

OUTSOURCING OF CAR FLEET AS A WAY TO REDUCE COSTS

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ABSTRACT

The article considers options for car fleet outsourcing. The benefits of each method are evaluated, advantages and disadvantages are compared. A brief analysis of the state of the operational leasing market in Russia is given. When comparing financial and operative or operational leasing, emphasis is placed on their ability to optimize the costs of using and maintaining the fleet in terms of its own and external management. Reform of the leasing market in Russia is considered. The definitions of such concepts as outsourcing, fleet management, operative or operational leasing are presented. The functions of fleet management are analyzed and defined. Positive and negative aspects of operative or operational leasing are presented. Features of the advantages of operative or operational leasing are singled out. The direction of operational automobile leasing in Russia has just begun to develop actively – since 2004. The analysis of development of operative or operational leasing by years is carried out. The issue is considered in what the

operational lease differs from the financial one. Specific examples are offered that prove that these are completely different types of services. This is due to the fact that the task of operational lease is to provide the client with a service, financial – to finance the client. With financial leasing, it is important that a leasing company acquires property for its transfer to a specific client – in contrast to an operative or operational lease, when the lessor independently chooses the equipment and the supplier based on the availability of demand for it. According to the RAEX (Expert RA) survey, in 2017 the volume of leasing business grew by 58 % and amounted to 710 billion rubles. The main drivers of the market due to the implementation of state programs are transport segments. At the same time, thanks to deals with railway and aircraft engineering, the share of operational leasing in the new business reached 21 %. The main contribution to the development and growth of the leasing market in Russia in 2018 will be made by the automotive segment, the development of additional service programs and the client-centered approach of leasing companies.

Keywords: car fleet outsourcing, fleet management, operational leasing, financial leasing, leasing market growth, leasing market reform.

Background. In a dynamic market and fierce competition, companies are trying to cut costs and reduce the material base. The majority of enterprises use motor transport in their activity and one of the ways to optimize costs is, among other things, car fleet outsourcing.

Outsourcing (from English: use of external resources) is the transfer to an external organization of tasks, business functions or business processes that are not the main activity of the company, but necessary for the full functioning of the business [1].

Objective. The objective of the authors is to consider outsourcing of car fleet as a way to reduce costs.

Methods. The authors use general scientific methods, comparative analysis, evaluation approach, scientific description.

Results. Fleet Management is a complex of services that provides for the transfer of its own fleet to external management in order to ensure the effective operation of the fleet and optimize the costs of its maintenance [2].

Functions of fleet management can be divided into the following stages:

1. Creating a transport strategy and policy/analysis of the current one;
2. Output of transport in outsourcing;
3. Optimization of transport processes (refueling vehicles, fuel management, fuel consumption control, routine maintenance and other repairs, registration of vehicles, etc.);
4. Implementation of the required control systems in necessary processes, including financial control;
5. Further fulfillment of all necessary transport processes, outsourced, or other transport. Another option for fleet outsourcing is operational leasing [3].

There is also another type of car fleet outsourcing – operational leasing.

Operative or operational leasing is a financing instrument that opens up great opportunities for business development. The scheme of leasing service allows to purchase for a certain period of transport or special equipment without using the circulating assets of the enterprise. After the expiration of the contract, the leased asset returns to the leasing company, or it can be redeemed at a residual value of about 30–40 % of the original value [4].

The advantages of operational leasing include the following features:

- Optimization of tax contributions. The lessee can take into account in payments the payments of the leasing company, thereby reducing the taxable base, and also reimburse VAT on the payments already made.
- Operating leasing, like others, allows to get equipment or machinery very quickly, registration is the responsibility of the lessor, as well as further maintenance and insurance.
- All financial risks are borne by the lessor, as a result of which the client becomes protected from unforeseen expenses.
- In fact, when concluding an operational lease agreement, the lessee gets an opportunity to pay only for the use of property. When the contract is over, the car will be returned to the owner, and the amount of all payments for leasing is reduced by the residual value of the property [5].

2.

The direction of operational automobile leasing in Russia began to develop only since 2004. In 2011, about 1 % of the corporate fleet was operating in operating leasing (and the entire fleet of corporate cars at the end of 2010 was 2,084 900 units). According to forecasts in the coming years, this figure will at least double. For comparison: in Europe, on average, 28 % of the total corporate fleet is in operating leasing. At the same time, more and more



companies come to the conclusion that it is much more efficient and more profitable to outsource car fleet maintenance than to do it yourself [6].

Against the backdrop of the contraction of the leasing market in 2014–2015, the share of operational leasing in the structure of the volume of new business has grown significantly and over the past three years has not fallen below 10 %. In addition, the dynamics of the segment of the operating lease was more stable than financial leasing [7].

The main contribution to the development and growth of the leasing market in Russia in 2018 will be made by the automotive segment, the development of additional service programs and customer-oriented leasing companies.

According to RAEX (Expert RA) survey, in 2017 the volume of leasing business grew by 58 % and amounted to 710 billion rubles. The main drivers of the market due to the implementation of state programs are transport segments. At the same time, due to deals with railway and aircraft engineering, the share of operational leasing in the new business reached 21 % [8].

How does operational leasing differ from financial leases? These are completely different types of services. This is due to the fact that the task of operational leasing is to provide the client with a service, financial – to finance the client. Therefore, in addition to the transfer of ownership, there are several fundamental differences between them.

With financial leasing, it is important that a leasing company acquires property for its transfer to a particular client – in contrast to an operational lease, when the lessor independently chooses equipment and a supplier based on the availability of demand for it.

The term of financial leasing, as a rule, coincides with the useful life of the property, and in operational leasing the property can be transferred over its lifetime several times.

The availability of additional services is an obligatory component of operational lease, here we can include property registration, recording, as well as its full maintenance [9].

The Ministry of Finance and the Central Bank initiated a reform of the leasing market, which since 2008 has experienced a number of structural problems. As an adviser to the first deputy chairman of the Central Bank of Russia, Sergey Moiseev, wrote in his article, 50–60 new leasing companies are created each year in Russia, and about a hundred are being closed. This determines the diminishing dynamics of the number of market participants. The overwhelming mass of canceled registrations (89 %) falls on the «abandoned» companies. Reform should make this market more transparent and create conditions for its development [10].

The new mechanism proposed by the Ministry of Finance, leads the regulation of leasing companies from the lease and equates them with non-bank institutions (NBI). In particular, this means that to continue the work they will need their own capital of at least 20 million rubles. As indicated in the response to the draft law, for small companies this is unattainable,

therefore «they will be forced to cease their activity in the field of «official» leasing». According to Delovaya Rossiya, 315 out of 686 companies working now will be forced to leave the market due to new requirements to their capital. All this, as noted in the draft resolution, can lead to a reduction in the number of leasing companies in the regions and a deterioration in the quality of servicing small and medium-sized businesses by reducing competition [10].

Conclusion. Outsourcing of the car fleet is not a universal solution to the problems of the car fleet. In each separate case it is necessary to calculate the benefits and risks, to select ways of outsourcing. Companies, which transport activities are the main, are unlikely to give up their car fleet.

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Article received 26.06.2017, revised 16.12.2017, accepted 19.12.2017.