energy saving trust

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Department for Transport

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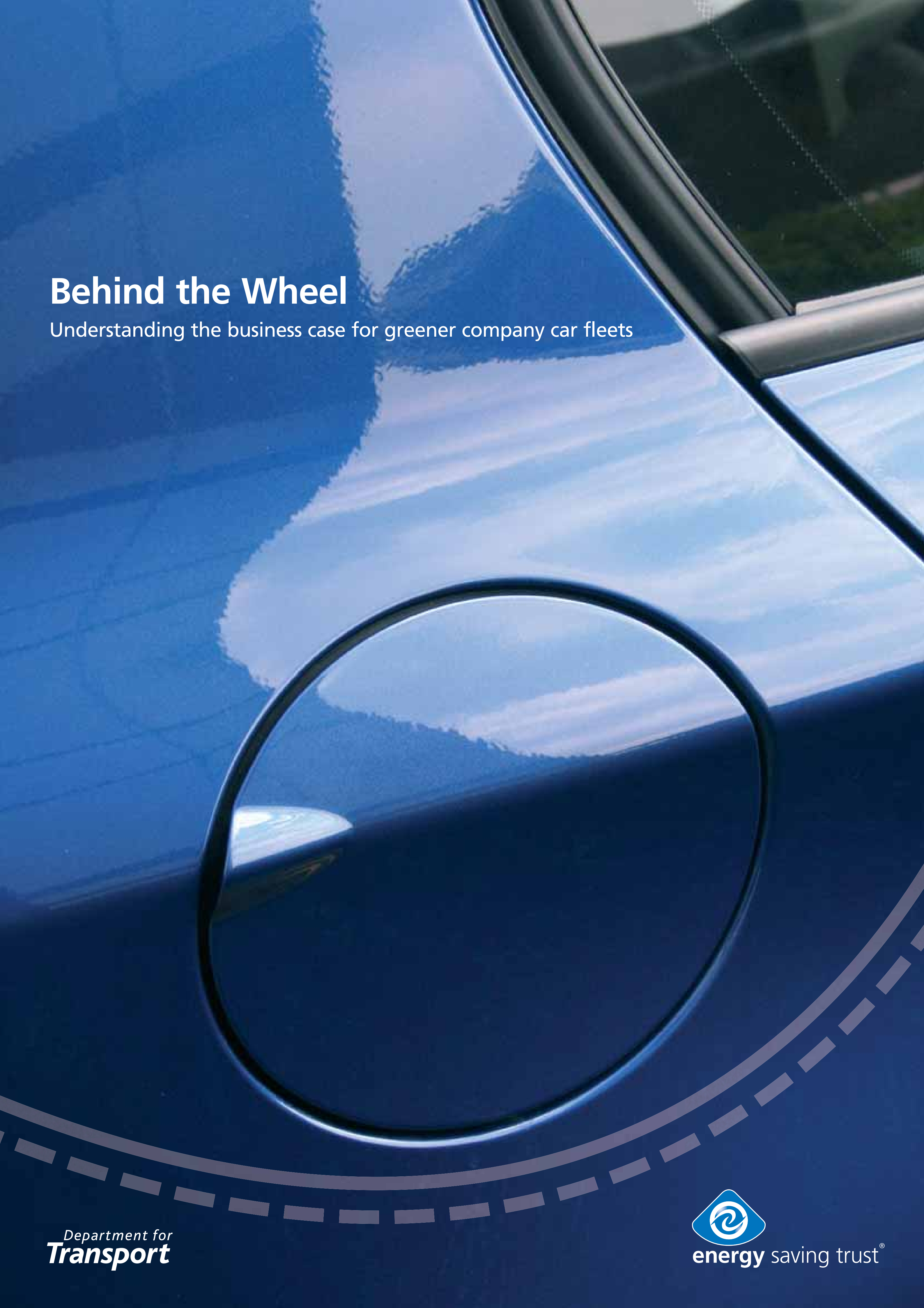
Continental research interviewed a representative sample of 231 companies between November 2006 and February 2007, with a turnover ranging from £1m-£20m

Behind the Wheel

Understanding the business case for greener company car fleets



Department for Transport

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Behind the Wheel

Understanding the business case for greener company car fleets

After a short period at the beginning of this decade when changes to the way company vehicles were taxed led many eligible employees to choose cash instead of a car, new research by the Energy Saving Trust suggests that vehicles paid for by employers are enjoying a revival.

Whether the car is a perk that comes with seniority or is an essential tool of the trade, vehicles – and vehicle emissions – are rising up the business and political agenda. At the simplest level, cars cost money and most businesses like to reduce costs where possible. With the Government committed to increasing motoring costs for all but the greenest cars, increasingly it makes good business sense to implement a green fleet policy.

Yet, as this report shows, many organisations believe that implementing a greener fleet policy will cost them money, not save it.

The Energy Saving Trust is committed to helping organisations run their company cars efficiently. We recognise that some travel is important to oil the wheels of commerce, but we want to minimise the impact of that travel on the environment. Our report is designed to provide a snapshot of the fleet landscape today and to examine organisations' perceptions on the cost of a green fleet. We therefore asked fleet managers in a range of companies - from the very smallest organisations to larger enterprises - about their company car policies.

Some of the results are rather disquieting. Too few businesses appeared to be concerned about the energy efficiency of their fleet. Too many thought it would be costly to change. And far too many suggested they had other things to worry about than changing their company car policy.

