



Whitepaper:

The Rise of the Grey Fleet

Mitigating Your Business Risk.





Foreword

When you drive for work, do you use your personal car? What about your employees, do they undertake work travel using their personal vehicles or any vehicle not owned by your business or organisation? If you answered 'yes' to these questions, my hope is that you will also answer 'yes' to this final question. Do you fulfil your duty of care by safely and pro-actively managing your grey fleet drivers?

If your answer to that final question was 'no', now is the time to act. With conventional fleet sales down and the pandemic's impact dramatically shifting the way in which many people work, more emphasis than ever is being placed on grey fleets. Despite eclipsing the number of official fleet vehicles and fleet miles travelled, grey fleets are often operated with very little oversight, with business owners and managers mistakenly assuming that they are not responsible.

It is a difficult situation because grey fleets have always presented businesses and organisations with a level of irresistible ad hoc convenience and simplicity. The data shows this too, with company fleets totalling around 18 million vehicles compared to the grey fleet's estimated 10 – 14 million, according to the BVRLA. With figures from the Government's Energy Reform Group estimating that up to 57% of 'at work' mileage is undertaken by private vehicles, we are talking about a staggering 1.5 billion public sector and 11 billion private sector miles per year.

When well-managed, grey fleets can safely and effectively complement a regular business fleet or provide a stand-alone solution. Unfortunately, very few organisations that rely on grey fleet vehicles for everyday operation invest the time and resources to fulfil their duty of care in any meaningful way.

The risk of employees suffering an injury, or worse, while working increases dramatically when driving is a frequent activity, so this must be taken seriously. If an employee is driving for work purposes, regardless of the vehicle type or ownership, it is the

employer's responsibility. Of course, that can be quite a messy situation because employers often have little to no oversight of how the car is actually used or maintained. Nevertheless, a conscious and demonstrable effort must be made to ensure employee safety, lest the business or organisation be exposed to significant fines.

This whitepaper is intended to provide you with guidance on grey fleet management and raise awareness of the obligations, challenges and risks that using these vehicles presents. I hope it provides some useful insight as your business or organisation prepares for the post-pandemic recovery.





What is the Grey Fleet?

Each day, millions of people across the UK drive their personal vehicles for work purposes. Often, these vehicles are operated with little to no oversight by employers, creating a complex web of responsibility. Without the oversight, management, maintenance and insurance of a conventional business fleet, these external vehicles fall into a grey area – the grey fleet.

Whether picking up supplies, visiting a work site or meeting with clients, any vehicle used by employees to travel for work beyond usual commuting is considered to be a part of the grey fleet. Operating a business and relying on a grey fleet can offer many advantages, but it also introduces a host of complexities that must be carefully considered and addressed.

By definition, the grey fleet includes all vehicles used by employees for work journeys that are not owned by the employer, such as:

- Vehicles owned by the employee
- Vehicles purchased through an Employee Car Ownership scheme
- Vehicles rented privately by the employee (outside any company-provided system)

Why is the grey fleet important?

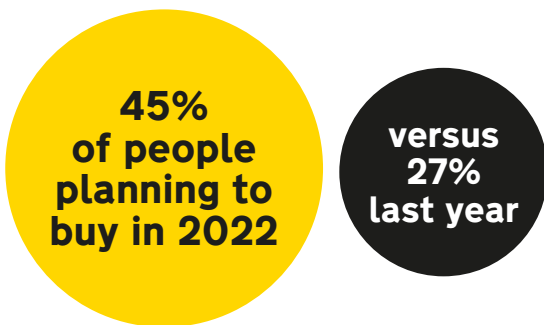


The New Era

Over the past 18 months, people and businesses across the UK have been forced to rapidly adapt to an entirely new set of circumstances. The combined impact of Brexit and, predominantly, the global pandemic, have seen drastic changes to the way in which people work. Immediately prior to the pandemic, around 5.7% of the UK worked from home. By April 2020, this figure had sky-rocketed to 43.1%. While these events are temporary, their effects will live on – the “new normal”.

With both private and business travel almost entirely eliminated for extended periods during 2020 and the first half of 2021, there have been a number of interesting fleet management implications.

We are already seeing many businesses embrace the possibility of hybrid – a mix of remote and flexible – working as a permanent solution. The implications for company fleets across the UK will be significant. Reduced travel between work locations, fewer in-person meetings and the decline in events and exhibitions has curtailed the need for dedicated company vehicles.



