



Driving for Better Business

Making the **business case**

This paper aims to assist managers seeking board authorisation to implement a fleet safety policy and supporting interventions during the next five years. It focuses on why fleet safety is important


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1 Introduction

This paper aims to assist managers seeking board authorisation to implement a fleet safety policy and supporting interventions during the next five years. It focuses on why fleet safety is important.

2 Why is fleet or occupational road safety important?

Road safety is a major burden on global well-being. World Health Organisation data suggests that approximately 1.2 of the 5 million global injury deaths each year are road crashes. Governments all over the world have implemented many engineering, educational, enforcement and evaluation based programs – some of which have been more effective than others.

Fleet safety has grown in prominence in recent years, as the scale of the problem has emerged. This includes people involved in crashes whilst working by the roadside, or driving as part of their work, either in their own vehicle or a vehicle provided by their employer – all of which have a potential impact on organisations.

In fact, there are a range of societal, business, legal and cost reasons why organisations should focus on fleet safety. Each is considered in turn, and is of most importance depending on who the business case is being made to. Typically, senior managers involved in marketing and branding are influenced by the CSR and business benefits, compliance and legal managers take notice of the legal requirements and accountants/business managers are most likely to be persuaded by strong financial arguments. In our experience, you should pitch your message accordingly.

2.1 Societal factors

Road safety has a massive impact on society, and for this reason can play a major role in improving – or damaging an organisations corporate social responsibility (CSR).

- European Commission data suggests there are 1.3 million road vehicle collisions in Europe each year, including over 40,000 fatalities and 1.7 million injuries. These are estimated to cost over €160 billion, or 2% of gross national product.
- In the UK road death is the most likely way for 4 to 44 year olds to die. During 2007, almost 3,000 people were killed on the roads in the UK, an average of just under 9 per day. Department for transport Purpose of Journey data, and industry estimates suggest that between 25 to 30% of these incidents involved at least one person driving for work. This means that there are about 4 times more work-related road related fatalities than non-vehicle based occupational fatalities in the UK. Company owned vehicles only make up 14% of the UK's 28 million vehicles, suggesting that fleet operators should begin to take more proactive steps to address road safety.

Many organisations have large and distinctive fleets in the UK and it is important for both employees and customers that they demonstrate a proactive approach to managing foreseeable risks. Due to their public exposure it is in their best interests to inform customers of road safety initiatives and deliver on promises to ensure a positive impact on society.

CSR, or corporate social responsibility, protecting people, profit and the planet, has grown increasingly important, with most organisations now having a CSR strategy or statement of intent. In recent years, more proactive organisations have begun to see the link between CSR and road safety – which has a massive potential impact on all three strands of people, profits and the planet. Good fleet safety helps to protect people from injury, saves money and is good for the environment. Several examples of positive fleet safety CSR include:

- www.wolseley.co.uk/corp/corporate_responsibility/fleet_safety.html

- www.investis.com/bbeattycr06/cr06/safetyandhealth/keyhazards.html#8
- www.monsanto.com/responsibility/our_pledge/delivering_value/societal.asp
- www.shell.com/home/content/in-en/society_environment/sustainable_develop/fleet_safety_010306.html
- www.shell.com/home/content/in-en/society_environment/transporters_adapt_safety_jun2006.html
- www.jnj.com/community/health_safety/programs/Fleet_Safety.htm
- <http://www.virtualriskmanager.net/main/aboutus/csrandfleetsafety.php>

So, from a societal, or CSR perspective, there are many good reasons for businesses to focus on fleet safety.

2.2 Business factors

When managed in a proactive way, there is a clear link between safety, quality, customer service, efficiency and the environment. This can be reflected in many ways, including: improved fuel efficiency, reduced asset damage, reduced vehicle downtime plus wear and tear. Work-related road safety is a core activity for most organisations which cannot be isolated from the business overall, and offers many marketing, business development, corporate social responsibility, staff well-being, brand enhancement and brand protection opportunities by ensuring employees continue to drive safely. At the most simple level, it is much better for an organisation to be promoting a good news safety story such as winning an award, than it is to have to react to and suppress the outcomes of a major incident.

A proactive road risk program can also keep organisations ahead of and protected from regulations and legal requirements. Effectively, proactive organisations can help to shape and lead forthcoming safety regulations, and gain a competitive advantage by being ahead of more reactive organisations.

2.3 Legal factors

Legally, many jurisdictions around the world – including the UK – have tightened up their Occupational Health and Safety (OHS) regulations to include work-related driving. In the UK, the joint Health and Safety Executive/ Department for Transport (HSE/DfT) guidance on ‘Work-related Road Safety’, issued in September 2003 set out how this should be achieved by competent people in organisations taking a risk assessment led approach to managing drivers, vehicles and the journeys they undertake.

Although the HSE/DfT document is only a guidance, it has become a minimum benchmark standard for organisations to work to. This means that not only do organisations have to ensure that their workers drive within the road traffic rules, but also the organisations themselves must have clearly risk assessed and documented safe systems of work in place for their vehicles, drivers, journeys, sites and processes. The guidance covers all forms of work-related transport, including cars, trucks, bicycles, buses, vans, construction plant and towing units, and clarifies that the Management of Health and Safety at Work Regulations on risk assessment do apply to work-related driving – even where people are using their own vehicle.

