

Managing grey fleet risks

Contents

Managing grey fleet risks

- 5 What is the grey fleet?

Why manage your grey fleet?

- 6 Your Duty of Care
- 6 The financial argument
- 7 Carbon footprint

Management challenges

- 8 The risk management process
 - Understand the risks
 - Control the risk
 - Continue the journey
- 11 Management responsibility
- 11 Policies and procedures

What do Companies need to manage?

- 13 The driver
- 15 Licence and insurance
- 15 The journey
- 16 The vehicle
- 19 Safety in the event of a breakdown
- 20 In summary
- 21 More information
- 22 Appendix

The grey fleet can be simply defined as any vehicle that is used by an employee for making a work-related journey.

Managing grey fleet risks

Most organisations find it quite challenging to manage effectively the vehicles owned and leased by them. With a significant proportion of work-related journeys now undertaken in privately-owned or leased vehicles, how do organisations effectively cope with this aspect of work-related road risk management?

What is the grey fleet?

The grey fleet can be simply defined as any vehicle that is used by an employee for making a work-related journey. This could be a cash-for-car, a car obtained via an Employee Car Ownership (ECO) scheme, a privately-owned vehicle used for occasional journeys or a vehicle that the employee has hired outside of any company-provided scheme. When most organisations analyse the road journeys that their employees make on their behalf, they find a significant number of employees who they never considered as 'drivers' and who have never seen any of the policies and procedures relating to driving.

The results from management audits that Zurich undertakes for our motor fleet customers confirms that, in general, organisations manage their grey fleet (both the drivers and the vehicles that they are using) less effectively than they do with their owned or leased fleet.

Why manage your grey fleet?

Your Duty of Care

The 'Driving at work – managing work-related road safety' guidelines, published by the Department for Transport (DfT) and Health & Safety Executive (HSE) in 2003, make it clear that an organisation has the same Duty of Care towards all its employees making work-related journeys regardless of vehicle ownership, so the grey fleet needs to be managed in exactly the same way as the owned or leased fleet. This, as you might expect, raises a number of challenges that we examine below.

In practice, this means that the Health & Safety at Work Act, and all the relevant daughter legislation, applies to employees making work-related journeys, including the grey fleet, and that organisations need to manage the driving activities appropriately. This, together with the Association of Chief Police Officers (ACPO) Road Death Investigation Manual 2007¹, and the recent Corporate Manslaughter and Corporate Homicide Act 2007, mean that the police and the HSE have a selection of legislation that they can use whenever an organisation is suspected of being negligent in the management of its employees making work-related road journeys – typically after a serious collision has occurred.

In reality, the chances of any investigation and prosecution are very low, but the consequences to the organisation, especially in terms of large fines and reputational damage, are very serious, so it is imperative that organisations have a robust set of policies and procedures together with a strong audit trail.

The financial argument²

It is common to find fleet and risk managers focusing on the insured costs and easily identified uninsured costs, such as the 'accidental damage' (if this is not covered by their policy) and direct costs associated with any excess or deductible associated with their policy, as well as easy to measure issues such as hire costs.

In terms of business impact, the 'hidden' uninsured losses, such as those associated with absenteeism and reputational damage, are for more important. The International Loss Control Institute say that for every £1 paid out by an insurer, there are between £8.00 – £53.00 in uninsured losses, depending on the severity of the incident.

¹ For more information refer to Appendix 1 on p.21.

² For more information refer to Appendix 2 on p.21.

These 'hidden' uninsured losses associated with collisions do not, of course, differentiate between vehicle ownership, so they will be the same for someone in the grey fleet as for an employee in an owned or leased vehicle. It follows that it makes good business sense, regardless of any legal requirement, to manage all employees, regardless of vehicle ownership, to minimise these 'hidden' uninsured losses and contribute towards the profitability of the organisation.

The other financial risk associated with the grey fleet is where an employee is making a work-related journey is involved in a collision and is found to have either the incorrect insurance (i.e. they do not have the appropriate business cover) or an invalid licence – both of these issues invalidate any insurance in place. The employee is committing a specific offence, and will be prosecuted accordingly, but in the event of a serious collision, the probability is that any claimants will look to the organisation in any civil action, as they had a duty to manage the employee and, most significantly, they have 'deeper pockets'.