This short report examines these findings, highlights some best practice and suggests how UK businesses can improve its green credentials.

Nigel Underdown
Head of Transport Advice Energy Saving Trust

"With increased motoring costs for all but the greenest cars, it makes good business sense to implement a green fleet policy."

About the Energy Saving Trust

The Energy Saving Trust is an independent organisation that helps individuals and organisations to reduce carbon emissions and use energy in a more sustainable, efficient way.

When it comes to road transport we work with businesses and local authorities to help cut carbon emissions by promoting cleaner, lower-carbon vehicles and fuels, eco-friendly driving techniques and low-carbon transport alternatives. Our experts in fleet management provide free independent consultancy to organisations so they can both reduce fleet costs and improve their carbon footprint.

Key findings

The business case

- A company with a fleet of 100 vehicles could be saving up to £90,000 a year by implementing green fleet policies
- Many companies believe there are insufficient savings to be made by running greener cars, so have no plans to do so
- About a third of companies think it will cost money to introduce a greener fleet
- Yet almost two-thirds of companies that have taken steps to reduce emissions have saved money as a result

Green fleet policies

- Environmental concerns are low down the list of priorities when it comes to drawing up a company car list
- Relatively few companies allow employees to choose smaller or greener cars
- Of those companies that do permit greener vehicles, only a small proportion incentivise their employees to make that option
- Less than half of companies that have a CSR or environmental policy consider the impact of their vehicles on the environment
- When companies provide a cash alternative to company cars, they are largely unconcerned about the environmental impact of the vehicles driven on company business

Employee choice and motivational factors

- Car choice is often more about status and remuneration than concerns about the environment
- A cultural change is required, so that green cars become more desirable than big, high-status ones

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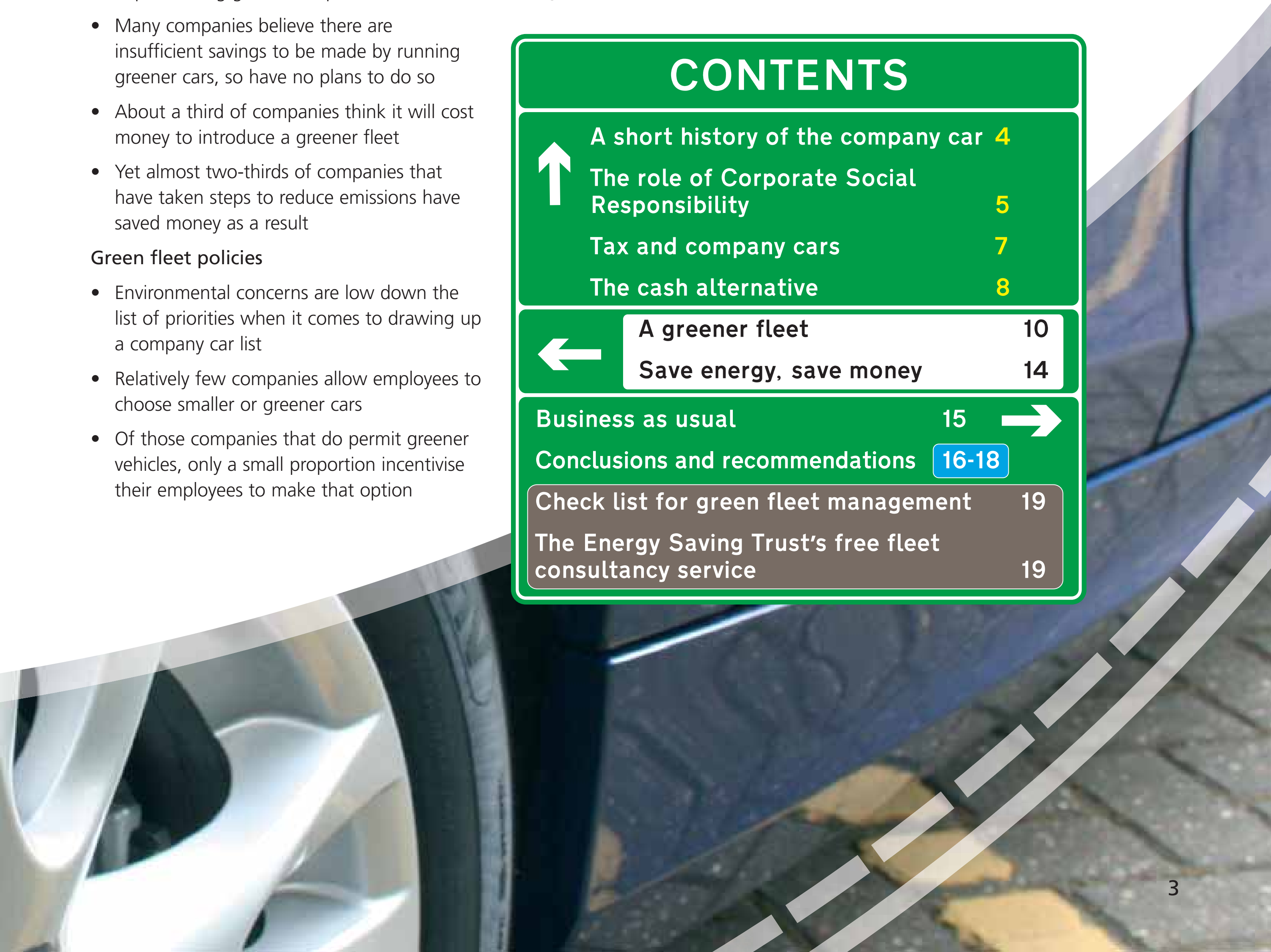


