

Increased labor rates, additional in-vehicle technology, and environmental regulations are increasing truck accident costs. **By Lauren Fletcher**

TRUCK COSTS IN 2011 INC

A number of fleet management companies (FMCs) have seen overall increases in truck fleet accident management costs, including Emkay (8 percent), PHH Arval (4 percent), and LeasePlan USA (1 to 3 percent).

Fleet Response reported that it experienced a small increase. "For the most part, accident management costs have remained consistent with 2010's numbers," said Stuart Braun, adjuster and maintenance supervisor for Fleet Response. "However, the small increase we have seen is due to the rising costs for raw materials for parts." Fleet Response is a strategic business partner with Fleet Solutions, powered by Merchants Leasing.

Bucking the trend, CEI saw average truck accident repair spending decline by more than 6 percent. But, according to John Wolford, senior manager of provider and network services, "the figure varied widely by truck class. Average spending rose between 9 and 11 percent for Class 3 and 4 vehicles, while it fell by just as much or more for other classes." According to CEI data, average spending fell most dramatically for Class 7 trucks, where, at CEI, it dropped 22 percent.

Steve Jansen, CTP, manager, regulatory compliance and truck services for Donlen, noted there were a number of factors that caused accident costs to rise, "including higher accident repair shop labor cost, higher parts costs, in-

creased traffic congestion on major highways and thoroughfares, and more miles driven."

REVIEWING THE CAUSES

Weather was a major factor in increasing costs. "In 2011, we saw unprecedented weather events, such as an earthquake and multiple floods in the East, floods and droughts in the Midwest, and fires in the West. Weather delays increased the handle time at accident repair shops, which increased costs. We also saw an increase in vehicles impacted by these acts of nature, thus needing repair," said Eliot Benschel, director, vehicle accident services and risk and safety for PHH Arval.

Automotive Resources International (ARI) also saw Mother Nature as a key factor. "Last year had its fair share of natural disasters, most notably the March Japan earthquake and tsunami, which resulted in the near nuclear meltdown," according to Richard Torres, insurance and subrogation supervisor for Automotive Resources International (ARI).

But, natural phenomena were not the only factors — manmade causes also played a part. The increased use of complex componentry has impacted truck accident costs as well.

"New vehicles are featuring more complex electronics and more use of plastics and non-metal parts. This includes fiberglass fairings, which we're seeing more frequently, as fleets are

making greater use of them to increase aerodynamic efficiency and reduce fuel consumption," noted Greg Neuman, quality control supervisor and senior staff appraiser for CEI. "All of these are more expensive to repair and often need to be replaced instead. That's setting the stage for higher repair costs across the entire spectrum of truck vehicles in the future, as fleets begin to replace aging vehicles at a faster rate than they have in the recent past."

And, underlying all of this is the rising cost of raw materials.

"In 2011, there was a noteworthy increase in the cost of raw materials, including steel, copper, brass, and composite materials. Additionally, the price of both fuel and electric power has steadily increased throughout 2011," said Torres.

Brad Vlieg, VP of Client Services for Emkay also noted increased labor rates.

"The major factors in the increased of accident costs have been the prevailing labor rates and component costs. Although the average labor rate ranges from \$80 to \$150 an hour, we've seen an increase of approximately 3-4 percent over the last year," Vlieg said.

The number of available repair facilities is also a concern.

"As the truck class increases, there are fewer available repair facilities to utilize. Most are not generally partnered with a fleet management company or part of a managed network of certified repair shops. Also, given the economic

AT A GLANCE

Challenges fleets face in decreasing the percentage of truck accident costs include:

- Driver behavior.
- Establishing a comprehensive fleet safety and accident policy.
- Managing repairs.

ACCIDENT REPAIRS INCREASE 1-8% ON AVERAGE

challenges, repair facilities have had to reevaluate their business models in regard to purchasing updated, yet costly, equipment to repair the newer more sophisticated vehicles," said Dan Shive, VP, risk management services for LeasePlan USA. "In addition, we've noticed that some of the repair facilities no longer will stock parts due to the carrying cost."

