

Driving the Bottom Line: Environmental Impact Supports Case for Company-owned Fleets versus Driver Reimbursement

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This white paper is based on a 2008 report from the American Automotive Leasing Association (AALA) entitled “Energy and Environmental Benefits: Managed Fleets vs. Driver Reimbursement.” The authors of that report, Michael L. Telson and James T. Bruce III conducted the independent study, which concluded that “the expertise and sophisticated techniques used by fleet managers, in aggregate, should result in substantial fuel savings and lower carbon emissions, when compared with the alternative of reimbursing employees for the use of their vehicles for company purposes.”

Switching from reimbursing drivers to providing company-owned vehicles is a major decision for companies that have traditionally relied on employees to use their own vehicles for driving related business. But even the most ardent environmentalists might be surprised to discover that the environmental benefits of having a uniform fleet of vehicles also have a positive impact on a company's bottom line.

This is especially true for company vehicles that are operated under a fleet management program performed either by the companies themselves or by specialized third party providers.

The use of managed fleets provides substantial economic and financial benefits that motivate fleet managers to develop the expertise and the tools to do better than individuals when it comes to reducing their vehicle fuel use, and thus reducing their vehicles' greenhouse gas emissions. (AALA report)

Factors such as selecting the right vehicles for a particular business, developing a cycling plan to replace vehicles at appropriate intervals (including fuel efficiency), and managing maintenance and repairs to ensure optimum performance all contribute to lowering the total costs of operating a fleet of vehicles, including fuel cost and environmental impact.

When purchasing the vehicles in their fleets, the managers have their clients' specific functions in mind because they have a strong motivation to “right-size” the vehicle according to the purposes of the individual fleets...with an important priority of reducing overall costs, in which fuel costs play an increasingly large part. (AALA report)

In comparison, cost controls are much more difficult with a reimbursement program. While some drivers have older cars that are not fuel efficient, others drive vehicles that are unreliable and require frequent repairs that take precious time.

Under driver reimbursement programs, when company employees select their private vehicle that they may use in their work environment, there are numerous factors that prevent selection of the ideal vehicle for company use....The employee may want the convenience of buying from a dealer's existing inventory rather than ordering the car with only the options desired. The car in the dealer inventory can include unessential, fuel economy-robbing option packages, including a large engine with excessive horsepower, or less than ideal transmission or gearing arrangements. (AALA report)

How and when a company decides to sell its vehicles depends on many variables, including factors such as time of year, mileage, vehicle type, age and maintenance history. A vehicle replacement program known as “cycling” can ensure that vehicles are replaced at appropriate intervals to achieve optimum performance and the best resale value. A fleet management program considers everything from future trends and the current used car sales market, to vehicle warranties, mileage and wear and tear.

Fleet managers on average replace their cars nearly every 3 years after 63,000 miles, and their light duty trucks every 3.5-4 years after 86,000 miles. Individuals, on the other hand, have cars which on average are over 9 years old, and light duty trucks over 7 years old (R.L. Polk data), and that are properly maintained by only 28% of their owners (Autobytel survey, 2002). (AALA report)

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