



AARTO

*Infringement Management:
To Outsource or Not to Outsource?*



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AARTO Infringement Management – To Outsource or Not To Outsource?

Would you outsource your company’s financial control and management? Well obviously not, but why not? If, for example, your company was in the supply chain logistics or car rental business, it stands to reason that just as your company would be better placed than your clients to provide supply chain solutions or rental fleets, a large reputable management accountancy firm would likely be better placed than you to manage your financial control, financial management and perform the functions of your CFO, right?

Would you outsource your
company’s financial control
and management?

Not right. And for the same reasons you wouldn’t outsource infringement management under AARTO. The risk is too great; you have no visibility on your potential liabilities; and you have no control over a discipline in which even the slightest mistake or oversight can literally cost you your business.

Infringement Outsourcing

To understand this better, let's take a look at what is meant by outsourcing. In relation to traffic fines and infringements, outsourcing is the practice of contracting an external service provider to manage your company's fines and infringements. In such a case, you would simply send them your infringements and job done. The service provider would then manage all aspects of paying, nominating, and representing your infringements and all you see is an invoice at the end of the month for the service provided.

The cost of the service will be based on the number of infringements managed, the value of the fines paid, postage fees, and fine payment administration fees. That is not all though. Your monthly invoices will typically also include additional fees and charges for things like a fine reduction fee based proportionately on the value of fines reduced or eliminated by the service provider; overage fees if the number of infringements managed exceeds a stated monthly quota; and penalties for infringement notices not received by the service provider within a certain timeframe of the actual infringement.

In this situation, you will still have to regularly collect all of your company's infringement notices and forward them to the service provider. And for infringements where the driver is unknown (e.g. speed cameras) you will also need to regularly provide details of who was driving a given vehicle at the time of an infringement and confirm driver's address, license, and ID details. Clearly, this kind of arrangement means that you are still responsible for a lot of the heavy lifting when it comes to infringement management. On the upside though, in this situation you will at least have some visibility on the number of infringements your company is receiving on a monthly basis; how many of them have been nominated from your company to one of your drivers and thus the approximate amount you are likely to be charged by your service provider on a monthly basis.

Outsourcing – A Black Box or Blank Cheque Solution

In some cases, an infringement management service provider will offer to become the proxy for your vehicles. The good news about this scenario is that all of your infringements will go directly to the service provider alleviating you of the burden of having to gather them up and send them on regularly. On the flip side though, you will still have to assist with nominations and redirections (but without the details of the infringement to hand) and worse still there is absolutely no visibility on the number of infringements or the aggregate value of the fines you are liable for at any given time.

With outsourcing, there is absolutely no visibility on the number of infringements or the aggregate value of the fines you are liable for at any given time.

Consequently, not only does your company lose complete sight of the liabilities it faces, you lose sight of the number of infringements and fines you receive and thus the basis on which the service is charged back to you! This 'black box' approach (or perhaps more appropriately 'blank cheque' approach) provides you with some degree of comfort in that your infringements are being managed for you but the invoice you receive at the end of the month is anyone's guess and always a 'wait-and-see surprise' with little or no grounds for recourse should you want to dispute it.

Insourcing and 'Cloud Sourcing'

An alternative approach to the outsource model is either an insource model where you manage your infringements completely in-house using your own staff or a 'cloud sourcing' model where your infringements are managed either by your own team or by an external service provider but using an on-line and web-based software solution specifically designed for infringement management.

With the cloud sourcing model, you at all times have full and complete access to view and report on all aspects of infringement management. From corporate risk management dashboards showing you up-to-the-second status of driver and vehicle demerits to reporting infringements and fine values by driver, vehicle, division, infringement type or location; the reporting capabilities of cloud sourcing are instant, 24/7 and provide complete visibility on your corporate risks, liabilities and costs.

'Cloud sourcing' is where your infringements are managed by your own team or by an external service provider but using an on-line and web-based software solution specifically designed for infringement management.

Furthermore, with cloud sourcing, you decide how much of the process you want to outsource (if in fact any of it) and regardless of how much you outsource, at all times you have complete, unlimited, and on-line visibility of your company's infringement management activities.

Cloud Sourcing - Let Technology Do the Heavy Lifting

With cloud sourcing there are numerous technologies that enable you to instantly and easily add infringements, pre and post trip inspections, and drivers licences and operator card details into your infringement management system.