Fewer repair facilities available to work on trucks have created more demand on the facilities that are available. "Those repair facilities, in turn, can be overworked, which can sometimes create delays in the complete repair process," Shive said.

While Wolford of CEI believes it's still too early to tell exactly what drove the changes in 2011, he did have insights into why some costs decreased.

"Where spending declined, we think it is, in part, due to efforts by truck fleets to reduce driving speeds. More fleets continue to reset engine governors to lower speeds, while they continue to make efforts to change driver behavior. So, this may have resulted in less severe damage, on average," Wolford said.

Another factor is continuing efforts by fleets to cut repair costs by using less expensive aftermarket and used parts, Wolford added.

Finally, where possible, truck fleets are postponing some repairs, as long as they don't affect functionality or safety, according to Neuman of CEI.

NEW & CURRENT TRENDS

New trends in accident management include a focus on safety, with additional safety equipment and increased use of telematics.

"Increasingly, trucks are more complex with extra safety equipment including air bags, crumple zones, and high-strength steel. In diesel trucks, reduced noise and exhaust levels have come a long way to contribute to a healthier work environment for drivers," said Bensel of PHH Arval.

Restrictions on cell phones and other electronics during a vehicle's operation continue to gain momentum.

"The recent NHTSB decision is a contributing factor; however, our belief is that truck and service fleet managers had already determined the need to address this issue," said Ted Lewin, manager of risk management services for Wheels, Inc. "While cell-phone blocking technology has become a more popular discussion point, so, too, has changing driver behavior through education and awareness. Behind-the-wheel training is gaining popularity among truck fleets, as well as online training programs."

Improving safety has been a high priority for truck fleets for years.

"Now that the Federal Motor Carrier Safety Administration's CSA program (Compliance, Safety, and Accountability) has been in place, truck fleets are making greater efforts to reduce crash rates than ever before,"

according to Luann Dunkerley, business development manager, truck and service fleets for CEI. "They're cutting truck speeds by adjusting engine governors, installing more electronic onboard data recorders, getting better brake systems, putting in more anti-rollover technology, adding more driver warning devices, stepping up their safety training and education efforts, and offering drivers safety bonuses. But, while [this technology] can make trucks safer, they can also make them more costly to repair."

Based on data from the National Private Technology Council — of which CEI is a member — the roads are getting safer for trucks with 2011 seeing 4.6-percent fewer crashes than in 2010. This could be due to many of the safety factors, including technology that may be adding to maintenance and acquisition costs.

"We're continuing to see growing interest in the trucking industry in [CEI's] accident management services. By and large, the trucking industry is in a similar position as corporate sedan fleets were 30 years ago — most do not outsource their accident programs. Over the past few years, while the country was experiencing a recession, the trucking industry was going through a depression, and carriers were struggling to make sure they stayed in business. There weren't many fleets looking to innovate in accident management. Now that the in-

Accident Trends

dustry has consolidated and business has improved, we're seeing more interest in how we can help them control their costs and leverage their administrative staff," Dunkerley said.

One of the new trends Fleet Response is seeing in truck safety and accident management is that more manufacturers are installing collision avoidance systems to assist drivers in becoming more aware of driving safety hazards, "such as lane encroachment and backing too close to a vehicle or object. Also, many manufacturers are installing back up cameras that will alert a driver when they are backing too close to another vehicle or object," said Braun of Fleet Response.

Jansen of Donlen sees increased use of technology with safety options. "There are a number of safety options that are available when specifying new vehicles. Some examples are back-up and proximity sensors, six-wheel ABS, traction control stability, backup cameras, and lane drift warning systems," he said.

Even with all of the safety technology that's becoming common on the market, Vliek of Emkay saw an increase in preventable accidents and a decrease in non-preventable accidents. "Statistics show that preventable accidents are at their peak during the winter/summer months. Although, on a percentage basis preventable accidents are up, on a total accident count, accidents are flat," Vliek said.

