

# VEHICLE REPLACEMENT POLICIES IN THE HUMANITARIAN SECTOR

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The 4x4 vehicle standard replacement policy (SRP) in humanitarian operations is replacing every 5 years or 150,000 Km, whichever comes first. The SRP is recommended by manufacturers for commercial fleets and it also takes the depreciation of the vehicle into account, which usually is 5 years. Some humanitarian agencies following the SRP are the International Committee of the Red Cross (ICRC), the International Federation of Red Cross and Red Crescent Societies (IFRC), the World Food Programme (WFP) and World Vision International (WVI). In total these 4 agencies count for around 7,000 vehicles.

Humanitarian agencies may face a different cost structure to commercial companies. For some humanitarian agencies tax is exempt implying that their purchasing cost is below that of commercial companies. Others operate in places where the value of second hand 4x4 vehicles appreciates, meaning that the salvage value that can be obtained for a 4x4 vehicle in the local market exceeds 25% of its original purchasing price. Additionally, due to the lack of local infrastructure, maintenance costs in some areas can be higher than those faced by commercial companies operating in relatively normal environments.

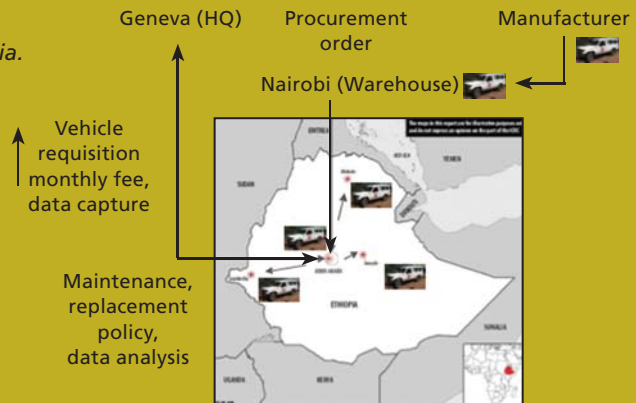
In an effort to test whether the 5 years or 150K Km policy is efficient from a cost perspective or whether a different policy performs better, the Fleet Manager of the International Committee of the Red Cross (ICRC) and INSEAD Humanitarian Research Group have been working on the vehicle optimization project and have carried out joint research since October 2007.

## Fleet Management at the ICRC

The ICRC has one of the most efficient fleet management models in the humanitarian sector. The fleet is standardized, the maintenance schema is very rigorous, and the cost of capital is spread along the life of the vehicle. Data is captured periodically at the delegation level and analyzed by the fleet management team in Geneva. Additionally, policies and procedures are well documented and known across the organization.

The ICRC fleet is managed centrally and is procured at headquarter level (HQ). After the procurement, vehicles are equipped in one of the 3 warehouses: Brussels, Nairobi and Amman. Then, vehicles are leased to the national delegations that pay the depreciation, calculated at approximately 1.66% per month for a period of 5 years. Once the vehicles are fully depreciated national delegations do not have to pay a monthly fee to keep the cars but they are strongly recommended to replace the vehicle. Vehicles are sold in the local market on a tender process or at auction. Some delegations keep their vehicles longer than 5 years but this is not the norm. In contrast, some delegations claim that 5 years is too long to replace. Any request to keep the vehicle beyond the threshold must be justified by delegations. The revenue from the sale goes back into the global investment budget belonging to HQ in Geneva (See figure 1).

Figure 1: ICRC Fleet Management, Ethiopia.



## The Research

The research methodology combined field research, data analysis and computer experiments to test: 1) whether the ICRC national delegations follow the SRP dictated by the headquarters, and 2) whether the SRP is optimal from a cost perspective. The research process is described in figure 2.

Figure 2: ICRC Vehicle Replacement, Research Process Summary.

