Vehicle Management Best Practices

FLEET SERVICES

PARTNERING IN TRUST SINCE 1957

Best Practices

Having a strong grasp of the best practices of fleet management is essential for any company serious about cutting down its costs and maintaining efficiency. The information outlined throughout this document will give you a good idea of what types of activities your company should focus on in developing the best possible fleet management system.

- ***Review Structure of your Transportation Committee*** – An effective Transportation Committee often includes a representative from each significant division; decision-makers and planners from the Finance team; and perhaps others with vehicle, fleet, or administrative/management expertise.

- ***Draft and approve vehicle and driver policies that will apply to all locations*** – Vehicle and driver policies are critical toward driver safety, managing overall risk, and reducing costs. They typically cover areas like:
  - What type of vehicles should be driven and who selects/orders them.
  - When a vehicle potentially can be sold and/or will be sold and how they will be disposed.
  - Where titles are located.
  - Who performs annual registration renewals?
  - When and under what conditions drivers are required to take drivers safety courses, proficiency road tests, defensive driving courses, or medical assessments.

- ***Determine if each division will operate independently, if all will come together under one program, or if you will establish some combination of both.*** Fleet Services has found that the most effective model is to eventually assign responsibility for vehicle acquisition for the entire fleet to one specific department or central location.

- ***Begin a policy of vehicle rotation, replacing the high mileage cars of high mileage drivers with the low mileage cars of low mileage drivers*** – This will extend the life cycle of each of the vehicles involved. At a certain level of use, for instance 8 years and 96,000 miles, the cost per mile to operate a vehicle starts trending up. Rotating the high mileage cars of high mileage drivers with the low mileage cars of low mileage drivers helps extend the overall life cycle for the fleet. Having all maintenance data, recordkeeping, and driving patterns in one central location is key to making the most informed vehicle rotations.

- ***Prepare vehicle selectors, focusing on each vehicle's potential utilization and complete life cycle costs*** – High mileage and city drivers are perfect candidates for hybrids. Drivers in areas often subject to inclement weather may prefer AWD or 4WD sedans or crossovers. In certain cases, a minivan may be the preferred vehicle. Once you've selected the types of vehicles the company may be interested in acquiring, analyze models of that type across manufacturers to determine which is the most effective to use over its entire life cycle. This requires focusing on more than acquisition price. Other variables just as important are anticipated resale value, MPG, and expected maintenance and repair costs. This process will allow you to narrow down vehicle types to be purchased across the company to a handful-or-so. Benefits of utilizing selectors include ease of rotating cars and of operating pooled cars amongst employees when so many vehicles are similar and being able to maximize volume incentives by working with only a few different manufacturers.

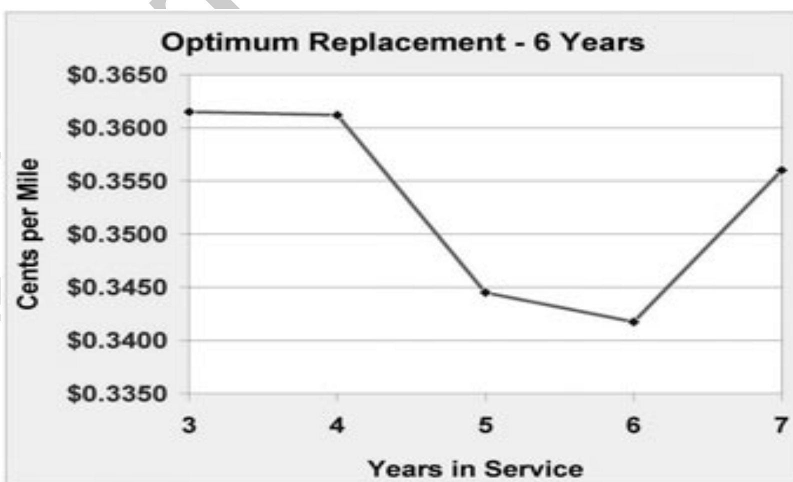
- ***Purchase factory direct, using fleet rebates/discounts, AND utilize additional volume rebates/discounts negotiated with manufacturers*** – Ordering factory direct to ensure fleet rebates/discounts is more cost effective than purchasing cars retail. Fleet rebates/discounts can often amount to $1,000 per vehicle or more. It requires planning though, as factory-direct-ordered vehicles typically take on average 8 weeks to deliver and delivery time is even longer for vehicles assembled overseas. Companies also receive vehicles exactly as desired when ordering factory direct – no need to pay for unnecessary or unwanted colors, features, or options. When ordering directly from factories, volume rebates/discounts also must be considered. By negotiating with manufacturers, additional volume savings per vehicle can be obtained when a certain number of vehicles are ordered through specific car companies over a period of time – on top of regular fleet discounts. It is just a matter of good planning.