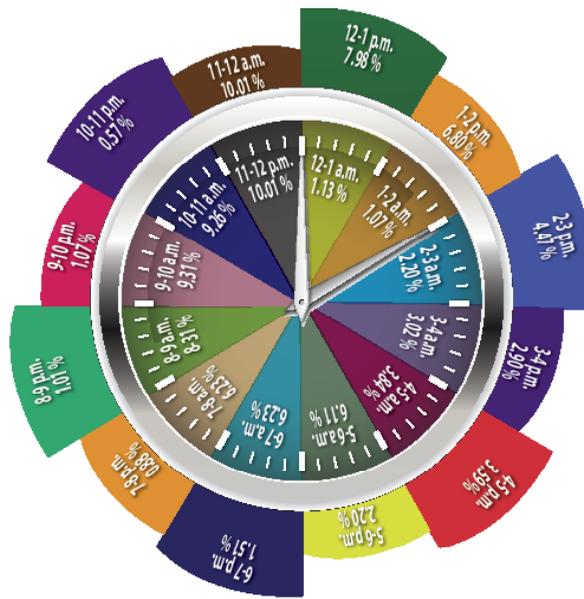
The safety mentality is also influencing how repairs are handled.

"We continue to see a trend toward selective repairs. Rather than repairing every truck that is in an accident, fleet managers are making safety-only repairs as a result of the poor economic conditions and limited budgets. For the same reasons, trucks are being driven longer," said Torres of ARI.

FACING CHALLENGES HEAD-ON

The biggest challenge to truck accident management is the driver.

"After a survey of many of our truck customers, the biggest challenge cited with truck and accident management safety is driver turnover. There is a small labor pool for hiring experienced



The majority of truck accidents occurred between 11 a.m. and 12 p.m.

truck drivers. New, inexperienced drivers have a longer learning curve leading to constant training and higher accident rates," said Vliek of Emkay.

According to Tony Vinciguerra, vice president & general manager for Center for Transportation Safety, a PHH Arval company, "Fleet and risk & safety managers are starting to realize that more than 90 percent of all accidents are due to driver error or behavior. The biggest challenge to combating this is developing a cost-effective program that identifies high-risk drivers, providing education built to change behaviors, and creating a feedback loop to determine the program's success."

After managing fuel costs, attracting and retaining good drivers is the biggest challenge the industry faces. "The industry is mandated to control the quality of drivers, and fleet managers report an enormously high percentage of driver applicants are being disqualified for reasons related to MVR records, criminal background checks, substance abuse, and medical conditions," said Dunkerley of CEI.

The phrase "doing more with less" is well known in truck fleets.

"In the aftermath of the recession, when many fleets downsized, the trucking industry is trying to do more with fewer administrative and management personnel. We believe outsourcing accident management services can help them accomplish that, while getting

RESPONSE

ter control over their accident programs and increasing the dollars they recover from third-party drivers responsible for causing accidents that involve their vehicles. More than 75 percent of truck accidents are caused by third parties at-fault, which translates into an opportunity for truck fleets to recoup damages to offset their repair costs," Dunkerley said.

Policy compliance is also an issue. "Safety policies are quite varied and many are not enforced as well as they could be. We see changing driver behavior as the largest factor in any vehicle safety program," said Lewin of Wheels, Inc.

Instituting proactive driver training is one way to combat this challenge. Driver training helps ensure all drivers "are trained on the differences between the truck they drive for work and the vehicle they may drive for personal use, and how the differences can affect their driving in all weather and traffic conditions," said Braun of Fleet Response. "Many companies would like to begin a safety training program; however, since a majority of their drivers are on the road most of the day and sometimes night, they do not have regular access to a computer or the Internet to complete the online safety lessons."

In addition to policy, fleet managers must take steps to ensure drivers report all accident information so damage can be estimated and repaired. "Some drivers delay reporting the incident or don't report all of the damage at the time of report. By doing this, they are delaying the repair process and ultimately getting the vehicle back on the road," Braun said.

Managing repairs can add another level of complexity. "We find that the higher the truck class, the more unique and challenging the repairs, making the documentation of those repairs even more critical. These types of repairs typically require three to four times the amount of monitoring and documentation as a standard passenger vehicle," said Shive of LeasePlan USA.

Accident Trends

STAYING PROACTIVE

Proactive accident management is still something fleets are working toward. One of the latest trends Fleet Response is seeing in proactive accident management is that more companies are reevaluating their costs. In doing so, they are reaching out to their vendors to renegotiate pricing.

