



WHITE PAPER

Managing a fleet size reduction

Executive summary

It is a fairly common occurrence that a change in business plan, corporate structure or product results in a reduction in the number of employees. These work force reductions often impact the size of the fleet as well. Reducing the size of a fleet can be an extremely complicated process. If it goes well, the company can begin to experience the benefits of the reduction immediately. If not, there can be unintended consequences that ripple through the organization, negatively impacting the business for some time.

Staff reductions are very traumatic both for the people directly impacted as well as for those who remain with the company. Emotions are stirred and it is not uncommon for remaining employees to be “waiting for the other shoe to drop.” By ensuring the entire process is handled efficiently, smoothly and quickly, fleet can play a major role in moving beyond this difficult period to a more positive and productive time for your company. This paper will provide some guidelines to help ensure that your fleet reduction goes smoothly.

Guidelines for reducing the size of the fleet

Considerations for companies experiencing a reduction in fleet size

Managing a fleet reduction is extremely complicated both strategically and tactically. There is often limited lead time and a stringent deadline for completing the process. A company must work through all of the details to ensure a successful project, including identifying the project owner, setting policy, determining the process, and documenting and communicating the project.

Identifying the project owner

There are many moving parts associated with a fleet reduction. The project owner should be someone who is adaptable and has the ability to work with a lot of detail. He or she should be prepared for unanticipated changes in direction, such as which employees are affected, what the timeline is, and how great the volume of activity will be. The project owner also needs to have the capacity to take on an influx of work for a finite amount of time.

Setting the policy and making process decisions

There are a variety of policy-related decisions that should be made prior to starting the process. These include:

- Will exiting drivers be allowed to purchase the vehicle?
- When will the company take possession of vehicles?
- Will excess vehicles be disposed of or kept?
- What are you going to do with the vehicles if you do retain them?
- How will they be redeployed? To whom?

Within each of these policy decisions, there are many other factors and processes that need to be defined.

Employee purchase of vehicles

Companies that give exiting drivers the option to purchase the vehicle must clearly define the process, including:

- How will drivers receive vehicle quotes?
- When will the vehicle price be given to the driver?
- How much time will the driver be given to make a decision and submit funds?
- Does the age of the vehicle impact whether it should be offered to the driver or redeployed within the company?
- What formula should be used to price these vehicles?
- How is mileage obtained in order to provide an accurate quote?

Another key consideration is monitoring the whereabouts of vehicles. You need a mechanism to oversee paperwork being sent out and responses coming back in to ensure you do not lose track of any of the excess inventory during the driver sale process.

Taking possession of vehicles

Companies also need to set and enforce a vehicle pick up and/or release policy. The exiting employee may not have any other form of transportation. In these situations, some companies will often give the employee up to 30 days after the end of employment before taking possession of the vehicle. When severance packages are offered, there is less risk that the employee will not turn over the vehicle. However, this is something that requires thorough review and preparation. Locating exiting employees and coordinating vehicle pickup can be challenging. It is imperative that companies experiencing a fleet reduction keep track of all the affected vehicles and the respective locations.

The reason for the reduction may play a big role in determining whether companies allow employees to retain the vehicle after the actual employment end date. Other considerations to address include:

- What is done with any product or equipment that is left in the vehicles?
- How will vehicles be picked up?
- Where will vehicles be stored until final disposition is determined?
- What documentation is required when picking up or turning in vehicles (e.g. condition reports)?
- Does your insurance cover vehicles that are in the possession of people who are not employed by your company?
- What is the escalation process in case separated drivers do not respond to requests for vehicle pickup? (For example, "After x days, the manager gets involved. After x days, we turn it over to a recovery service to locate and pick up the vehicle.")

Retaining or disposing of vehicles

Companies reducing the size of their fleets have to make some tough decisions about the excess vehicles. Should each vehicle be terminated and sold in the wholesale market, offered for driver purchase, reassigned to an existing employee or held for a new hire? Generally speaking, a company experiencing a fleet downsize has also instituted a hiring freeze, which means the excess inventory will be idle indefinitely. To minimize the costs incurred, you need to make a quick decision on each vehicle.

In situations such as this, the recommended approach would be to perform a market assessment on each vehicle to determine the market value relative to the remaining book value—if you should hold rather than sell the vehicle. Newer vehicles can then be used to replace older vehicles in the fleet. Keep in mind that employees accustomed to selecting their own brand-new vehicles may not be thrilled with this process. We recommend that you clearly define and communicate this and other issues regarding the policy.

Redeploying vehicles

If any vehicles are retained, the company must make decisions on redeploying those vehicles. For instance:

- Can vehicles be assigned across business units in the company?
- Can they be assigned across vehicle levels (i.e. will you assign a sales representative's vehicle to a manager if that is all that is available)?
- Are the vehicles going to be detailed prior to reassignment?
- Is there a maximum cost you are willing to incur to relocate, repair and store a vehicle?
- Will you give recipients and/or their managers the option to decline a vehicle?

Documenting and communicating the project

Once all of the policy and process decisions have been made, they should be documented in detail. This is especially critical should any of the key team members change, or if the project scope or business strategy is adjusted. It also serves as a helpful tool in case the company experiences a similar situation in the future. All tasks must be clearly documented to help ensure every affected vehicle is accounted for within the timeline of the project.

The key to any successful project is communication. An effective fleet reduction requires sharing of information among fleet operations, human resources, the business owners directly affected by the downsizing, and anyone that may receive redeployed vehicles as a result of the reduction. Separate communications will need to be developed for the affected drivers and the employee base in general. The driver communication should clearly define the actions that must be taken along with the associated timeline.

Resulting activities

- Communicate policies, timelines, guidelines and expectations to all parties
- Develop mechanism to track all affected vehicles and employees
- Obtain mileage on all vehicles requiring quotes
- Generate sale prices and sale packets on all vehicles (if decision is made to offer vehicles to drivers)
- Distribute sale prices and packets to interested drivers
- Track drivers who indicated intent to purchase and sale documentation/funds
- Track drivers who have opted not to purchase the vehicles and arrange drop-off or pickup of the vehicles
- Determine disposition of remaining vehicles
 - Compare market value and remaining book value
 - Contact leasing company to pick up vehicles with market value higher than book value
- Redeploy remaining vehicles
 - Match excess vehicles to appropriate non-scheduled vehicle needs (e.g. wrecks, mechanical failures)
 - Evaluate excess inventory against replacement report
 - > Calculate associated costs (storage, reconditioning, transport and re-licensing) against the cost of a new vehicle
 - > Contact drivers who will be receiving redeployed vehicles
 - Make all associated arrangements (vehicle transport, vehicle repairs, vehicle re-licensing, cleaning, etc.)
 - Update vehicle and driver records to reflect current information

Conclusion

Managing a successful fleet reduction can have a lasting and positive impact on a company's overall performance. As with most fleet matters, the keys are to identify all the elements of the project, set policies early, develop a process for executing and controlling the project, and then document the activity and results.

Remember, the people who are not directly affected by the downsizing will be carefully watching how you react and manage the situation. Your actions can have a significant influence on their morale and job performance. Therefore, even when facing a fleet reduction, fleet management has an opportunity to make a positive impact on the organization.

To learn more about fleet reduction, please contact a member of your Wheels Account Team or e-mail us at info@wheels.com.