# THE POSTMAN'S PARALLEL

## The Evolution of Humanitarian Fleet Management

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**Vehicles are mission-critical to humanitarian operations globally. Millions of people receive assistance from the goods, people and services humanitarian fleets carry and yet how these assets are managed leaves millions more in terms of costs, people and safety unaddressed. Professionalizing fleet management in the humanitarian sector can only take place in earnest once senior management gives vehicle fleets the attention, resources and priority they deserve. Looked at another way, fleets represent the second largest risk and operating costs after staff expenses, so the gains of proper management are equal in size.**

## A Strategic Priority

In many NGOs, UN agencies and other humanitarian organizations, vehicle fleets represent the second largest operating cost after staff expenses. Mirroring this pattern, vehicle fleets can also be considered the second largest risk or exposure and, certainly, among the strategic management priorities that should be raised at the executive level. In the same way that a human resources professional must account for each employee and volunteer in an organization, fleet management professionals should be able to account for each vehicle in use. The fact is that due to the low priority of fleet management, many organizations cannot account for their fleets. As our human resources counterparts can attest, accounting for people is far from managing them.

One of the few organizations dedicated to driving humanitarian fleet management, Fleet Forum, is citing astonishing figures. Of the approximately 100,000 humanitarian vehicles that can be accounted for, there is an estimated annual running cost nearing 1 billion USD. Professionalizing how these assets are managed is not simply a matter of cost cutting and resource allocation; it is also a matter of programmatic efficiency, risk management and the ability to consistently reach the remote areas where aid work is carried out.

The fleet management challenge is no longer only a question of available parts and local service. This is merely a matter of basic accountability. The challenge today is a matter of qualitative improvement in fleet management leading to the adoption of best-practices that not only maximize value, but also enhance safety, the environment and the operational efficiency of humanitarian organizations. This is the new strategic imperative.

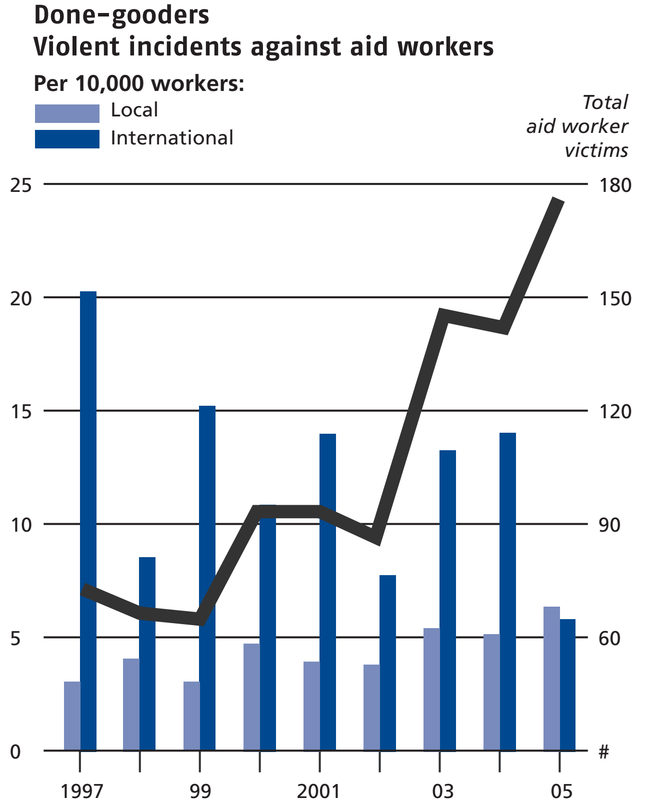
This problem is exacerbated by the road safety calamity that is presently going unchecked and is a threat on a global scale. Today road traffic crashes sit uncomfortably between malaria and tuberculosis as the 9th global health threat. At the present rate, road traffic crashes will become the 3rd global health threat by the year 2020. Legal liability will grow exponentially with this trend and one of the few ways to mitigate these risks is to professionalize fleet management, drivers training and insurance practices.

One of the more pernicious aspects of road safety is the fact that it impacts the very people humanitarian organizations aim to serve.  Nearly 100,000 people are killed in road crashes in sub-Saharan Africa each year – a figure that is expected to rise by 80% by 2020* (Global Road Safety Partnership). Compounding this effect, the vast majority of those that are killed or injured are economically productive young adults and often the sole bread winner. The economic ripple is vast. This is a challenge that humanitarian organizations and in particular their fleet managers must work to tackle.  However, the fleet managers' success relies on whether or not executive management accepts how critical vehicle fleets really are. Acknowledging the scope of this challenge, the United Nations are calling for a global road safety week in April.