The Society of Motor Manufacturers and Traders (SMMT) reported that fleet and business registrations fell by a staggering 32% in 2020, a reduction of over 400,000 vehicles compared to the previous year. With far fewer people travelling, the requirement to refresh fleets was almost eliminated. While this decline began a slow recovery at the end of 2020, the long-term implication is that there will be significantly fewer company vehicles in operation.

Pre-pandemic, a survey conducted by Driving for Better Business found that 90% of UK employees use their own cars for business in some way, with 75% declaring that it is a weekly occurrence. The Government's Efficiency Reform Group (ERG) estimated that up to 57% of 'at work' mileage was done using privately-owned vehicles. For the public sector, that is around 1.5 billion miles each year, while the private sector reaches an astounding 11 billion miles per annum.

Independent research undertaken on behalf of the British Vehicle Rental & Leasing Association (BVRLA) estimates the company car market consisted of around 1.8 million vehicles in 2019. The national grey fleet, on the other hand, was closer to 10.5 million vehicles, with other estimates claiming that the true pre-pandemic figure is closer to 14 million vehicles.

UK grey fleet breakdown (source: BVRLA)

77% private sector
businesses

21% public sector
employees

02% paid via cash
allowance

It is not just work behaviour that has been affected by the pandemic. Transport preferences have also evolved. Recent surveys have indicated that around 87% of people believe that their safety was best served by using their own vehicle, with just 8% now saying buses, trains and trams were their primary means of transport.

In turn, this has increased people's desire to purchase a private vehicle. According to Capgemini, 45% of people are planning on buying their own vehicle within the next 12 months versus just 27% last year. The rate is even higher among young people, aged 18 – 35, with 59% considering a car purchase in the next 12 months versus 40% last year.

For many businesses, particularly smaller ones, this rise in private vehicle use could be beneficial. As it stands, grey fleets are an essential part of many smaller businesses, relied upon for everyday operation. Grey fleets offer a level of convenience and flexibility that traditional fleets lack and can also be significantly cheaper to run. For those with an established company fleet, the grey fleet adds capability and capacity, easily adjustable to meet business requirements.

While the rise of the grey fleet was already an established trend, the pandemic has dramatically accelerated this shift. With fewer company vehicles and changes in the way people work, grey fleets may become the default solution for many. All of this is creating a perfect storm for an explosion in the UK grey fleet. While the pandemic may have reduced the number of miles travelled for work, it has also severely restricted the usual levels of oversight and grey fleet management that ensure drivers, vehicles and journeys comply with business or organisation policies. The result is significant increase in grey fleet risk.



The Grey Fleet Risk

Few UK businesses effectively manage or monitor their grey fleet. Much of this is due to a lack of awareness or understanding about what constitutes a grey fleet vehicle and what the employer's obligations are. Despite what many business owners and managers believe, when it comes to responsibility for work travel, ownership of the vehicle is irrelevant. This complexity is compounded by the fact that employers often have little to no oversight or control over the vehicle being used or maintained.

If the vehicle is being used to travel for business, regardless of who it is owned by, the employer is responsible for ensuring that it is fit for purpose, adequately maintained and that it can be safely driven.

If an employee is involved in an incident while driving for work, the company or organisation could be liable for any damage or injuries that occur. In fact, under the Corporate Manslaughter Act 2007, companies can be prosecuted for the death of drivers resulting from work-related journeys. Companies and organisations that rely on a grey fleet must be proactive in managing it or risk being held accountable. Work travel, regardless of vehicle, falls within an employer's duty of care. Estimates from the Health and Safety Executive (HSE) indicate the nationwide costs from 'at-work' road traffic accidents could be as high as £2.7 billion per year.

What are the rules?

"It shall be the duty of every employer to ensure, so far as is reasonably practicable, the health, safety and welfare at work of all employees."

The legislation relevant to driving at work can be found in the Health and Safety at Work Act (1974) and the Management of Health and Safety at Work Regulations (1999).

Safety First and Road Compliance

When it comes to grey fleet management, nothing is more important than the safety of the vehicle being used. If businesses and organisations wish to minimise their risk exposure, they should consider a number of different factors in whether or not a particular vehicle, driver or journey should be done using a grey fleet vehicle. At the bare minimum, employers should check to see that the vehicle has a valid MOT and has been regularly serviced – an MOT alone is not conclusive evidence that a vehicle is safe. It is also a good idea to only permit grey fleet use for vehicles that meet a certain agreed level of crash safety rating or use particular safety systems, like electronic stability control (ESC) or autonomous emergency braking (AEB), for example.

