road-side refuelling stations have been built in that small country. The reason for their development at that time was the commencement of North Sea Oil supplies from the Groningen field, the first of the Dutch North Sea wells. However, although that field has now ceased production and the Dutch are buying gas from the UK and Norway, there is still a rapidly expanding gas business — at the latest estimate 24% of all automotive fuel is LPG.

In the UK, we have been fortunate in having low-price petrol for many more years than our Common Market partners. It is often forgotten how recently escalation of petrol prices commenced. In 1975 petrol could be purchased for 34p per gallon!

There are several reasons why LPG should be considered as an automotive fuel alternative, but in your terms the most important is cost.

Direct fuel cost savings

The savings from converting a petrol-fuelled vehicle are at least 25%, and could be nearer 35% if you use your own bulk supply. In the case of diesel-fuelled vehicles the saving drops, but is still a minimum of 15% (we estimate a 70% reduction in maintenance costs of a vehicle converted from diesel to gas).

A typical boot installation

In addition, engine oil life is considerably increased, and the exhaust pollutants reduced, because no additives are added to LPG.

On the average, a fleet car would cover the cost of conversion after 15,000 miles motoring.

Massive surplus of Gas from North Sea Oil

Perhaps the most compelling argument after cost for the long-term future of gas power is North Sea Oil. LPG is a product of the oil distilling process. Already there is a surplus far exceeding any possible automotive use. By 1982, estimates put the LPG surplus from North Sea Oil production at four times the total petrol consumption of the UK. Since bulk storage is, economically speaking, impractical, LPG which is not used is burned — hardly ideal in this era of dwindling fuel supplies.

A pleasure to drive

There are several other benefits of LPG. For the driver, there's engine smoothness and quietness, with no detectable loss of power. For the fleet owner, it's a bonus that LPG is non-pilferable. For our common health, the clean exhaust is a very real environmental benefit.

* * *

Editor's Note: In our next issue, we shall resume the subject of gas and devote more space to the implications of conversion to LPG — quoting the views of the LPG industry and fleet operators who have converted.

In the wider area of energy/fuel conservation we shall preview what is being done and discuss the contribution that you can make in this area.

BOOK REVIEW

Distribution Planning and Control — A Corporate Approach

Martin Christopher and David Walters with John Gattorna; Gower Press 1977; 161 pp; £8.50

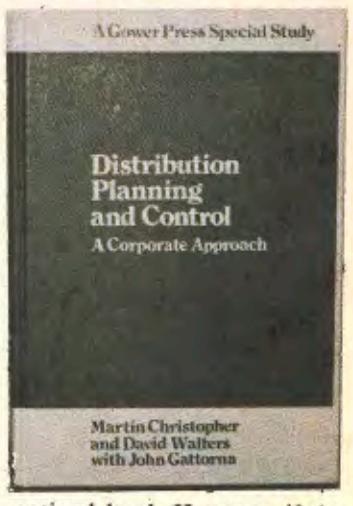
DISTRIBUTION management has, in the last decade, ceased to be the poor relation of marketing or finance and firmly established itself as a management discipline in its own right. The book examines two critical areas of this relatively new discipline — planning and control.

The first message that comes over is that distribution, if properly managed, is no longer a necessary expense but can, if planned carefully, become a positive profit contributor to the company through lower stocking costs, better customer order fulfilment and higher service levels.

The study poses Theodore Levitt's question: 'What business are we in?' and shows just how widely distribution planning needs to be interrelated with the other areas of the company, if the fullest benefits are to be gained. It firmly indicates that areas like product development should involve the distribution planners at an early stage of development to ensure products will be suitable for distribution in terms of size and weight, as well as distributability and compatibility with the company's present lines. No use developing a super pungent biscuit if it taints every other item in the van or warehouse!

Chapter 3 relates marketing planning to physical distribution management and examines the need for a change in distribution policy as the product passes through the various stages of its life cycle from introduction through saturation to decline.

The book recommends that distribution planning is treated as a single area within the firm and not broken down into the various components. It is almost inevitable that to achieve the optimum output from the TOTAL system, some parts will be operated at a sub-



optimal level. However, if the whole system is looked at together, this problem can be put in perspective and a rational decision taken.

The authors consider the distribution audit to be one of the most important features of any

Continued on page 22

WADHAM STRINGER LEASING

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WHO'S WHO IN

Auto Contracts Ltd

AUTO Contracts began trading in 1972. It is a rapidly expanding company specialisihg in leasing vehicles (mainly cars) to business users. It is part of Gidney & Kirby Holdings Ltd, which owns a number of motor dealerships including Ford and Leyland distributorships.

Auto Contracts operates vehicles all over the United Kingdom, and with a fleet size of 2,000 vehicles falls in the top 20 companies of its type in the country. It has built its reputation on providing a very personal service to hirers using only staff who have considerable experience in the industry.

The company's back-up service includes sophisticated computer-maintained records. This computer facility together with Auto Contracts' long experience enable it to provide a 'vehicle management service' for those companies who are yet to be fully convinced of the overall merits of leasing.

Offices are in Birmingham and London, giving them excellent national coverage through the motorway network.

Bowmaker Ltd

BOWMAKER Ltd has been providing financial services for commerce and industry for more than 50 years. One of the country's leading finance houses, Bowmaker brings expertise and personal service to the motor trade and particularly fleet operators, through a network of a hundred offices.

Bowmaker understands the cash flow problems when capital is tied up in cars and vans, and has therefore modified conventional hire purchase, leasing and loan facilities to take particular account of the needs of fleet operators.

Fleet operators have to replace their vehicles at regular intervals, and are aware of the need for realistic depreciation rates; they have become adept therefore at anticipating residual or trade-in values at the end of a vehicle's economic life. Bowmaker has harnessed this expertise to its own financial know-how to produce two special plans — car contract leasing, based on leasing concepts, and a fleet operator's plan based on hire purchase. The fundamental difference lies in the fact that monthly rentals are based, not on total cost, but on anticipated depreciation, ie the difference between cost and the anticipated residual value. The monthly rentals are therefore significantly lower.