A short history of the company car

"Although company cars represent only 10 per cent of the cars on the road, because of the high mileage they do, at 16 million tonnes a year, they cause about 20 per cent of car emissions"

Build roads and inevitably vehicles appear from somewhere to fill them. With the emergence of the motorway network from 1958 and the rapid improvement in 'A' roads, companies found they could visit customers and suppliers much more easily. Salespeople piled on the miles, but didn't want the expense, maintenance and depreciation that came with driving their own vehicles on their employer's behalf. So, although business travel became more prevalent since the invention of the motor vehicle, the 1960s became the first real decade of the company car.

1970s wage cap

However, wage restraints of the seventies proved to be the company car's heyday. When the Government attempted to limit pay rises to five per cent (with much of the public sector receiving nothing), businesses found themselves unable to pay more to attract employees. With no such restrictions on offering cars, numbers rose.

This was a loophole that the Government found hard to plug, but easy to punish. A car, it said, provided a benefit in kind, and for that the user must pay. Tax on company cars was introduced in 1976, and government policy and company cars have been linked ever since. So too has the car as part of the remuneration package, with its associations with rank, image and status. The ramifications of this link continue to this day, with car provision being seen as a necessity if one is to attract and retain key staff. As a blunt generalisation, the bigger the car, the better the staff, so for many organisations, vehicles play a central part in business competitiveness – a scenario in which environmental considerations are secondary and that will be hard, though not impossible, to change.

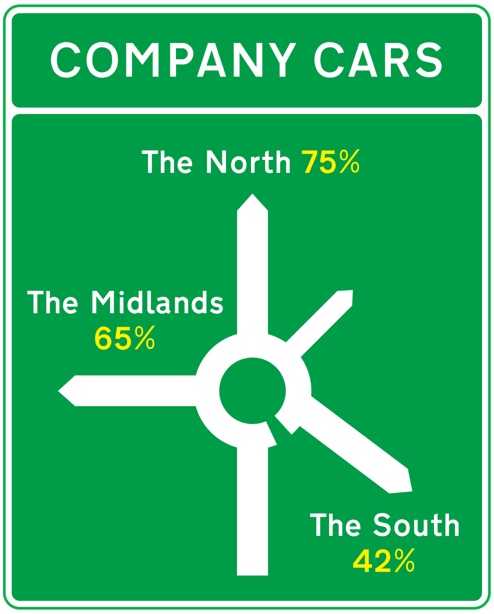
2002 tax change

By 2002, the growing importance of such environmental matters led to the Government amending the tax regime. Before then, the tax that employees paid on their cars decreased the more business miles they drove, providing an incentive to cover greater distances. From the 2002/3 tax year, the higher the car's CO_2 emissions, the more tax the driver pays.

Three million company cars

Over half (56% in 2006) of all new vehicles registered each year are company cars. By 2006, the number of company vehicles on the road reached three million, according to the Department for Transport. This new research from the Energy Saving Trust suggests that more than half of UK organisations provide company cars (57%) and the bigger the business, the more likely it is to give vehicles to employees. In fact, all of the larger companies surveyed provided company cars to some of their employees.

Furthermore, our figures suggest that Britain's company cars emit about 16 million tonnes of carbon dioxide every year. And although company cars represent only about 10 per cent of the number of cars on the road, because of the high mileage they do, they cause about 20 per cent of car emissions.



Northern firms offer most cars

On average, 57% of UK companies offer vehicles to at least some of their employees, but you are more likely to be offered a car if you work for a business located in the North.

75% of northern companies provide cars, reducing to 65% in the Midlands and just 42% in the South.

The role of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is one of the hottest business topics of this decade. It is the concept that organisations have an obligation to consider the interests of all their stakeholders, including the wider community, in everything they do.

The belief that profitability and customer loyalty is increasingly determined by an organisation's commitment to its wider economic, social and environmental impact also drives CSR. As implementing a CSR policy introduces an ethical dimension to a company's activities, it provides a moral framework as much as a commercial one.

CSR embraces many activities, from allowing employees to volunteer in the community in company time, to the efficiency of the materials used to build corporate headquarters. Yet our survey found that more than half of the companies that give cars to their employees don't have a CSR or environmental policy.

Perhaps this is unsurprising, given the vitality and preponderance of smaller businesses in the UK. Many are concerned about day-to-day operations, rather than what they may perceive to be peripheral issues about the wider community. Yet it is the medium-sized companies that appear to be the least concerned with CSR. Just a third of such businesses (33%) have adopted a CSR policy, compared with about three-quarters (72%) of companies with fewer than 10 employees and the same proportion of larger companies. This may reflect greater resources available for implementing and monitoring such a policy in large companies, and the ease with which smaller firms can implement CSR policies.

However, there is much progress to be made in those medium-sized businesses that are so important to the UK economy.

The CSR short-fall

Worryingly, of those companies that both offer cars and have a CSR or environmental policy, less than half (42%) consider the impact of their vehicles as part of that policy.

In short, even for those companies that are seemingly committed to the environment, more often than not they do not think about the impact of the cars they run.

