



WHOLELIFE COSTS.

REMOVING UNCERTAINTY FROM VEHICLE POLICY DECISIONS.

Expensive oil and environmental concerns are changing the face of fleet. Record fuel prices and rising carbon taxes require watertight control over costs. Wholelife Cost calculations are the best way to put the right vehicles on your fleet, on the right replacement schedules, for the lowest lifetime cost.

WHY WHOLELIFE COST DECISIONS ARE CRUCIAL.

Every vehicle acquisition 'locks in' fuel costs and tax charges for the lifetime of the vehicle on your fleet – and also long afterward, in the case of capital allowances. Many companies use either purchase prices or lease rental costs as the criteria for making acquisition decisions. However, two recent changes have permanently tipped the balance against these criteria.

Firstly, fuel costs have rocketed upward as a proportion of overall running costs. Between July 2009 and July 2012, the average price of Diesel in the UK increased by 32%, to a record breaking price of 137.3p per litre¹. Oil market analysts warn that prices will stay high and could potentially climb. This oil price shock affects all fuel budgets as well as the residual values of less efficient vehicles. However, list prices or lease costs by themselves do not show fleets whether their policy choices will make them winners or losers in the fuel stakes.

Secondly, CO₂ taxes now affect every aspect of fleet vehicle ownership and magnify the lifetime cost differential between high and low CO₂ vehicles. UK capital allowances favour cars with low emissions and high residual values, making them more cost-effective to lease or buy. Main and higher-writing down allowance rates have changed from April 2012; cars with emissions above 160g/km CO₂ have an allowance rate of 8%, whilst cars below have a rate of 18%. April 2013 will see this threshold change to a lower level of 130g/km of CO₂, favouring vehicles with lower emissions. Cars emitting less than 110g/km of CO₂ will qualify for a 100% first-year allowance until 2013. It is essential to factor carbon tax implications into fleet policy decisions, as part of a Wholelife Cost policy, because they run to hundreds of pounds for each vehicle.

HOW IS WHOLELIFE COST CALCULATED?

Unlike list price or lease rentals, Wholelife Cost calculations accurately compare the full lifetime impact of each vehicle on your company's bottom line. It takes into account all the factors that make up the lifetime cost (see overleaf):



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Vehicle list price (or P11D price):	Determines the Class 1A National Insurance (NI) payable by the employer on company car benefit, if applicable
Actual purchase price:	Used to calculate actual cost per mile; allows for discounts
Capital allowances:	Calculated by CO ₂ emissions, April 2013 sees the main threshold change from 160g/km to 130g/km CO ₂ . The 100% first year allowance for cars with sub-110g/km CO ₂ is extended till April 2013
Leasing disallowance:	Currently the Expensive Car Leasing Disallowance. This is CO ₂ -based (affecting cars over 160g/km)
VAT:	VAT recovery is usually restricted on Contract Hire. The general VAT recovery position of the organisation is also relevant
Corporation Tax:	The position of the company is important in determining vehicles' Wholelife Costs
Depreciation:	Essential to calculating cost of ownership. Is affected by initial discount and other factors, e.g. fuel efficiency
CO₂ emissions:	Determine level of company car and fuel benefit tax (and therefore employer's National Insurance), vehicle excise duty, capital allowance and leasing disallowance treatment
Fuel consumption:	Responsible for the largest component of running costs after depreciation
Employer's National Insurance:	Equivalent to 13.8% of the driver's company car benefit-in-kind tax liability if the vehicle is a company car
Insurance:	Altogether, insurance, fuel and NI can account for as much as 40% of running costs over three years
Service, Maintenance and Repair:	SMR costs vary dramatically and often rise sharply at higher mileages or contract lengths
Specification:	Many optional extras do not recoup their cost at resale. Some choices add significantly to the cost of routine replacement parts

Your local dealer can help you model all of these factors using state-of-the-art software. You can assess Wholelife Costs against a wide range of variables such as contract length, lifetime mileage and expected future fuel prices.

Thanks to such calculations, you can do even more than comparing vehicles accurately. By modelling the relationship between prices, funding costs, taxes, depreciation and mileage,

a Wholelife Cost approach helps you establish the optimum replacement cycle and funding method for your business as well as the best cars for your choice list. Some companies find they can reduce costs substantially by using different funding methods for separate parts of the fleet, for example an Employee Car Ownership (ECO) scheme for high business mileage users and higher CO₂ rated cars and Contract Hire vehicles for sub 160g/km cars.

WHOLELIFE COST EXAMPLES:

The following examples illustrate Wholelife Cost differences between typical vehicles, revealed by Wholelife Cost calculations. Please call your local dealer if you would like to discuss any example in more detail.

1. Two cars with the same P11D price

	Type	P11D Price	Lease Rental	MPG	CO ₂ g/km	Wholelife Cost
Car A	5-door 1.6 Petrol	£14,440	£350	37.2	181	£18,016
Car B	5-door 1.3 Diesel	£14,430	£317	56.5	135	£14,650

P11D Price	Lease Rental	Wholelife Cost
Both cars are the same price	Car A's monthly rental is £33 more than Car B's	Overall, Car B is £3,366 cheaper over 60,000 miles

Car B's significant advantages in fuel consumption and CO₂ mean it costs £3,366 less to run over three years than Car A, as well as offering the advantage of a £33 lower lease rental.

