

# Fleet Management

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## Introduction

Fleet management is the function that oversees, coordinates and facilitates various transport and transport related activities. For the purpose of this document it will cover vehicles involved in the movement of goods; the management of light vehicle fleets used in the transportation of people and light cargo; possibly motorbikes and other equipment such as generators and warehouse handling equipment. Fleet management underpins and supports transport related activities through the management of the assets that are used.

Effective fleet management aims at reducing and minimizing overall costs through maximum, cost effective utilization of resources such as vehicles, fuel, spare parts, etc.

The administration and financial management of fleet is very organisational specific. It largely depends on donor requirements and organisational policies. For example, in some organizations vehicles are restricted to specific projects and others utilize vehicle pools to serve multiple projects. Driving policies can vary from a strict reliance on a dedicated driver from the organization, to using staff to drive the vehicles. The administrative policies of the individual organization will dictate which approach will be utilized. This results in the custodian of the fleet management function to be very much dependant on organizational policies and structures.

## Policy

A vehicle policy will provide specific guidelines for the management and use of vehicles and other mobile assets. Policies are designed to facilitate and encourage accountability, monitoring of usage and costs, provide internal control and to serve as a management tool for better decision

A basic vehicle policy would have the following inclusions amongst others:

- introduction
- purpose
- scope
- objectives
- planning, approval and budget process
- procurement
- approved types for vehicles
- ordering of vehicles process
- assignment of vehicles
- personal use of vehicles by staff
- management of vehicles:
  - control of fuel, maintenance/repairs of vehicles
  - vehicle insurance scheme
  - vehicle replacement
  - sale of vehicles
- guidelines for drivers:
  - assignment of Motorcycles
  - security
  - environment
  - reports
  - revisions
- conclusion

In an emergency situation, and especially in a rapid onset one, the Logistician may seek management authorisation to activate approved emergency processes and procedures. These provide guidance on the use of vehicles. They focus more on the operational aspects. Such a policy could include the following:

- purpose
- objectives
- assignment of Vehicles
- personal use of vehicles by staff
- management of vehicles:
  - control of fuel

- maintenance/repairs of vehicles
- vehicle insurance scheme
- vehicle replacement
- guidelines for drivers:
  - assignment of motorcycles
  - security
  - reports
  - revisions
- conclusion

## Aspects of Fleet Management

- Identifying needs
- Acquisition Process
- Insurance
- Vehicle leasing (Internal & external)
- Vehicle Management
  - Fleet management systems
  - Vehicle maintenance and up-keep
- Vehicle usage
  - Vehicle disposal
- Health, Safety & Security
  - Complying with Legislature and security requirements
  - Drivers

## Identifying needs

Identification of fleet needs is dependent on the nature of emergency and operations, and the size and area of operation - urban operations could utilise smaller saloon cars whereas remote field operation may require larger four-wheel drive vehicles for extreme terrain. Vehicle selection criteria are guided by:

- donor criteria applicable to the purchase;
- uniformity of fleet;
- the appropriate vehicle type for local fuel availability;
- the purpose of the vehicle (cargo or passenger);
- the terrain in which the vehicle will operate;
- global acquisition cost;
- availability of local dealers;
- local availability of spare parts for the intended vehicle;
- warranties; and
- local availability of competent mechanics.

Depending on the level of emergency the criteria may vary.

## Acquisition Process

- The general criteria for selection of a vehicle should be in conformity with the standard recommended vehicles.
- The standard tender process is adopted for vehicles, as for all other goods and services, bulk items and items bought on a regular basis. In some cases, the process may result in outsourcing of some aspects of the vehicle management or leasing of vehicles (See [Procurement](#) topic).
- For small daily purchases such as spark plugs, filters etc, petty cash/float may be used by the fleet manager.

## Insurance

Careful consideration should be given to the form of insurance selected for the vehicles belonging to the organisation. The minimum legal requirements must always be complied with; this is usually at least third party cover.