The guidance has also seen moves towards a closer relationship between the Police, HSE and Department for Transport in road vehicle collision investigations, where questions the police are asking include ‘was there a work element involved and did the organisation have appropriate management policies, procedures and audit trails in place?’

Legally, as a minimum, organisations should be complying with the guidance, and should be able to answer the following 10 questions positively in relation to their road risks:

1. Are we compliant with the Road Traffic Act (1998) and Road Safety Act (2006)?
2. Are we compliant with the current edition of the Highway Code?
3. Are we compliant with the Association of Chief Police

- Officers Road Death Investigation Manual?
4. Are we compliant with the Health and Safety at Work Act (1974)?
 5. Are we compliant with the Managing Health and Safety at Work Regulations (1999)?
 6. Are we compliant with the Provision and Use of Work Equipment Regulations (1998)?
 7. Are we compliant with the Working Time Regulations (1998) and recent amendments?
 8. Are we compliant with the mobile phone use whilst driving regulations (2003)?
 9. Are we compliant with the Corporate Manslaughter and Corporate Homicide Act (2007)?
 10. Are we compliant with EU directives on issues such as compulsory driver training, the Motor Insurance Database (MID) and unlicensed driving?

The above questions need to be covered by an organisation's fleet safety policy, ideally incorporated in its Health and Safety policy, which should be reviewed and reissued on an annual basis to check compliance with current legislation, and ensure that it is being applied.

The two most recent government regulations - the Road Safety Act (2006) and Corporate Manslaughter and Corporate Homicide Act (2007) – are worthy of further discussion.

Amongst other things, the Road Safety Act introduced a new offence of Causing death by careless or illegal driving, as well as focusing on speed penalties and mobile phones. The offence of Causing death by careless or illegal (disqualified or unlicensed) driving, brings the need for driver licence, insurance and MOT checks to the top of the agenda for any organisation asking people to drive on business.

The UK Corporate Manslaughter (England, Wales and Northern Ireland) and Corporate Homicide (Scotland) Act took effect 6 April 2008. Under the Act, employers have a Duty of Care to ensure the safety of employees driving for work purposes. In simple terms,

the revised legislation makes it easier to prosecute large and medium sized organisations for manslaughter following a work related death. Attention will focus on the way in which a company's activities are organised by senior management.

Put simply, prosecutors no longer have to identify the single individual, director, or senior manager responsible before they can bring criminal proceedings. The new legislation simply requires that a significant element of the procedure or system failure that caused the incident must be at a management level. It means that senior managers and directors will be more accountable after any fatal work related collision.

Compliance with the joint Health and Safety Executive/ Department for Transport guidance on 'Work-related Road Safety', and all these legal requirements, is particularly important and should be the basis of an organisations fleet safety policy - which details how to effectively manage work-related road safety legally, whilst minimising the risks to the brand, employees and other road users in a cost effective way.

2.4 Cost factors

Particularly in the current climate of downturn, recession, rationalisation, downsizing and the limited availability of capital, maintaining safety in a cost effective way is particularly important.

The financial implications of work-related road safety can be massive, with significant increases in insurance costs, ambulance chasing and personal injury costs in recent years. Industry research shows that typically workplace injury costs are met 40% by the employee, 30% by the employer and 30% by the community as a whole.

Figure 1 shows a cost model that many organisations have used to show the financial implications of fleet safety. It can also be used to project long-term costs and potential returns on investment from adopting a proactive Fleet Safety Policy.

Figure 1 – Model of collision costs

Item of cost	Sample data
Own damage costs	£1,000
Third party vehicle damage costs	£1,000
Third party injury costs	£1,000
Reported cost of collisions	£3,000
Total cost of collisions (including hidden costs @ 2 times reported costs)	£6,000
Revenue required to fund collisions at 10% Return on Sales	£60,000
Widget sales (at 50p) required to fund fleet safety costs	120,000

A more detailed cost modelling spreadsheet based on Figure 1 is freely available by contacting the author.

Including own damage costs, third party vehicle damage costs and third party injury costs, Figure 1 shows the full financial implications of an organisation's collisions. HSE data suggests that this figure should be multiplied by between 8 to 36 times to identify the actual total costs of the collisions to an organisation. Industry experience suggests that such hidden costs should be treated more conservatively, so in Figure 1 a hidden cost multiplication factor of 2 has been used. To cover a £3,000 collision, £60,000 of revenue would be required, equating to sales of 120,000 units. In building a business case, it is worth asking the question: *'Is it easier to sell 120,000 extra products, or be more proactive in preventing collisions?'*

Risk financing is also becoming increasingly important - finding clever ways to fund programs, and to minimise the cost of fleet safety through data led 'risk targeting' based on sound science.

3 Summary of business case

Overall, there are some strong **legal, societal, business, and financial** arguments in favour of tacking proactive steps to improve fleet or occupational road safety.

The benefits of improving fleet safety include: a reduction in personal injury, at work and leisure, increased awareness of 'on the road' risks, improved safety and reductions in potential vehicle collisions.

Financial benefits include: reductions in vehicle downtime and repair costs and higher productivity of employees through reductions in injury absence.

Case studies of many proactive organisations that have successfully used this business case methodology are shown on the DfBB website and at: www.drivingforbetterbusiness.com

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