

# Resource 2 - Constructing a business case

## Overview

### Introduction

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This resource will help you to construct the business case for a workplace travel plan for your organisation.

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## Aim and scope

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### Why construct a business case

In many cases, management may have concerns about the costs a travel plan might incur. Developing a sound business case weighing up the costs, savings and other benefits of your travel plan will help address this.

A business case will give a clearer understanding from the outset of what costs and savings you can expect, and a means to check if the travel plan has delivered as intended.

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### What to include

The business case should include:

- key challenges you want to address, and the travel plan's goals
- proposed project management strategy - your approach, expectations, resources needed, etc
- benefits of the travel plan, and the value it will bring to the organisation
- proposed costs, including staff and the implementation of initiatives
- a rollout plan broken down in small phases.

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### What to expect

Expect questions such as the following from management:

- How will this help our organisation?
  - How can we motivate employees to participate?
  - How much will it cost to make this change?
  - How will we know a year from now whether or not this was a good use of time and resources?
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## Checklist for constructing the business case

### About this checklist

This checklist has been developed to assist you to determine the costs of your travel plan for a business case, and identify potential sources of savings. Most workplace travel plans will contain only some of the elements listed here, depending on the scope of the project and the measures expected to be implemented.

### Savings

Ongoing annual savings on:	Potential sources of savings:	Relevant objectives and targets:
<b>Business trips</b>	<ul style="list-style-type: none"> <li>Reduced private car kilometre reimbursement.</li> <li>Reduced car fleet kilometres.</li> <li>Reduced rental car kilometres.</li> <li>Reduced taxi kilometres.</li> <li>Saved trips by air.</li> <li>Staff time saved (as this a 'below the line' saving, invisible on the company accounts, this may need to be presented to management separately. However, there is a real gain through productivity improvements).</li> </ul>	<ul style="list-style-type: none"> <li>Proportion of business trips in private cars replaced by teleconferencing.</li> <li>Proportion of business trips shifted from private cars to fleet cars or shared cars that are cheaper to run.</li> <li>Proportion of fleet car trips replaced by teleconferencing.</li> <li>Proportion of air trips replaced by teleconferencing.</li> <li>Proportion of car or taxi trips replaced by public transport, walking and cycling (allow for reimbursement costs of bus or rail fares and kilometre rate for personal bikes).</li> </ul>
<b>Car parking</b>	<ul style="list-style-type: none"> <li>Reduced car park rental charges.</li> <li>Reduced car park maintenance.</li> <li>Further 'below the line' savings which is the avoided cost of ongoing maintenance or rent in cases where further car parking would be needed without a travel plan.</li> </ul>	Reduction in car journeys to the site, which in turn may reflect sub targets for each travel plan measure.
<b>Perk cars</b>	Savings from not offering company cars and associated packages (allow for cost of replacement packages and possibility to phase in change over time with staff turnover).	Proportion of staff switched from car-based perks packages, which will hold implications for establishing other benefits packages, such as season ticket allowances, and may imply establishing fleet vehicles for business use.
<b>Site accommodation costs</b>	Increased utilisation of existing sites and buildings.	<ul style="list-style-type: none"> <li>Homeworking and satellite office working.</li> <li>Reduction in car journeys to the site (where site utilisation is limited by access and parking rather than capacity of the buildings).</li> </ul>

	<b>Unproductive travel time</b>	As well as staff time savings from cutting business trips (mentioned above), homeworking or satellite office working can save substantial amounts of staff time. Clearly, this is harder to quantify, but companies with strong flexible working cultures claim that they have achieved better productivity.	<ul style="list-style-type: none"> <li>• Proportion of business trips replaced by teleconferencing.</li> <li>• Homeworking and satellite office working.</li> </ul>
	<b>One-off savings on:</b>	<b>Potential sources of savings:</b>	<b>Relevant objectives and targets:</b>
	<b>Car parking</b>	<ul style="list-style-type: none"> <li>• Avoided land purchase and construction costs of building a new car park (approx. \$3,600 - \$ 6,800 construction costs per parking space for surface-level car parks<sup>1</sup>).</li> <li>• Proceeds from selling off portion of car park or developing it for own use or for sale.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in car journeys to the site.</li> </ul>
<b>Income</b>	<b>Ongoing income from:</b>	<b>Potential sources of income:</b>	<b>Relevant objectives and targets:</b>
	<b>Car parking</b>	Car parking fees.	Proportion of cost of providing car parks that is recovered.
	<b>Bus fares</b>	Supporting buses will be a net cost for your travel plan but in constructing your business case you should remember that many firms recoup a proportion of the cost from staff.	Proportion of cost of bus tickets that is recovered.
<b>Expenditure</b>	<b>Ongoing annual expenditure on:</b>	<b>Potential expenditure:</b>	<b>Relevant objectives and targets:</b>
	<b>Travel plan coordinator</b>	Salary plus overheads.	
	<b>Carpooling database</b>	Annual software licence and maintenance.	<ul style="list-style-type: none"> <li>• Number of staff registered</li> <li>• Number of staff carpooling and carpools formed.</li> </ul>
	<b>Guaranteed ride home</b>	Emergency taxis for staff who carpool or use public transport.	
	<b>Incentives</b>	<ul style="list-style-type: none"> <li>• \$X/day for X staff who travel to work sustainably.</li> <li>• Morning tea.</li> <li>• Prize draws.</li> </ul>	<ul style="list-style-type: none"> <li>• Proportion of staff travelling to work sustainably.</li> <li>• Participation rates at events.</li> </ul>

