

EXPOSED – THE HIDDEN COST THREATS IN A LARGE CAR FLEET



This tells the story of a well-known multi national’s European car fleet – a fleet of over **2000** vehicles and costing over **€20m** per year. We looked at their fleet data for the last **5** years and applied some big data analysis to see what it would tell us. The results are pretty startling – unplanned, variable costs account for **24%** of overall fleet spend, **17%** of vehicles are out-of-contract and **2.3%** of total fleet cost is unassigned to a particular vehicle. Costs like these, which are outside the contract, can attract additional margin and fees from the supply chain; resulting in substantial cost creep.

UNASSIGNED INVOICES

3609

invoice lines, totalling

€477,981

were unassigned to a vehicle

This is **2.3%**

of the total fleet cost of **€20.9m**

It is important to check each line to avoid them being paid in error

OVER (& UNDER) CONTRACTS

Average fleet size

2071 vehicles

353 vehicles Returned over-contract

17% of vehicles were out of contract

Running an out-of-contact vehicle results in informal contract extensions. The fixed cost of each vehicle becomes variable and is outside the original budget. This cost needs to be assessed against the original contract terms as punitive out-of-contract charges are often applied. For example, the lessor could re-charge large maintenance costs even though they are collecting maintenance rental.

All numbers are 5 year average

1

COMPANY

2

DIVISIONS

20

COUNTRIES

62

SUPPLIERS

2,071

VEHICLES

3,559

INVOICES

334,541

INVOICE COST ITEMS

€20,959,807

FLEET COST

UNPLANNED VARIABLE COSTS

€5,124,560

of the total fleet cost of **€20,959,807** was unplanned and variable

Examples:

Accident damage
€167,765

End of Contract Damage
€122,592

Breakdown recovery
€4,195

Excess mileage charge
€56,876

Fixed penalty fine
€21,762

Hire car cost
€292,533

Parking fines
€55,855

Road tolls
€216,673

Re-charge maintenance costs
€305,398

This means **24%** of the fleet cost is outside of the contract and as such could attract margin from the supply chain. Close control of the supply chain and the invoice process is essential to minimise this exposure.

EXCESS MILEAGE CONTRACT RE-WRITES (2015)

184 contracts had mileage added

41 contracts had mileage removed

3,656,996 miles were added

1,194,667 miles were removed

2,462,328 net miles added

Early termination and excess mileage charges are skewed heavily in favour of the supplier. As these costs are outside of the original contract they change to variable and are difficult to police against the original terms.

ABOUT FLEETWORX

Fleetworx is a unique company car supply chain specialist. We provide client-side support in the design and delivery of cost-saving and carbon-saving company car policies.

Fleetworx supports organisations that need robust company car fleet management in the UK and across EMEA. Our expertise and practical influence spans the entire fleet supply chain, with the primary objective of delivering savings, compliance and control. Our focused and impartial approach is proven to deliver a significant return on investment.

To understand more about Fleetworx and how we can help you manage your company car fleet supply chain please contact Graham Rees or Tom Osborne for an informal chat.

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These numbers demonstrate the fluid nature of a large car fleet where costs are constantly changing. The creation of a water-tight original contract becomes essential to avoid taking on additional cost.