

“Old, discarded vehicles may destroy an organisation’s financial value”

Background

Vehicles represent monetary value for an organisation. Even at the end of its life cycle, a vehicle may still retain high market value, typically higher than its book value. On average, that market value is estimated to be about US\$ 10,000.

And yet, many organisations destroy that financial value through their vehicle disposal practices. The most common disposal practices include cannibalism, using parts of a vehicle to maintain and repair other vehicles, or donating their vehicles to other organisations or to the government.

There are several reasons to dispose of a vehicle: It has reached the end of its life cycle; the vehicle has been damaged; it has incurred excess wear and tear; or the vehicle is no longer necessary. But while the reasons for disposal may be clear, an organisation’s disposal practices can still be challenging.

Insufficient disposal criteria from donors, a lack of knowledge in country offices about when and how to dispose of vehicles or the lack of a central marketplace to sell vehicles can all lead to a poor vehicle disposal strategy. The result is that an organisation typically continues to operate old vehicles, which has a negative impact on its organisational costs, road safety record and environmental impact.

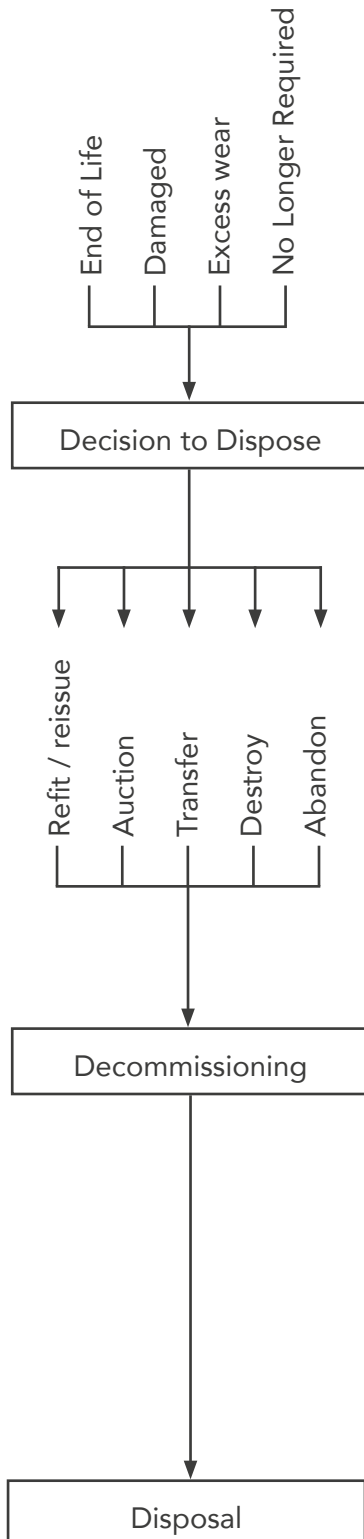
This guide

This guide provides information to support vehicle disposal decisions for light vehicles. Disposing of vehicles has a strong impact on fleet operations: The right vehicle disposal policy and process will support the effectiveness and efficiency of an organisation’s programmes, and ensure that vehicles remain safe and cost-efficient. Vehicles that need to be disposed will, in general, still have high market value. The right timing to monetise that value will provide the cash flow needed for vehicle replacement.

The table below outlines the pros and cons of different vehicle disposal methods. The table is designed to help organisations consider all the options before undertaking a structured Vehicle Disposal Process (shown on the next page) to select the most suitable disposal method.

Disposal method	Pros	Cons
Return and refit	<ul style="list-style-type: none"> • Vehicle can be reused in another country 	<ul style="list-style-type: none"> • May require return and refit before being transferred • Costs may exceed value of vehicle
Auction	<ul style="list-style-type: none"> • Value can be recovered • Highest value of return • Transparent and auditable • Buyer will pay any taxes due 	<ul style="list-style-type: none"> • Local knowledge is needed as regulations vary by country • Hard to build infrastructure, different partners in every country
Gift to 3rd party	<ul style="list-style-type: none"> • Easy method of disposal 	<ul style="list-style-type: none"> • In the event of a gift to government, could be an appearance of bribery • Destroys the organisation’s value

Flowchart



Checklist

1) Statement of Disposal

A brief statement of why the vehicle should be disposed of.

2) Assessment of Disposal

Evaluate each disposal option and state why the preferred option has been selected.

3) Authorisation and Approval

An appropriate person in country approves the Assessment of disposal and a separate person in the organisation's HQ approves the decision.

4) Remove Equipment

Remove Equipment not included in the disposal (eg. radios, first aid kit, additional breakdown kit - not included by the manufacturer).

5) Remove Corporate ID

Remove or deface any corporate ID (eg. labels, badges or signs).

6) Final Search of Vehicle

Search vehicle thoroughly to ensure all sensitive information has been removed (eg. passes, radio call signs, contact lists, labels, equipment instructions).

7) Label for Disposal

Clearly label the vehicle to show it has been decommissioned and is awaiting disposal

8) Inform Local Registration Authority

If required, inform Local Registration Authority of destruction or transfer to another party.

9) Update Internal Records

Ensure records are updated to show that the vehicle has been disposed of and what equipment has been recovered.

10) Audit of process

Audit of the disposal process (or a percentage of it) by Internal Audit, asset owner or financial controller.