Bewac Motors Ltd

BEWAC Motors Ltd is the UK motor distribution company of Bewac Motor Corporation Ltd, which in turn is part of the Inchcape group. It operates Leyland franchise distributorships throughout the UK from its Birmingham headquarters.

Its substantial growth in recent years owes much to its emphasis on contract hire, where it currently has a fleet of 2,500 vehicles.

In April 1977 it formed a finance company with Lloyds and Scottish Finance Ltd to meet the growing need for lease finance. The company, Wheelbase and General Finance Ltd, has had extraordinary success, which Bewac accounts to a combination of competitive rates and thorough planning. Unlike several leasing companies who have entered the market, Bewac's profit position has remained very healthy, enabling it to make full use of 100% capital allowances and consequently offer competitive rates.

Bewac offers a very complete service. Its connections and involvement in the motor trade enable it to offer any make of car. Its leasing and contract hire facilities cover all financing alternatives. And recently it has gone one step further and become the only group of its kind to own its own motor auction company, with obvious advantages for fleet operators and itself.

Benson Knight & Co

BENSON Knight & Co are a consultancy group which specialise in vehicle fleet management. They cover a wide range of areas, including vehicle costing and utilisation, company and executive car schemes, training programmes, and even assistance in the recruitment of management and executive personnel.

Benson Knight find that their enquiries come mainly from two sources. First, companies whose fleets have grown over recent years, but not to a size sufficient to justify a full-time transport manager. These companies are seeking an overall vehicle policy plan which will reduce the time involvement of several employees, and exert control over the rapidly rising cost of purchasing vehicles and operating them.

The second source of enquiries is companies who have had an established vehicle policy for several years, but in the last year or so have found it no longer adequate. These companies have realised that today's wider choice of acquisition options and vehicles (both cars and commercials) have made many transport policies of the '60s and early '70s obsolete. Hence they want the best value and the best advice available **today** covering acquisition method, vehicle purchase price, operating reliability and optimum replacement cycle.

The demand for Benson Knight's services makes it obvious that they have struck the tip of the iceberg, with many hundreds of companies re-examining vehicle acquisition and operating policies.

British Leyland Finance Ltd

BRITISH Leyland Finance Ltd was formed in 1977 by British Leyland and Lombard North Central, with the purpose of promoting Leyland vehicles by providing leasing and credit finance to fleet users.

In bringing together the Leyland range of vehicles, and Lombard's experience in fleet finance, the company has a very strong base — Lombard, a member of the National Westminster Bank group, has 80% of the shares with British Leyland holding the balance.

The company operates through England, Scotland and Wales. Its team of finance managers either deal directly with fleet users or with Leyland distributors. Thanks to their Lombard parentage, they bring long experienced financial skills to fleet operators at a time when perhaps the most critical decision facing them is financial. At the same time, British Leyland back-up and the vast Leyland distribution network give BLF the motor market strength and know-how that are the cornerstones of its operations.

BLF points out that although its foremost concern is with Leyland vehicles, it is very capable of financing mixed fleets where other makes of vehicles are included.

Barclays Mercantile Industrial Finance Ltd

BARCLAYS Mercantile Industrial Finance Ltd is a subsidiary of Mercantile Credit, which is owned by Barclays Bank.

Its leasing roots go back to mid-sixties when Mercantile Credit pioneered leasing in the UK.

In 1972 Mercantile Leasing launched 'The Car Finance Rental Plan' which was the first car leasing plan in the UK. This was swiftly knocked on the head by the 'Control of Hiring Order' of December 1973.

In September 1975, Barclays bought Mercantile Credit which continues to operate largely independently.

In January 1977, Barclays Mercantile Industrial Finance Ltd was formed. Overnight, leasing receivables alone of the new company leaped to over £250 million.

BMI incorporates three previously separate operations:

—The industrial finance division of Mercantile Credit;

—Mercantile Leasing;

—Barclays Export and Finance Co.

BMI believes that it offers the most comprehensive range of fleet services, because it can add to its financial expertise the experience and range of motor market services offered by Dial Contracts Ltd and Camden Motor Rentals Ltd.

The company deals only with industrial customers through 14 area offices. It is very active 'in the field' with regular seminars throughout the country whose purpose is to improve the knowledge of fleet operators in the areas of expertise that BMI covers.

Chrysler UK

AS fleet car sales climb towards 70% of new car registrations, Chrysler UK is making a determined effort to take a larger share of the fleet market.

They have reduced servicing costs significantly by moving to 10,000 miles major service intervals. Similarly, they have taken steps to reduce maintenance and repairs costs for operators. An example of these is the move to bolt on front wings for the Sunbeam, Avenger and Hunter. But perhaps the best illustration is the unique 'Protection Plan' which offers free replacement **regardless of mileage** of a selection of parts that need to be replaced because of wear, comprising: clutch, brake pads, brake shoes, drums and discs, shock absorbers and exhaust systems.

Competitive finance plans have been developed and Chrysler expect to double the number of dealers offering their leasing system by 1980, to match the expected 100% increase in this method of acquisition.

To support their drive to increase fleet sales, Chrysler have established a **priority supply system** for business operators who give advance details of their requirements.

They also have the largest network of daily rental outlets in the UK of 300 dealers.

Chrysler seem poised to take advantage of the growth of the business sector, whether by purchase, lease or daily rental, with the widest, and most attractive range of products and services for years.

Dial Contracts Ltd

DIAL is one of the largest and longest established companies in the vehicle hire business.

Their hire 'package' starts with a pure finance lease to which they can add: supply of the vehicle; supply and administration of the Road Fund Licence; AA membership; provision of a relief vehicle; a separate maintenance contract.

Alternatively, Dial offer a full contract hire service in which they relieve the fleet operator of all risk and responsibility — except for payment of the monthly rental, petrol and vehicle insurance.

