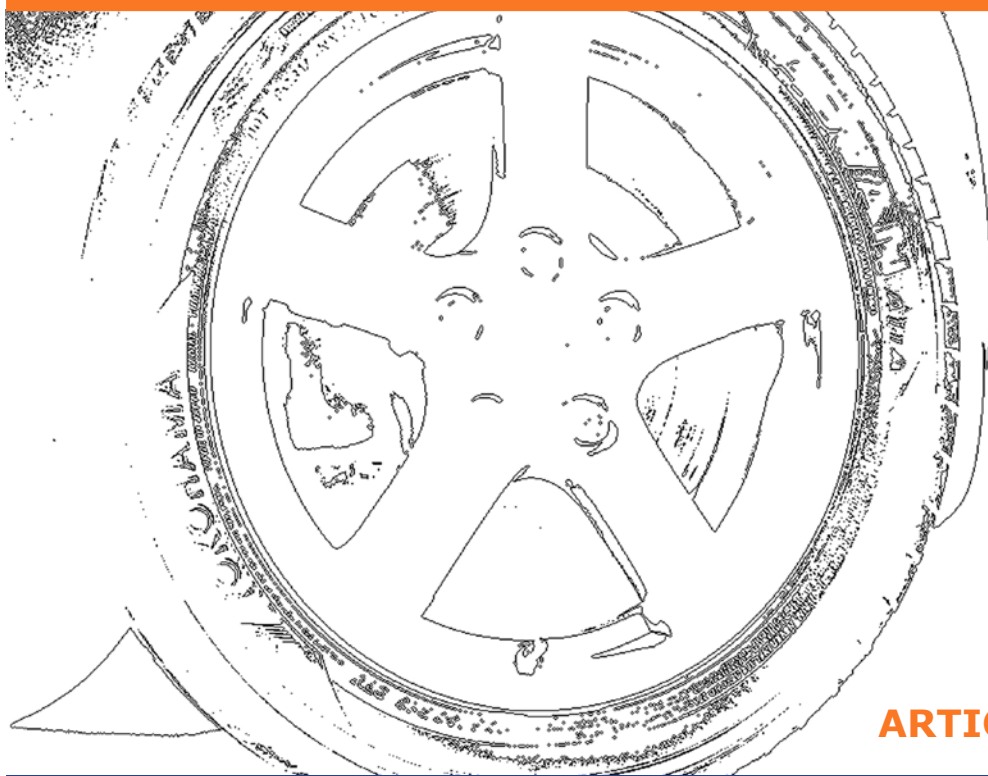


Knowledge

BANK



ARTICLE 38

Fuel Cards

Fuel Cards

Fuel management

Background

Fuel management is the process of minimising expenditure on fuel for your company's vehicles. It is achieved by ensuring you pay the lowest price possible, minimise fuel consumption and only pay for fuel used for authorised purposes.

This is quite a tall order. Fortunately, tools exist to help you.

Fuel cards

Cost control is only achievable if you have information. Unfortunately, for many companies, fuel information comes from assembling lots of scraps of paper (petrol bills) and trying to make sense of what they say. Many thousands of UK companies have realised that this is a thankless task and that the first step to getting control of fuel expenditure is to use a fuel card.

Fuel cards are used much like credit cards. The driver presents a fuel card at the petrol station, the cashier swipes it through a reader and the driver drives away without having had to use their own cash or credit card.

The cards can be customised to ensure they are only used by a named driver or for a specific car or both. They can also be restricted to cover petrol only, petrol and oil, or a wider range of products. They ensure that your company does not pay for non-business items and that no fuel finds its way into private cars.

The cards can also be configured so that the mileage of the vehicle has to be entered at the point of sale. This is particularly valuable as it provides an excellent way for you to keep track of vehicle mileage so that routine services are not missed.

You receive one invoice (usually weekly, fortnightly or monthly) showing all fuel expenditure.

Additional reports are available – often online - and it is through these that you take control of your fuel costs. Reports can show:

- Price paid per gallon/litre – allowing you to target those drivers who are spending more than they need
- The current mileage of each car – this can be the best tool available

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to you to ensure that cars are serviced at the correct time/mileage

- Mileage per gallon/litre for each vehicle – you can see which drivers are heavy on the accelerator pedal
- Exception reporting – showing where fuel consumption is varying from the norm
- Suspect transactions reporting – highlighting missing, dubious or inaccurate information
- Amounts of fuel bought, analysed by fuel company

The management information can be analysed by driver or by car.

Fuel card suppliers now offer e-billing to reduce the amount of paper even further.

Many businesses are attracted to fuel cards simply because they are an efficient way to collect all fuel expenses onto one invoice. Others find them a useful form of credit – there is no need to give staff cash advances for fuel and no need for staff to use up their personal credit card limits on company fuel.

Fuel cards work well when the company is paying for all of the driver's fuel, both business and private. The company gets one bill, pays it and that's that.

The cost control aspect of fuel management has been made more complex by the rapid increase in benefit-in-kind taxation on private fuel in recent years.

If the company pays for private fuel for an employee the driver is taxed according to a scale charge based on engine size. In addition, the employer pays Class 1A National Insurance contributions on the amount of these benefits (based on the same scale charge) and has to pay VAT (either monthly, quarterly or annually) based on a scale of charges.

Many companies have now abandoned providing free private fuel to their drivers because the tax cost to the driver has exceeded the benefit the drivers were getting. This has made a number of businesses think again about providing fuel cards. They have had to choose between either:

- (a) Continuing to provide fuel cards and requiring the driver to submit a form analysing mileage between business and personal; or
- (b) Discontinuing the use of fuel cards completely and requiring the driver to claim for business mileage driven.

The general view in the fleet industry is that fuel cards provide such

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a valuable management tool that they should be retained. Employees should submit a monthly form showing their total mileage and their business mileage (listed journey by journey). The company then pays the entire fuel card bill then deducts an amount from the employees' net salary equal to the cost of the private fuel used. Each employee signs a form authorising this deduction to be made.

Fuel cards cost a small amount per vehicle per month and some fleets get them for free. The fuel card companies are amongst the biggest buyers of fuel and oil in the country. They pay less than the pump price so they can afford to give free fuel cards to their larger clients because they get a rebate from the fuel company.

If you spend a large amount on fuel the fuel card company may be willing to give you a discount off the pump price too. It may not be huge, only a fraction of a penny per litre in most cases, but if you buy a lot of litres it can add up to quite a tidy sum every year. The information on your fuel card reports will capture all of the expenditure by fuel brand so you can see how the rebate is calculated.

When you choose a fuel card supplier you will want it to have the widest possible coverage of the 10,500 or so garages in the UK. Sadly, there are few fuel card operators in the UK compared with, for example, the United States, where you can choose from dozens of suppliers. If you want a card that can be used on the Continent, there are fewer still. So, while in theory you can shop around, in practice you will be surprised how short your short-list will be.

Fuel cards are good but not perfect. If you want to ensure that your fuel is only going into your employee's company car, not their private car, you can have their company car registration number embossed on the card. Some garages will check to see if the number on the card corresponds with the vehicle registration number but most will not. In fact, at large motorway filling stations, it is doubtful whether the cashier would be able to see the registration number on the car even if they tried.

Similarly, if you want to keep a record of mileage you can require the mileage to be entered by the cashier. There is no incentive for the cashier to do this, so if the driver doesn't provide mileage details, the cashiers know they can just enter zero in the mileage field to complete the transaction.

Notwithstanding their limitations, fuel cards are a valuable addition to the fleet manager's toolbox.