Expense Reduction Analysts

The £5 Gallon continued...

Fuel Savings – 6 Point Plan

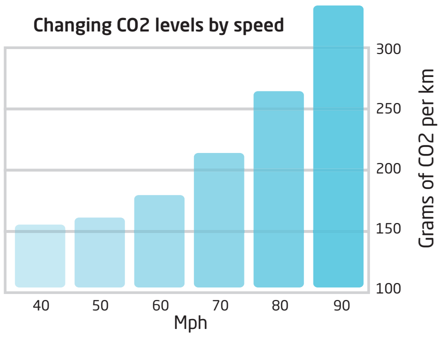
Given that fuel now accounts for around 30% of the total cost of running a car the following practical advice will help mitigate these price rises:

1. Get in the right cars.
For example, two cars having identical monthly contract hire rates (Toyota Rav 4 2.0 VVTi XT-R 5dr and a Ford Focus 1.6TDCi DPF 110 Titanium 3dr) would have 3 years costs that differ by £3,196 because of the fuel consumption and CO_2 differences.

2. Assess and train your drivers.
Eco driving can help reduce costs by 5-20%. Simple measures such as educating drivers to stick to the motorway speed limit can have a dramatic effect on fuel economy. The following chart shows that at 90mph the average car burns fuel 50% faster per kilometre than at 70mph. Versus the speed limit of 70mph & therefore dramatically increases at 90mph an engine will then burn fuel, per km, approximately 50% quicker than at 70mph.

3. Manage your fuel.
Proactive fuel management can cut costs by 4 to 11%. Fuel cards may assist in the process of ensuring efficient fuel purchasing and management.

4. Review reimbursement policies.
Such policies have a major impact on driver behaviour and ultimately the fuel bill.



Despite driver protests, most flat or advisory rates reimburse employees in excess of the genuine fuel cost.

5. Assess efficiency of private fuel provision. Any such provision for company car drivers usually leaves both the company and employee in a worse financial position than if the benefit had not been provided. Calculate the break even private mileage for each driver (typically around 14,000 miles) and discuss with them the value of retaining this benefit or otherwise.

6. Drive less.
Many large Plc's now have published Travel Plans. These bring together various initiatives on efficient travel options in an attempt to use the right travel means for the right purpose. Companies adopting such policies are seeing significant reductions in costs without impacting their commercial operations.

The pain of fuel costs and the ever escalating increases are here to stay. Companies may be able achieve significant savings by adopting our 6 point plan above. These policies may help claw back some of the cost and leave companies in a better position to mitigate the future pain.

The Credit Crunch – What does it mean for UK businesses?

BANKING: STEVE WHITLAM

The worldwide credit squeeze means that there will be upward pressure on the price of borrowed funds in the UK....as well as much less credit available. Many of our clients will soon be affected through their bankers seeking one or more of:

- Increased margins over either Base Rate or Libor
- Withdrawn, reduced or refused lending facilities
- Amendments to current arrangements to move the risk more in the lender's favour

So despite the base rate coming down, the actual cost of borrowing may rise. We must not forget that the banks have also generally taken a profit hit through write-offs and will look to restore their capital bases and underlying profits through fees as well as interest. This means that they may well seek to increase service charges in both the core current account area and for ancillary services (Merchant Card Fees and Invoice Discounting to name but two).

Tackling the Credit Crunch:

There is no avoiding the fact that undercapitalised and unprofitable businesses will fail. However banks make the bulk of their profits through lending funds – whether on mortgages or to successful businesses. Forecasting is always difficult, but it is probably realistic to assume that demand for new funds from the UK housing market is not going to recover sufficiently quickly to satisfy the banks' needs for profit... that puts "business" in the front line.

Business being in the front line could mean that your bank proposes increases, arguing that the reasons are out of their hands and many companies will just accept it. The costs are either absorbed or passed onto customers; although the latter can be at the cost of market share and both can lead to a fall in your profitability.