For far too many companies, CSR appears to be a box to tick, rather than a fundamental assessment of their impact on the environment and the implementation of positive action to reduce it. The reality is that the effect of company cars is considered in only a minority of businesses.

In the face of all the evidence that people are becoming more concerned about environmental issues, UK businesses are trapped in a dilemma that spans ethics, organisational culture and competitiveness. While company cars continue to be an important part of the remuneration package, bigger, more expensive cars equate to being better paid. They are also visible badges of success: the unambiguous status symbol. It's hard for small cars to compete in such circumstances. It would be a brave company that ignored such pressures, largely emanating from employees. Take away the prestigious car and the risk is that key employees walk. You may have the moral high ground, but your competitors may get your most talented, if less environmentally concerned, employees.

"For far too many companies, Corporate Social Responsibility appears to be a box to tick, rather than a fundamental assessment of their impact on the environment"

EDF Energy and Carbon Cascading:

EDF has bridged the gap between Corporate Responsibility policy and action by members of staff at all levels by establishing Branch Transport management plans. The Branch plans have been endorsed by the Branch Executive and they set intermediate targets and actions aimed at delivering their 2012 target of reducing transport-related CO_2 emissions by 20%. Budget holders are also responsible for implementing the plans for the activities they oversee, which essentially embeds carbon efficiency throughout the company. EDF are hoping to see a really positive result from integrating carbon targets in this way.

PriceWaterhouseCoopers (PwC) and green fleet management

PwC is one of the world's leading professional services firms. It has 44 offices throughout the UK, employs 15,000 staff with an annual turnover of £1.5bn.

They run a fleet of nearly 4,000 company cars. In addition there are over 5,000 staff cars. Together they cover more than 63 million business miles per year.

Vehicle selection

PwC's green fleet management is part of its commitment to its corporate social responsibility so the company car scheme forms part of a broader package of "cafeteria benefits" for employees. This means eligible staff may opt for other remuneration benefits rather than choosing a company car.

A vital element is the company's intranet site which enables employees to select the vehicle best suited to their needs. The site contains an on-line calculator to help choose the most fuel efficient vehicle. It also has other information such as the most appropriate form of travel and the best route.

The company encourages staff to choose low emission vehicles by a variety of incentives and disincentives. For example to offset the cost of hybrid cars 1/2 pence per cc is added to the monthly staff cost of general fleet vehicles. This encourages the use of environmentally friendly cars while discouraging large engine "gas-guzzlers".

To minimise carbon dioxide (CO_2) fleet emissions PwC promotes carbon neutral schemes. Once an employee completes an intranet order for a vehicle they have the option to press a carbon neutral button - a green tree icon. This advises the employee on the number of trees required to neutralise the amount of CO_2 produced by the vehicle they have just ordered.

All this has meant that between January 2002 and November 2005 the average CO_2 emissions for PwC's company cars fell from 195 g/km to 169 g/km -- a reduction of 13.33%.

The company also promotes home working, teleworking, and video-conferencing. Where travel is necessary a hierarchy of transport options is applied from walking, cycling, and public transport through to car-sharing.

However, one specific area identified was the disparity between the management of cars provided by the company and private cars used for business mileage.

As a result employees are now being actively encouraged to use company cars. This is because it is easier to manage the environmental performance and the occupational road risk of company cars. Management of private cars used for business was also tightened.

Overall CO_2 emissions from the fleet have been restrained – despite rapid business growth since 2004, illustrating how environmental management makes good business sense.

Key findings on CSR and company fleets

- Less than half of companies surveyed (48%) have a CSR or environmental policy
- The smallest companies (1-10 employees) and the largest (more than 500 employees) are most likely to embrace CSR (72% each)
- Only 42% of companies that have an environmental policy consider the impact of company vehicles as part of it
- Young companies are the most likely to supply company cars. Seven out of ten (69%) of businesses launched since 2000 provide vehicles
- These young companies are also the most likely to have a CSR or an environmental policy (76%), but least likely to consider the impact of their cars as part of it (16%)
- Companies with between 26 and 100 employees are least likely to bother with CSR (33%)

Tax and company cars

For many company car drivers, their vehicle is an important part of their remuneration package, often enabling them to drive a car they may not otherwise have been able to afford.

Until five years ago, the tax system recognised that for some employees, the car was a perk and for others an essential business tool. If you covered less than 2,500 business miles, you paid tax on the benefit at 35%. Drivers such as salespeople and service engineers who covered more than 18,000 business miles paid only 15%.

In short, far from being discouraged, high mileage was explicitly rewarded by the taxman.

In response to growing environmental concerns, that all changed in 2002. Tax is now levied according to the amount of carbon dioxide emitted by the vehicle. The lower the emissions, the lower the personal tax paid by the driver. It's an incentive to choose low carbon dioxide emitting cars.

However, every car is different and making the right choice, as a company or a driver, can be confusing. CO_2 emissions vary according to the type of fuel the vehicle uses, its aerodynamics, its weight and so on. And although any driver with time to review websites and manufacturers' publicity can find the amount of CO_2 any vehicle emits, companies could do much more to help inform their employees.

The good news is that many do, with three-quarters (76%) of businesses surveyed saying they advised employees about the levels of tax levied on different types of car.