Arguably, with cloud sourcing, it is logical to assume that there will still be the burden of collecting infringements and sending them to your cloud sourcing service provider on a monthly basis or at the very least entering infringement details painstakingly into the software solution. However, given that the foundation of cloud sourcing is web-based software technology, whether you use your own staff or a cloud source service provider to manage your infringements, there are numerous technologies that integrate with the web-based software solution to enable you to instantly and easily add infringements, pre and post trip inspections, and drivers licences and operator card details into your infringement management system. Although users can always of course manually add all of these details to their infringement management system, the compatibility of these technologies allow for the use of handheld scanners, digital pens and optical character recognition (OCR) to make data capture quick, easy and error free.

But Who Cares?

As any driver in South Africa knows however, getting a Criminal Procedures Act (CPA) traffic infringement is a little like getting a parking ticket at the local shopping mall. There is little recourse if you ignore it, there is virtually no meaningful enforcement mechanism to force you to pay and the court system is so backlogged that if things did actually escalate to a warrant it would take a lifetime before you actually had your day in court.

The present situation is so dire in fact that Mr Japh Chuwe - when speaking on behalf of the CEO of the Road Traffic Management Corporation at the 2008 International Labour Organisation-sponsored 41st Annual General Meeting and Conference of the Institute of Licence Officials of Southern Africa - publicly stated:

"The present system of road traffic fine collection is totally inadequate. Fines are either not paid, or are substantially reduced by the magistrates; or bribes are paid to get off the hook altogether. In some areas courts only accept the hearing of a limited number of traffic violations, which is detrimental to the necessary successful conclusion of all traffic-related cases. Currently less than 20% of traffic cases are finalised and the fines paid" .

Understandably, with this as the back drop to the 'outsource – insource' debate, who really cares?! Nothing will happen anyway if you don't pay your fines; there is no real corporate liability associated with unpaid infringements; and if things do come to a head you can likely find someone willing to 'help' you make the trouble go away and ease your pain.

AARTO – A Totally Different Ball Game

However, as anyone knowledgeable about AARTO can tell you, things are about to change - considerably. Under the impending AARTO system you will no longer be able to avoid managing drivers, vehicles and infringements properly and the costs, risks and liabilities involved in getting infringements and not attending to them will be significant if not debilitating for your company.

Naturally, therefore, if your business relies on vehicles, drivers and transportation you will most certainly need to take road safety and AARTO infringement management seriously or risk the consequences of suspended drivers; suspended operator cards; grounded vehicles; a frozen eNaTIS account; a grounded fleet and ultimately being out of business.

Under the AARTO system, you will no longer be able to avoid managing drivers, vehicles and infringements properly and the costs, risks and liabilities involved in getting infringements and not attending to them properly will be significant if not debilitating for your company.

So Why Is AARTO So Different?

The AARTO legislation is aimed at improving road safety and it forces road users, not just the police or the court system, to share in the responsibility of meeting this objective. As mentioned above, those that don't take this responsibility seriously will be penalised and the mechanism for such penalties – and the real difference with AARTO - lies in the fact that it is a demerit point-based traffic management regulation.

When you or one of your drivers are caught violating traffic laws, you will be fined and a set number of demerit points (as defined by the AARTO Charge Book) will be recorded against your driving license and/or a vehicle's operator card depending on the infringement. Every driver and vehicle operator card starts with 0 demerit points and a maximum of 12 points can be accumulated on your license or an operator card. On the 13th point, and for every point above 12, your license or operator card is suspended for 3 months.

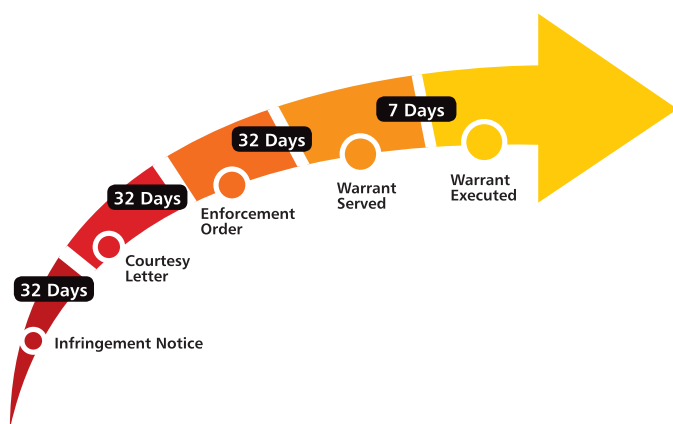
While an operator card is suspended, a fleet operator's eNaTIS account is frozen and you will be prevented from obtaining any additional operator cards until all corresponding fines, penalties and legal fees have been paid and your demerit count is back below the suspension threshold.