Carbon footprint

There is increasing focus on what organisations do to manage their carbon footprint, and there is currently a lot of focus on driving, both nationally and also at a fleet management level. It is relatively easy to change vehicle selection criteria to ensure that employees using owned or leased vehicles have choice limited to vehicles that meet defined CO₂ emissions (and, equally importantly, meet pre-defined safety standards, as discussed later), but much more challenging to dictate vehicle choice for those employees using their own vehicle for making work-related road journeys, which need to be included in any overall carbon-usage calculations.

Management challenges

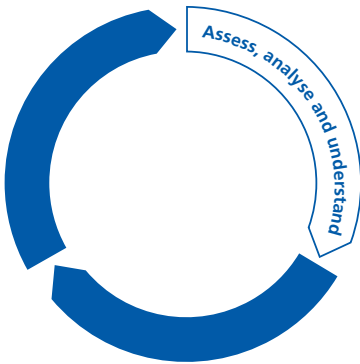
One of the main challenges with any initiatives that are designed to make drivers and road journeys safer is that driving is a very emotive issue, and most drivers believe that they are 'better than average' which, statistically, is nonsense. With the grey fleet there is the additional emotional attachment that people have to their cars, so any initiatives to try and ensure that safe cars are being used needs to take this into account.

There is also a big Human Resources (HR) issue, as many people who opt-out of a company car scheme do so for tax benefits or freedom of choice issues, so any restriction on vehicle choice, or any vehicle or documentation auditing, is not seen favourably by the employee but also can cause sensitivities with HR, especially if the cash option is seen as a perk and not a business need.

The risk management process

It is clear from the issues detailed that grey fleet employees should be treated in exactly the same way as employees using owned or leased vehicles, albeit that there will be more emotional and HR issues to overcome to achieve this effectively, which are addressed later. It is important to ensure that a proven risk management process is used to manage all work-related road risks, including the grey fleet.

The risk management process we recommend is designed to ensure that focus is always on the risks, and that you strive to achieve continuous improvement in your collision performance, working towards achieving a crash-free culture and environment.



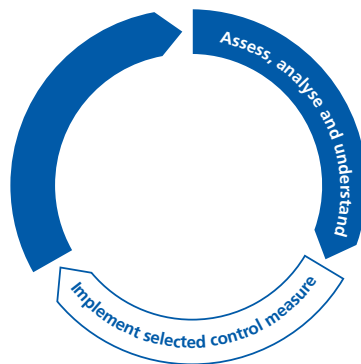
Understand the risks

Assess analyse and understand

The first and fundamental step is to understand the risks faced.

There are three areas to look at:

- Organisational risks (the risks employees face resulting from the driving activities associated with the everyday operation of the organisation) – these can be analysed by undertaking a comprehensive management audit.
- Proven risks (risks that have resulted in collisions) – from a detailed root cause analysis of the collisions you have.
- Theoretical risks (the risks that a collision might happen) – from carrying out work-related road risk assessments covering the three fundamental areas of work-related road safety – the driver, the journeys they make and the vehicles they use.



Control the risk

Implement selected control measures

Once the risks are fully understood, appropriate control measures and interventions can be implemented to tackle specific, identified risks.

It is important that any interventions are selected using a technically honest approach based on proven H&S principles:

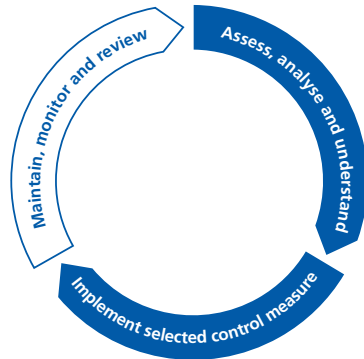
- Can the risk be eliminated (generally a management intervention)? If this is not possible;
- Can the risk be substituted for a lower risk alternative (usually a management initiative)? If this is also not possible:
- Can the risk be reduced (this could be a management initiative or one focused on an individual employee)?

In all cases, management interventions should take preference over those focused at individual employees as these are likely to be more effective at producing a sustainable reduction in the risk profile.

Organisations need to ask themselves “Do we allow our employees to drive safely?” Having the best policies and training available is not enough, the safety-operational balance needs to be right, with the operating policies and practices to back this up. If the operating culture of the business is long hours, limited or unrealistic journey times between appointments, being available to take calls whilst on the road, then this is in direct competition with the safety protocols put in place and the system will ultimately fail.