Lessons for finance directors

- Greener cars attract lower BIK liabilities and therefore attract lower class IA employer National Insurance Contributions
- Employees pay less tax
- There are accelerated writing-down capital allowances available for the lowest carbon-emitting vehicles

The cash alternative

Some employees prefer extra cash in their pay packets in lieu of a company car. This payment is intended to cover the cost of buying, maintaining and insuring a private vehicle that may be used on company business. **It is called the "grey fleet".**

Not all organisations offer this option, preferring to have some control on the make, model, age and even colour of the vehicle that their employees drive. However, the cash alternative is widespread, with **two-thirds of the companies surveyed (67%) offering money in place of a car**, a huge rise from the 1990s when industry surveys suggested that just 6% of companies allowed such a choice.

This has mixed repercussions on the environment. On the whole, company cars tend to be newer vehicles, leased at first registration and in service for a limited number of years or miles. They are also serviced regularly, to the manufacturers' standards. As such, they are the most technologically advanced vehicles on the road and are properly maintained. **Organisations that offer a cash alternative in lieu of a company car, but still expect the employee to use their own private vehicle on company business may, by running a smaller fleet, give the appearance of being greener when in reality the impact on the environment will always be greater.**

Cash more important in the North

Almost all companies in the North (98%) make sure their employees know about the tax position for different types of car, compared with 69% of companies in the Midlands and just 58% in the South.

Northern businesses are also the most likely to offer a cash alternative to a company car (81%). The cash option is least available in the Midlands (51%).

This is because the average privately owned car is about seven years old and, given the progress in motoring technology, emits considerably more carbon dioxide than the average fleet vehicle that is just two years old, plus there is no tax penalty on driving a higher carbon-emitting car.

A private matter

More than half (52%) of the companies who give employees the freedom to drive their own cars for business place no restrictions at all on what those vehicles may be. And companies that do dictate some specifications appear to be more concerned about the image that their employees portray, rather than any desire to protect the environment.

A third (34%) say that employees must use the cash alternative to drive only newer cars for business purposes. Just one in five (20%) place a restriction on the engine size, while a mere 6% are concerned that vehicles used on their behalf have a restriction on CO_2 emissions.

The situation becomes more troublesome when considering those companies that have a formal CSR or environmental policy. While one would expect such companies to be instinctively concerned about the vehicles that their employees drive on their behalf, it appears that once they supply cash instead of a car (and only 38% do so), they largely wash their hands of any interest in the environmental impact of that decision. **Only 25% of companies that have a CSR policy place an age restriction on the cars that can be used for business and only 3% restrict the CO_2 emissions such cars can make.** These are lower figures than for companies with no stated commitment to CSR.

Grey fleet: an incentive to drive further?

While not obligated to do so, many companies reimburse employees who drive their own cars for business purposes at rates approved by HM Revenue and Customs. Approved Mileage Allowance Payments (AMAP) are 40 pence for the first 10,000 miles a year and 25 pence for each additional mile.

To encourage car sharing, an extra five pence a mile can be paid if employees travel together on business (but only the driver receives it, saving the company money, but possibly frustrating some employees who want to earn the mileage). Since the marginal cost of an extra mile on average is about 18 pence, this creates something of an incentive for people to find reasons to travel. More miles equals more cost for the business as well as more CO_2, although at low annual mileages, AMAP rates can be cost-effective for employers.

Consideration should be given to cutting the grey fleet by making greater use of pool cars, daily rental vehicles or even, where the job requires it, providing a company car after all.

Key findings

- Two-thirds of companies provide a cash alternative to a car (67%)
- Companies that launched since 2000 are most likely to offer cash-for-car (90%)
- So are companies that have a formal CSR policy (75%)
- The option is more prevalent in service industries (80%), rather than manufacturing (59%) or distribution (55%) where vehicles are arguably less likely to be perks and more likely to be used frequently for business
- More than half (52%) place no restrictions on the cars their employees may use in place of a company car
- A third (34%) expect their employees to drive newer cars
- A fifth (20%) limit engine size
- Just 6% are interested in the CO_2 emissions of the private cars their employees use for business
- This figure is just 3% for companies with a CSR or environmental policy

GO

A greener fleet

Despite growing concerns about the impact of motoring on the environment, the reality is that British businesses have a dilemma: cars are motivational status symbols that employees desire, yet not all employees are necessarily as concerned about their environmental impact as perhaps they might be. In short, too many employees like driving cars – often vehicles that they would otherwise not be able to afford – provided by their employer.

Despite this dilemma, only four out of ten companies that provide company cars (41%) offer a lower emission option. This means the majority of company car drivers can only choose the option of a higher-emitting vehicle – unless they take the cash, and as we have seen, this option is not available to all and is generally a worse alternative for the environment.

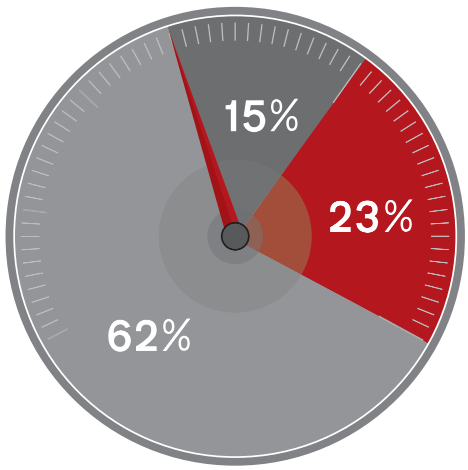
Of those firms allowing greener vehicles, around only a quarter (27%) actively encourages their workers to choose this option by providing incentives for them to do so.