Paradoxically most humanitarian organizations drive Toyota vehicles and the ubiquitous Land Cruiser, which is prized for its safety and reliability. However, few organizations have a systematic driver's training program in place. Research shows that 95% of road crashes are caused by "user-error" and have little to do with vehicles, safety equipment and road conditions. Thus, a central priority of a fleet management program is to institute global standards and improvement processes for how vehicles are operated, rather than solely focusing on which vehicle brands are procured and at what cost. The fact remains that virtually all vehicle makes offer an equal degree of quality, safety and reliability. The greatest gains are to be made by enhancing how humanitarian fleets are operated and managed.

## Cascading Risk

The growing risk humanitarian workers face is heightened when they are in their vehicles – a place where their vulnerability is completely exposed and laid bare by their iconic white 4x4's. Local nationals, who comprise the vast majority of drivers in humanitarian fleets are particularly exposed and are often completely uninsured. Commenting on humanitarian risks in South Sudan, *The Economist* recently noted that there had been a rash of 29 vehicle hijackings in December 2006 alone.




According to a new report by the Centre on International Cooperation, a think-tank at New York University, locally hired staff, who make up around four-fifths of aid agency employees, are at particular risk. Increased precautions for expatriate workers are "cascading vulnerability" onto locals, it argues. The expats, expensive and potentially litigious if things go wrong, have better kit and training, but when things get ugly they often withdraw, leaving untrained locals to dodge the bullets. Aid groups, it says, have failed to consider the ethics of this (*The Economist Jan. 18, 2007).*

Clearly, once information becomes available and in light of the increase in road traffic crashes, coupled with the growing risks of humanitarian work, the issue of fleet management must factor on the executive agenda. While safety is one of the more compelling drivers to a strong review of humanitarian fleets, there are indeed other considerations, which we call the fleet management Triple Bottom Line.


## From Macro to Micro

The geography of humanitarian fleets is an indicator of global development trends. Estimates show that 65% of humanitarian vehicles are based on the African continent. This is the region that has the widest gap towards achieving the Millennium Development Goals. This yawning gap can only be crossed by reliable and properly managed vehicles. However, as it stands today, improperly managed and obsolete vehicles are actually contributing to development challenges, rather than tackling them. For one, humanitarian organizations are obliged to carry proper insurance coverage on their vehicles, which is difficult to obtain throughout Africa, where currency volatility, legal regulations and solvency are among the many problems that plague local insurance markets. Yet, most humanitarian vehicles are under-insured or insured at the local level.  How does one adequately insure a $40,000 4x4 in Zimbabwe with a 1,700% inflation rate?

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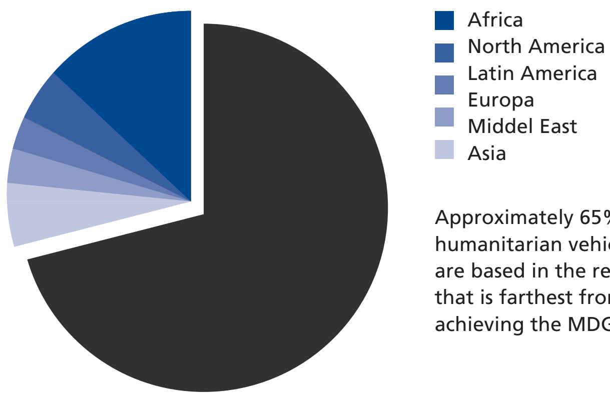
Another major trend is that there is no “escape valve” for obsolete vehicles. Therefore from the time they enter service until they are disposed of, which best-practice shows should happen in 5 years or 150,000 kilometers, humanitarian fleets are quite literally being run into the ground. Many agencies have vehicles that are 20 years old presently in operation. The question is would UPS or DHL allow their drivers, goods and services to be transported in vehicles two decades old? What’s more, the practice of “giving” used vehicles to local implementing partners is not handing over a reliable means of transportation, but rather an unsafe, financial burden. Of course UPS and DHL have the resources to tackle the vast labyrinth that professional fleet management entails, but like their counterparts in the US Postal Service, they too have realized that managing such a strategic asset requires inter-agency collaboration and cross-sector partnerships. All the resources are presently at the table to tackle the humanitarian fleet management challenge – these resources are abundant. What is lacking is willingness.

