



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



FLEET MAINTENANCE MANAGED COMPETITION

“Applying Private Sector Performance Standards To Government Fleets”

Steve Riley



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



What is Managed Competition?

Managed Competition enables government to test the market for improved service delivery and pricing options by allowing both public and private sector entities to compete for a contract through the RFP process.



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Why Perform Managed Competition?

If properly implemented Managed Competition, or competitive sourcing, as it is also known, can invigorate service delivery, enhance the general perception of public service, and translate into annual savings of 10 – 30 percent.

DeLoitte & Touche, LLP



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Possible managed competition outcomes

- Privatization through outsourcing. Government outsources a service to another provider, retaining responsibility for that service.
- Privatization through divestiture. Government transfers a service to another provider, divesting itself of any responsibility for that service.
- Partnering. Government partners with another provider to provide a service in a shared delivery and/or responsibility relationship.
- Retention with reengineering. Government continues to provide a service, modifying its approach in order to improve service delivery, reduce operating costs, or both.
- Retention without reengineering. Government continues to provide a service as it has in the past.
- Reverse privatization. Government takes back or takes over a service from another provider.



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Managed Competition & Outsource Triggers:

- Poor customer service / communications
- Reduced revenue streams
- Low availability rates & high cost of repairs
- Excessive overhead & administrative costs
- External solicitation (the sales agent drops the Mayor a letter)
- Mismanagement and/or criminal misconduct
- Ideological crusade to reduce the size of government
- Societal mistrust of government
- Perception that the Private Sector can always do a better job
- Politicians unaware of the fleet department's level of responsibility/difficulty



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT

Why municipal managed competitions are lost

- **Your costs are not in line with the private sector, or**
 - You cannot justify what you charge
 - Your charges are not standardized
 - Charges vary greatly without explanation
- **Low ratio between available and billed hours (efficiency indicator)**
- **High overhead expenses**
- **Internal government audits are conducted by non-fleet personnel and the fleet department does not get actively engaged in the process**
- **Your customers are not satisfied with their service (price not a main concern)**
- **RFP is poorly written**
 - Targeted and non-targeted services not clearly defined
 - Non-fleet services provided are not listed and quantified



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT

How the private sector competes & win

- Fleet managers may not take the threat seriously & prepare accordingly
- Exempt from local unions and civil service boards (they fire at will)
- Higher efficiency rates with less people
- Clearly defined maintenance standards & policies
- Known & proven cost structure
- Not restricted by government procurement bureaucracy
- Employee benefits are not as generous & require a greater contribution
- Supervisors also perform maintenance functions
- Select outside vendors at will
- Have direct access to the politicians
- National (large Scale) parts & equipment procurement



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



How Government Fleets Compete & Win

- There customers are happy with their service. Rarely is a fleet department outsourced when their customer's are content.
- The fleet manager has done their homework
 - Local fleets that reversed outsourcing
 - Assessed the private sector cost structure
 - Adjust their cost and rates accordingly
- Keep your customers informed
- Immediately address negative rumors
- Advertise what you do best, and get as much positive PR that you can
- Develop a strategic business plan with goals and objectives. It should include:
 - Cost reduction strategies
 - Private sector comparisons & benchmarks
 - Introduction of new initiatives



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Case Study – Reverse Privatization Factors

Negative factors that contributed to outsourced vendors losing their contracts.

- Failure to perform work in a timely manner – 100% of cases
- Work not performed to specification – 50%
- Failure to communicate – 36%
- Contracting Problems – 42%
- Change Order Problems (cost savings not realized) – 36%
- Safety & Other – 29%



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



THE KEY TO COMPETING IN A MANAGED COMPETITION ENVIRONMENT

* PERFORMANCE BENCHMARKING *

“How do you know if you’re competitive, if you don’t measure & compare”



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Benchmarking Precautions:

- It's not a "one size fits all" proposition.
 - Just because its successful in one fleet may not make it right for your fleet.
 - Benchmark targets and availability rates should be tailored to a specific task and/or equipment class.
- Too much detail – subject to increased scrutiny.
- Not inline with industry standards.
- Must be part of an ongoing process, rather than a standalone activity.
- May highlight dramatic & negative indicators of performance
 - If you were not tracking it that way in the past, the results may surprise you
 - May amplify the impression of incompetence & mismanagement
 - May facilitate a desire for rapid change amongst the elected officials



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Benchmarking Facets:

- A Point of reference from which measurements can be made.
- Contains industry standards.
- Provides a means of quantifying performance.
- Gauges the adequacy & accuracy of accomplishments.
- Highlights deficiencies in performance.
- Demonstrates competence and competitiveness.
- Depoliticize and depersonalize performance evaluation.
- Stated in the Strategic Plan.
- Tied to any potential RFP.