They also provide a 'fleet maintenance management' service, where required, wherein they control and oversee fleet maintenance and repairs for a fee. This fully computerised facility ensures that companies get all due warranty claims, and that staff do not abuse their vehicles.

Dial make the point that their unusual depth of service is made possible by their combination of financial know-how (from being a subsidiary of Mercantile Credit) and their supply capabilities as a franchised motor distributorship.

Ford Leasing

FORD'S cars have led the fleet market for many years, through a combination of styling, pricing and reliability. But the fleet operator has to consider not just 'which make of car' but how to finance and replace vehicles within his cash flow and capital budget restraints. Hence, Ford's emphasis on a total service — vehicles, finance, service, planned replacement.

Ford are well aware that the **vehicle** is the basis of the ultimate cost to the operator, particularly in terms of used vehicle retained value and operating costs. Their pricing policy, marketing strategy to ensure demand for used vehicles and carefully monitored repair costs, ensure the lowest cost factors.

Ford's **finance** house associate, Ford Motor Credit Co, provide a total service to a leasing dealer and to you, covering funding, taxation and accounting. Whether or not you or the dealer elect another source of finance, the Ford expertise and back-up are the same.

Service does not stop short at providing vehicles, parts and maintenance. It must today include a computerised administration service to dealers, and a national education programme aimed at dealer salesmen. Ford's programme instructs salesmen not only in the concepts of financing alternatives but in understanding the implications of an operator's tax and cash flow position.

Your perennial concern with **planned replacement** is today eased by Ford's open end leasing plans, designed to allow you and dealers to choose the best periods for replacement.

Ford Motor Credit

FORD Motor Credit Co was formed in 1963 as a wholly-owned subsidiary of Ford Motor Co Ltd. It offers a wide range of finance plans to Ford dealers to assist their customers to purchase Ford cars, trucks, tractors and industrial plant and equipment.

Ford products have for many years achieved a high penetration in the car and truck fleet market. Ford Credit, consistent with its prime mandate, that of supporting the marketing of Ford products, has developed special fleet finance plans supported by specialist fleet personnel to meet the requirements of this important market.

Ford Credit's fleet financing activity is operated through 15 branch offices located in the Home Counties and most major provincial cities. Each branch is staffed with trained fleet personnel. The total fleet financing activity is co-ordinated through a fleet financing department located at its central office in Brentwood, Essex.

A similar range of finance plans is offered by other Ford financial companies in the group to support Ford automotive operations in Europe, North America, Latin America, South Africa, Australia and Japan.

In summary, Ford Credit is a further extension to the dealer support and customer service for which Ford is noted.

Gates

GATES is one of the largest and financially sound main dealer groups in the UK. It carries every Ford franchise including tractors, and the agreed American and Australian imports.

The group is based throughout Essex, Hertfordshire, and East London, and supplies a great many large national fleet operators.

Gates has been a Ford main dealer since 1920, and has an enviable reputation for service and fair dealing. Today, the fastest expanding section of the group is the Leasing or Contract Hire division. Already, it handles a fleet of nearly 1,500 vehicles including heavy commercials, and growth is rapid.

The company is able to quote on all types of leasing and its aim is to design the lease to suit each company's needs.

With its own long experience and a network of 400 specialist dealers backed by Ford, Gates reckons to be able to solve any possible problems (and a few impossible ones!).

Godfrey Davis (Wembley) Ltd

ESTABLISHED as a Ford main dealer in 1938, Godfrey Davis (Wembley) Ltd is now one of the largest volume Ford dealers in Europe — both in cars and trucks. Specialising in the needs of the fleet operator, Godfrey Davis offers direct purchase, contract hire, leasing and guaranteed re-purchase facilities. It holds franchises for Ford and British Leyland and can supply most makes of vehicles.

It has specialist staff to deal with small and individual requirements, but the size and scope of its total facilities mean that it can handle the largest of fleet orders. An unusual facility is its commercial vehicle repair and maintenance operation with eight spray booths, each large enough for a double-deck bus!

The service record of Godfrey Davis (Wembley) Ltd is unique. It has won the **Ford National Service Award** five times, and a major Ford service award every year for the last 11 years. In 1977, Ford Motor Co awarded its executives both of the coveted 'Best Service Manager' and 'Best Body Shop Manager' awards.

Godfrey Davis has specialist financial staff to advise on financing options. They welcome your enquiries.

Hartwell's

TWO years ago Hartwell's, one of the major Leyland distributors in the UK, began a major expansion of its fleet sales of cars and commercials.

Fleet sales manager, P. A. Taylor and five willing executives now service many national fleet accounts including Avis, Granada, Swan National, Tunnel Cement, the BBC, Tesco, BSG International, ARC, Interleasing, Thermalight and BUPA.

A large number of the several thousand vehicles they sell go to

THE FLEET MARKET

contract hire and leasing companies who do not have a Leyland franchise, which is testimony to the buying strength and supply abilities of the company.

Thus Hartwell's deal with fleet operators in two ways. Either the operator negotiates directly with them, and benefits from their buying strength, back-up and experience, or he deals through one of several companies who use Hartwell's as the vehicle supplier.

Whichever the case, Hartwell's fleet sales department, which is based at Oxford Road, Kidlington, Oxford, will advise on the most sensible course to suit the individual operator's needs — be they for any Leyland motor car from a Mini to a Jaguar, or for any of the Leyland range of commercials.

Henlys

HENLYS have been active in the motor market for over half a century. Today, though one of the largest and most competitive groups, Henlys place most emphasis on their role as a **service** company.

The Henlys network spreads throughout the country, comprising ten regions, each with its own leasing executive and leasing sales force. Its range of vehicles covers the whole field of local manufacturers and importers, and includes Rolls-Royce.

The leasing service is comprehensive, embracing the vehicle, the finance, the servicing and maintenance, and the ability to tailor a plan to the fleet operator's needs.

It is Henly's belief that they are one of the few groups who can claim to offer this comprehensive service *competently at branch level.*

Hertz

Hertz has been in the daily hire business since 1916, and in car leasing since 1939.