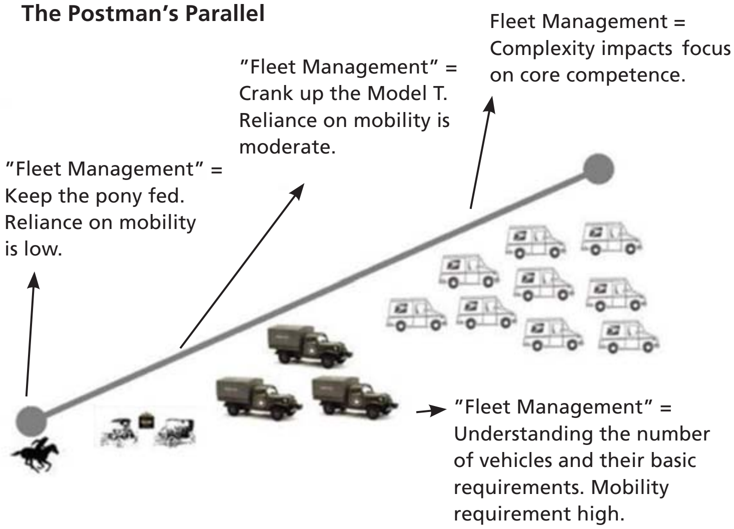



Approximately 65% of humanitarian vehicles are based in the region that is farthest from achieving the MDGs.

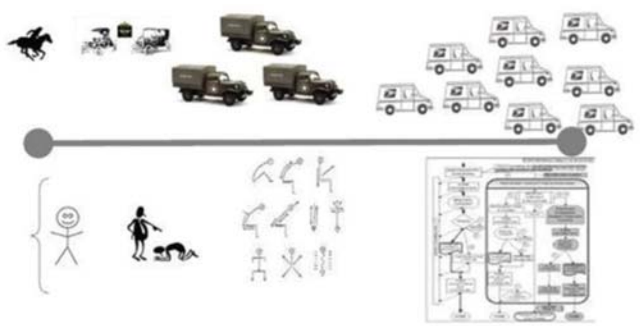
## The Postman's Parallel

Looking at the evolution of fleet management in developing countries, one must find a strong parallel to humanitarian organizations. Our good friends at the US Postal Service offer a compelling indication of the future trends that will drive humanitarian fleets.  First, consider the similarities.  The US Postal Service and their competitors, DHL, UPS and Federal Express all gain a strong competitive advantage by operating their fleets at 100% efficiency. Anything less and the millions of pieces of mail they source and deliver will be delayed by their own organization. Therefore, like humanitarian organizations, reliable transportation capacity is mission critical to keeping the mail sorted. However, the cost of failure in the postal system spells temporary inconvenience and momentary delays, whereas the cost of failure in the humanitarian context has much more severe consequences.

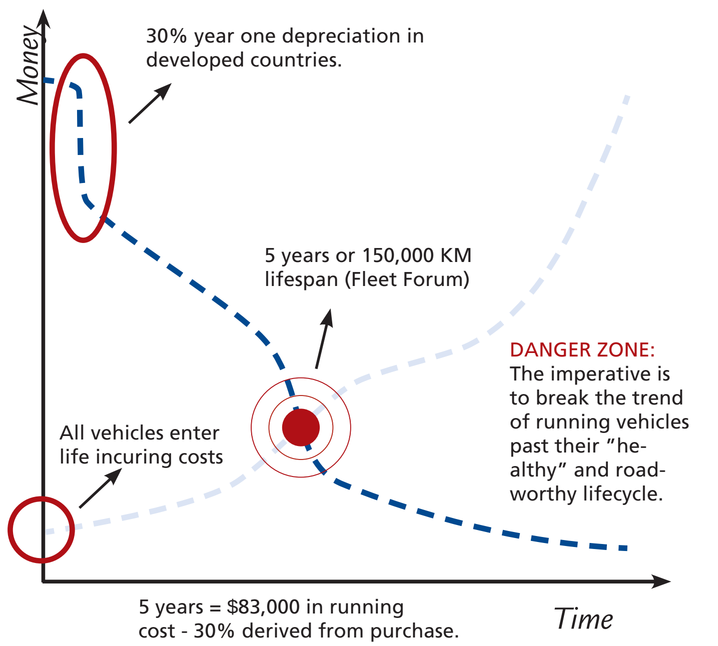
**The Postman's Parallel**




**Required Support Organization**



At a certain point in time managing assets as complex as vehicle fleets actually hindered the US Postal Service from carrying out its mission. Likewise the sheer size and costs associated with the internal support organization became a huge burden. Simply put, the US Postal Service realized that fleet management, as it is presently practiced in the humanitarian sector, was not their core competence. Rather their core competence is delivering mail. Reliable, cost-effective vehicles are but one of the tools they employ to achieve their mission. The first step, of course, is to understand the fundamentals of two trend lines that any vehicle creates. The first trend line is value and safety. For this line value will depreciate precipitously, averaging around 30% in the first year of a vehicle's use in developed economies.  Safety will follow this decline in lock step, such that the older a vehicle gets the less safe it is. The converse trend lines that can be coupled together are operating costs and environmental impact, which will both increase exponentially over time. The fact is that all vehicles enter life incurring costs. One buys a vehicle and then is obliged to buy insurance, pay taxes and registration fees - cost creep is both insidious and eternal. Both of these trends are exacerbated by "driver error," improper handling and poor maintenance all of which are rife in the humanitarian sector.