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Benchmarking Features:

- **Transparency** – Demonstrates that you are open with your cost and performance standards.
- **Accountability** – Fiscally Sound cost structure.
- **Performance** – How can you know if your successful if you don't measure your performance against others?
- **Fair Competition** – Once your elected officials know that your costs are inline with the private sector, they will leave you alone.
- **Enhances the competitive position** by winning & retaining your customers.
- **Increases stakeholder value**
- **Alters and changes poor performance**

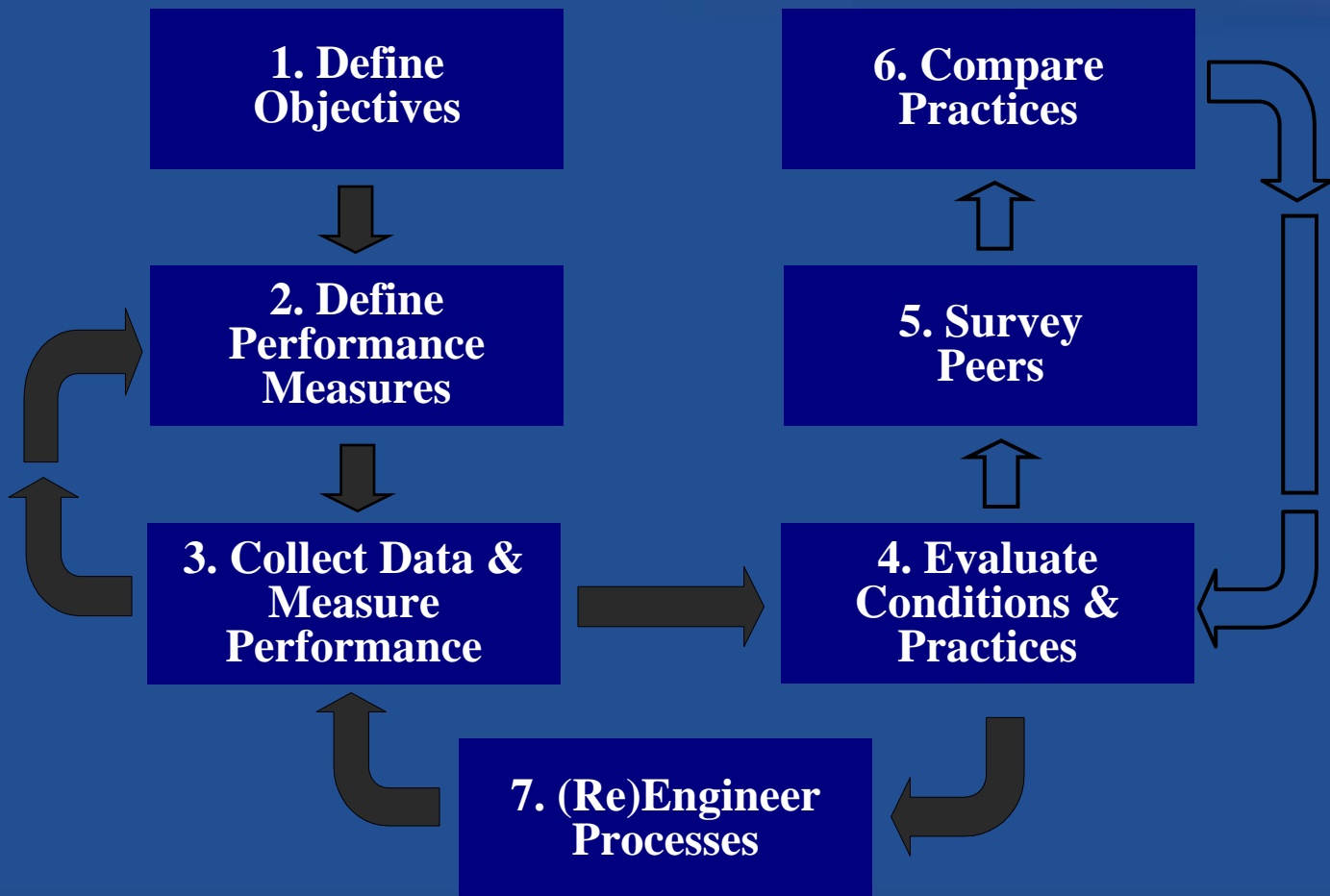


RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Benchmarking Process:

1. Define the Objectives
2. Define the performance measures
3. Collect data and measure performance
4. Evaluate conditions and practices
5. Survey peers
6. Compare practices
7. Re-engineer processes





RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Defining Performance Benchmarks

- **Must be specific.**
- **Must be realistic**
 - Tailored to your fleet
 - Don't commit to standards you cannot reach.
- **Must include factors such as:**
 - Duration – How long will it take
 - Accuracy – How well will it be done
 - Sustainability – Performed continuously
 - Standardization – Performed the same way, all the time



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Performance Benchmarks Examples

Which is an example of a performance benchmark and which is not:

Number of Work Orders Closed

Number of PMs completed within 24 hours.



