

# Trends in outsourcing

## Fleet managers have plenty on their minds these days

**A**cross Canada's corporate fleets, decision-makers are more mindful than ever about how decisions affect their business on every imaginable level, from brand positioning to operating and fixed costs, safety, liability and sustainability.

The men and women who are responsible for their firms' fleets are continuing to outsource specific aspects of their fleet management portfolios regardless of the number of vehicles. In large part, it's because dedicated fleet managers are becoming an increasingly rare species, with companies spreading fleet duties onto departments as diverse as human resources, finance, purchasing, operations and even facilities.

As well, the expertise and technologies currently required to properly support modern fleets are most available and affordable when sourced from specialists who focus exclusively on the world of fleet management. They're the ones who know if a vehicle really needs new tires or whether an oil top-up versus an oil-change could void a warranty. They also have the systems required to support and administer every aspect of fleet management, unlike the average purchasing manager or vice-president of finance.

"In business today, there are more generalists than specialists so we're seeing more outsourcing, particularly from the smaller fleets that might have just 20 vehicles," says Troy Campbell, vice-president of sales and client relations at PHH Arval, which currently manages 89,000 vehicles across Canada.

To tap into the trends nation-wide, *Fleet Management* talked to some of the country's top fleet management firms about the industry's hottest topics.

### Risk management and safety

There's no doubt the fleet industry is committed to avoiding liability and managing risk, which can involve everything from the implementation of formalized safety policies that are acknowledged by every driver, to the regular assessment of driver abstracts and motor vehicle records.

To minimize their companies' liability, all firms should check drivers' records at the very least, when hiring and once a year thereafter, to uncover everything from expired and pulled licenses to speeding infractions, says Wayne Rose, vice-president of operations at Jim Pattison Lease, which has 26,000 vehicles on lease and management.

At PHH Arval, the majority of their clients now run



*Outsourcing your fleet management means someone else keeps track of maintenance schedules.*

annual checks. Until recently, abstracts were often overlooked because firms trusted that they were hiring good, honest people—which was true about 98 percent of the time, but the one or two percent who've hidden serious issues have inspired greater proactivity.

"Motor vehicle record searches are one of our fastest growing services because knowledge is power and firms want to know the overall risk profile of their drivers and fleets," says Campbell. "It's similar to an insurance policy—we rarely find an invalid driver's license although speeding, reckless driving and accidents are more common."

As part of that commitment to liability/risk assessment and management, firms are clearly stating their expectations around safe driving behaviours and vehicle care, generally encompassing everything from the wearing of seatbelts, driving within speed limits and securing cargo, to distracted driving and adherence to regularly scheduled maintenance.

Virtually every fleet prohibits the use of handheld devices while driving, although those interviewed for this article note there's a difference between having a policy and effectively enforcing it. In today's business environment with its focus on efficiency and productivity, constant connection and immediate responses are expected and even appreciated. Yet scientific research shows drivers who use hands-free or handheld electronic devices are distracted from the primary task of driving, which means they may



be putting themselves and others at risk. As a result, there is plenty of discussion and debate around whether to also ban hands-free electronics.

"It would require a major cultural shift—companies would have to manage internal expectations from the top down and the bottom up so that absolutely every employee understands and accepts that the company policy bans all communication while driving, whether it's a call from your vice-president or an email from a client or prospect," says Philomena Gilmour, vice-president of sales and client services, Eastern Canada at TLS Fleet Management.

PHH Arval's Campbell estimates that 50 percent of his company's fleet customers are talking about a hands-free ban, although adoption remains low. Yet PHH Arval itself is taking a leadership role, having programmed its entire sales team's phones to hold all calls and emails while driving. "We're using technology to enforce our own policy," says Campbell.

There's huge interest in training, but during the recession, it became more of a nice-to-have than a must-have. Naturally, training is perceived as a must-have whenever fleets face driver infractions and collisions, and Peter Nogalo, marketing manager at ARI, which manages 140,000 vehicles Canada-wide, suggests assessing the individual drivers and their specific issues before deciding whether they require behind-the-wheel training or if an online course will suffice.

At TLS Fleet Management, 60 percent of the training

is done online because it fits the drivers' schedules, it provides instant feedback and it's reportable—they tick it off and managers can see that they've completed the course.

Wayne Rose adds: "Online is typically the delivery method of choice because it's so affordable, accessible, convenient, effective and trackable."