"We are seeing a number of companies more willing to unbundle their services and use multiple vendors for leasing, accident, and maintenance management," said Allison Lanzilotta, vice president, business development for Fleet Response.

Emkay has seen a shift in accountability for drivers in company-provided trucks.

"Historically, many companies that provided 'pool' trucks took little or no accountability for small damage; only major damage was reported and fixed. Small damage to the body of a vehicle was considered normal 'wear-and-tear' to a unit. Research has shown that a truck at auction has approximately 21-percent more damage than a standard sedan or SUV," noted Vliek of Emkay. "While we know trucks are treated differently and should have more damage than a standard vehicle, it's the shift to daily or weekly condition reports on trucks,

THE COST OF TRUCK REPAIRS CHANGES FROM 2010 TO 2011

VEHICLE CLASS	CHANGE IN AVERAGE REPAIR EXPENDITURE
Class 8	- 10.6%
Class 7	- 22.1%
Class 6	-11.3%
Class 5	-6.4%
Class 4	+8.6%
Class 3	+9.8%
Average - All Classes	-5.3%

According to data from CEI, Class 3 trucks experienced the highest increase in the cost of repairs from 2010 to 2011.

SOURCE: CEI

trucks only allowed for work purposes and not taken home, and new policies created with consequences of not reporting damage that's become [more common]."

According to Torres of ARI, this is a good trend. "Proactive accident management is one of the best ways to mitigate costs. As a result, more clients are employing telematics to monitor driver behaviors. This addition, in conjunction with the use of safety programs, allows fleet managers to handpick training packages based on an individual driver's needs to reinforce behaviors," he said. "Managers are also putting a greater emphasis on policies and communication materials that stress the importance of reporting accidents."

Crashes can be costly (in terms of damage, lost productivity, medical and insurance claims, and third-party liabil-

ity), so the investment in training and technology, while expensive on the front end, could save more down the road.

"Safety training can be online, in the classroom or behind-the-wheel and is often provided to those with no history of driving challenges. When drivers are identified as 'high risk' through motor vehicle record checks, accident history, or traffic violations, fleet managers are creating more comprehensive safety programs to decrease the likelihood of further challenges," said Vinciguerra of the Center for Transportation Safety. "Additionally, telematics are becoming more prevalent in fleets today. Reports from telematic systems on speeding, harsh braking, and erratic driving allow managers to identify drivers who have poor driving habits and get them into a training program before a crash occurs." **WT**

6 SAFETY STEPS: REFUELING WORK TRUCKS WITH PROPANE AUTOGAS

By Stuart Flatow, vice president of safety and training, PERC

Fleets across the country have adopted work trucks fueled by propane autogas. Vehicle refueling is a straightforward process for fleet managers and vehicle operators who use appropriate refueling techniques and follow safety procedures. The Propane Education & Research Council (PERC) advises vehicle operators to follow these six refueling steps:

1. Ensure proper protection. Operators should always wear appropriate personal protective equipment, such as gloves and eyewear, and inspect the propane autogas fuel tank to ensure it is in proper working condition. Before refueling begins, make sure the ignition is off.

2. Prepare and connect. Set the propane autogas meter to zero, and connect the motor fuel hose to the tank valve.

3. Begin refueling. Start the fuel pump, and slowly open the valve at the end of the hose.

4. Finish refueling. When the overfill protection device

(OPD) stops the fuel flow, immediately close the valve on the end of the hose, then shut off the fuel pump.

5. Disconnect from the tank. Slowly loosen the filler adapter and wait until the propane autogas stops venting before completely disconnecting the adapter.

6. Fuel inspection. Check the valve for leaks and replace the dust cap.

These steps should not be considered a substitute for safety training courses, which can be done by a propane provider.

All propane autogas vehicle fuel tanks should be labeled in accordance with American Society of Mechanical Engineers (ASME) standards, listing the working pressure and other tank information. A propane decal must be displayed on the lower right rear of the vehicle, near the bumper, to alert emergency response personnel that propane autogas is present.

For more information on propane autogas refueling pro-