Safety Concerns

According to BVRLA research, only 37% of UK Grey Fleet vehicles have an NCAP 5+ star rating.

source: BVRLA

Carrying out regular, randomised 'on the spot' checks is an important part of ensuring drivers and vehicles remain compliant. It is also critical that all employees understand the procedure for reporting incidents and feel confident in doing so.

Employers should check that:

- The vehicle has a valid MOT certificate
- The vehicle has been appropriately maintained, as outlined in the vehicle's service book
- The driver has the appropriate license for the class of vehicle
- The driver has been trained to a sufficient level
- The driver does not have vision, health or other impairment issues that would affect their ability to safely operate the vehicle
- The vehicle's Euro NCAP safety rating adheres to the company's grey fleet policy

Other essentials:

- Vehicle has up to date road tax
- Vehicle and driver have valid insurance that includes business journeys
- Vehicle has breakdown cover
- The employee has sufficient time for route planning and travel

Cost of Doing Business

Encouraging employees to use their personal vehicles for work travel can actually provide significant cost savings, particularly for smaller businesses with relatively low annual travel requirements. That is because the AMAP rate for reimbursing employees of 45p per mile is usually significantly cheaper than owning and maintaining a small vehicle fleet, depending on the business size and travel requirements.

It should be noted that the greater a business's travel requirements, the higher the cost of grey fleet expense repayments will be. In combination with the additional risk of an incident due to increased total travel distance, the cost of relying on grey fleet vehicles could be much higher than owning and operating a managed fleet. Businesses need to consider the implications and suitability of both solutions.

Research conducted by Sewells and The Energy Saving Trust highlighted that less than a third of companies permitted employees to use grey fleet vehicles more than 7,000 miles per year, equating to a little over £3,150 in compensation per person. They also found that a quarter of grey fleet vehicles covered

more than 10,000 miles per annum. To avoid overcompensating employees, it is important to verify mileage, which can be as simple as utilising before and after photographs of the vehicle's odometer or conducting quarterly audits.

It is recommended that companies and organisations:

- Evaluate travel needs and minimise unnecessary journeys
- Develop an appropriate compensation scheme and ensure that all employees understand it
- Verify the mileage that employees are requesting compensation for
- Compare the costs of using the grey fleet versus a conventional business fleet

Do not Omit Emissions

When it comes to Corporate Social Responsibility (CSR), considering the emissions produced by a company or organisation's Grey Fleet is essential. With increasing legislation around emissions, the pace of innovation within the automotive industry has been incredibly fast. Older vehicles often lack the efficiency and exhaust gas treatment systems of modern vehicles. This means that they almost always produce more emissions, thereby greatly increasing a business's overall emissions. While regular business fleets in the UK operate with vehicles that are, on average, 2 years old, grey fleet vehicles are often much older – around 8 years, on average. BVRLA data suggests the average grey fleet car emits 19% more CO₂ (around 138g/km) than the average company car. For reference, new cars sold in 2021 must emit less than 95g/km of CO₂.

Important note: For companies that meet the requirements for streamlined energy and carbon reporting (SECR), all grey fleet fuel consumption reimbursed via mileage claims must be included within the Scope 1 greenhouse gas (GHG) emissions figure.

It is recommended that businesses and organisations:

- Define a maximum permissible age for grey fleet vehicles
- Implement an emissions cap, removing vehicles above a certain CO₂/kilometre threshold
- Consider the journeys that need to be undertaken (do employees need to travel through Clean Air Zones, for example)

Handy Tip: Hire Vehicles

If an employee requires a hire car for work purposes, it is recommended to book the car through the company instead of the employee doing it themselves. The rental should then be covered by the company's insurance, rather than a retail policy. Important: always check your policy documents to be certain of level and type of coverage.

Mitigation and Driver Training

There is no denying that driving is one of the most dangerous activities that we do each day. This also makes it a leading cause of injury and death while undertaking work. In fact, estimates from the Health and Safety Executive indicate that more than a quarter of all road traffic accidents involve someone who is driving as part of their work at the time.

Do your employees know...

1. The procedure for reporting travel mileage?
2. How they will be compensated for using their vehicle?
3. What their maintenance obligations are?
4. How to meet other vehicle requirements, like emissions or safety rating?
5. What is the approval process for undertaking a work journey?
6. How to report an incident?

As previously outlined, employers have a number of obligations and responsibilities to ensure that their grey fleet is managed safely and effectively. It is within their duty to assess the driving requirements and staff, train where necessary and monitor both vehicles and journeys. All possible precautions must be made to reduce the risk to employees, other road users and the business or organisation itself.