The primary strategy of the daily hire operation throughout the world is to directly own the medium to large size rental stations, and use a license system for smaller stations or for locations where business is highly seasonal. Business clients are served through the worldwide Hertz Number One Club credit card and reservations system, whereas tourist travellers are solicited through continual contact with travel agencies, steam ship lines, airlines, and other firms in the tourist industry.

Hertz has a flexible posture toward the leasing side of its business. Terms and conditions are varied according to the customers needs and the usage patterns of the individual drivers. This broad approach to leasing is reflected in the composition of the Hertz fleet, which is fairly evenly divided between contract hire and finance lease units.

Hertz daily hire and leasing operations have worked closely together with the intention of serving a business firm's short term and long term needs with a total transportation package.

As the acceptance of leasing grows in the United Kingdom and throughout Western Europe, Hertz intends to be a leading factor in providing a high quality of service to the user of business vehicles.

Howells Garages

HOWELLS Garages are part of the Standard Chartered Bank Group, which has several garages throughout South Wales, including Ford and Leyland distribution points.

Fleet sales are directed from the two distribution points at Cardiff and Newport. Both outlets have direct factory access to all Leyland cars franchises, ie Austin, Morris, Triumph, Rover, Jaguar, Daimler, Car-Derived vans and Sherpa LCV. The site at Cardiff is a sizeable six acres with a further three acres catering for commercial vehicles. The extensive Newport site was purpose-built (designed by Leyland Cars), and also handles Leyland Commercial vehicles.

Howells give priority to fleet business, and their main aim is to provide a fully professional service to fleet users. This starts with an in-depth analysis of the fleet user's current operation by Howells fleet specialists who then submit reasoned proposals covering all relevant areas such as the best funding option, the pros and cons of maintenance contracts and the composition of the fleet.

Although part of the Standard Chartered Bank Group, Howells are not necessarily tied to one Finance House for financing a fleet.

Leyson & Trenes Ltd

ALTHOUGH one of the country's largest completely independent leasing and contract hire companies with close to 1,000 vehicles on the road, Leyson & Trenes' main policy is to provide the sort of personal service you expect from your 'local grocer on the corner'.

This comes from the very positive customer attitude of founder-directors Bill Hanson (chairman) and Harry Bottomley (managing director), and is reflected in the attitude of all managers and staff.

Testament to this attitude is the company's growth. It started in 1973 with no customers, no contracts, and a one-room office. In 1974 it became a subsidiary of the Leyson & Trenes Group (which acts only as a holding company), when the motor trading company Launchgrade was formed, and in March 1978 will move into its third suite of offices.

Leyson & Trenes lacks nothing in management experience and expertise, and the original team continues. Shortly, computerised accounting and operational facilities will enable this team to offer the same 'personal' service plus very sophisticated back-up to an even wider range of customers in 1978.

Lloyds and Scottish Finance Group

LLOYDS and Scottish is one of Britain's largest finance companies, with Lloyds Bank Ltd and the Royal Bank of Scotland as major shareholders. Fleet leasing is a natural extension of the wide range of services that it has offered over many years to the motor trade.

Lloyds and Scottish (Leasing) Ltd has over 100 branches throughout the United Kingdom, and prides itself on being able to offer all customers, regardless of location, a personalised and local service.

It also operates a number of joint companies specialising in a particular franchise. For example, Auto Union Finance deals exclusively with Volkswagens; Datsun Finance Ltd with Datsuns. Specialisation of this nature naturally means improved service, a high standard of knowledge, and excellent dealer relationships.

Through Lloyds and Scottish (Leasing) Ltd, however, any make of car can be leased, and the customer has complete freedom of choice as to type of car, and the dealer from whom he purchases.

Documentation is simple, and one of the main features of a Lloyds and Scottish Fleet Leasing plan is its flexibility, and the fact that the company is able to draw up an arrangement that is tailored to the specific requirements of the customer.

Lombard North Central Ltd

LOMBARD North Central was formed in October 1971, from the merging of companies in the Lombard Banking and North Central Finance groups. Lombard Banking had originally been established in 1938, and expanded rapidly in the '50s, particularly in motor finance. North Central was much older, tracing back to 1861 when it was formed to 'purchase, hire and manufacture railway wagons to railway companies, coal proprietors and other persons'. After the first world war, North Central had moved into road transport, and then to private motor cars and a wide range of credit finance facilities.

The merging of such companies, within the financial strength of the National Westminster Bank Group, created vast credit finance resources, and today Lombard North Central is one of the largest companies in leasing and lease purchase of industrial and commercial plant, machinery and vehicles.

Three years ago it launched 'Wheelease', which is a comprehensive and flexible 'package' for the fleet car operator and supplier. This has met a very real need in the market, apart from serving an educational purpose. Its success has been outstanding and the company has recently announced its counterpart for commercial vehicles, 'Trucklease'.

Today, Lombard North Central has some 110 branches in the United Kingdom with six regional offices, capable of giving top-level local decisions. You will also find its finance available through a large number of reputable motor dealers.

Motorent (UK) Ltd

MOTORENT (UK) Ltd was formed over ten years ago as a diversification into the rental market from the garage business then being operated by the two directors, Bernard Cottrell and Peter Scott.

By 1970 they were operating a small fleet of rented vehicles but realised that the growth potential of this market demanded that they concentrate upon it and dispose of their garage interests. This led to a period of controlled expansion based mainly on recommendation and by 1975 their fleet numbered some 1,000 vehicles.

In 1976 they accelerated their marketing activity in line with the market's increasing need for leasing facilities. Today their fleet size exceeds 2,000 and is well on target for 3,000+ by end 1979, and they rank as one of the largest independent leasing companies in the UK. But, despite their growth and size, Motorent boast never to have lost a customer to competition — a considerable claim which they account to the personal and knowledgeable service for which they have become known.