- ***Establish a company-wide managed maintenance program that covers all vehicles*** - From a safety standpoint, it is critical that all vehicles be examined at least twice a year; and semi-annual or more frequent oil changes and preventative maintenance car inspections ensure this. Each servicing includes an oil change and a 21-point inspection of belts, hoses, tires, fluid levels, etc. – all designed to keep employees safe. The peace of mind, convenience, and cost savings associated with managed maintenance are other benefits of an effective managed maintenance program.

- ***Enact uniform emergency roadside assistance for all vehicles*** – Fleet Services offers a comprehensive, 24/7/365, cost effective emergency roadside assistance program in collaboration through its business-services partner Network.

- ***Utilize gas cards tied to vehicles; not drivers*** – Having one fuel card vendor across all locations enables finance/accounting to receive one consolidated invoice each month covering all gas consumption within the company – broken out by location. Having one card assigned to each vehicle allows information from that invoice to be utilized for measuring MPG per car. This is useful for measuring declining MPG and fleet carbon emissions. Gas card programs also enable State gas tax savings in those States that allow it.

- ***Create vehicle replacement schedules*** – Based upon the parameters for the most efficient operation of your fleet outlined in your vehicle policy, at least every Spring and Fall, prepare potential vehicle replacement schedules for cars. Utilize the following information when performing this analysis: Maintenance costs per car (tracked via the managed maintenance system); size of car (selling larger, more expensive to operate models before smaller, less expensive models); age of car (selling older models before newer models); and car mileage. Note that every car replaced doesn't necessarily have to be replaced with a new vehicle. Drivers of replaced vehicles could be assigned a car already in the fleet – to help with vehicle rotation, as appropriate. Proper timing of vehicle sales can significantly impact overall fleet efficiency.



- ***Ensure financing for vehicles is available when needed*** – Financing vehicles typically occurs under 2 scenarios. 1) The cost of money borrowed would be at a rate less than a company's return on investments. 2) Current funds are either not available or have been allocated to other items. Commercial vehicles are almost always leased for one or both reasons. For some companies, vehicles are acquired with cash payments; but not exclusively so. If a car is financed or leased, as opposed to being acquired with cash, the title should still be in a company's name; but now it would include a lienholder or lienholders.

Vehicle Maintenance Best Practices

Best Practices Surrounding Maintenance of Vehicles

Vehicles in fleets require regular and cost-effective maintenance and repair. Fleet Services recommends this be achieved via a managed maintenance program. Below, we have outlined the most important aspects of creating a successful maintenance program.

- ***Driver Kit*** – Each vehicle should be issued a Driver Kit to be kept in the glove box. The Driver Kit includes information like:
    - A Vehicle Maintenance Guide (VMG), outlining information such as Authorized National Account Vendors (explained later in this section); a Vehicle Maintenance Schedule, listing regularly scheduled maintenance specific to the vehicle and client selected oil change / vehicle inspection intervals; and contact phone numbers.
    - A Driver Letter, providing details explaining how the managed maintenance program works, including fuel cards and emergency roadside assistance.

- ***Maintenance Control and Authorization*** – Your company should have a system in place to monitor requests for repairs and have the capability to approve or deny them when necessary. The cost of repairs should also be reviewed for reasonableness, as well as the potential that the repairs may be covered under warranties.

- ***Customer Authorization*** – Your company should set up a set dollar limit as to how much a driver can spend without the company's approval AND a dollar amount that someone at your company needs to be contacted for approval (e.g., $1,000). This allows for expensive repairs to be OK'd or denied (say, for a car that is an older model year and/or has high mileage) prior to being performed. For the high-level approvals of $1,000 or greater, care needs to be taken to ensure that the repairs need to be performed.

- ***Maintenance Processing Audits*** – All vehicle expenses submitted by drivers, repair facilities, or your company need to be audited. This is done to ensure that the work and prices approved are what is represented on the invoice. Copies of all work performed should be computerized and available on-line by each vehicle.

- ***Consolidated Invoicing*** – Whenever possible, all maintenance and repair should be consolidated onto one invoice to your company. This allows a company to not have to submit payments to many different repair facilities throughout the country. The monthly invoice should be broken down by vehicle and service work performed along with any other maintenance expenses incurred in that month.

- ***Driver Presentations / Education*** – People can be resistant to change. More often than not, it is a fear of the unknown that is unsettling; not concerns over new processes and procedures. Your company should facilitate in-person, educational meetings where the managed maintenance program and all other aspects of the fleet management program are discussed and reviewed.

Your company should maintain all vehicle maintenance and repair history within an on-line database that is accessible 24/7/365. In addition to the on-line access, monthly reports should be utilized to provide a summary of what has been going on with each vehicle – not only within the month, but also year-to-date and cumulative over its lifetime. Examples of monthly reporting include:

- Oil Change Exception Detail and Summary Reports.
- Mechanical Cost Savings Report.
- Year-to-Date Usage Report.
- Invoices.