Furthermore, under the AARTO regulation, fleet owners and operators are liable for certain traffic violations, infringements and demerits incurred by their operator card vehicles. Companies that operate fleets are responsible for their vehicles and the driving behaviour of their employees and will receive infringements and operator card demerits for unlicensed drivers and vehicles, un-roadworthy vehicles, dangerous loads and overloading.

Consequently, just as an individual can incur infringements and demerits and have their license suspended; an operator card (and thus the vehicle associated with the operator card) can also incur infringements and demerits and will also be suspended if it exceeds 12 points. And if the aggregate total of demerits for an operator's fleet exceeds a certain threshold of demerit points, your entire fleet will be suspended! For fleets with 20 or fewer vehicles the demerit threshold is an average of 12 points per vehicle. That threshold reduces on a sliding scale as the fleet size increases to a threshold average of 6 points per vehicle for fleets greater than 120 vehicles. If you exceed your fleet's demerit point threshold, your fleet will be suspended for 1 month for every point in excess of that threshold.

Additionally, while an operator card is suspended, a fleet operator's eNaTIS account is frozen and you will be prevented from obtaining any additional operator cards until all corresponding fines, penalties and legal fees have been paid and your demerit count is back below the suspension threshold.

The Cost, Risk and Liabilities of Mismanaging the AARTO Process



Under AARTO, managing driver and vehicle operator card demerits and infringements, will become a critically important activity for any company that relies on vehicles or is involved in the supply chain, logistics, fleet management or transportation sector in South Africa.

To compound the risk of incurring driver and operator card demerits, the AARTO infringement management process is a complex, multi-step process with set dates and deadlines by which time your company is responsible for adhering to legislated AARTO infringement management requirements.

Failing to manage an infringement according to the AARTO process flow adds to the cost of an infringement; automatically escalates the infringement to the next level of severity; and ultimately ends with a warrant and the seizing of your operator cards, vehicles, property and/or an immobilised fleet.

Furthermore, as a driver or operator, you are responsible for understanding the AARTO process and it is your responsibility (not the authority's) to ensure your AARTO submissions are received and received on time and as an operator you are responsible for your drivers and their driving behaviour and your vehicles and their roadworthiness. It is your duty to know who is driving your vehicles and you are required, by law, to record and have access to the full names; identification data (e.g. driver's license, ID or passport); and, residential and postal addresses of all of your drivers.

So Now Do You Want to Outsource?

For a fleet manager or Corporate Risk Director, not having complete, 24/7 visibility of your company's infringements, fines, driver demerits, and vehicle operator card demerits would be like your CFO not having an annual budget, balance sheet, profit and loss statement, or visibility on cash flow, accounts payable and receivables. It just wouldn't happen, period!

'If we don't manage AARTO infringements properly, we could be out of business!'

So, if you went to your CEO, CFO or Board of Directors and said 'If we don't manage AARTO infringements properly, we could be out of business' do you think they would say 'Well outsource the problem then?' I don't think so.