Assign Responsibility

Assigning responsibility to an individual or team is essential for effective grey fleet management. This person or team can then dedicate time to ensuring that all drivers, vehicles, and journeys comply with company policies. Before responsibility can be assigned, it is recommended that organisations explicitly outline their grey fleet management policies and procedures in official documentation. This is an essential step that ensures all parties explicitly understand their responsibilities and what is required of them. If no such policies exist, a working group should be established to assess organisational requirements and design suitable standards. For day-to-day grey fleet management tasks, there are a variety of software providers that can help to streamline and simplify the process.

Train Your Drivers

When it comes to grey fleets, driver training is crucial. It is one of the best ways to reduce overall fleet risks and can not only improve driver safety, but it can also ensure compliance with legal obligations and duty of care responsibilities. Through the provision of regular training, it is possible to promote a culture of compliance amongst employees while also demonstrating that the business or organisation is committed to road safety, minimising risks to employees and other road users. Implementing a driver training programme can also help to reduce costs while providing grey fleet managers with peace of mind.

Eye for detail

Employees should be trained on how to perform basic maintenance checks. Including:

- The lighting system - headlights, indicators, brake lights, tail lights
- Fluid levels - sufficient levels for engine oil, coolant, windscreen washer fluid
- Brakes - regular brake pedal feel and function
- Tyres - sufficient tread and specified pressure and damage
- Windscreen - free of deep scratches, cracks and chips (as well as sufficient visibility out of all other windows)

Implementing driver training can be challenging. To make the process of on boarding new employees and maintaining driver and fleet compliance simpler, many organisations use dedicated training partners. These providers can deliver training through a range of different formats and platforms, from e-learning training modules to on-road coaching as well as workshops and driver days. For grey fleets, online learning can be an incredibly helpful way to provide straightforward training to drivers.

Partnering with these providers to ensure a high standard of grey fleet training can help to reduce long-term risks and fulfil employer obligations. Often, training can be packaged with additional valuable services like driver and fleet health checks and online driver assessments.



Future Trends

Recent events have undoubtedly shifted the grey fleet landscape, but these changes are likely to pale in significance against the rapid evolution of technology over the coming decade. From electric vehicles to driverless cars, new mobility solutions and ownership schemes, the entire automotive industry is undergoing an immense transformation with direct consequences for businesses and organisations relying on grey fleet vehicles.

EVs and Alternative Fuels

With the UK Government set to ban the sale of petrol and diesel vehicles by 2030, organisations must be prepared for a significant influx of electric, hybrid and alternatively fuelled vehicles entering their grey fleet. In a recent poll of 17,628 motorists by the AA and ITV's Tonight programme, nearly half (47%) of respondents indicated that they would switch to electric vehicles. There is already significant growth in the alternative propulsion market, with more than 770,000 alternatively fuelled cars on the UK's roads, of which 100,000 are electric vehicles. The SMMT reports that 2020 has seen a surge in EV registrations, with September up 184.3% year-on-year. For businesses and organisations operating a grey fleet, employees must be provided with guidance on vehicle technologies and operation, where necessary.

Autonomous Driving

At the CES technology conference in January 2021, Transport Minister Rachel Maclean highlighted research that forecast 40% of new UK car sales could have self-driving capabilities by 2035. By which point the connected and autonomous vehicle (CAV) market could be worth up to £41.7 billion, nationally, and £907 billion, globally. While fully autonomous vehicles are still some way off, many new vehicles include a number of advanced driver assistance systems (ADAS), like autonomous emergency braking (AEB), adaptive cruise control (ACC) and automatic parking. With these features becoming increasingly common, grey fleet managers must verify employees' knowledge of these systems and organise training where necessary.

New Mobility Solutions

While the pandemic may have increased the desire for car ownership, pre-pandemic data suggested the opposite. With an increasingly urbanised population, the requirement to own a car for occasional use is deemed unnecessary by many. However, The Government's Future of Mobility: Urban Strategy report highlighted that 61% of all personal trips are still made by car. The complexity for grey fleet managers will be with the introduction of new commercial models – like subscription-based vehicles – and entirely new mobility solutions – like micromobility vehicles. Regardless of the commercial or technological evolution, employers must ensure that all work travel is conducted in a safe manner, with the appropriate care given to employees.

40%

**of new UK car sales
could have
self-driving capabilities...**

**by
2035**



In the Spotlight...