In all instances, risk reduction interventions must be targeted at specific, identified risks.

Please see the appendix on p.22 for an example.



Continue the journey

Maintain monitor and review

Once interventions have been implemented it is important to maintain the scheme, and the awareness of all involved, ensuring that everyone remains focused on the issues, helping to develop and maintain a good on-road safety culture.

Vehicle maintenance is an important aspect of the maintenance process, and it this is one of the key areas the rganisations find difficult to manage with their grey fleet drivers.

It is also important to measure the key performance indicators, such as the collision rate, to ensure that the control measures and interventions selected are actually reducing the risks your employees face. This, in itself, provides

a challenge with the grey fleet, as you need to rely on the diligence of these employees to inform you of any collision that occurs whilst they are making a work-related journey, as you will not get this information from their insurers.

Lastly, it is vital to regularly review the process to ensure that you continue to keep focused on the right issues, and to continually reassess and tackle lesser risks, and by doing so achieve continuous improvement in the safety of your employees making work-related journeys.

Management responsibility

The first question to ask here is **who should have responsibility for managing the grey fleet?** This is often left to the fleet manager, but they rarely have much influence over grey fleet vehicle issues, and indeed managing other aspects of these employees.

In organisations who manage their grey fleet well, the management responsibility generally lies with the H&S or HR manager, or occasionally someone at a senior level such as the Company Secretary. The thing they all have in common is that they have responsibility and/or influence across the whole organisation, not just one department. As such, they are able to implement risk management initiatives

more effectively 'across the board', including the grey fleet.

Policies and procedures

Most policies and procedures that we see are too focused on the managed fleet, and often only include the grey fleet on a peripheral basis. This is especially true of most driver handbooks that we see, which concentrate mostly on the administrative issues associated with using an owned or leased vehicle and have little focus on risk management issues and even less about issues associated with the grey fleet.

Whatever policies and procedures are in place, it is vital that these are fully embedded in the management systems and ultimately linked to employee contracts of employment. Doing this ensures that they can be enforced and the organisation's disciplinary procedures can be used if non-compliance cannot be managed in any other way.

Policies, procedures and driver handbooks must apply to all employees making work-related road journeys and, as such, should focus on key issues such as risk management, with any particular issues faced by certain groups of employees covered in appendices.

Regardless of what is contained in an organisation's policies, procedures and driver handbooks, one of the biggest challenges faced is getting employees to actually read them! Many organisations get the employee to sign a declaration, either physically or electronically, to say that they have read, understood and will abide by the document, but in reality very few employees will have actually read them. This raises two issues – the first is that if they have not read them they are unlikely to act on any policies and guidelines, and the second is that the organisations cannot demonstrate that the employee has read and understood their key documentation, just that they have signed to say that they have.

Current best practice is to carry out comprehension checks with all employees, with 100% compliance required. This ensures that they have actually read the relevant documentation, increasing the chance that they will act on it, and at a corporate level, the organisation can produce a robust audit trail and show that the documentation has been read and understood as the employee has demonstrated 100% compliance in the checks.

What do Companies need to manage?

The situation that most organisations face is that their grey fleet is not well managed and they face significant challenges, from the employees and HR, when contemplating change.

Assuming that a proven and effective risk management programme is in place, and that you have the necessary policies, procedures and driver handbooks in place, and that the employees have actually read these (see earlier), then you can start to focus on the three fundamental areas of work-related road safety – the driver, the journeys they make and the vehicles they use.

The driver

The driver has the most influence over whether they are going to be involved in a collision, regardless of ‘blame’, so most emphasis should be placed here. Whatever you do for an employee using an owned or leased vehicle should also be the same for employees in the grey fleet.

Fitness to drive is one of the key areas that need managing, which will include areas such as:

- health
- fatigue
- eyesight
- alcohol/drug (medicines and recreational) use.

Organisations should remember that anything they do for an employee using an owned or leased vehicle must also be offered to employees in the grey fleet. As an example, if eyesight screening is mandatory for an organisation car driver (and, of course, it should be), it must also be mandatory for the user of a private vehicle, and if the organisation pays for one to have the test, they must also pay for the other.

