برنامج الأغذية العالمي

Programme Alimentaire Mondial

World Food Programme

Programa Mundial de Alimentos

Executive Board
First Regular Session

Rome, 4–6 February 2008

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

GLOBAL VEHICLE LEASING PROGRAMME AND SELF-INSURANCE SCHEME

For information*

E

Distribution: GENERAL
WFP/EB.1/2008/6-C/1
9 January 2008
ORIGINAL: ENGLISH

* In accordance with the Executive Board's decisions on governance, approved at the Annual and Third Regular Sessions, 2000, items for information should not be discussed unless a Board member specifically requests it, well in advance of the meeting, and the Chair accepts the request on the grounds that it is a proper use of the Board's time.

NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for information.

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

Director, FESO*	Mr F. Curran	tel.: +971 4 3681383 ext: 2101
Chief, Project and Emergency Services, FESO:	Mr D. Grace	tel.: +971 4 3681383 ext: 2103

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms C. Panlilio, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

* Field and Emergency Support Office (Dubai)

EXECUTIVE SUMMARY

This information note describes the Global Vehicle Leasing Programme and Self-Insurance Scheme, which is an initial step towards global light-fleet management and the exploitation of efficiency potentials in operating light vehicles.

Acquiring and managing a fleet of light vehicles in a humanitarian environment presents challenges that are compounded by sudden emergencies. These challenges include:

a) ensuring rapid vehicle availability for a range of terrains and locations;

b) managing the costs of vehicle ownership, including through:
   - exploitation of volume discounts;
   - standardization of vehicle types and accessories;
   - optimization of life cycle and residual value;

c) adopting an enterprise approach to fleets, including:
   - tracking for internal control and International Public-Sector Accounting Standards;
   - maintenance to ensure cost efficiencies and minimize carbon footprints;

d) ensuring that short-term projects are not penalized by paying the total costs of vehicles;

e) ensuring that comprehensive and consistent vehicle insurance is available at a reasonable cost; and

f) increasing safety through driver training and improved vehicle reliability.

The establishment of a Global Vehicle Leasing Programme and Self-Insurance Scheme is a key step to addressing these challenges. By working with the public/private-sector partnership Fleet Forum, WFP will be able to introduce fleet management tracking during 2008.

WFP has started to provide driver safety training to staff at WFP and other agencies.

In its first nine months of operation, the programme has realized cost savings of US$1.6 million on vehicle purchases and US$350,000 on vehicle accessory costs. In 2008, the estimated savings on vehicle purchasing are expected to be US$2.2 million, with insurance savings of almost US$2 million by the end of the 2008.

DRAFT DECISION*

The Board takes note of "Global Vehicle Leasing Programme and Self-Insurance Scheme" (WFP/EB.1/2008/6-C/1).

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document (WFP/EB.1/2008/15) issued at the end of the session.

BACKGROUND

1. This document describes Global Vehicle Leasing Programme (GVLP) and Self-Insurance Scheme (SIS) and reviews progress to date. GVLP is a first step towards global light fleet management and the exploitation of efficiency potentials in operating light vehicles.

2. WFP's global fleet of more than 3,000 light vehicles represents a considerable investment and incurs substantial operating costs. Owing to the nature of humanitarian work, management of this fleet presents challenges.

3. For example, the unpredictability of demand for vehicles in sudden-onset emergencies has forced WFP to buy from third-party stockists, incurring overheads of more than 20 percent,[1] or US$2.2 million per annum. Unacceptable and potentially damaging delays can be experienced if stockists do not have the required vehicle.

4. The lack of standardization and guidance has resulted in cost inefficiencies, as different offices procure different models with different specifications, often not suitable for the purpose.

5. With no centralized recording of purchases, disposals or use, potential efficiencies in the re-use, reconditioning, transfer or resale of vehicles are lost. This deficiency represents a serious internal control risk.

6. The impact of these factors is particularly acute on short-term projects, which are often burdened with the full cost of vehicles and the problem of relocating or disposing of them after the project has closed. This is aggravated in emergency projects, where the demand for vehicles is high, but usage can be short term.

7. The provision of reasonable insurance coverage in a wide variety of operating environments presents an opportunity. In 2006, WFP country offices were paying an average of US$1,250 per vehicle per year for insurance coverage. For a fleet of approximately 3,000 vehicles, this amounted to an annual recurring cost of US$3.75 million. Claims were seldom made and were rarely successful.