Disruption and safety concerns caused by the COVID-19 pandemic has forced businesses to re-evaluate many areas of their operations – the most obvious being the move to working from home for those staff that are able to do so.

Back in 2016, a report by the BVRLA and Energy Saving Trust found there were at least 14 million private vehicles used for business journeys across both the public and private sectors. Fast forward to July 2021 and a survey carried out for Driving for Better Business on how businesses were dealing with the pandemic found that 50% of both SMEs and large firms were expecting a permanent increase in the number of staff using their own cars for work journeys.

I have always seen a great deal of inconsistency in how employers manage grey fleet and many employers simply misunderstand what grey fleet is, how many they have, and what their responsibilities are for managing them. With such an increase in grey fleet expected, employers really need to understand how to effectively manage what is now an even more vital element of the overall business mobility mix.

A grey fleet vehicle is one that is owned and driven by an employee for business purposes. Some go further and say that a grey fleet journey is one where the employee is reimbursed for their mileage but this is incorrect. Whether the journey was reimbursed or not has no bearing on whether the journey was for business purposes. If the journey was only made because the employee worked for your business, it is a business journey regardless of whether they were reimbursed.

The employer is effectively commandeering a private car for use as a de facto company car for the duration of the journey. As such, the responsibilities for managing the journey are the same – the employer must ensure that both the driver and vehicle are eligible to make the journey. This means checking

the driver's licence, ensuring they have seen a copy of your driving for work policy, that they are driving a safe and roadworthy vehicle and, very importantly, that they have informed their insurance company that they use their car for business use.

One of the most important aspects of grey fleet is the definition of commuting which, with most insurance companies, usually covers the employee to drive to and from their main place of work. The increase in working from home has led many employees to be redesignated as home-based. This means that home is now the employee's main place of work and an occasional trip in to the office, or anywhere else, is likely to be viewed as a business journey for which they need business insurance.

COVID-19 has meant businesses have had to find new ways of working simply to stay operational. What COVID-19 hasn't done, is reduce the need to manage staff within the law and continue to meet your duty of care with respect to your drivers, whether they're in a company vehicle or their own car.

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Summary

Grey fleets present a significant risk to UK businesses and organisations simply because so many fail to take the basic steps required to fulfil their obligations. With a predicted boom in the use of grey fleet vehicles, procedures must be implemented now to effectively manage grey fleet use and keep employees and other road users safe.

All organisations should have an individual or team responsible for monitoring the grey fleet and the suitability of drivers. This will ensure that all appropriate grey fleet management tasks are undertaken, as well as frequent, effective communication with employees about company policies and work travel. When determining organisational grey fleet criteria, it is important to consider duty of care, safety, costs and greenhouse gas emissions. Ensure that employees understand their responsibilities and the means through which they will be compensated for their travel.

Driver training is an important way for organisations to fulfil their obligations while helping employees to minimise risk when conducting work-related travel. Not only can it improve the driving and awareness of individuals, but it can also expose them to new technologies and help to develop basic vehicle safety assessment skills.

Organisations should ensure that they plan ahead for the shifting vehicle ownership and technology landscape. The introduction of novel vehicle technologies, like electrification and autonomous systems, must be taken into consideration when assessing grey fleet risks. Maintaining awareness of work journeys and the vehicles and technology involved will be critical to fulfilling duty of care – particularly over the next decade during a period of significant transition.

Grey fleets can be an excellent and flexible tool for employers, particularly during an unpredictable and unstable period like we have seen in the pandemic. It is critical that organisations understand their responsibilities to employees using grey fleet vehicles and are prepared to adapt organisational policies to meet evolving transport and technological challenges.

Grey Fleet Management Essentials

1. Assign grey fleet management responsibility
2. Establish vehicle requirements (emissions, safety rating, etc.)
3. Meet obligations and minimise risk with driver training
4. Monitor vehicle suitability, legality and insurance
5. Monitor driver ability and licensing
6. Monitor and verify work journeys
7. Reimburse in line with organisational policy

About Drivetech.

Drivetech is the world leader in fleet risk and safety management, and driver training. It is also the UK's largest provider of driver offender retraining courses. With a track record built over the last 25 years, Drivetech now delivers fleet consultancy, driver assessment and training services in over 95 countries, in 35 languages through over 40 partners. Our fleet solutions improve driver safety, reduce fleet running costs and ensure compliance with legal and duty of care responsibilities. Our customers range from companies with small fleets through to large corporate customers where driver training is a core activity, an understanding of their sector required and a clear return on investment is demanded.

Drivetech is part of the **Automobile Association**.



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