To ensure compliance with the vehicle insurance requirements, all personnel using operation vehicles under the responsibility of the organisation must be fully conversant with accident and incident reporting procedures for vehicles and personal injury.

Personnel requirements: the insurance cover for personnel will depend on the type of policy the organisation takes to cover its vehicles: third party, third party fire and theft, comprehensive or liability insurance.

Rent or outsource: insurance coverage for leased or outsourced vehicles will be dependent upon what the organisation negotiates with the service provider. The organisation will either adopt the service providers insurance as-is or adopt it with amendments. An alternative is to completely outsource the fleet management, but again the type of insurance will be dependent upon what is negotiated with the service provider.

## Vehicle leasing (internal and external )

"A vehicle or asset lease is a contract by which one party lets vehicles or assets to another party for a specified period of time".

Or

"A lease is a written agreement by which one party agrees to let another party have the use of specified assets for a period of time for a fixed amount of money".

In an external leasing option, the ownership could:

- remain with the leasing company or entity, but the rights for use are passed on to the lessee for the period of the lease;
- in other cases, at the expiry of the lease, the ownership is transferred to the lessee; and
- the ownership remains with the lessee, but management of some aspects such as maintenance, could remain with the leasing company depending on negotiations.

However Internal leasing is different. The organisation itself owns the vehicles which are centrally managed and issued to programs on a cost recovery basis. Organisations therefore budget for leasing costs only.

#### **Features of an external leasing agreement:**

- Lease agreement is drawn up between the organization and the leasing company clearly specifying the terms of agreement.
- In some cases the lessee may pay a monthly bill irrespective of mileage covered or a fixed amount with additional costs per kilometre outside of a specified range.
- Depending on nature of agreement the lessor may be responsible for:
  - repair and maintenance at agreed intervals;
  - insurance;
  - in some cases the vehicle may come with a driver.
- The lessee is responsible for:
  - provision of competent drivers;
  - monthly payment; and
  - managing routing of vehicle.
- The lessee's drivers will be responsible for good driving.

The contents of the agreement will depend largely on the negotiating power of the lessee.

#### **Advantages of leasing**

- Routine repair or maintenance costs are built into leasing costs.
- No overheads in garage set-up and maintenance.
- No high initial purchase items in lessee's books.
- The lessor bears most of the risk.
- The organisation is able to focus on core business.

#### **Disadvantages of leasing**

- The organisation loses control of some aspects of its fleet management.
- Discontinuation of services by the service provider can cause huge disruptions in the day-to-day operations.
- If the leasing contract is cancelled for any reason, the organisation may have to make heavy investments in vehicle purchases or temporary hire to ensure business continuity.
- The organisation would not be able to build up any institutional capacity in fleet management.

#### **Outsourcing**

The nature of the contract is dependent on the ownership status which could be:

- an external company is contracted to supply and manage the vehicles;
- an external company supplies the vehicles but the management remains with the organisation; and
- the vehicles are owned by the organisation and an external company undertakes the management of the fleet.

The preferred options are dependent on the organisations approved procurement or sourcing policies and operational needs. Contracting, sourcing and leasing are done in strict adherence with the organisations approved procurement policy. (See [Agreement for leased transport fleet](#) sample and refer also to the [Procurement](#) section)

In emergency situations outsourcing and external leasing are common practices. In a rapid on-set emergency, it takes time to ship-in or purchase vehicles for use in the response. Organisations are sometimes left with the option of outsourcing or leasing vehicles or trucks from the local market. In the initial days of the emergency, this can prove to be an expensive option. In emergency situations, there are usually very many organisations and very few assets. The high demand may cause price increases.

## **Vehicle Management**

The location of the vehicle management function within organizations' structures varies from organisation to organisation. The management may be located within administration, transport function or have an independent fleet manager. For the purpose of the Logistics Operations Guide the manager will be referred to as the fleet manager (FM).

