

## The Fleet Spot

Significant Industry News & Developments for the Management of an Automotive Fleet

## Interview with Daniel Frank

September 15, 2011

### Let's talk about the state of the industry.

For many years we focused on managing the asset or the vehicle. Today, with a lot of the new telematics tools, including communications and mobile applications, we now do much more to manage the asset and the driver and how he or she behaves in the vehicle.

What's terrific is that you can influence behavior in a lot of different areas, fuel efficiency or reducing carbon emissions, for example. Fleet managers have done a lot to modify the types of vehicles that drivers are driving. The next phase is being able to manage things like being sure drivers are checking their tire pressure. Are they using good driver behavior in terms of acceleration and braking to get good fuel economy out of their vehicle? Are they taking excess weight out of their vehicle when it doesn't need to be there?

With telematics we can monitor the behavior of the driver – are they driving too fast, braking hard, are they drifting out of their lanes, are they speeding? We can monitor these things and give drivers the feedback they need to be better and more productive performers for their company.

### Do you have a sense of the cost savings a fleet can realize by managing driver behavior?

The biggest savings are in safety and fuel economy. Safety is one of the biggest hidden costs of fleets. The direct cost plus the property liability can be as much as \$10,000 to \$12,000 per accident. If somebody is injured, workers' compensation and lost time from the job, it can be much higher than that. So, if you can help drivers drive more safely you can drive down the number and costs of accidents.

We are also finding that there are a number of opportunities to improve fuel efficiency. Obviously as fuel prices climb there are a lot of opportunities for companies to save money.

### Let's talk about distracted driving. What advice do you give fleet managers to manage this behavior?

There are a couple of issues for fleet managers to understand about distracted driving. There is a large educational opportunity that they have with their companies. Distracted driving involves a number of different behaviors. They include texting, using the cell phone, and then some people go all the way into working with the



## Daniel Frank

Wheels Services  
President

Dan joined Wheels in 1986 and has filled numerous roles including positions in IT, Marketing, Strategic Planning and Finance. Dan provided leadership in the development of Wheels' Canadian, Puerto Rican and Mexican divisions, and was responsible for building Wheels' middle

market operations.

Today, Dan is responsible for the Wheels Services business, which includes services such as maintenance management, accident repair, safety, telematics and fuel management. The business generates annual revenues in excess of \$750 million. Dan is also President of Wheels Canada and Chairman of Ixe Fleet, Wheels joint venture in Mexico. He graduated from Dartmouth College with a Bachelor of Science degree in Engineering and earned his MBA at Stanford University. Dan is a Henry Crown Fellow at the Aspen Institute and is a member of the Young Presidents Organization (YPO).

GPS system, changing the radio, eating in the car, attending to other passengers, etc.

It's important to get the facts out within your company and get them to buy into the solution. Clearly, for professional drivers, the biggest issue is the cell phone, which generally involves texting and having both hands-free and hand-held calls.

The National Safety Council, the National Highway Transportation Agency, and the U.S. DOT have all done research on in-vehicle use of cell phones and have created outreach programs that include valuable educational material. Once you have the facts and have explained those to your company, what's really important is to develop a policy that explains exactly what is allowed and not allowed.

The states are starting to ban text messaging; in fact, OSHA has come out with regulations that requiring text messaging as part of a job is no longer allowed under OSHA and a number of states are banning the use of hand-held cell phones. Probably the next conversation will be whether hands-free cell phone use is just as distracting as hand-held cell phone use.

Fleet managers must work with their company to establish a clear policy on cell phones and enforce that policy just like any other safety regulations that they have in their driver policy. Enforcement is the most important thing because if you acknowledge the issue and then don't do anything about it, that's actually worse than doing nothing at all.

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One of the things I have been talking to fleet managers about is that it doesn't matter whether their drivers are in a company provided vehicle or their own vehicle, the company is still responsible for safe driving during any business transportation. It's important that companies expand their policies to include both fleet-provided drivers as well as people who are being reimbursed for using their own vehicle.

#### Let's talk about the surge in traffic and toll violations that fleets are seeing.

It's interesting; the number of violations we receive has quadrupled in the last several years. Largely it's because of technology. We now have speeding cameras, electronic tolls, red light cameras, etc., and thus are seeing a large proliferation in the number of violations. Clearly, the state budget problems have something to do with that, but in any case the states are being more aggressive about violations. We are seeing an enormous explosion in the number of toll violations. With technology today it is actually very easy to help manage those.

Wheels has a program coming out that will actually allow us to manage the tolls and make sure there is a transponder in the vehicle where it needs one, or that the license plate is registered where they have video tolling to make sure the fleet does not incur those violations to begin with.

#### Would you like to talk about the accounting convergence that is slated to be finalized soon?

I would be happy to. I also did a webinar on this issue and obviously it's something that a lot of fleet managers are interested in understanding. What's going on from a big picture is that we are trying to converge the US standards with the IFRS (International Financial Reporting Standard), so there is a single set of financial statements that investors, employees and lenders can look at and understand the nature and performance of the company rather than having different standards and having to make sense of the different standards. In order to do that, the International Accounting Standards Board, (IASB), and the US Financial Standards Board (FASB) are working together to bring a number of the rules and make them consistent so that we have similar sets of rules. Eventually, they will come up with a single standard.

One of the places where they are trying to achieve convergence in the rules is lease accounting standards. Ultimately, the standard will require all the leases to go on the balance sheet, so if you

lease vehicles you will carry them as an asset on your company's balance sheet and you will also state a liability to pay rent on the vehicle. It will be fairly straightforward.

The important thing to understand in this is it's all still just accounting so it has no effect on the economics of the transaction or the tax consequences and it doesn't really change the reason most people lease vehicles: Efficient use of company funds; and having their fleet management company manage license, title, violations and all the other things that go with the ownership of the vehicle.

#### How do you see the role of today's fleet manager in a fast-changing world?

The fleet manager's job is changing, it's not dying, it's becoming more important. Actually, the job today is much more sophisticated. What has happened is a lot of the routine transactions have become automated or have become outsourced and companies now rely on fleet managers to make much more strategic decisions. Many more of them are now reporting to company functions like procurement or strategic sourcing. They are less involved in the administrative part of the job. Today, the fleet manager must interact with a higher level in the organization and make bigger picture decisions.

As the world becomes smaller and more economically integrated, things change much more quickly. Things like the tsunami in Japan, the economic situation we are going through, the changes in the Middle East -- these all have an impact on our client companies and on the employees of those companies and on our fleets.

Now that we have a global supply chain we find there are paint shortages or other material shortages that can occur when a tsunami or other cataclysmic event occurs. We all need to learn to react to those changes and to move faster to be able to adapt to these global changes that are happening more and more quickly.

In this environment, it's Wheels responsibility, as well as that of any provider in this industry, to give our clients the tools and the data to respond to changing conditions and help equip them with the ability to act as quickly as possible to whatever steps they might have to take.