2. Two cars with the same rental

	Type	P11D Price	Lease Rental	MPG	CO ₂ g/km	Wholelife Cost
Car C	5-door 1.4 Petrol	£12,845	£299	48.7	137	£14,032
Car D	3-door 1.6 Diesel	£14,610	£299	72.4	104	£12,867

P11D Price	Lease Rental	Wholelife Cost
Car C is £1,765 cheaper	Both cars cost the same	Car D is £1,165 cheaper over three years

Car D, the higher-priced but more efficient car, delivers a significantly better Wholelife Cost. It has the same rental as Car C but will save the fleet £1,165 over 60,000 miles.

3. Volume model vs. premium option

	Type	P11D Price	Lease Rental	MPG	CO ₂ g/km	Wholelife Cost
Car E (Upper Medium)	5-door 2.0 Diesel	£19,720	£444	47.9	156	£19,249
Car F (Premium Upper Medium)	4-door 2.0 Diesel	£24,460	£460	60.1	123	£18,668

P11D Price	Lease Rental	Wholelife Cost
Car F is £4,740 more expensive	Car F costs £16 more than Car E per month to lease	Car F is £581 cheaper over three years

As a fuel-efficient, low CO₂ car, the premium model (Car F) has a better Wholelife Cost due to lower fuel bills, lower employer's National Insurance and lower driver's benefit-in-kind tax.

4. Wholelife Costs of low CO₂ cars

	Type	P11D Price	Lease Rental	MPG	CO ₂ g/km	Wholelife Cost
Car G	5-door 1.9 Diesel	£17,025	£359	62.8	119	£14,913
Car H	5-door 1.6 Diesel	£16,630	£360	65.6	114	£14,772

P11D Price	Lease Rental	Wholelife Cost
Car H costs £395 less	Both cars cost virtually the same	Overall, Car H is slightly cheaper over three years: £141

Both cars are fuel efficient, so they are closely-matched on Wholelife Costs. However, in this example Car G offers drivers a more desirable badge than Car H, which is a high-volume model.

Finance examples are based on a Contract Hire agreement for 36 months / 60,000 miles and include Metallic Paint, Road Fund Licence, Servicing and Maintenance, Tyres, RAC Motor Club Membership and Accident Management. The examples assume that the employer pays for all business and private fuel, has a VAT recovery rate of 100% and a corporate tax rate of 30%. The Wholelife Cost projections include the above lease rental, fully comprehensive insurance, employer's National Insurance Contributions of 12.8% on company car and private fuel benefit-in-kind tax, 100% tax relief for vehicles with CO₂ emissions less than or equal to 160g/km (85% otherwise), the effects of Capital Allowances from 1 April 2009, VAT on private fuel reclaimed by the business subject to the HMRC scale charge, and fuel consumed at official combined mpg at either 118.6 pence per litre (petrol) or 131.9 pence per litre (diesel). Fuel price taken from www.theaa.com.



WHOLELIFE COSTS AND EXISTING ALLOCATION POLICY.

Can you use Wholelife Cost calculations with either a fixed allocation list or a user-chooser policy? The answer is yes.

If you have a fixed allocation list, using Wholelife Cost calculations enables you to specify the right vehicles for your fleet needs in every respect. If your priority is simply to minimise overall costs, the Wholelife Cost calculation illustrates the least costly options when all factors are taken into account. On the other hand, if status is also a factor, you can take advantage of the fact that a premium model with low CO₂ emissions may have a better

Wholelife Cost than an averagely-efficient volume model.

This gives you the opportunity to give more attractive vehicles to staff at a lower cost to the company, with clear benefits for recruitment and retention.

For user-choosers, grade benchmarks can be set according to Wholelife Costs. This ensures that drivers' choices fairly reflect the relative cost of providing vehicles and helps prevent poor choices, such as selecting cheaper vehicles with heavy fuel consumption or poor CO₂.

IMPLEMENTING A WHOLELIFE COST POLICY.

Your local dealer can help. We can review your fleet, focusing specifically on choice lists from both the company and the drivers' perspectives. With the help of state-of-the-art Wholelife Cost software, we will draw up recommendations for tackling your existing vehicle costs, improving efficiency and achieving green objectives. Your local dealer has a successful history of implementing innovative solutions. Each tailored solution draws on our extensive knowledge and experience, using proven products from our comprehensive product portfolio.

The BMW | MINI Business Partnership Programme is a scheme designed specifically for fleets with less than 50 vehicles, operated via the BMW and MINI dealer network. The BMW | MINI Business Partnership caters for customers with small fleets by offering dedicated Business Manager support, to help fleet managers through every stage of the decision making process. Customer benefits of being a member include complimentary specification upgrades on most models, and free membership. Copies of this guide are available free-of-charge to employers for distribution to business drivers and other employees.

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