Vehicles are expensive but critical to an organisations' operation. They facilitate the movement of personnel and the delivery of relief supplies to beneficiaries. Vehicle management is also one of the aspects of supply management that can be easily abused if not properly managed. If properly managed this aspect would ensure:

- availability of vehicles as and when required;
- cost efficiency;
- programme or response continuity;
- staff safety;
- safety on the roads;
- vehicle safety;
- vehicle security; and
- performance management.

To achieve the above, some of the measures taken by the FM are:

- every vehicle carries a logbook;
- logbooks are checked on a weekly basis;
- vehicles are logged out and signed for before every trip. A vehicle allocation chart is recommended;
- the driver records all fuel and maintenance costs in the log book or fuel request and purchase voucher, indicating the reading on the odometer at the time of the expense;
- fuel can be purchased from a central petrol station and a receipt issued. Where there is no appointed petrol station, the vehicle fuel request form is completed and approved before funds are released for fuelling. Should the driver have to purchase fuel from their own funds or petty cash, the amount spent on the purchase will be reimbursed;
- all vehicle keys are surrendered at the end of the day;
- drivers adhere to the carrying capacity as provided by the traffic law;
- no unauthorized staff members are allowed to drive the organizations vehicles. Vehicles will be assigned at the discretion of the approving officer; and
- all new staff (those who have a driving license but have not driven for a specified period), will not be allowed to drive the organisation's vehicles unless accompanied by a qualified driver or have been re-tested by the registered automobile association and authorized to drive.

## Fleet management systems

In recent times, to address problems in fleet management and the ever expanding need to monitor usage of vehicles, commercial organisations have designed automated control systems and other approaches to vehicle management. Simple management systems can be designed in-house for internal use to provide a good analysis of the vehicles and driver performance.

Vehicle management systems are structured in a way that enables the capturing of information on various aspects of fleet usage, maintenance and operations. For example:

- distances travelled;
- destinations reached;
- distance travelled by vehicle showing official and private mileage;
- fuel consumption;
- repair and maintenance per vehicle;
- rate of consumption of spare parts; and
- servicing planned and completed.

The reports can be produced on a weekly, monthly or bi-monthly basis, depending on the needs of the organisation. Weekly reports may comprise a summary weekly refuelling by vehicle – which may highlight any exceptions to targets set per vehicle, whereas monthly reports may comprise:

- summary refuelling by vehicle and average fuel consumption;
- summary mileage per vehicle;
- repairs or maintenance; and
- any accidents.

## Vehicle maintenance and up-keep

### Maintenance

Vehicles are regularly maintained for optimum performance, and kept in good repair. In emergency situations the Logistician is sometimes tasked with the responsibility of managing the vehicle fleet. To streamline vehicle management the FM should put in place a simple process. Such a process could entail the following:

### Maintenance Options

There are three main options;

1. "In house maintenance" – performed using the facilities and staff of the organisation.
2. "Outsourced maintenance" – under taken by an outside contractor.
3. "Contract hire" - undertaken by an outside contractor as part of a vehicle operating system.

It will be necessary to review the operational requirements and match the most suitable form of maintenance to the individual operation.

Whichever mix is selected, it must be preventative and must be under the control of a competent manager; if it is not, the condition of the vehicles may quickly decline and running costs may increase.

### Maintenance Planning

Whichever maintenance options is followed, vehicle maintenance schedules must be drawn up together with, and published by the FM as part of the vehicle planning.

All members of the management team must make a commitment to respecting the scheduled dates for maintenance.

A master vehicle inspection and servicing schedule should be drawn up for one year – a wall chart is recommended. This chart can also be used to show road tax renewal, annual inspection dates, etc.

Vehicle servicing is a compromise between inadequate attention, resulting in progressive deterioration in condition and the ensuing serious consequences, and too much attention, which is costly and unnecessary.

The person responsible for the condition of the vehicles must decide the scope of the servicing work required and how often this should be carried out; taking into account the manufacturer's guidelines and kilometres travelled and in which type of environment the vehicle has been used.