<sup>1</sup> Infratil, Davis Langdon per email

<b>Shuttle bus service to your site</b>	Funding for one shuttle bus route	Number of staff using the bus service.
<b>Teleconferencing facilities</b>	Annual software licence and maintenance.	Number of car and air trips being replaced by teleconferencing.
<b>One-off expenditures on:</b>	<b>Potential expenditure:</b>	<b>Relevant objectives and targets:</b>
<b>Initial survey</b>	Survey and analysis, if not done in-house	Survey response rate.
<b>Walking facilities</b>	<ul style="list-style-type: none"> <li>• Lockers, showers and changing facilities.</li> <li>• Significant infrastructure (eg new entrances to the site, crossings, traffic calming).</li> </ul>	<ul style="list-style-type: none"> <li>• Number of staff using the lockers.</li> <li>• Number of staff and visitors accessing the site on foot.</li> </ul>
<b>Cycling facilities</b>	<ul style="list-style-type: none"> <li>• Lockers, shower and changing facilities</li> <li>• Secure cycle parking area.</li> <li>• One kilometre of new tarmac topped cycle route.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of staff using the lockers.</li> <li>• Number of cycles parked.</li> <li>• Number of staff and visitors accessing the site by cycle.</li> </ul>
<b>Carpooling database</b>	Purchase of software and installation.	
<b>Teleconferencing facilities</b>	Purchase of hardware, software and installation.	

## Real-life business case

### Background

The following business case is for a travel plan funded through savings in business travel, from a company in the UK<sup>2</sup>.

There are 1000 staff spread across four offices in a rural region with limited public transport.

### Data from staff survey

85% of business trips are staff driving their own cars, for which they receive 42p per mile.

Very few business trips are carpooled. However, the survey revealed that up to a quarter of the business journeys could have been made by carpooling or public transport – by employees' own assessment. There were little or no telephone conferencing or video conferencing even though a significant proportion of journeys were between offices.

### Targets set

Senior managers decided to set an objective for 10% reduction in business mileage over three years.

To achieve this:

- 8% of business trips need to be carpooled; and
- 33% of the inter-office trips need to be replaced by telephone conference.

The carpool target was set at the proportion of business journeys that the survey respondents said they could share. The interoffice trip target drew on reductions achieved through telephone conferencing by organisations that had started from broadly similar circumstances. Although the adopted travel plan included measures to promote all sustainable modes, including public transport, managers decided not to include potential savings from these other measures in the core business case.

### Projected savings

Savings were projected at:

- £106,000 per year (during year 4) from saved mileage claims (270,000 miles per year). See first table below.
- An additional £54,000 per year (at year 4) if staff time saved by teleconferencing instead of travelling between offices is factored in. See second table below.

An additional £100,000 per year (by year 6) if a fleet car scheme is implemented to begin to replace use of personal cars. This saving would be additional to the tables below.

### Basis for projections

Projections for savings were based on following assumptions:

- Telephone conferencing will cut car mileage between offices by 9% after one year; 20% after two years; and 33% after three years. Further small increases in telephone conferencing will be achieved in years 4–6, replacing an additional 1% of 'between-office' mileage per year.

<sup>2</sup> The essential guide to travel planning, Department for Transport (UK), March 2008, <http://www.dft.gov.uk/pgr/sustainable/travelplans/work/essentialguide.pdf> (accessed 6 April 2010)

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- Carpooling will cut business car mileage by 1.6% after one year; 4.8% after two years; and 8% after three years. This is based on employees' own assessment that 8% of their current car trips could potentially be made as a carpool. Further cuts of 1% of business mileage are achieved in subsequent years.
  - A carpooling allowance of 5p per mile, payable to drivers, is introduced.
  - In the first year, passengers are also paid 5p per mile to carpool.
  - The mileage rate at which savings are calculated will be 42p per mile in year one and rise by 1p in each subsequent year.

All costs are inflated by 3% per annum.

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## Savings and income

Six-year projections – costs and benefits **not taking** account of savings in staff travel time:

	Salary costs	Capital budgets	Revenue budgets	Forecast gross savings	Annual net savings	Cumulative savings
<b>Year 1</b>	£30,533	£9,000	£26,000	£19,957	-£45,576	<b>-£45,576</b>
<b>Year 2</b>	£31,449		£36,050	£57,768	-£9,731	<b>-£55,307</b>
<b>Year 3</b>	£32,393		£37,132	£97,127	£27,602	<b>-£27,705</b>
<b>Year 4</b>	£33,365		£38,245	£106,458	£34,848	<b>£7,143</b>
<b>Year 5</b>	£34,366		£39,393	£115,878	£42,120	<b>£49,263</b>
<b>Year 6</b>	£35,396		£40,575	£125,349	£49,378	<b>£98,640</b>

Six-year projections – costs and benefits **with** account taken of savings in staff travel time

	Salary costs	Capital budgets	Revenue budgets	Forecast gross savings	Annual net savings	Cumulative savings
<b>Year 1</b>	£30,533	£9,000	£26,000	£30,352	-£35,181	<b>-£35,181</b>
<b>Year 2</b>	£31,449		£36,050	£88,368	£20,869	<b>-£14,312</b>
<b>Year 3</b>	£32,393		£37,132	£149,627	£80,102	<b>£65,790</b>
<b>Year 4</b>	£33,365		£38,245	£160,533	£88,923	<b>£154,713</b>
<b>Year 5</b>	£34,366		£39,393	£171,576	£97,817	<b>£252,530</b>

The capital budget allocation is mainly for telephone conferencing facilities and set-up of a carpooling database. The revenue budget is for promotional activities, information and incentives for sustainable travel. A small grant for on-site cycling facilities is not included. The travel plan does not anticipate any civil engineering infrastructural work or funding of dedicated bus services. First year figures make allowance for a period to get the travel plan coordinator post up and running