More encouragingly, larger companies are more likely to provide a green option. More than two-thirds of such businesses (69%) have a low-emission choice, compared with just a quarter (26%) of firms with fewer than ten employees. As larger companies tend to have the biggest fleets, this can have a considerable impact on CO_2 emissions – provided, of course, that their staff make the green choice.

A willingness to improve?

Right now, not enough companies permit low-emission choices, nor do they incentivise employees to make that choice. But even more disquieting, there's little sign of the situation being rectified any time soon.

Of those companies that don't offer incentives or the choice of low-emission cars, 62% say they have no plans to change their policy in the next 12 months. Less than a quarter (23%) say they will amend their list to encourage low-emission cars, while 15% haven't made their minds up.



Companies that offer no incentives or choice

- No plans to change policy 62%
- Expect to change 23%
- Don't know 15%

It pays Whitbread drivers to go green

Hospitality company Whitbread plc runs a fleet of 900 cars and 50 light commercial vehicles.

In line with its Corporate Social Responsibility commitments, the company's car choice list includes low-emission cars. But Whitbread wanted to go further and encourage its employees to make that option.

Accordingly, each driver now has a monthly allowance to be spent on leasing their vehicle, but can trade up or down if they choose. This allowance is based on salary, but is amended depending on the fuel efficiency and insurance group of the car they select. Based on the manufacturers' specifications, for every mile-per-gallon the car does in excess of 40, cash is added to the monthly allowance.

The same principle applies to insurance grouping, with a starting point of group 10. Cars in higher groups are penalised, lower ones rewarded.

This is a clear incentive to choose a more fuel-efficient car (usually a diesel) that also enjoys a low insurance grouping.

"Companies in the South are the most determined to keep employees in large cars: 69% prohibit trading down"

Trading down

It's a generalisation, but on the whole smaller cars are greener cars.

Yet surprisingly, many companies do not allow drivers to trade down to smaller or cheaper vehicles. A fifth of companies (21%) insist that eligible employees drive a car commensurate with their grade, with southern companies being the most determined to keep employees in large cars: 69% of companies in the South prohibit trading down.

However, permission is most likely to be granted in organisations that have integrated fleet issues into their CSR or environmental policy. Almost all (94%) such companies allow employees to swap their car for something smaller or cheaper.

With no financial loss to the company from allowing employees to drive smaller cars – indeed there is likely to be a cash saving from lower fuel and leasing costs - this suggests that for about one in five businesses, car choice is more to do with making a statement than it is about the environment. The Energy Saving Trust would like a change of mindset. Rather than the somewhat negative phrase "trading down", businesses should see running smaller vehicles as an act of investment. Realistically though, these figures suggest that there is some way to go before running a small car, rather than a large one, is seen as a status symbol.

With their understandable concerns about costs and making a good impression, it appears that many companies simply don't understand why anyone would want to trade their car in for something smaller. Other than the obvious tax reduction, only a quarter of the decision-makers in companies (24%) thought there was any saving for individuals. But there are savings to be made that go beyond tax. Smaller cars use less fuel and in a couple of years many may benefit from incentives such as cheaper parking and congestion charge discounts.

Key findings

- Only half of companies (51%) give employees the chance to choose a lower CO_2 emitting vehicle
- Only a quarter of businesses (27%) provide incentives to company car drivers to go green
- Companies that launched since 2000 are almost twice as likely to provide incentives (51%)
- Companies in the North are most enlightened: 45% provide incentives and 60% offer low-emission options

A cultural hurdle

The reality, though, is that company cars are deeply embedded into the British way of business and whether they are workhorses or executive perks, they are status symbols that are part of the remuneration package. This makes it very hard for employees to choose a smaller car and for employers to incentivise them to do so. Even the obvious benefit of a lower personal tax bill has done little to encourage downgrading. If anything, employees are more likely to trade up and pay more out of their salaries than choose a smaller car and a little more cash.

Overall, the lack of availability of low-emission cars can be seen as less a reflection of the reluctance of many UK companies to embrace environmental issues and more to do with staff motivation in a competitive employment market. That said, the rising prominence of green issues in every aspect of life provides hope that things may change. Companies can do much to reduce the environmental impact of their fleets by encouraging car sharing, reducing mileage, increasing mobile working and, perhaps in time, a switch to a greener car. At the very least, they can easily introduce low-emission choices to their fleet lists. Organisations that restrict choice are not simply depriving drivers of the opportunity to make a positive personal contribution to the environment, they are also preventing them from reducing their tax burden – even if employees elect not to make the right choice.

"Rather than trading down, businesses should see running smaller vehicles as an act of investment"

"Quite simply, too many businesses fear that greening their fleets will cost money, not save it."

Considerable savings - Save £1,000 per car.

Running fuel-efficient vehicles, adopting eco-driving techniques and telematics, such as satellite navigation and vehicle tracking, can save companies considerable amounts of money.

The Energy Saving Trust estimates that for a company running a fleet of 100 cars they can save around £90k per year, every year after they have adopted a green fleet policy.

Save energy, save money

A business operating a fleet of 100 vehicles could save up to £90,000 per year by operating greener fleet policies. So why are more organisations ignoring the business case for a greener fleet.