For the fleet industry, they see large expansion in leasing and fleet management facilities. For themselves, they plan to continue offering a comprehensive service at a competitive but sensible price, and to enjoy controlled expansion while maintaining the friendly atmosphere that exists today.

Mann Egerton & Co Ltd

MANN Egerton & Co Ltd, a member of the Inchcape Group of Companies, is based at Norwich where it was founded in 1898.

The motor division comprises some 60 branches and handles Leyland cars, commercial vehicles and parts and also Rolls-Royce motor cars. The distribution network covers an area from Grimsby to Guildford and from Lowestoft to Hereford.

The company is also substantially engaged in the sale of used cars, offered under its unique 'Double Guarantee'.

All branches provide excellent service and repair facilities and the company is Leyland's single biggest parts customer in the world. It operates a computer-based stock control system by means of which any part can be readily located within its overall parts network and transfers between locations readily made by inter-branch transport. Mann Egerton's National Fleet Division incorporates an independent subsidiary contract hire company, Mann Egerton Vehicle Contracts Ltd, with branches at Norwich, London, Worcester, Chelmsford and Morden. One of the earliest specialist firms in this field, it now ranks among the biggest in the leasing and contract hire industry.

Many of Mann Egerton's branches also operate a short-term hire operation through the Budget-Rent-a-Car system.

Marley Vehicle Leasing

VEHICLE leasing, together with a nationwide transport operation, is Marley's sole business. Their service is based on over 25 years' experience of all the operating problems of transport and their solution.

They are not tied to any franchise and offer maximum choice of cars and light commercials to the fleet operator.

Marley's transport administration network has been established nationwide for many years covering servicing, repairs, tyre replacement, accidents and relief vehicles. They also include fleet membership of AA and AA Relay (for cars).

Advice is available to you from specialist transport staff, who are fully experienced in vehicle selection and purchasing, specifications, maintenance, engineering, body building, insurance and transport law.

Stringent maintenance is supervised by locally based vehicle inspectors, who regularly check vehicles comprehensively — ensuring early warning of driver abuse.

Being part of the large Marley Group, Marley Leasing have no credit problems, but vast operating know-how through handling their own large and mixed fleet for many years.

Marley offer the flexibility of mid-stream change of contract and can also arrange the sale of existing vehicles for new leasing customers through their nationwide contacts.

Opel

ADAM Opel founded his company in 1862 producing sewing machines, and became the largest manufacturer in Europe.

In 1887 Opel diversified into bicycles and became the world's largest bicycle manufacturer. The first Opel car was built in 1898, and the company became part of General Motors in 1929.

1940 saw the one millionth vehicle produced and 1956 the second millionth. Now it's almost a million a year, with each year setting new records!

In the UK the extensive Opel range embraces the 1.0 and 1.2 litre Kadetts, the 1.6 and 1.9 litre Asconas, the 1.6 and 1.9 litre Mantas and the *new* 2.0 and 2.1 Rekords.

Opel's worldwide success (half of their production is exported) comes from their policy of producing quality cars of conventional design. Their philosophy is to refine well-proven principles rather than innovate radical designs which are not only expensive to produce but costly to service, and tend to be unreliable.

Opel operate through a network of 212 main dealers plus 61 authorised service dealers. This network benefits from Opel's specialised leasing and rental programmes and from the availability of mobile fleet department staff. Together with ready availability of parts, on which Opel place much emphasis, this means that the fleet operator can expect at all times a prompt and knowledgeable service.

PHH

PHH entered the British market five years ago after 30 years of success in North America.

In return for a fee, they apply services to every aspect of vehicle fleet management — starting with the policies, continuing through financing, purchasing, operation and disposal, and finally arriving at evaluation.

'We have two basic philosophies,' they say. 'Those of **actual cost** and **total disclosure.** In other words, we believe in achieving our client's requirements at the *true* cost, rather than the *normal* cost — which so often can mean a degree of overcharging where company cars are concerned. Because we aim at *actual cost*, we must work in an atmosphere of *total disclosure* since we are providing our services in return for a single fee and must justify this to the client by total accountability.'

The PHH services accumulate a large data base whereby the fleet operator can measure operating costs in detail, compare competitive models and drivers within his fleet, and even compare his fleet's operating costs with those of other fleets running similar vehicles.

PHH do not replace a company's transport operation. They work with it and augment it by providing expertise and leverage which the normal company cannot provide itself.

H & J Quick Ltd

QUICKS are the biggest Main Ford Dealers in the North West: selling, hiring and leasing everything from small Ford cars to the biggest 'heavies' in the Ford Commercial range. They hold the Gold Star Award for Service from the Ford Motor Company itself — Ford's highest mark of esteem, awarded for standards of service.

Because Quicks have strategically-placed branches to cover the **North West and parts of North Wales,** they're in a better position than most to back-up their fleet supply operations in the area. Trafford Park houses the Quicks Truck Division, an enormous complex equipped to cope with all the usual operators' problems, plus most of the more unusual contingencies. Their comprehensive Parts Division is one of the finest in the country, complete with a direct computer-link to the

WHO'S WHO IN THE FLEET MARKET

Ford main supply depot at Daventry.

There are many ways to go about company fleet transport acquisition: outright purchase with guaranteed buy-back, outright purchases, leasing or contract hire. Quicks can accommodate any company in any of these methods, having first assessed what the company needs.

Quicks remain a family business, with the son of the founder Norman Quick as Chairman, ensuring that a geographically wide spread group remain a cohesive whole. He is backed by the kind of management team that ensures future growth.

Ryland Fleet Hire Ltd

THE Ryland Vehicle Group is one of the largest private companies in the retail sector of the motor industry. It has interests in both the car and commercial vehicle markets in London, Birmingham, Manchester, Liverpool and Warrington and is therefore ideally placed to give the service expected by national fleet users.

Ryland Fleet Hire Ltd is the group's specialist Contract Hire company. It is based at Manchester and is under the direction of Alan Myers who is general manager. The company specialises in tailoring contracts to the particular needs of the customer whether his requirement is for two or two hundred vehicles.