### **Preventative maintenance**

This is done on an ongoing basis. This type of maintenance addresses the basic things that could cause a problem in vehicles if they are not properly maintained. The Logistician or FM develops an inspection check-list to be used by all drivers as a guide.

Each day, the first driver to use a vehicle will inspect the vehicle using the check-list.

### **Routine maintenance**

This type of maintenance is done on a monthly basis. It may cover the following:

- the vehicle supervisor should periodically organise a test drive each vehicle and report on its condition and also ensure that normal/regular service has been done for all vehicles;
- tyres: any abnormal wearing should be reported to the FM; and
- cleaning of the engine at least once a month.

In emergency situations, in the absence of local facilities, the organisation would have to undertake its own maintenance and ensure that:

- an experienced mechanic is hired;
- a secure workshop area is identified or set up;
- the necessary tool and equipment are available;
- there is continuous performance monitoring and a system for measuring & monitoring:
  - fleet performance;
  - costs and performance.

### **Selection of Garage**

Based on the organization's needs, the criteria for selection of the right garage is set with the input of the Logistics officer and the FM, keeping in mind the organisations approved procurement procedures. For example the minimum requirements may include:

- number of qualified technical staff and details of qualifications;
- list of [minimum equipment](#);
- services offered;
- accessibility/location;
- credit facilities;
- satisfactory References;
- financial stability;
- repair/service costs;
- spare parts available;

Basic spare parts in a workshop

Should the organisation decide to manage its vehicle maintenance in-house, certain fast moving spares are recommended for stocking. This reduces vehicle down-time.

The number of vehicles owned by the organisation will determine the purchase of these parts and equipment.

### **Maintenance Documentation**

- Vehicle maintenance summary: whoever maintains the vehicles must make a detailed written servicing record report, listing the work done, parts and fluids used and costs incurred on each job. The FM must keep this on the individual vehicle file.
- Workshop job cards: when the written order is received, the workshop raises a workshop 'job card' for each vehicle entering for inspection, service or defect rectification. Work should not be carried out without a job card; each card should include the following information:
  - details of all work required to be carried out;
  - actual work carried out;
  - name of staff and hours worked;
  - details of spare parts and materials used; and
  - space for the cost of the work. Once all relevant information has been taken from the job cards they should then be filed with the vehicle files.
- Vehicle Files and documentation: general vehicle correspondence files should be maintained for each vehicle. This file should contain the following documents to facilitate tracking of expenditure and maintenance:
  - copies of purchase request;
  - copy of internal service request;
  - copy of local purchase order;
  - invoice;
  - all important documentations (bill of lading, etc);
  - insurance papers;
  - copies of all repair bills;
  - job order;
  - accident report; and
  - fuel log-in sheets.

## **Vehicle usage**

This aspect of vehicle management is very sensitive and is often abused. It is therefore necessary to have a clearly defined policy regarding vehicle usage and staff benefits. Understandably, most organisations do not have the capacity to assign a driver for each vehicle that they own. Under these circumstances, after testing, staff may be authorised to self drive. The vehicles would in most cases be pooled and rotated based on needs, except where a specific donor requirement conditions ties a vehicle to a specific project. For practical reasons, light vehicles are utilised for office operations and within urban settings and heavy vehicles for field based operations.

See [Vehicle Usage Policy](#) for some basic inclusions and [Vehicle Related Documents](#) for more details.

### Vehicle disposal

Running old vehicles may lead to high costs of maintenance and uneconomical fuel consumption. To avoid this, organisations should have approved and clearly stipulated policies and procedures on how and when to replace and dispose of vehicles/assets (See sample on [Disposal of Assets](#) policy). The need to dispose may arise due to any of the following reasons:

- as a result of extensive unrepairable damage, or cost-prohibitive repairs;
- when the vehicle attains the stipulated mileage or years for disposal;
- when the vehicle is no longer economically sustainable;
- when the vehicle is no-longer required; and
- when programs downscale or shut down.