In the postman's world the balance between residual value, safety and operating cost is understood with the arithmetic of an exact science. However, in the humanitarian sector we can only borrow some lessons learned from our private sector counterparts and apply the methodology, without using every single step of the process. For one, no one can say the exact residual value of a 1997 edition 4x4 in Sudan. The fact is no one should, as this is a vehicle that is not only past its prime, it is a hazard. What we can say, again borrowing from Fleet Forum's research, is that there is a healthy lifespan for humanitarian vehicles which should be adopted across the board. This lifespan is 5 years or 150,000 kilometers. A year longer or 1 kilometer later and vehicles enter the danger zone. In this time frame estimates show that vehicles will incur between $50,000 and $80,000 in operating costs of which only a fractional sum is derived from procurement costs. Past this 5 year, 150,000 kilometer, mark and the already dangerous roads we travel, become imperiled with stratospheric costs and environmental impact and declining value and safety. The solution in a system where there are so many moving parts is to create certain constant values. Among these 5 years and 150,000 kilometers resonate across the sector as the benchmarks to adhere to. But few organizations can put this into practice. A vehicle lifecycle management program that allows vehicles to be obtained on flexible terms makes this benchmark reality and not merely wishful thinking.

## Vehicle Lifecycle Management

If you were in a car that you knew was going to have an accident, you would take some precautions. You might ask the driver to pull over and let you out. You will surely put on your seatbelt. You might even ask the driver to slow down and drive less recklessly. But what do you do in a car where neither the brakes nor seatbelts work properly, if at all? Surely you would brace yourself. Well, take heed, as the majority of the humanitarian fleet is on a collision course. The first step is to prevent the accident from happening or at best to reduce your risk of serious injury. Once you have the situation under control you would then borrow some lessons learned and ensure the accident does not repeat itself. Because accidents do in fact happen, and unlike the willful accident that is ongoing with the humanitarian fleet, you would then implement policies and training that institutionalize change. How many humanitarian vehicles have emergency numbers in the glove compartment? Finally, once the latter steps are complete, proper management can commence. Clearly this is an over-simplification. The humanitarian fleet is a vast collection of assets spanning the globe. The future trend will commence with a small, measured approach. However, in order for this reform to take place in earnest, it first calls upon acknowledgement of the problem. Then organizations can identify countries and specific fleets that are the worse offenders and begin systematically decommissioning vehicles that are past their usable and safe age. Simultaneously organizations should consider pure procurement alternatives, such as leasing, which functionally reduce or eliminate all the financial risks associated with ownership, including depreciation, insurance and a host of other advantages. Leasing or renting is not the solution in and of itself, as this is only one component of a vehicle lifecycle management program. In fact many organizations that are leasing from local providers are only addressing the top of the pyramid in the triple bottom line. They are reducing the financial burden of procurement, but they are continuing to use dated and unsafe vehicles. Donors have a major role to play in the adoption of these new procurement methodologies and their funding patterns should support pure procurement alternatives.

A vehicle lifecycle management program actively engages goods and services in four categories, which include supply chain services, financial services, technical services and capacity services. Spurred by this challenge and the unconscionable organizational burden of having an obsolete fleet, several leading humanitarian organizations are taking this discussion seriously and are setting new trends for how humanitarian vehicles are managed. In so doing, one can foresee a future where collective capacity is harnessed and lessons proffered by the postman are taken to heart and implemented. In this development trend, it is clear that technology will play a major part in creating active and passive management tools. Devices such as global positioning satellites, for which

> "Aid agencies spend about $800 million a year on vehicles, but they could save $160 million annually - and many lives - by training staff in road safety and buying appropriate cars to higher environmental standards, the logistics specialists say. "

nascent applications are being used to predict draughts, locusts and other scourges, can also be readily applied to humanitarian vehicles. These devices would permit a vast array of applications including speeding alerts, emergency relay communications, geo-fencing, wherein certain restricted regions can be “cordoned” off. Likewise global fleet management platforms can be instituted so that the next time one asks a fleet manager how many vehicles they have the answers will not vary by the thousands, but rather can be given with precision. These platforms presently exist, but their commercial cousins, which the postman is using, are too advanced for our sector. Most fleet managers would agree that they would rather know fuel consumption over how frequently brake pressure was applied.

The beneficiaries of humanitarian fleets literally number in the millions and the advantages of putting fleet management on the executive agenda can be measured in equal terms. The tools to address these challenges exist today and the postman offers telling signs of future developments in humanitarian fleet management.