Alan Myers summed up his company's business philosophy when he said: 'We are big enough to have the financial resources of a large group and yet small enough to enable me to give personal attention to each customer's needs'.

Vauxhall Motors

VAUXHALL Motors operate both leasing and rental programmes through their nationwide dealer franchise.

The first of these programmes to be introduced was Master Hire — a leasing scheme which enables Vauxhall-Bedford dealers to participate in this sector of an expanding market.

As well as advertising and merchandising support, Vauxhall provide dealers with technical advice and comprehensive staff training programmes covering such subjects as sales techniques, insurance, quotations, cost control procedures, fleet management and planning and administration details.

There is now a network of dealers offering Master Hire on the full range of Vauxhall cars and Bedford commercials from the 6 cwt van up to the 42 ton Bedford TM artic.

Master Hire is a flexible system which allows the dealer full scope to make his own leasing arrangements with the customer. It caters for the operator who prefers a long-term arrangement running for one, two or three years. In fact 74% of current contracts are of two years' duration, and 22% are three year contracts.

Contracts are tailor-made to suit customer needs and they can incorporate variations in such matters as maintenance programmes and replacement vehicle arrangements.

Wadham Stringer Leasing

WADHAM Stringer Leasing, formed two years ago, offers a variety of sophisticated leasing and fleet management schemes.

It operates autonomously in terms of car and commercial vehicle purchasing and maintenance, but benefits from the group resources of one of the largest distributors of Leyland and Ford products, including the group's purchase capability and experience. It supplies any make of vehicle.

Many customers are household names, but Wadham Stringer has no minimum fleet requirement — a favourite phrase being 'any number of vehicles, from 1 to 1,000'

It specialises in tailoring schemes to a company's tax, finance or management structure, assessing options available. For instance, the merits of full write-off leasing with total participation in the residual value compared with participation in the anticipated value, will depend on the individual situation.

Director Stewart Whyte points out that most operators agree that leasing and fleet management schemes can save money for some companies, but find it difficult to relate savings to their own companies. This, he believes, is because these operators do not know their real fleet costs. 'Usually they do not take account of items such as the difference between residual value and replacement cost, or the impact on company resources of funding their own vehicles.'

That said, Wadham Stringer see the process of change accelerating and are geared to help its progress.

FLEET PLANNING IS YOUR RESPONSIBILITY...

DONT PASS THE BUCK

BOOK REVIEW

Continued from Page 19

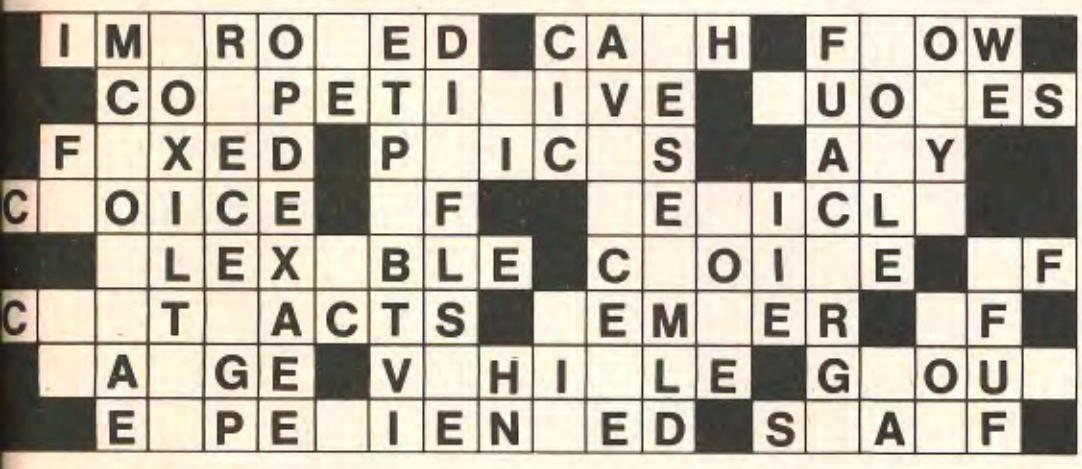
distribution planning and control process. An ongoing audit of the system is considered essential both against the changing external environment and the internal operating environment of the company. Such an audit should answer the question — 'Where are we now?' — how many companies can answer that honestly in terms of their total distribution operation?

The book is written primarily for distribution and marketing practitioners, and, from a strategic standpoint, the chief executive. The man who reads this book will come up with some really tough questions to fire at the distribution executive!

The style of writing is what I would call 'business school' but do not let that detract or deter you. It merely means there are a number of phrases which require a certain amount of thinking about — unless one is in constant touch with that end of the business spectrum. As a result, the book improves with a second reading. Given this small caveat, I would thoroughly recommend this book to senior executives as well as planners — it does not aim to give answers but to pose the questions — the sort which every forward-thinking and planning firm needs to answer.

PNCC

Puzzled about what to do when replacing your vehicles?



To find out how Ryland can competitively solve your contract fleet hire problems contact

Offices at Manchester London and Birmingham

ryland Fleet Hire Ltd.

Alan Myers B.S.C.,
General Manager,
Ryland Fleet Hire Ltd.,
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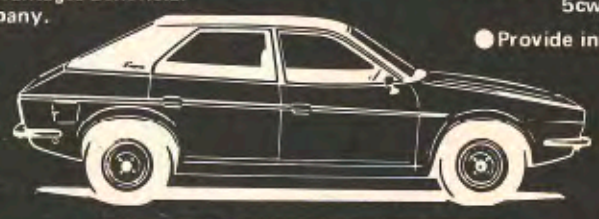

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The Leasing Division of Bewac Motors Ltd.

SPECIALISED VEHICLES

continued from page 9

suitable for this type of vehicle, since the cost of operatives' time — properly utilised, lost or wasted — is readily available.

High initial cost

The second factor which influences replacement cycles is the high cost of the vehicles. Municipal vehicles are complex and are built in comparatively small numbers.