Mobile phone use is another area where uniform management standards must apply. Best practice is not to allow any phone use whilst driving, but where this has not yet been implemented, just because an employee is using a privately-funded vehicle, organisations should not assume that they are exempt from any rules on phone use that exist – in fact this situation is often more difficult to manage, as the employee may have their own phone and is unlikely to have any funded hands-free equipment.

Risk assessments are another area where consistent implementation is required. These are required as part of the risk management process (see page 8 earlier) and should give a comprehensive risk profile of each driver (including their core competencies) as well as for the journey and vehicle aspects (covered on pages 15-16 later).

Some organisations only risk assess their managed fleet employees, as they argue that these tend to be the highest mileage drivers and hence are at most risk of being involved in a collision. Others use the collision history of an employee to determine who needs assessing. Both of these approaches are flawed in that, until a risk assessment has been undertaken, it is not possible to determine where (and what) the actual risks are. Mileage exposure and collision history are certainly indicators of risk, but a good comprehensive risk

assessment will address many other issues and give an accurate indicator of which employees are more likely to be involved in a collision. Indeed, the grey fleet driver, using these simple criteria, is unlikely ever to be assessed, as they tend to have lower mileage exposures and the organisation rarely has any collision data.

Once the risk assessment process has been completed, the organisation can then decide on what the appropriate interventions are, and again, these should be applied uniformly regardless of vehicle ownership. As discussed earlier, risks should be addressed using a hierarchical approach (eliminate, substitute, reduce) with management interventions given priority as these are most likely to produce a sustainable reduction in the risks faced.

Where interventions focused on the individual are involved, there will generally be a cost implication (whether that is the employee's time, organising an internal training course or undertaking some externally-supplied coaching). Any budgets for risk management must include the grey fleet, as these drivers will face similar risks to those in the managed fleet, and need to be addressed in the same way.

Licence and insurance

³Licence checking is also an area where the grey fleet needs to be 'in scope'. Best practice is to check directly with the DVLA, to eliminate any possibility of fraud. This is possible with employees holding UK or Irish licences, but not with any other nationalities (although best practice is to get any foreign nationals to take a UK driving test if they are to be driving here regularly).

It is also best practice to use a risk-based approach for determining the frequency of licence checks, with drivers at higher risk of losing their licence checked more frequently. These checks need to include the grey fleet drivers to minimise the possibility that they are making work-related journeys whilst unlicensed (and hence uninsured).

One area that is significantly more difficult to manage with the grey fleet is checking that they have the appropriate insurance for the vehicle and the types of journey they will be undertaking. In organisations where these checks are carried out, it is most common to find some sort of self-declaration. Occasionally physical checks will be made, although there is a significant administrative burden associated with this.

There are a couple of issues to consider here – the first is the person carrying out any checks needs to know what to look for, and what class of business cover is applicable to what the employee is actually doing when making work-related road journeys. The second is that there is nothing stopping an employee cancelling their policy the day after they show it to their employer. A pragmatic approach here would be to undertake annual checks with some random checks in between.

The journey

The journey has the next biggest influence over whether an employee is likely to be involved in a work-related collision.

Any travel plans that exist in the organisation should include the grey fleet employees. Assessing the need to travel is one of the fundamentals from an H&S and also an environmental perspective. The grey fleet need to be in-scope here to ensure that their journeys are being managed effectively.

³ For more information refer to 3 on p.21.

“Fatigue is the biggest issue associated with journeys, so any limits on the total length of the working day, including driving, should include the grey-fleet. It is common to find, despite their (generally) lower mileage profiles, that the grey fleet driver faces significant risks in this area (which should be covered in the risk assessment discussed earlier). These drivers are often managers who have opted out of the company car scheme/are classified as perk drivers, and tend to have a long working hours culture, so even though their mileage profile is less, they still face a significant risk of suffering fatigue and/or falling asleep at the wheel towards the end of their working day/on their early morning journeys if they don’t get sufficient sleep.

The vehicle

After the driver, who is always the most challenging to manage effectively, the vehicle used by the grey fleet employee is the most difficult to manage, although has the least influence about whether a collision is likely to occur.

Most policies we see when working with customers have very little in the way of risk management built into them, and in general employees using their own vehicles do not have to abide by the principles of vehicle management that their colleagues using owned or leased vehicles. This disparity leads to increased risks.