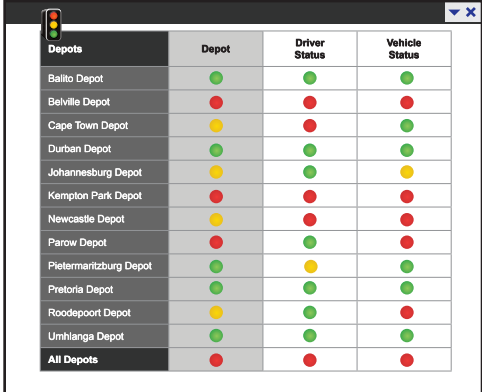
Key Risks with Pure Outsourcing

1. With outsourcing, you are effectively sub-contracting the management of risks and liabilities related to AARTO and thus substantially increasing the risk of suspended drivers, suspended operator cards, a frozen eNatIS account, a grounded fleet and impounded assets.
2. Outsourcing does not provide the reporting tools (real time or otherwise) needed for effective corporate governance, risk management, strategic analysis, or continuous improvement.
3. Outsourcing provides no real time transparency of the number of infringements, driver demerits or operator demerits your company has.
4. With outsourcing you rely on a monthly report (which you can only assume is correct) for an overview of your company's liabilities and demerit threshold risk.
5. Outsourcing provides no visibility on the status of each of your infringements and where they are in the AARTO infringement lifecycle.
6. Outsourcing cannot provide a real time account of the financial liability your company faces.
7. Outsourcing provides no visibility on where and why you are incurring infringements; which drivers and vehicles are most at risk; and, ultimately where your potential risks are.
8. Information provided by outsourcers will likely be out of date as soon as you receive it and is generally provided too late to take any meaningful preventative or corrective risk management action.
9. Outsourcing provides no control over your infringement liabilities and there have been instances where companies using outsourcers have discovered they have considerable liabilities and fines for infringements they thought we paid and resolved.
10. With outsourcing, you still need to do most of the 'heavy lifting' i.e. gather vehicle and driver information, update driver information, collect infringements and supporting documentation and send it to your outsourcer.
11. With outsourcing, you will experience 'wait-and-see' invoice surprises and there is little certainty about the monthly costs you will incur for the service.
12. With outsourcing, there is no easy way to automate representations as an outsourcer can only submit representations in limited circumstances and will have to involve you regularly in the process.
13. Outsourcing is a satisfactory approach for traditional CPA infringements but cannot meet the risk management needs related to AARTO infringements.
14. There is an inherent disincentive for outsourcers to manage fewer fines and thus a perverse disinterest in providing your business with information (e.g. infringement trends, infringement hot spots, high risk drivers, overloading statistics, etc.) that would enable you to improve vehicle and driver management and implement continuous improvement programs.
15. With outsourcing you are practically 'stuck' with a solution provider with no easy way to move from the outsource model to an in-house model.



Key Benefits of Cloud Sourcing with an Infringement Management Software Solution

1. Total visibility of the real time demerit status of all drivers, vehicles, and your entire fleet.
2. Instant, unlimited and 24/7 access to all of your infringement management information, corporate risk management dashboards, and reporting tools.
3. Complete visibility on infringement hot spots, problem drivers, at risk vehicles and you can implement targeted driver training initiatives, best practice programs and risk management activities to reduce risk, liability and cost.
4. All the tools needed to proactively manage driver and vehicle demerits and the risk of suspended drivers, vehicles and fleets.
5. Automatic email notification and escalation tools to ensure infringements are managed on time, every time.
6. Fool-proof automated AARTO infringement management workflows and automated AARTO form generation.
7. Reporting of actual demerits and predictive forecasting of virtual demerits that a driver/vehicle will incur based on demerits still being processed by the authorities.
8. Allows predictive CPA infringement forecasting of the demerits your drivers and vehicles would receive if the AARTO demerit system was in place county wide.
9. Allows for the use of numerous technologies (handheld scanners, digital pens, OCR) to easily get infringement data, pre and post trip inspections and driver and vehicle data into your system.
10. Automatically links driver and vehicle to infringements (based on trip inspection or telematics data) expediting the nomination process and obviating the need for your involvement.
11. Correlates infringement data with legislated Charge Code data to expedite the representation process for inaccurate infringements.
12. Enables the use of telematics and pre trip inspection data to easily make representations.
13. Allows you to insource, insource/outsource or outsource completely depending on your needs and it allows you to increase/decrease your level of involvement as you see fit over time.



The screenshot shows a software interface with a table titled 'Depots'. The table has four columns: 'Depots', 'Depot', 'Driver Status', and 'Vehicle Status'. Each row represents a different depot, and the status is indicated by colored dots (green, yellow, red) in the 'Depot', 'Driver Status', and 'Vehicle Status' columns. The 'Depots' column lists various locations like Balito Depot, Belville Depot, Cape Town Depot, etc.

Depots	Depot	Driver Status	Vehicle Status
Balito Depot	●	●	●
Belville Depot	●	●	●
Cape Town Depot	●	●	●
Durban Depot	●	●	●
Johannesburg Depot	●	●	●
Kempton Park Depot	●	●	●
Newcastle Depot	●	●	●
Parow Depot	●	●	●
Pietermaritzburg Depot	●	●	●
Pretoria Depot	●	●	●
Rodepoort Depot	●	●	●
Umhlanga Depot	●	●	●
All Depots	●	●	●



ENDNOTES:

- ⁱ <https://www.driving.co.za/documents/Exterior%20documents/RTMCMay2009ILOaddress.pdf>