

CASE STUDY:

Accelerating the electrification of Aviagen's car fleet using whole life costs

Aviagen is a renowned and long-established poultry breeding company, supplying broiler breeders to over 100 countries worldwide and with UK operations based in Edinburgh. The company has a long-term relationship with Arval, which has been sole supplier for its core leased fleet of 90 vehicles for more than five years.



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BACKGROUND

The company was facing increasing demand from its drivers to incorporate hybrids, PHEVs and electric vehicles (EVs) into its car policy, both to minimise benefit-in-kind taxation costs for employees but also offer more environmentally-friendly models.

Debbie Watson, Head of HR at Aviagen, explained: "We have a five tier choice list and the vast majority of our cars fall into the lower three of those levels. Historically, this was structured using monthly lease rates and because these tend to be more expensive for electrified vehicles due to their higher purchase price, adding appropriate choices at all levels was difficult.



This felt to us like a moral problem as much as anything. As we transition to more EVs and hybrids, it could have resulted in drivers in the lower bands, who generally earn less, paying more in tax on their petrol and diesel cars than people who could opt for EVs in the higher levels. It wasn't an easy problem to solve, so we took it to Arval for discussion. We have a longstanding partnership in place with them and their track record in helping us resolve any fleet issues is excellent.



METHOD

Jacqui Lee, Business Manager at Arval, looks after the Aviagen relationship and said that the issues that the company were facing were not uncommon in the age of vehicle electrification.

"More and more fleets are looking to add EVs, PHEVs and hybrids to their fleets, but those that use lease rates as the basis for their choice lists are finding that they need to change their approach. The old method is simply no longer fit for purpose.

"There is a very good and well-proven answer to this problem, which is to rebuild those choice lists based on whole life costs. If you look at not just the lease rate, but the entire cost of the vehicle including factors such as fuel and maintenance over its fleet life – in this case three years – then you have the basis for encouraging electrification.



Hybrids, PHEVs and EVs might be more expensive to buy, but measured in terms of whole life costs, they are extremely competitive alongside petrol and diesel vehicles.





RESULTS

With the help of Arval consultant David Watts, an expert in fleet electrification, Jacqui was able to put forward a comprehensive solution for Aviagen.

Debbie said: "This represented a complete change in strategy for us, but was presented in such a way that it was clear how the new way of doing things would work and how it would help us to reach our objectives.

"I think it's fair to say that we held some of the common misconceptions about all kinds of electric vehicles and their suitability for use in company car fleets, but thanks to Arval's consultancy expertise, we soon discovered that the truth was quite different.

"The new choice lists that we have created, with the help of Arval, mean that hybrid, PHEV and EV models are now available at all levels, fully meeting our driver aspirations in terms of being able to access lower-tax, more environmentally-friendly cars."

The revised car policy has been in place for a few months and despite interrupted supply because of the pandemic, the number of hybrids, PHEVs and EVs on the fleet has more than doubled.

"We believe that this is the thin end of the wedge and that numbers will ramp up significantly over the next year or two. As cars are coming up for renewal, many employees are looking seriously at the electrified options.

"In support of this, we're having some building work done at our head office and installing chargers to support EV and PHEV drivers. One of the key points of Arval's advice was providing the necessary infrastructure around adopting electrified vehicles.



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"One interesting point is that in looking at EVs especially, our drivers appear to be considering a wider range of manufacturers than before. So Arval helped by obtaining manufacturer support to facilitate further choices in cost-effective, low-emission vehicles."

Jacqui added: "Aviagen is an excellent example of how a fleet can move over from a petrol and diesel-based fleet and begin to progress towards the electrified model of the future, while managing costs effectively and meeting driver aspirations.

"At Arval, we've been helping many businesses to make this journey over the last couple of years and expect to help many more as we edge closer to the government's 2030 electrification deadline."

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