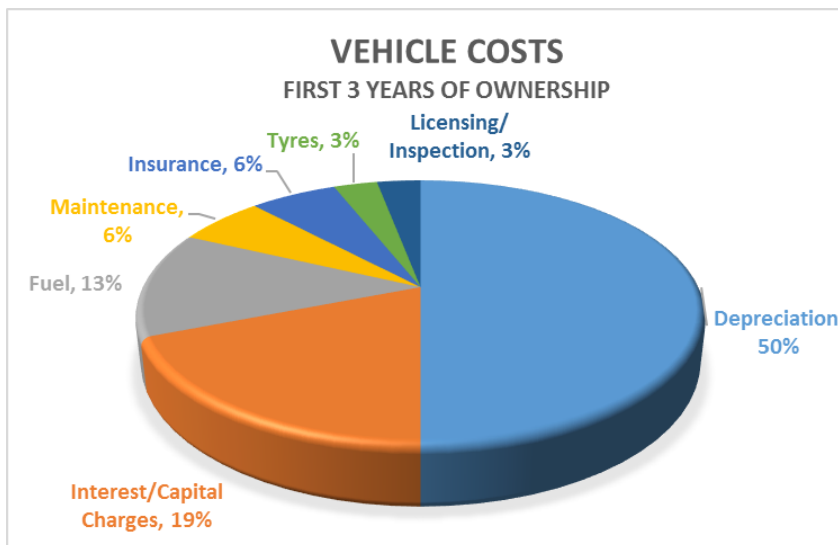


CASE STUDY – REDUCE FLEET COSTS BY REMOVING SURPLUS VEHICLES

SOURCE: Derrick Bishop – Global Managing Director – Bishop Fleet Optimization Pty Ltd.
Email: derrick.bishop@bishopfleet.com
Phone: +61 (3) 9040-1994

1. Depreciation makes up 50% of all light fleet vehicle costs. See Figure 1.

FIGURE 1: VEHICLE COST COMPONENTS*



2. Vehicle depreciation mitigation strategies:
 - a. Buy low, sell high.
 - b. Cut surplus vehicles. Why?
 - i. Approx. 84% of vehicle costs are fixed.
[Depreciation, finance cost, maintenance, insurance, registration, and roadworthy].
 - ii. Fixed costs are incurred whether the vehicle is driven or not.
 - iii. Vehicles depreciate regardless of leased/owned status.
3. A one vehicle cut will impact costs as follows:
 - a. Fleet utilization increases to improve overall efficiency.
 - b. **84% fixed cost** components are eliminated.
 - c. **16% variable cost** *[fuel, tyres]* moves to other vehicles.
 - d. Car park becomes available.
 - e. Administration is reduced.

- f. Any inappropriate vehicle use is curbed due to peer requirements to access fewer vehicles to complete work.

4. BFO has capacity to review 3,000+ NSW Health vehicles per quarter.

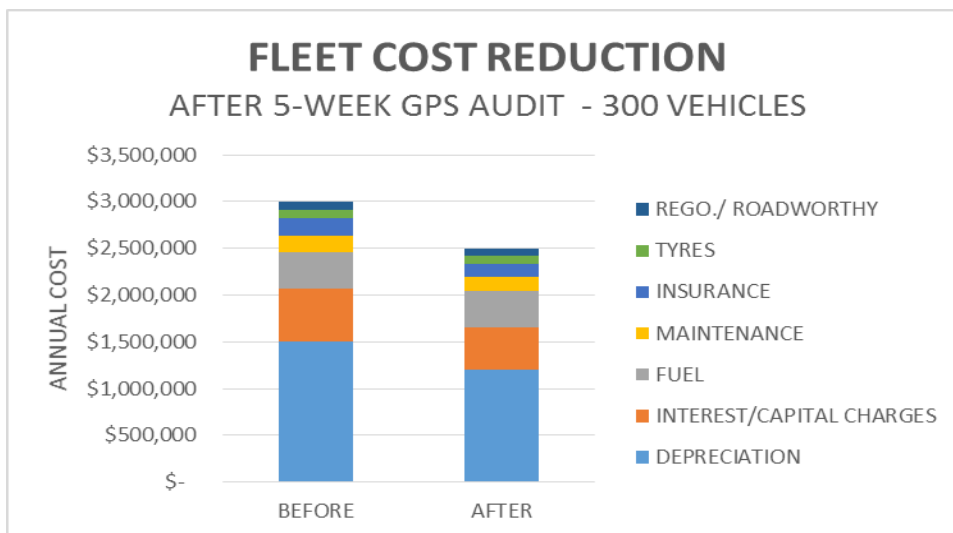
* Percentages vary slightly by country.

Table 1 shows a 300-vehicle client savings example. A \$10,000 annual vehicle cost equates to \$3M per year. A 5-week GPS fleet utilization review can reduce the fleet size by 20% and lower costs by 17% with no loss of service delivery capability. Table 1 and Figure 2 show the before and after comparison.

TABLE 1: UTILISATION AUDIT – COST IMPACT

VEHICLE COST ITEM	BEFORE COST @ \$10K p.a. [300 CARS]	COST AFTER 20% REDUCTION	ANNUAL COST SAVING
DEPRECIATION	\$ 1,500,000	\$ 1,200,000	\$ 300,000
INTEREST/CAPITAL CHARGES	\$ 570,000	\$ 456,000	\$ 114,000
FUEL	\$ 390,000	\$ 390,000	\$ -
MAINTENANCE	\$ 180,000	\$ 144,000	\$ 36,000
INSURANCE	\$ 180,000	\$ 144,000	\$ 36,000
TYRES	\$ 90,000	\$ 90,000	\$ -
REGO./ ROADWORTHY	\$ 90,000	\$ 72,000	\$ 18,000
TOTAL	\$ 3,000,000	\$ 2,496,000	\$ 504,000
PERCENTAGE	100%	83%	17%

FIGURE 2: ANNUAL COST REDUCTION – 5-WEEK GPS AUDIT



KEY POINTS:

- Higher utilization means faster vehicle purchase/sale cycles. Depreciation reduces as later models command a higher residual value.
- Variable costs [fuel, tyres] stay unchanged but may actually reduce.
- Removing surplus fleet vehicles will result in a reduction of fleet operating costs.