Ideally, the criteria for being able to use a privately-owned vehicle should be clear and fully align with the organisation’s wider fleet risk management programme. There are a few organisations that do this and are able to manage the grey fleet effectively, as these issues are covered in contracts of employment as well as the organisation’s various policies and procedures.

The first area to address is vehicle choice and fitness for purpose – is the vehicle suitable for the job that the organisation is asking the employee to do? Where specialist tasks are involved (e.g. carrying equipment) then it is often easier for the employer to dictate the type of vehicle that is acceptable to be used, in line with its managed fleet vehicle selection policy. For general driving, however, the situation is much more difficult.

One of the best starting points is from an H&S perspective – it is reasonable for an organisation to dictate minimum safety specifications for a vehicle to ensure the safety of an employee, and this needn’t limit vehicle choice in today’s market.

Some examples are provided on the next page.

⁴ For more information refer to 4 on p.22.

Stipulate:

Active safety systems

Electronic Stability Control (ESC) can be specified and are available on a wide variety of vehicles, and this list is increasing as new models are introduced. Anti-lock Braking Systems (ABS) should also be seen as a minimum standard (these are fitted to all vehicles with ESC as they make up part of the operating system), although if these are specified then training is required as there is widespread uncertainty as to what the main benefit of ABS is and how it operates (this goes for the managed fleet as well).

Passive safety systems

Now widely available. Probably the best way to summarise these is to use EuroNCAP ratings as a minimum specification. Most vehicles, with the exception of some low-volume models, are subjected to these tests and there are a wide range of 5* vehicles available, so again choice should not be too limited. Some care should be taken when interpreting these test results, as you there are still differences between different classes of vehicle, so you should only really compare EuroNCAP ratings within a particular class of vehicle, not between classes – in general the larger the vehicle the safer it will be.

Age and mileage profile

Should finally be taken into account. This type of data should be available from the risk assessment, so you can see what issues need managing, but is not uncommon to find very old vehicles being used for work-related journeys. Older vehicles are likely to have fewer active and passive safety systems, and certainly they will not have the most up-to-date systems, and as such their occupants will face an increased risk of injury either because they cannot avoid the collision or the vehicle provides less protection in the event of a crash. Older and higher mileage vehicles, in general, are more at risk of suffering a malfunction, putting the occupants at risk due to the need to get the vehicle to a position of safety (e.g. from lane three to the hard shoulder of a motorway) and also putting them at risk of injury when they are stationary on the carriageway (many collisions occur on the hard shoulder of a motorway).

Whatever vehicle specification is agreed on for grey fleet employees, it is vital that they are maintained to a minimum standard. There are two aspects to this:

1. **The maintenance schedule laid down by the manufacturer.**

It is important that this is followed, using approved garages, to minimise the risk of malfunction and associated risks discussed above. For grey fleet employees there may be a temptation to cut costs and either carry out servicing/maintenance themselves, or go outside of the approved garage network. Whilst this route may lead to a good standard of maintenance, it is difficult or impossible to verify, and as such, from a Duty of Care perspective, it should not be allowed. Maintenance records (and MOT certificates where appropriate) should be checked by the employer on a regular bases (at least annually), with random checks being carried out in the interim. The required level and standard of maintenance should be incorporated into any relevant policies and procedures.

2. **Routine maintenance,** and this is an area where organisations have difficulty managing their owned/leased fleet drivers. It is important that drivers regularly carry out their 'POWER' checks:

Petrol/diesel (fuel)

Oil levels

Water levels – coolant and wash bottle

Electrics – primarily lights

Rubber – tyres and windscreen wipers.

In reality, very few employees carry these checks out, but they are vital to minimise the risk that any malfunction associated with these checks leads to a collision.

'POWER' checks should be undertaken at least once per week and before any long journey.

There is no practical way of ensuring that routine maintenance is being carried out, so the best way to manage this is by regular safety communications with employees and also undertaking random vehicle audits, where any deficiencies may be uncovered. This raises problems with the grey fleet as, being privately-owned, a common natural reaction of the employee is to say that the organisation has no right to do this. In reality, this view is probably correct unless the contract of employment and relevant policies and procedures have been written with this process in mind.

