



APSE Briefing: Planned fleet replacement strategy

Key Points

- Technology now offers a significant opportunity to realise better values from vehicle disposals in an international marketplace
- Many auctions concentrate on high volume cars and vans, neglecting specialist vehicles
- Refurbishment and re-purposing can improve resale value

To all contacts

1. Introduction

Local authorities, typically put a lot of effort into the procurement of new vehicles in an attempt to obtain best value for their council, less emphasis is however put on the disposal of those same assets, years later. Many have been depreciated to zero and any receipts are absorbed back into the general fund, so consequently may, in some cases, receive less attention from the transport manager.

Technology now provides an alternative platform for resale, outside of traditional approaches and in many cases a worldwide market for some of the more specialist equipment in emerging economies. With budgets still under pressure, fleets transitioning to greener alternatives and the financial effects of Covid-19 unquantified, now is the time to re-evaluate. Hopefully, you will be surprised to learn just how much your surplus assets can return to you, creating previously-untapped resources

A review of existing resales practices could start with something as simple as terminology: 'disposals' implies disposing of items that have little value. 'Re-sales' may better reflect fleet, procurement and finance teams' integrated efforts to obtain the best possible receipts now available from the rapidly-evolving re-sales industry.

2. Revisiting vehicle re-sale / disposal options

Thinking about end-of-life vehicle and equipment disposals is typically a low priority meaning that the default position is to continue with previous practice. The risk with this approach is that

is can miss the quiet transformation of the vehicle and equipment re-sales sector which has taken place in recent years and the much-improved sales receipts that could be available.

Here are the key questions that local authority fleet, finance and procurement departments ought to be asking about their fleet replacement strategies and re-sales policies:

- Do we know the potential re-sale value of each of our vehicles at different stages of their life cycle and do we factor this into our fleet replacement strategy? If so, how do we validate that data and how often?
- Do we benchmark our vehicle re-sales price performance for non-standard vehicles? If not, how do we know we are obtaining best value and achieving the best returns?
- Do we really understand the true cost of standard live auctions and their price performance? Have we focused too narrowly on obvious service costs and charges and ignored buyer charges and re-sale price performance?
- When did we last test the market for re-sales capabilities and price performance? Do we have visibility of the capabilities and services that are now out there?
- What scope is there for interim solutions to fleet management challenges? Have we explored the viability of obtaining used vehicles, undertaking conversions or refurbishments, as cost effective, short-term, solutions?
- Have we explored all potential commercial arrangements with re-sales providers that ensure maximum receipts? Could we identify incentives that minimise overall costs while maximising price, to generate the best returns possible?

3. Online marketplaces

Whilst the traditional live auction continues to have its place, the power of online marketplaces has grown substantially in recent years, alongside an increasing differentiation of these platforms by vehicle type. Combined, these innovations allow direct access to end users (buyers) across the UK and in overseas markets – these are buyers who previously would have bought from dealers who themselves had bought at live auctions. Directly accessing end user buyers allows some of these intermediary costs to be by-passed, increasing returns to the seller

Furthermore, where the live auction and its parallel online event has become increasingly optimised for cars, vans and higher-volume vehicles, the pure online auction and direct sales platforms offers optimisation for lower-volume, more specialist vehicles with more precise targeting of likely buyers. Geographically broader and stronger markets, producing significantly better sales receipts, are the result.

Benefits available

Here is a list of why 'disposals' (or 'asset re-sales') should be pushed further up the agenda:

- **Abandoning 'One size fits all'**
There are potentially good returns to be achieved by placing vehicles in the most appropriate re-sales channel rather than applying a 'one size fits all' approach for all vehicle types. Sending all vehicle types to a live auction, while it may be convenient, is sub-optimal in terms of price performance. Live auctions are a good fit for larger volume, standard vehicles such as car and vans but other specialist re-sales channels now exist, often offering

better price performance for low-volume and specialist items such as highways and waste vehicles

- **Resales returns**

Projected re-sales returns should be factored into vehicle fleet lifecycle planning. There are three aspects to this:

1. While many commonly used fleet systems provide accurate in-service cost detail, disposal / re-sales costs and returns are equally important in providing a complete whole-life cost picture
2. While historic auction prices give some indication of receipts, they do not capture the potential of more innovative re-sales methods and especially those optimised for specialist and low-volume vehicle disposals. Receipts, through specialist channels, can often be 25% or more per vehicle and material to vehicle life cycle planning
3. Re-sales returns projected at different stages of a vehicle's life should inform fleet replacement strategy. This is especially so in considering the business case for and timing of the shift to more sustainable fleets

- **Refurbishment and re-purposing**

Refurbishment and re-purposing options may be available for some vehicles. Vehicle manufacturers and their agents may offer some expensive refurbishments and modifications, but there may be cheaper options from other providers. Replacing new-for-old as a default may miss an opportunity for a life extension or repurpose for a relatively modest cost. Additionally, purchasing or renting used vehicles may present a viable interim solution. This cost / benefit needs to be weighed against extending the life of an older vehicle and its spiking maintenance costs.

- **Legacy disposal channels**

The full costs of legacy disposal channels (principally live auction) need to be properly understood. Some local authorities seek a 'free' disposals service without fully understanding that they will bear the costs indirectly as the auction buyer will be charged a variety of fees that will have the effect of suppressing prices. This may be of limited interest to the fleet manager, whose budget may not benefit from the receipt. It should however be factored into procurement decisions based on the Most Economically Advantageous Tender (MEAT); if buyer fees, seller fees and re-sale price performance are not all appropriately considered. It is potentially a significant opportunity to recover some money back into the council resources.

4. **Other possible opportunities**

- **Guaranteed resale values**

There may be opportunities for local authorities to leverage different commercial models to support integrated financial and fleet planning, without compromising public sector procurement rules. It may be possible to obtain price guarantees from the re-seller for

future disposals, for example? This would lock in receipts to the financial plan and support higher confidence financial planning for fleet replacement planning for future disposals.

- **Gainshare**

Are there gainshare opportunities for a sale that achieves well above an agreed minimum selling price. Could there be a purchase obligation on the seller if the item remains unsold beyond an agreed date? All of these, and other facilities, could be available and would help deliver value without comprising competition and fairness

There are companies which provide a range of services, for example APSE Partner [GPSV](#), and whilst each APSE member council will determine their own approach and procurement processes further information can be found on the [APSE website](#).

5. APSE Support

APSE Solutions, the not-for-profit consultancy arm of APSE, can assist local authorities with all aspects of transport service delivery. From full fleet review through to service planning and development, Solutions has access to a wide range of expert support. This can include legal advice where appropriate, as well as consultancy and interim management.

The Solutions team also has business planning and commercial knowledge and can help with longer term organisational and business planning For a no obligation discussion and help to establish what you might require contact the Head of APSE Solutions, Andy Mudd Email amudd@apse.org.uk or phone 07740909851

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