

## Utilisation, the Road to 100%

### Questions & Answers

Webinar August 2019

**Q: What do you mean with 'utilisation'?**

A: Utilisation, in the context of fleet management, is the measurement of actual use of a vehicle on the days it is available. It is an indication of how efficient the planning and scheduling of vehicle movements are, in relation to the transport capacity of the organisation.

**Q: Why should a fleet manager measure utilisation?**

A: Most organisations only recognise most visible fleet costs (maintenance, repair, fuel etc.) but if your fleet is under-used, the impact on your organisation's pocket is just as real. Having a well-utilised fleet can be the answer to doing more with less and will help you reduce the indirect costs of programmes

**Q: My organisation operates armoured vehicles. Should I be maximising the use of these?**

A: Armoured vehicles, ambulances, trucks ... in fleet management context, we refer to these as specialist vehicles. Your organisation may have purchased these for very specific and infrequent purposes (security of staff in high risk countries, delivery of food to remote communities in drought season etc). As such, these vehicles must be treated differently from your light fleet.

**Q: My vehicles are used every day but only for a short period of time (for example only to go to meetings in town). How can I best calculate the utilisation?**

A: If you are operating in an environment where there are short trips and / or there is a small distance between the most common destinations, you can count this as  $\frac{1}{4}$  or  $\frac{1}{2}$  day. Measuring utilisation based on when the vehicle is in movement will allow you to see the potential of using the same vehicle for multiple trips per day.

If you are operating in an environment where there are long trips (+4 hours) and / or there is a large distance between the most common destinations, then it is wiser to measure utilisation in full days.

**Q: We respond to an emergency, meaning that we work 7 days a week. How to calculate utilization rates?**

Normally the working days in a month are between 20 – 22. In the case of an emergency, where the operation is running 7 days a week, the working days would be calculated as 30 – 31. The formula for utilisation (no. of days used / number of working days – number of days in the workshop) will remain the same.

**Q: My organisation has a few vehicles stationed, awaiting disposal. Should I include these in my utilisation calculations?**

A: Yes, Fleet Forum recommends doing so. Recently purchased vehicles, awaiting inspection or and stationed vehicles, awaiting disposal are often on the books of your organisation yet is not counted when considering utilization. These vehicles influence utilisation rates and should be considered when capturing utilisation data.

**Q: Do I need tracking and fleet management systems to measure utilisation?**

Not at all, there are multiple ways in which you can determine whether your fleet's assets are being utilized at an optimal level—regardless of your fleet size or budget. You can use a [simple spreadsheet](#) to capture and analyse vehicle utilisation. It is more prone to human error and time is needed to manually enter the data. Spreadsheets are best used for smaller fleets (less than 30).

**Q: How frequently should I capture and analyse utilization?**

A: Do not let the data get old. Capture data within two weeks of month end. Some actions, such as maximising availability of vehicles or combining trips should be acted up on a monthly basis.

Other actions, specifically adjusting the fleet size, must be implemented after observing trend over a period of one year. This is because you want to observe the difference (when is there peak? when is the low period? what is the average?) over one year. If you adjust the fleet size based on low demand, your fleet might be too small. Similarly, if you adjust the fleet size based on peak demand, you will have too many vehicles ... and your utilisation will be low.

**Q: What if I realise I might potentially have too much capacity?**

Fleet Forum advises to look at the size and composition of your fleet at a minimum on a yearly basis, preferably during the time when your organisation is creating its annual (operating) plans. This is an excellent time to sit with your colleagues from Programmes and Administration to identify what their transport needs are. Other moments can include when your organisation is facing a (sudden) increase or decrease in transport needs, for example during emergency response or closure of programmes.

As a fleet manager you should, based on the increased need for transport and the duration of that need, make decisions whether you rent additional vehicles or purchase them. Re-allocating vehicles or removing redundant vehicles can have a big reduction on your total cost of ownership

**Q: Our staff is using our vehicles to commute to and from the office. It is perceived as an entitlement in their contract. How is that affecting the size or composition of our fleet?**

A: If the vehicles are only used for staff commute (at the start and end of the day) than we advise you to look into other solutions for the staff. In many locations it is possible to fulfill this transport need by installing a staff bus or to use safe and reliable taxi services, which in most cases will be more cost efficient. Unless the right to use a vehicle is explicitly stated in staff contracts, you should also point out to the organisation that staff access to transport is not the same as having the right to a vehicle.

**Q: When we look at the size of our fleet, what utilisation rate do you recommend?**

A: We recommend utilisation rate of 90% - 95%. 100% over an extended period of time is an indication of overutilised fleet. If you're utilisation is 100% for a period of 3 months (or more), we recommend cross-checking it with the average kilometres driven per year. If the vehicles are driving more than 40,000kms per year, this is further indication that your fleet is too small. It could also be an indication of long working hours for drivers, thereby increasing your road safety risks.

Fleet Forum recommends to be very critical towards fleet utilisation below 50%. We advise you to cross-check it with the average kilometres driven per year. If the vehicles which are only driving 15,000 kilometres per year, this is further indication that your fleet is oversized. When we consider that on average a vehicle cost USD 15k

per year to operate, a simple calculation shows that in this case your cost per kilometre is USD 1, which is far from cost effective.

The number of transport requests rejected or unfulfilled can also serve as a reference point. If the fleet manager has fulfilled all the requests and still has transport capacity, it might mean the organisation has too much transport capacity.

**Q: How can you measure the cost of underutilization? What is the average cost of utilisation?**

A: To make a calculation of the cost of underutilization, we suggest that you use our [Total Cost of Ownership calculator](#) and run two scenarios. Both should include all your fleet costs, the differentiator should be the kilometres driven: one with low kilometers (low utilisation) and one with higher kilometers. You will get a cost per km for each scenario. You can use that to estimate the costs of low utilisation for a day, week, month or year.

**Q: Why is management support important in relation to utilisation?**

A: As a fleet manager you can make suggestions to improve utilisation of fleet. One of the most common practices of inefficiency in the sector is the designation of vehicles to specific programmes or (senior) staff members. A pooling system is a very efficient vehicle allocation method. Such a system allows for the efficient use of resources across the office. This system requires discipline on the part of Program Managers and strong organizational skills on the part of the Fleet Manager. Every trip taken should be noted in the vehicle usage logbook.

While this system is the most efficient, it is certainly less convenient than having a dedicated vehicle at your disposition at any time of the day .... Switching from dedicated vehicles to a pooling system is not an easy process and will require strong management will.