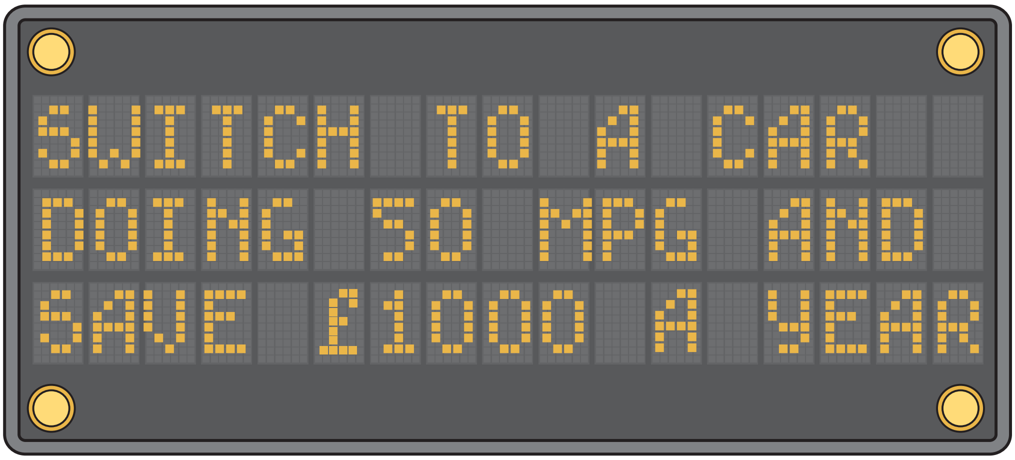
The answer appears to lie in the perceived costs of change. **Quite simply, too many businesses fear that greening their fleets will cost money, not save it.**

CO_2 emissions can be cut by choosing greener cars, driver training, tracking fuel consumption and managing business mileage. There are more sophisticated options too, such as rescheduling working patterns or installing trackable GPS devices so that firms can monitor how and where their vehicles are being driven.

Another alternative is to use tele/video conferencing facilities – rather than travelling to meet prospective customers. Just one employee using tele/video conferencing facilities, instead of making – for example, a journey from London to Manchester once a month for a year **would reduce CO_2 emissions by 1.5 tonnes a year and would result in an annual saving for the company of around £3,500.** Around 80% of this cost saving is due to the time the employee can spend doing productive work which is otherwise lost because they are driving.

While half of companies (50%) believe that implementing these steps will ultimately save them money, far too many businesses (31%) see such actions only as a cost. And as almost one in five companies (18%) don't know either way, there's much education still to be done. Small companies are most likely to be positive about the benefits: four out of five (81%) believe that cutting vehicle emissions saves money.

Lessons could be learnt from those companies that have successfully integrated fleet issues into their CSR policy, where 62% believe they have saved money by taking action to reduce emissions. However, a quarter of these businesses (25%) see positive action as a cost and a further 13% don't know.



Small companies in the Midlands are the most likely to take action

Four out of five (81%) businesses with fewer than 10 employees believe that taking active steps to reduce CO_2 emissions will save them money. And firms in the Midlands are most likely to agree (65%).

Companies in the North are most likely to see taking steps to reduce emissions as a cost (44%), compared with just 16% in the Midlands and 30% in the South.

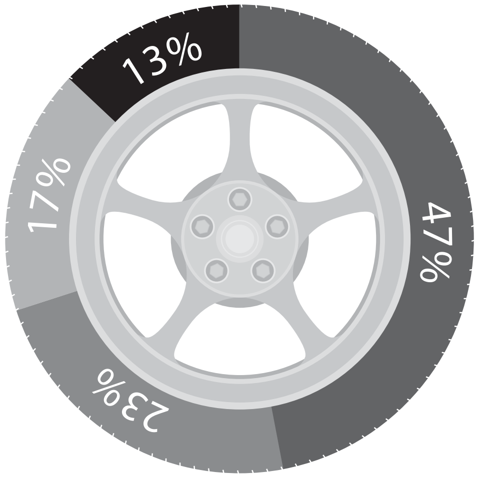
Business as usual

Despite the growing importance of climate change as a business issue, the Energy Saving Trust survey uncovered a surprising level of complacency.

Four out of ten companies (40%) say that because they see no potential to save money, they have no plans to change their policies when it comes to green fleets. A further 20% say they will get round to it once they have addressed other issues.

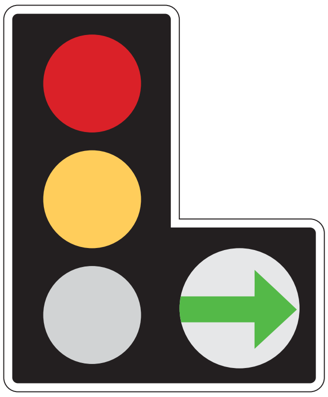
That's the majority of respondents pushing concerns about vehicle emissions to one side and refusing to take the very simple steps to improve their contribution to the environment and their bottom line. Their reasons may be genuine: they have to concentrate on day-to-day operations, or believe that vehicles are important to motivation and remuneration. It is a concern none the less.

Just one in ten UK companies (11%) have already reviewed the carbon footprint of their vehicle emissions and have taken steps to reduce it, rising to 28% of those organisations that have incorporated fleet issues into their CSR policy. A further 15% of company car providers are beginning to take action to cut CO_2 emissions.



Company position on car emission reduction

- Already taken steps to reduce emissions 13%
- Starting to review emissions 17%
- Other issues to address first 23%
- No cost saving so no change 47%



Conclusion

The hidden business-case

As the study has shown, the potential for driving the bottom line when it comes to a greener fleet is not yet fully understood by many organisations. Faced with evidence that greener fleets are proven money-savers, it is hard to ignore the case for this.