Tyre spotlight

Arguably the biggest safety issue here is checking tyre pressures and condition. Whenever tyre maintenance companies are invited into an organisation's car park to undertake tyre checks, it is not uncommon for them to find a significant number (20%+) of vehicles with one or more illegal tyres, suggesting that routine maintenance is not routinely carried out by employees. Tyre pressures contribute to the overall stopping distance of any vehicle and also the tyre wear rate and fuel consumption, so this is one of the fundamental areas that employees should be checking on a regular basis.

When setting guidelines as to when to change them, best practice is to replace them at 3mm as research has shown that performance, especially in the wet, significantly deteriorates below this figure. Any policy associated with tyre changing must be applied uniformly across all drivers. There is a major cost implication for the individual employee, and consideration needs to be made in any cash allowance.

Safety in the event of a breakdown

An area often neglected with the grey fleet is breakdown cover – this is normally provided for owned or leased vehicles and, because of the safety benefits, it should also be provided to the grey fleet employee, even though this is another additional cost. The prime reason for doing this is the safety benefits of having a breakdown specialist deal with any maintenance issue, for example changing a wheel, compared to the risks associated with an employee attempting even minor repairs at the roadside, especially on a motorway.

Some fleets supply additional ancillary equipment to enhance the safety of the driver – examples would include high-visibility jackets for use in the event of an emergency, 'life hammers' to help cut seatbelts and break windows following a collision, and tyre pressure and tread-depth gauges. If these are being supplied from a safety perspective then it follows that these should also be supplied to grey fleet drivers (and indeed to users of hire vehicles). This is another example where there is a cost implication not necessarily thought about when setting up any opt-out scheme.

In summary

Managing the grey fleet isn't easy,

and it needs someone with cross-department responsibility to be able to implement work-related road risk management effectively. Policies and procedures need to take into account the management issues associated with all employees, not just those in a company-managed vehicle.

The rationale for managing work-related road risks effectively is clear, both in the managed and grey fleets, to meet your Duty of Care, comply with the relevant legislation and to meet your Corporate Social Responsibility (CSR). The most compelling reason for most organisations, however, will be the financial one, to control the uninsured losses associated with every collision, regardless of vehicle ownership. This will help increase the profitability of any business.

The focus on environmental issues is likely to become increasingly onerous

for organisations, so all work-related journeys, regardless of vehicle ownership, will need managing to help an organisation manage its carbon footprint.

The key to managing all risks that an organisation faces is to use a proven risk work-related road risk

management process, and not simply use any risk assessments as a prescriptive way to determine who needs training. Using proven H&S principles, and favouring management interventions over those focused on the individual employee, will help produce a sustainable reduction in the risk profile which will ultimately realise the safety, legislative, CSR and, above all, the financial benefits that will be obtained from a sustainable reduction in the collision rate.

Essentially, organisations need to foster an inclusive safety culture in order to reduce incidents over time – practical interventions won't work in isolation.

More information

- 1 Revision of the road death investigation manual. Fatal road collisions – are you prepared for an investigation?
- 2 Financial case for managing work-related road safety.
- 3 Why should an employer check driving licences?
- 4 Top dos and don'ts for managing fatigue.

All of these articles are available to download from the information library on **www.zurich.co.uk/riskservices**

Appendix

As an example, if one of the risk areas identified from the assessment process is an employee's high mileage profile, the risk reduction strategy would be, in this order:

1. Eliminate some of the mileage, which is generally a management initiative. As an example, sales territories could be reorganised.
2. Substitute some of the journeys for ones on public transport, which is also generally a management initiative. Air and train travel are both significantly safer than travelling by road.
3. Ensure you have robust policies on fatigue management, also a management initiative. The biggest risk for high mileage drivers is falling asleep at the wheel, so policies should include limits on the maximum length of the working day (including driving), maximum continuous driving times and break durations (15-20 minute breaks after 2h driving or sooner if feeling tired).
4. Raise awareness about fatigue issues and provide practical suggestions on how to manage this, also a management intervention.
5. Provide guidance & training on effective route planning, to ensure journey times are minimised.
6. Provide guidance & training on effective schedule setting to ensure that journeys are planned efficiently.
7. Provide guidance & training on how to attain the correct seating position, as incorrect posture will lead to the early onset of fatigue.

As you can see, even though this was identified as a risk from an individual assessment process, the prime risk reduction recommendations are those focused on management initiatives.



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