An **ambulance,** for example, is generally built on a standard commercial vehicle chassis, but the bodywork is produced by a coachbuilder and is obviously expensive. Again, although there is a considerable amount of standardisation, many authorities have their own local requirements. To add further complication, much of the equipment fitted to the vehicle requires either electrical or some form of vacuum power to drive it. Thus, a complex power system is an essential part of the vehicle package.

Refuse collectors are expensive vehicles because of their specialised bodywork, and in many cases special transmission requirements and strengthened chassis frame.

There is no need to comment on the evident complexity and costs of fire engines.

Because of the small numbers of each type of unit which are built, the fullest advantages cannot be taken of flow-line production. This makes labour a major cost element, and since it is skilled labour which is required, vehicle prices are pushed even higher.

To put this 'batch' production problem into perspective, the world's largest single manufacturer of fire engines is believed to manufacture barely ten units a week.

Residual values

One of the characteristics of the motor vehicle market is the steady demand for used cars and trucks. Thus, the company that plans to acquire a new commercial truck now can estimate with reasonable accuracy what it might sell for in one, two, three or four years' time — taking into account the residual values of units in today's market and comparing them with their prices as new vehicles. He will, of course, also have to estimate the impact and extent of inflation! or he can ask one of many interested companies to help him.

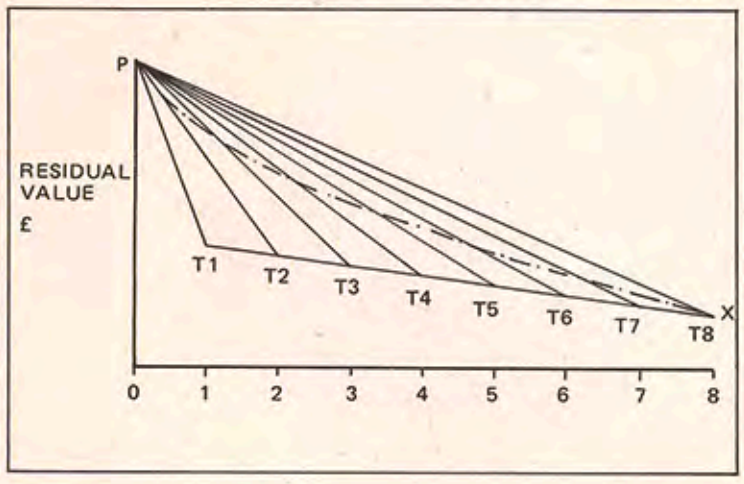
Small demand for used specialised vehicles

This situation does not apply to specialised vehicles. On the one hand, there is no significant demand for them, and on the other hand few operators sell units before they reach the end of their operational lives.

The reason for low demand is fairly obvious — who could actually use a second-hand fire engine, or refuse collector? Demand must be small for companies to have their own fire engine or ambulance. Such vehicles would get even less work than in public service. Similarly, there is little demand for conversion to alternative uses.

Some companies have set about selling quality used vehicles abroad. With development of this trade, it may be possible (at least for a few years) to develop a reconditioned vehicle market abroad, and thereby allow local authorities to dispose of their vehicles earlier.

The chart below illustrates the residual value problem.



In the case of the specialised vehicle, the residual value falls very rapidly almost to a scrap value, because there is no used vehicle demand. This is shown by the lines PT1 to PT8, representing the projected residual values. Compare this with the smooth curve of PX, representing projected residual values for the commercial vehicle, for which there is continued demand.

The influence of this low residual value on the economic replacement cycle is very significant, because it compares with a very high new vehicle price.

Technological obsolescence

We have implied that replacement cycles for municipal vehicles will generally be quite long, because of the capital sums to be written off. However, against this problem of capital writedown must be set the relatively recent problem of technological obsolescence.

The vehicle builders can make provision in the initial vehicle design for much ancillary equipment to be replaced, but there comes a time when the original chassis is simply not powerful enough to handle the requirement or the unit requires equipment fitted which had not been dreamed of when the original unit was designed. A war-time fireman would be able to handle a 'Green Goddess' and would understand its equipment. However, show him a piece of fire fighting equipment designed for a major metropolitan brigade with high-rise buildings, and he would probably be totally lost.

Thus a time will come when a vehicle is out of date technologically, even though its condition may be good and it makes economic sense to go on running it.

Operating expenses

The amount and complexity of ancillary equipment carried on special vehicles would suggest higher than normal repair and maintenance costs — and this is generally the case. Tyre costs, too, are high, particularly for those units used as emergency vehicles.

In brief, there are five main reasons why operating costs are high:

1. the amount and complexity of equipment fitted in addition to the basic unit makes high repair and maintenance costs inevitable;
2. the role of many specialised vehicles as emergency units means higher than normal levels of maintenance are necessary;
3. municipal vehicles are publicly owned, and despite austerity measures still have an image to uphold;
4. many public vehicles like refuse collectors and road sweepers operate virtually 24 hours a day;
5. low vehicle volumes and long lives mean that although spares will be available, the many specialist items are likely to be expensive.

Calculating replacement cycles

So much for the many difficulties involved in calculating replacement cycles.

In issue 2, we shall look at actual calculations with examples.

Overseas News

The US market

FROM an industry source in the US we have received very interesting trend information showing increasing use of lease/contract hire financing for fleet cars.

The charts that follow compare the numbers of fleet cars owned (by companies or salesmen) with the numbers leased/contract hired year over year since 1972.

The figures are gleaned from two surveys which are run continuously, but understate the numbers involved by 20% to 40%. Hence, their value is restricted to trends and the comparisons made possible — which are borne out by other sources.

As can be seen, there is a steady decline in the 'ownership' fleet. At the risk of oversimplifying, the types of organisations that continue to purchase are the cash-rich companies, as well as large public utilities.

It's worth noting that these figures do not include at least 1,000,000 leased vehicles in fleets of one to five vehicles which in North America are classified as retail or individual leasing. There are no governmental restrictions on individual leasing in Canada and the US covering advance monthly payments. As a result, this segment is developing very rapidly.