Cost Saving Best Practices

Cost Saving Best Practices Summary

Getting down to the bottom line, we have summarized the 20 best practices for reducing the cost of your vehicle management program. All of these ideas are standardized within the fleets under Fleet Service's management:

- Drafting and approving driver and vehicle policies that reduce the company's exposure to unexpected liabilities resulting from drivers who perhaps should not be driving and/or faulty vehicles.
- Replacing vehicles at the optimal point in time when their costs to operate per mile begin increasing.
- At least semi-annually, preparing potential vehicle replacement schedules in sync with the automobile industry's factory production cycle.
- Disposing of vehicles through commercial auctions.
- Acquiring the proper vehicles.
- Utilizing fleet AND volume discounts/rebates.
- Financing, when appropriate.
- Consolidating emergency roadside assistance, eliminating unnecessary and overlapping coverage, and utilizing more cost effective coverage when available.
- Using no-cost fuel cards that offer consolidated invoicing and tax savings in certain States.
- Checking vehicle mileage and concerns for factory warranty.
- Reviewing vehicle history for possible vendor warranty.
- Requesting alternative tire choices.
- Examining maintenance history to see if repair facility request for brakes, tires, etc. is appropriate.
- Knowing which manufacturers have extended life fluids or services and not approving before recommended.
- Submitting items for post warranty recovery or involving a factory representative for assistance.
- Negotiating prices, taking into consideration published industry standards.
- Getting vehicles to the dealer when appropriate for major repairs and using the dealer's roadside towing at no charge when the vehicle is under warranty.
- Running the Vehicle Identification Number (VIN) through the manufacturer's website for extended warranties and no-charge campaign repairs, when necessary.
- Regularly sourcing alternative suppliers that are more cost effective.
- Declining repairs not consistent with the manufacturer's recommendations and staying consistent to the client's specified maintenance schedule

Green Fleet Best Practices

Green Fleet Best Practices

One of the most important aspects of vehicle management going forward is ensuring that we minimize our destructive environmental impact as much as possible. Environmental management for fleets typically focuses on greenhouse gases, air pollution, and MPG; and it includes the following:

- ***Properly Maintained Vehicles*** – Vehicles maintained correctly are more fuel-efficient and generate less CO2 emissions than poorly maintained vehicles. A fleet utilizing a well-run managed maintenance program will provide cars with greater MPG and lower carbon footprint.

- ***Optimum Replacement Analysis and Implementation*** – Even if older cars are well maintained, due to ever increasing and advancing automobile technology, replacing older cars with appropriate new cars increases fleet MPG and reduces fleet carbon footprint. This is another positive byproduct to performing optimum replacement analysis and implementation.

- ***Vehicle Selectors*** – Choosing the right car for comfort, convenience, safety, and positive ecological impact starts with selecting the most appropriate new cars. For instance, now that gas is at and/or above $4 per gallon and the price difference between hybrid models and regular ones is decreasing, it actually can be cost effective to purchase hybrids – especially for high mileage and/or city drivers. This doesn't reflect the environmentally positive impact that hybrids have with their much lower CO2 emissions and higher MPG when compared to non-hybrids. Even when a company buys non-hybrids, MPG is one of the factors considered in all models when Fleet Services acquires new vehicles for Congregations; not just vehicle acquisition price.

- ***Measurement*** – Developing a maintenance management program and utilizing gas cards for every vehicle will allow per car MPG and carbon footprint to be measured and monitored, revealing cars that may make sense to replace for environmental purposes. Daily, the gas card service provider should send a feed to the maintenance management record-keeper. Using this information, a company can calculate the carbon footprint of each vehicle as part of its monthly reporting.

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Established in 1957, Fleet Services is an independent vehicle management company providing a full range of financial and management services. With over 140 years of collective experience, our staff of accomplished professionals, plus thousands of service facilities located nationally, is well versed to consult in all areas of vehicle services such as:

- **Vehicle Acquisition**
- **Leasing**
- **Vehicle Repair**
- **Maintenance Administration**
- **Remarketing and Disposal**
- **Managing total Life Cycle Cost Control and Analysis**
- **Titling, Licensing and Related Taxes**

Instead of becoming just another vendor type service provider, **FLEET** partners with clients as a ***Virtual Fleet Department,*** enabling us to oversee ***All*** aspects of your vehicles simultaneously providing a total wrap-around service. This will eliminate or greatly reduce the need for In-House expertise that is often not cost affordably justified. Having this unique distinction over other management companies sets **FLEET** apart from all other; yet assures the greatest level of service creating the most peace-of-mind, convenience and overall cost control.