### Life cycles

Over the past three to four years, companies extended the typical life cycle just a little, but firms are returning to their standard cycles, in the face of higher maintenance and fuel costs, higher resale prices and a more stable economic environment.

"Right now, the short supply of resale vehicles has pushed values so high, it doesn't make sense to extend them any further," says Nogalo.

In addition, Nogalo notes that current internal combustion engines may use 25 percent less fuel than the previous generation and suggests that fuel saved over the new vehicle's life cycle may justify earlier replacement.

### Sustainability

Because fuel remains second only to depreciation in terms of cost, and because fuel costs consistently climb, fuel efficiency is as good for the bottom line as it is for the environment. According to Campbell, today's generation of more efficient vehicles gives fleet managers plenty of options. Fleets may present sharply contrasting selectors such as a bare-bones mini-van and a fully loaded compact or reward drivers who opt for the most fuel efficient vehicle with extra options.

Historically, companies shied away from smaller en-



*The availability of charging infrastructure makes fleet managers think twice about EVs.*

gines, but as consumer education and experience proved just what a difference the industry's technological advances have made, four-cylinders have made serious inroads.

Good fleet managers also know that no vehicle can maximize fuel efficiency all by itself. Regularly scheduled oil and filter changes as well as tire pressure checks also play a role, as does the driver's own behaviour.

"A company that's serious about fuel efficiency needs to do more than research and invest in fuel efficient vehicles," says Gilmour.

The importance of maintenance, fuel-efficient driving behaviour and overall fuel-consumption awareness can be driven through the standard policies to which employees commit, driver education and vehicles that monitor and share efficiency or consumption data with drivers. Some firms even track drivers' per-litre consumption through telematics or turn fuel efficiency into a friendly competition among drivers.

"This approach is still the exception and typically part of a broader green policy, but in the past we didn't see it at all," says Gilmour.

When pump prices reach new peaks, talk turns to hybrids, all-electric, propane and natural-gas vehicles, but once further investigation uncovers the high upfront costs, the lack of infrastructure (eg charging stations, refueling stations), maintenance and resale values, interest wanes, adds Ryan D'Souza, manager of fleet services at Jim Pattison Lease.

Of course, there are always exceptions. Fleets with a deep, comprehensive commitment to sustainability and those with a vested interest in a particular energy, such as a natural gas or electrical utility, tend to be early adopters, while more and more include just a few alternative fuel vehicles in their fleet mix.

"I do think some measure of government intervention is helpful in supporting the commercialization of new technologies, whether it's in the form of installing or incentivizing charging stations or offering tax breaks on the vehicles," says Nogalo.

## Selectors

Perk or tool? Depending on the industry, a vehicle can be

either/or and even a little bit of both. But no matter what, drivers still want and expect a choice, although some fleets have reduced the number of options or even moved to a single-source to leverage their negotiating power and better control administrative costs. Fleet standardization also allows big fleets with in-house maintenance to maximize their mechanics' expertise on fewer vehicles.

Selectors can effectively reward drivers' exemplary fuel consumption and sterling safety records with \$500 or \$1,000 worth of additional options available. Drivers appreciate the recognition and the choice as well as the tangible compensation.

## Telematics

Companies continue to express concern around the capital cost, the return on the investment and driver reaction to electronic 'nannies'. But they're also getting better at recognizing and communicating the multiple benefits to drivers in an attempt to shift their perspectives on telematics.

No company wants to be seen as not trusting its drivers. However, a company with a healthy bottom line typically offers more job stability and a better work environment thanks to the cost efficiencies resulting from improved routing, fewer collisions, better fuel consumption and consistent maintenance.

"The areas where you're most likely to recognize a faster return on the investment are lower fuel consumption and less wear and tear on the vehicles," says Campbell.

As importantly, telematics can help support a firm's safety policies by monitoring dangerous driving behaviour—such as excessive speeding or cornering—and drivers need to see that telematics can play a legitimate role in that. Company culture tends to dictate whether the cautions and warnings are more subtle (an email or text to a supervisor) or overt (typically an in-vehicle buzzer or flashing light).

To date, telematics are more prevalent in isolated work environments, such as the oil patch and in service vehicles, where such aids may be welcomed and appreciated as potentially life-saving systems that can bring help to an incapacitated driver.

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