Company/Salesman-Owned Cars

Year	Cars (in 000's)	% Change
1972	1,152	(5)
1973	1,119	(3)
1974	1,088	(3)
1975	1,069	(2)
1976	1,051	(2)
1977 Estimate	1,040	(1)
1978 Projection	1,030	(1)

Leased/Contract-Hired Cars

Year	Cars (in 000's)	% Change
1972	1,355	(—)
1973	1,591	(18)
1974	1,646	(3½)
1975	1,666	(1)
1976	1,738	(4½)
1977 Estimate	1,909	(10)
1978 Projection	2,054	(7½)

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What is contract hire?
Most fleet owners know the arguments in favour of contract hire but the level of service offered can vary dramatically. Motorent has been in the business for over ten years and are proud that they have never lost a customer to competition.

Types of contract and service provided
MOTORENT offers both Maintenance and Non-Maintenance agreements, covering any make of vehicle and periods of hire. We offer a free consultancy.

What are the advantages of Motorent?
1. Reduced Capital Investment.
2. Transport costs are predetermined for budgeting purposes.
3. Minimises transport administration costs.
4. Relieves lessee of transport worries.
5. Provides the lessee with modern and presentable transport.
6. Tax advantages.
7. Ensures maximum mobility of sales force.
8. No resale problems.

The Motorent service
MOTORENT supplies any make of private car and light commerical vehicle. The service includes all items of expenditure with the exception of insurance and petrol.
WRITE IN FOR OUR BROCHURE NOW. DONT MISS YOUR CHANCE TO USE OUR FIRST-CLASS SERVICE.

The cost
This depends on what YOU want.
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IM02

Fleet News LOCAL NEWS

The All Star Credit Card

THE All Star Credit Card evolved from the old Blue Star Garages credit scheme which was only accepted at Blue Star branches. In May, 1977, Blue Star was taken over by Alton House Holdings, and the Credit Card was recognised as being of great future importance to companies experiencing problems in control of motor fuel expenditure.

A new company was formed and All Star launched on 1st October, 1977. The card is accepted at many garages throughout the UK for Petrol, Derv and Oil only, and the aim is to have outlets covering all the major trunk routes and industrial areas.

ALL ★ STAR

A franchised garage is charged 1½% of All Star sales, plus VAT. The franchise holder agrees to supply petrol, derv and oil at the same price as that displayed for cash sales.

The cost to the cardholder is £4.00 per annum (plus VAT) for each card, special rates being available to large users. A weekly statement is issued and this is payable within 14 days, after which interest is charged on any balance outstanding.

All Star is designed to cater for the needs of businesses who wish to have maximum control over their vehicle fuel expenditure, and offers many benefits such as a nationwide service, competitive prices, tax advantages, and an accounting system that provides improved security.

Mr R. G. Hughes will be delighted to help with more information at 01-272 7744 or All Star Credit Card Ltd, PO Box 59, London N19 5NB.

NEXT ISSUE

IN the second issue of Fleet News, our main features will include:

1. An in-depth look at leasing, presenting the views of the leasing companies, the finance houses, fleet operators and the 'lease management' companies.
2. The company car — an English phenomenon that's here to stay.
3. Maintenance and servicing — in-house versus outside facilities.

These are in addition to our follow-up articles on Cost Control Areas, Running on Gas, the Services available to Fleet Operators, Replacement Cycles for Specialised Vehicles, etc.

Regular features will include Book Reviews, Economic Comments, Local and Overseas News, and Previews of forthcoming events.

We hope you have found this launch issue of Fleet News of value, and naturally we want future issues to involve and inform you. There is always room for improvement and we invite your views and participation to make this possible. Readers' comments are welcome and will be published and discussed in subsequent issues.

FLEET PLANNING IS YOUR RESPONSIBILITY...

The New Opel Rekord

IN February, Opel launched the new Rekord. The 2.0 litre range is indeed new. Its design is a distinctive and graceful wedge shape with gains in fuel economy and top speed. Interior space is increased, for legs and shoulders, as is boot space. Road holding, interior ventilation and heating, suspension and safety features all incorporate improvements.

The 2.0 litre S petrol engine powers the four-door saloon, Berlina, Berlina HL and Estate. Prices start at £4,264.65 rising to £5,150.34 for the Berlina HL.

The four-door saloon, which is price leader and main contender for the fleet market, is very well finished and comes with cloth upholstery and fleece carpets. Top of the range, the Berlina HL has a very high level of standard equipment including electrically operated windows, crank-operated all steel sun roof, tinted windows with laminated windscreen, velour trim seats and headrests, cut pile carpets and a headlight wash/wipe system.

There are also two diesel-powered models — the four-door saloon at £5,064.93 and the estate at £5,465.07.

Peugeot launch the 305

PEUGEOT announce the launch of the 305 to meet the growing demand for medium-size cars.

The 305 falls between the 304 and the 504 with engine sizes of 1,290cc and 1,472cc. Unlike most models in this size range, the 305 is not a hatchback. It has four doors, seats five and has a conventional boot. It uses a front-wheel drive, transversely mounted engine. The 1,290cc gives 30 mpg in town and 90 mph+, while the 1,472cc delivers nearer 32 mpg in town and a top speed of 95 mph.

The new model has been very well received on tests in Europe and the UK. It has particularly impressed with its new styling, road holding, very efficient braking and an unusual responsiveness to all controls.

The 305 will be generally available late spring/early summer.

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Most leasing companies are eager to point out the many benefits of car leasing. But do they also point out any possible disadvantages to your Company of switching from vehicle purchasing to leasing?

We can provide an independent, impartial and confidential financial survey for your Company. It will indicate, at a glance, both the likely benefits and the disadvantages of vehicle leasing to your particular Company, based on your projected profit, corporation tax, cash flow and deferred taxation position.

Ask your Accountant or Financial Director to contact us for details. The survey fee is a small price to pay for peace of mind.

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