The disposal procedure applied for vehicles will apply for all other assets such as:

- generators
- boats/canoes/barges
- motorcycles
- fork lift trucks

## Health, Safety & Security

Vehicle safety is one of the key roles of the FM. It leads to staff safety and enhances road safety. WHO estimates 1.2 million people died and 50 million were injured in road crashes in 2002.

[Vehicle safety](#) hints.

Complying with legislature and security requirements

Legislature and security requirements are country specific and may relate to:

- driving authorisation documents;
- type of vehicle allowed;
- size of vehicles;
- communication equipments fitted into vehicles;
- duties and taxes;
- return of vehicles - some countries do not allow the re-export of vehicles;
- safety requirements; and
- vehicle jurisdiction - some vehicle cannot operate outside a specified area.

The key to successful observance of health and safety is the development of an organisational culture of awareness of, and compliance with health and safety issues. To ensure that this is possible the Health & Safety policy document must be practical and be incorporated within day to day tasks.

### Health & Safety Specifics in Fleet Management

Some organisations manage their own routine minor repairs and vehicle service workshops. Some basic health and safety measures for workshops would be:

- clear environments around work stations;
- completed risk assessments and action taken where risks are highlighted, i.e. warning tape on raised flooring;
- inductions;
- practice drills for fire evacuation; and
- availability of and mandatory use of safety equipment such a goggles, boots, gloves, etc.

There are five areas specific to transport management where local health and safety procedures will probably need to be agreed and documented by the fleet technical staff:

1. Fuel stores
2. Safe operation of vehicles
3. Accident and incident procedures for vehicles
4. Vehicle workshops
5. Security of vehicle assets

### Drivers


As part of fleet management it is necessary to divide drivers into categories based on skills and competence. Constant evaluation of their skills, regular training and refresher courses will improve driver and vehicle performance, reduce number of accidents and reduce maintenance costs.

Each organization has the responsibility of identifying relevant training and courses available. These could be included in organizational capacity building programs for drivers.

## Conclusion

Fleet management in organisations is expensive. Vehicles are valuable assets and critical for business continuity. They therefore require adequate attention.

## References

File 	Modified
PDF File LOG-2-8-FLEET MANAGEMENT-GUIDELINES-Basic Garage Equipment.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-2-8-FLEET MANAGEMENT-GUIDELINES-Basic Spare Parts.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-2-8-FLEET MANAGEMENT-GUIDELINES-Driver categories.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-2-8-FLEET MANAGEMENT-GUIDELINES-Preventative maintenance Check-lists-NTC.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-2-8-FLEET MANAGEMENT-GUIDELINES-Vehicle Related Documents.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-2-8-FLEET MANAGEMENT-GUIDELINES-Vehicle safety regulations.pdf	Jul 16, 2015 by Business admin access
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PDF File LOG-2-8-FLEET MANAGEMENT-TEMPLATE-Accident Follow Up Form-Transaid.pdf	Jul 16, 2015 by Business admin access
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PDF File LOG-2-8-FLEET MANAGEMENT-TEMPLATE-Maintenance Job Request-Transaid.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-2-8-FLEET MANAGEMENT-TEMPLATE-Passenger Liability Form-Transaid.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-2-8-FLEET MANAGEMENT-TEMPLATE-Period Transport Report-Transaid.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-2-8-FLEET MANAGEMENT-TEMPLATE-Stock Card-Transaid.pdf	Jul 16, 2015 by Business admin access
Microsoft Excel Sheet LOG-2-8-FLEET MANAGEMENT-TEMPLATE-Stock Count Report.xls	Jul 16, 2015 by Business admin access
Microsoft Excel Sheet LOG-2-8-FLEET MANAGEMENT-TEMPLATE-Vehicle allocation Chart.xls	Jul 16, 2015 by Business admin access
PDF File LOG-2-8-FLEET MANAGEMENT-TEMPLATE-vehicle daily inspection report-IFRC.pdf	Jul 16, 2015 by Business admin access
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