However, misconceptions clearly exist with many businesses believing that implementing greener policies will disadvantage them financially.

Work must be done with businesses to change this perception, and make clear the financial as well as environmental argument for greener fleet management.

The green fleet action gap

The report has shown that most UK businesses that provide company cars are failing to take the steps that would reduce the carbon emissions that their employees produce on their behalf.

Only a minority of companies offer low-emission vehicles on their list of approved cars. Only a minority of companies with a CSR policy consider the impact of company cars as part of that policy. And only a minority of companies have taken any action to reduce their emissions.

The motivation and status legacy

Businesses seem to care more about giving their employees cars that confer status than they do about the environment, which shows there is a long way to go before social responsibility is put at the heart of the business agenda. In many ways, this is an understandable legacy of the UK's long love affair with the company car, stretching back to the wage restraints of the 1970s. Cars are part of remuneration. They are a visible sign of worth.

The Energy Saving Trust has a key role to play in helping to change this perception, presenting the facts about fleet emissions, while recognising that companies have understandable challenges in recruiting, retaining and motivating staff. However, the actions that companies need to put in place are not necessarily difficult and they need not be time-consuming. None the less our survey shows that we must address fundamental business issues, backed by hard, business-oriented facts. In particular, companies need to be convinced that introducing greener fleets will save them money and keep employees motivated. At the very least, they must not be worse off or lose key people.

Secondly, there is work to be done to reposition greener cars as objects of desire. Within many companies, cars are status symbols. As one moves up the organisation, a bigger car comes with a bigger job. This makes the concept of 'trading down' as much a cultural issue as an environmental one. Until employees see smaller, greener cars as an investment and a positive statement – 'trading up to a smaller car' maybe – this will continue to be a hurdle. This is not in itself about cost savings (although there will be savings for both the company and the individual), but about personal and company image. While this may be an ambitious aim, in the meantime manufacturers are producing attractive new models that many executives would be proud to be seen in, as well as much cleaner versions of existing models.

Closing the "grey fleet" loop

Finally, companies need to recognise that providing a cash-for-car option does not abdicate them of their responsibilities for travel done on their behalf. For legal reasons, most companies will want to assure themselves that private cars employed for company purposes have adequate insurance. Many insist that employees drive a relatively new vehicle. But very few companies are concerned with the carbon emissions these private cars pump out on company business – and companies with a CSR policy are the least concerned of all.

The Energy Saving Trust's recommendations

If organisations are to improve their green credentials in relation to their vehicles, much education and cultural change is needed:

- To make a credible case for change and overcome the fear that new policies will cost money, businesses must be provided with hard facts. Green fleets are cheaper to run and many steps are relatively easy to implement
- Measurement means management: the starting point for change is an accurate audit of a company's existing CO_2 emissions. Once one understands the reality, change can begin
- Carbon target reductions need to be cascaded down the management structure. A commitment from the top, though vital, is of little use unless managers throughout the organisation are responsible for implementation
- Cultural change is paramount: greener cars can be status symbols too
- Companies need to understand that they still have environmental responsibilities for their grey fleet, which is almost always more environmentally damaging than a company car
- Fleet policy must encourage employees who take a cash alternative (the grey fleet) to run greener choices

Check list for green fleet management

The simple check list given below allows you to quickly ascertain how many green fleet measures your organisation has already adopted - and which ones are still left to do.

- Promote low polluters - encouraging the use of vehicles cars with low CO_2 emission levels and reducing employee BIK tax costs
- Evaluate alternative fuels - they are better for the environment
- Maintain vehicles according to manufacturers' specifications - poorly maintained vehicles use more fuel and emit more CO_2
- Analyse mileage patterns - analysis enables better travel management by identifying opportunities to reduce mileage
- Analyse fuel consumption by driver - to identify those employees who are driving efficiently and those less so.
- Consider driver training - to promote more economical and safer driving
- Implement sensible reimbursement policies - avoid rates that encourage people to drive more miles
- Provide journey planning advice - internet sites have street maps and route planners and you could suggest (or provide) alternatives to using the car
- Consider satellite navigation - it can help avoid congestion and optimise routes
- Make use of teleconferencing or video conferencing - these, and other ways of remote working, encourage fewer trips

The Energy Saving Trust's free fleet consultancy service

Many of the case studies highlighted in this report have received free fleet consultancy advice from the Energy Saving Trust. So, if your organisation has already committed to undertaking the actions outlined in the check list and would like further advice and support then why not contact us?

The consultancy service is available for organisations that have more than 50 vehicles (20 vehicles in Scotland). Companies with smaller fleets can receive free telephone advice.

We work carefully to understand the cultural and commercial implications at each organisation, developing a strategy to show how fleets can be run more efficiently to benefit both the bottom line and the environment.

Typical projects include:

- A review of vehicle choice lists
- Alternative fuels
- Fuel economy
- Methods of reimbursement
- Driver education
- Reducing mileage - journey planning, satellite navigation, telematics
- Health and safety issues, duty of care

The aim is to help:

- Reduce fleet costs
- Cut vehicle emissions
- Improve the business's social and environmental reputation
- Minimise traffic and parking problems at the organisation

To find out more please register your interest at our website, www.energysavingtrust.org.uk/fleet or call us on 0845 602 1425.