



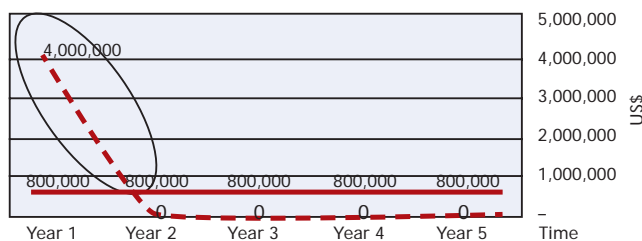
ACCOUNTABLE FLEET MANAGEMENT

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The humanitarian sector employs in excess of 130,000 4x4 vehicles, with an annual operating cost nearing 1 billion US\$. In order to replenish this fleet approximately 20,000 new vehicles are procured annually at an estimated US\$ 700,000,000.

Income statement implication of 'expense' or using IFRS

Ex.: 100 vehicles at US\$ 40,000 each

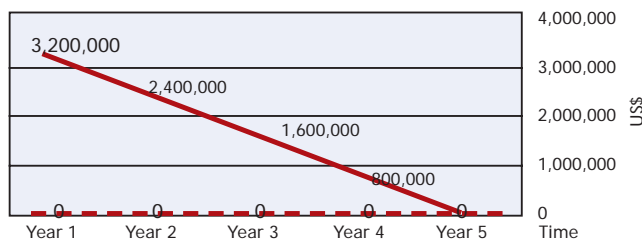


Effect on IS using 'expensed when procured'

Effect on IS when using IFRS and depreciated over 5 years (straight line)

Balance sheet implication of 'expense' or using IFRS

Ex.: 100 vehicles at US\$ 40,000 each



Effect on BS using 'expensed when procured'

Effect on BS when using IFRS and depreciated over 5 years (straight line)

These vehicles are a vital link in the humanitarian supply chain, yet how they are managed speaks to the urgent need for greater professionalism and accountability in humanitarian fleet management.

Financial accountability

The prevailing practice in vehicle procurement is that they are expensed at the moment of purchase. Effectively, this amounts to vehicle assets disappearing on the most critical financial radar, the balance sheet. The result of this practice is that few humanitarian agencies are aware of the lifetime financial impact of owning and operating a fleet of vehicles. A further consequence of this practice is that the financial benefits of disposing of vehicles according to a cost-effective lifecycle (e.g. 5 years or 150,000 KMs) are not reaped. Exacerbating the accountability challenge, most humanitarian organizations have a 10% margin of error when asked how many vehicles they have in operation. To put this in perspective for a fleet of 100 vehicles this amounts to US\$ 350,000 in assets that cannot be accounted for.

Adding to the spiraling costs, vehicles are used excessively, not only in terms of age but mileage. It is not uncommon to see vehicles serving in humanitarian projects that are more than 15 years old and have in excess of 800,000 KMs on the odometer reading. To put this into perspective by 5 years or 150,000 KMs the typical project 4x4 will incur US\$ 56,000 - US\$ 80,000 in operating costs.

While there is talk of an accountancy shift in the humanitarian sector to International Financial Reporting Standards (IFRS), which calls for vehicles and other assets to be depreciated over time, it will only serve as a rudimentary form of fleet management. We must remember that for many agencies vehicles represent the second largest operating cost after staff expenses and they are more than likely procured with donor funding, for which a greater degree of accountability is required.

Social and environmental accountability

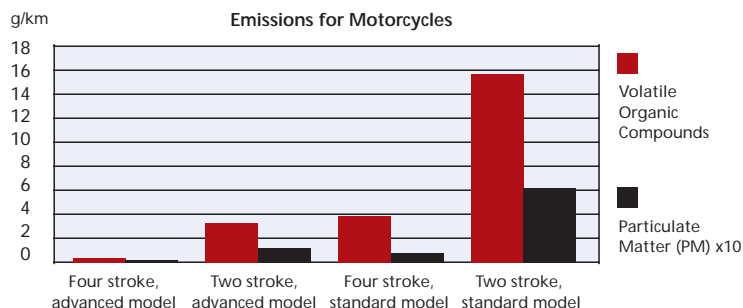
Financial costs are not the only concern when it comes to the state of fleet management in the humanitarian sector. The vast 4x4 fleet enables millions of beneficiaries to be reached. With 65% of the fleet deployed in Africa, the region farthest from achieving the MDGs, this particular link cannot break. Yet, at present, the 4x4 link in the humanitarian supply chain is showing signs of stress and decay.

While many agencies have addressed occupational safety using mechanisms like insurance and other tools, few have taken active steps to protect their personnel when they are most vulnerable – behind the wheel of a car. It should be said that any discrepancy in occupational safety standards between international and local national staff should be comprehensively addressed.

Not one of the MDGs addresses road safety, yet the 8 goals rely on a functional and safe transport system in order to be achieved. When surveyed, 70% of the largest humanitarian fleets do not have a driver's training program. This begs the question whether the 130,000 humanitarian 4x4s are helping to combat the road safety calamity, which each year kills more than 1 million people and causes 20 million preventable injuries, or are contributing to it.

Thankfully this question has been asked before and organizations like The Fleet Forum, which is an association representing 60,000 humanitarian vehicles, are taking the lead in addressing road safety. The Fleet Safety Project, which was recently highlighted in the UN Secretary General's remarks on road safety, will help humanitarian organizations instill a culture of safety in their fleet operations and a greater degree of social accountability to their personnel, drivers and vulnerable road users.

The environment is often overlooked when it comes to humanitarian fleet operation, because the challenges faced by fleet managers are too immediate – availability of spare parts, salvaging vehicles, cost recording. Yet, actions can be taken to reduce the environmental footprint of the fleet. For one, motorcycles, which outnumber 4x4s 3 to 1, can be gradually replaced with 4-Stroke engine motorcycles, which the UNEP recognizes for their negligible environmental impact and lifetime costs.



Organizational accountability

The tools and methodologies to address the challenges outlined above are readily available and widely used in the commercial fleet sector. While there is a skills gap in humanitarian fleet management, there is no shortage of willing and able professionals to take on these challenges, their biggest obstacle is that the organizations they work for view fleet management as a service function and not a strategic function. A paradigm shift is required in all aspects of humanitarian fleet management that calls for greater professionalism and accountability.

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Supporting the diverse transportation needs of the humanitarian community for more than 30 years has given Kjaer Group a unique perspective to comment on the trends that are literally driving this sector.

Kjaer Group is a leading automotive service provider and has supported humanitarian missions at every stage of development. From war ravaged countries like Rwanda, Afghanistan and Sudan to long term development projects, we have seen the increasing reliance on vehicle fleets as a mission-critical component of humanitarian projects. In the past three years, we have delivered and serviced 20,000 vehicles in 133 countries, the bulk of which will carry out their working life in Africa. Now we wish to drive the next phase of development by raising awareness of the importance of humanitarian fleets.



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