8. The leasing and insurance initiatives have been established as an initial step in meeting these challenges. In the short term they have demonstrated their ability to increase operational effectiveness and administrative efficiencies.

OBJECTIVES

9. The GVLP and SIS initiatives are part of a wider programme to introduce best business practices into fleet management.

10. The initiatives:

   a) reduce the cost of vehicles for country offices and projects by up to 20 percent;

   b) improve insurance service and reduce insurance costs by up to 60 percent;

   c) implement best practices for fleet management, including:

      - enterprise planning and standardization;

[1] Based on the standard Toyota Landcruiser 105, which accounts for 50 percent of WFP's light vehicle fleet.

- delivering vehicles compliant with minimum operating security standards (MOSS), including satellite tracking;
- mitigating WFP's carbon footprint;
- complying with International Public-Sector Accounting Standards (IPSAS) requirements;
- implementing driver safety training; and
- managing total costs of vehicle ownership.

11. GVLP and SIS are administered on a non-profit basis. Any excess funds realized at year end will be used to reduce leasing and insurance rates.

IMPLEMENTATION

12. In March 2006, the Executive Director approved the establishment of a global vehicle pool. Given that vehicle costs are almost exclusively for projects, US$4 million was released from the direct support costs (DSC) advance facility to fund an initial purchase of 120 vehicles. The intention was to set up a stock of vehicles in Dubai to avoid stockist overheads of 20 percent and to ensure the immediate availability of emergency response vehicles.

13. In October 2006, an Executive Director circular officially established GVLP and SIS as mandatory services in WFP. By the second quarter of 2007, the initiatives were operational, and managed by the WFP Dubai office.

14. Advanced funding to finance GVLP was set at a maximum of US$20 million, recoverable from a special account. US$8 million was advanced in the first year (2007). Advanced funding for subsequent years will be reduced by US$2 million per year, eliminating the need for further advance funding after the fourth year.

15. The overheads for running the vehicle pool are about 10 percent, which will be charged to WFP project DSC funds for the purchase or lease of vehicles from the pool and will be used to pay back the original float amount.

16. During the fifth year, GVLP will break even and will require no further advances from the DSC and other direct operational costs (ODOC) facility.

OVERVIEW OF PROGRESS

17. GVLP and SIS were launched in the second quarter of 2007. By December 2007, GVLP had:

a) dispatched 228 vehicles;

b) delivered 170 vehicles to 21 WFP country offices, for which leasing charges begin upon delivery;

c) sold 49 vehicles to other agencies;

d) purchased 311 vehicles;

e) realized savings of US$1.6 million on vehicle purchases; and

f) realized savings of US$350,000 on accessory costs.

By December 2007, SIS had:

a) insured 44 country office fleets; and

b) covered 1,440 light vehicles and motorcycles.

18. Implementation of SIS was delayed, but all country offices should be covered by 1 January 2008. Based on claims history, estimated savings to WFP of US$2 million are expected in 2008. The value of the SIS fund is expected to reach US$600,000 by the end of 2008.

INTER-AGENCY SYNERGIES

19. As part of its wider vision, GVLP is engaged with Fleet Forum. This public/private-sector partnership initiative aims to develop and share best business practices in light-vehicle fleet management. It focuses on driver safety, the "greening" of fleets and reducing operating costs.

20. Other members of the humanitarian community have shown great interest in WFP's initiative. Inquiries related to vehicle leasing and purchase have been received from the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP), the Office for the Coordination of Humanitarian Affairs (OCHA), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children's Fund (UNICEF), the International Organization for Migration (IOM), the United Nations Joint Logistics Centre (UNJLC) and World Vision. Partners have also shown interest in using GVLP as a model for establishing similar operations within their own organizations.

21. FESO has carried out driver safety training in five country offices with other agencies also benefiting from the training.

22. A broader approach to fleet provision and management will result in greater efficiency potentials for fleets.

ACRONYMS USED IN THE DOCUMENT

DSC	direct support costs
FAO	Food and Agriculture Organization of the United Nations
GVLP	Global Vehicle Leasing Programme
IOM	International Organization for Migration
IPSAS	International Public-Sector Accounting Standards
MOSS	minimum operating security standards
OCHA	Office for the Coordination of Humanitarian Affairs
ODOC	other direct operational costs
SIS	Self-Insurance Scheme
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children’s Fund
UNJLC	United Nations Joint Logistics Centre