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT

Collecting Performance Benchmark Data

1. INTERNAL:

- Historical records
- Surveys
- Measurements

2. EXTERNAL:

- Peers (Both private and public) Be cautious with public sector data.
- Vendors (outsourced repairs – although you did not do it, you still get blamed for any delays and cost)
- Contractors
- Manufacturers
- Trade associations
- Trade publications
- Paid Consultants



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



What To Benchmark

- Percent of fleet available on a daily basis
- PM service/turnaround time
- Cost per PM
- Breakdown rate
- Accident rates - shop personnel & vehicles (as a result of maintenance)
- Overall fleet fuel efficiency
- Parts availability – on the shelf when you need it.
- Overhead vs. Direct Ratio
- Average hours per repair
- Average cost per repair task
- Percentage of unscheduled (non-targeted repairs)



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



What To Benchmark (continued)

- Facility Costs
- Support Staff Costs
- Outsource vendor performance (Must be written into their RFP)
- Average time between failures
- Customer satisfaction survey ratios
- Up-fit average
- Price guarantee performance ratios
- Service call response times
- Average backlog rate



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Performance Benchmarks – Data Collection

- Technicians must know when to close/pause the work order
- You must account for all costs
 - Minor shop charge for expendable supplies (hardware, or fluids top off)
 - Reconcile parts used vs. in stock levels
- Separate normal PM from other activities. Start a new work order when:
 - Work exceeds the PM tasks
 - Work is outsourced
- Capture process delays – Must be limited & outside of allotted task time
 - Awaiting parts
 - Time to shuttle equipment to outsource vendors



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Conditions That Effect Performance

- Fleet composition
- Fleet age & condition
- Fleet utilization & operation
- Organizational structure
- Staffing levels
- Maintenance facilities & equipment
- Level of technician training
- Lack of specialized tools/technology
- Poor process mapping (extremely important in streamlining processes and performance improvements)



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Benchmarking Chargeback Methods

- Cost per mile/hour (by equipment type & class)
- Cost per transaction
- Cost per vehicle, per year (by equipment type & class)
- Cost per vehicle equivalent unit per year
- Direct labor/parts costs and applied overhead



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT

Private Sector Benchmarks

- PM Completed on Schedule – 90%
- PM Completed within 24 hours – 99%
- Percent of Fleet Operational on a Daily Basis – 95%
- Percent of repairs returned for re-work – Less than 2%
- Requiring a road call – Less than 4%
- ASE Certified Shop
- Lean Sigma Six Certification
- ISO 9001:2000 Certified
- OSHA Compliant



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Private Sector Benchmarks – Continued

- Average time to dispose of equipment upon replacement – 60 Days
- Average time new equipment is ready for service – 15 Days
- Non-Targeted parts markup – 5.5% (SERCO)
- Parts markup FVS - 25%
- PM should take up at least 50% of total labor hours
- Technician available vs. billable hours, at least 70%
 - 50 % PM, 20 % Scheduled Work
- 70-80% of parts inventory should turn annually
- Customer satisfaction rate 95%



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



The RFP “Request For Proposal”

The document that will determine your future success or failure.



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Key elements of the RFP

- Bidder Qualifications
- Bidder references
- Quality assurance
- Length of contract
- Performance standards
- Variable costs
- Contract monitoring & reporting
- Quality of parts
- Budget amendments (increase)
- Possible Gain Sharing option (reward employees for lower costs)



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Key elements of the RFP - continued

- **Classification of targeted vs. non-targeted maintenance tasks**
- **Focused on equipment availability**
 - Equipment classes distinguished by needed availability
 - Availability requirements based on all repairs, not just targeted
- **Includes price & time factors**
 - Targeted - Fixed price
 - Rates & estimated hours for non-targeted services
 - Estimated hours for outsourced non-targeted services (tied to their RFP)
- **Allows for complete or partial privatization**
- **Fleet functions retained by the agency**
- **Displaced city employees**
- **Transition period**



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Key elements of the RFP - continued

- Fleet assessment period
- All other services that are provided and are non-maintenance related
 - Commercial Drivers License (CDL) Training
 - Defensive Drivers Course (DDC) Training
 - Facilities maintenance
 - Towing & recovery services
 - Fuel Station & Underground Storage Tank (UST) maintenance & compliance
- Technical Services
 - Bid writing
 - Warranty tracking
 - Equipment & vehicle processing: title, license, up-fitting, and preparation
 - Surplus sales
 - Safety & accident reporting



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Key elements of the RFP - continued

- Service level agreements
- Fleet Management Information System
- Reporting & audit capabilities
- Use of city owned facilities & equipment
- Records retention
- Vehicle replacement policy



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



What is contained in the CD

- Sample RFP's
- Internal fleet maintenance audits
- Managed competition literature
- Benchmarking theory & techniques
- Process mapping techniques
- Green fleet policies & plans
- Fleet business plans
- Fleet replacement policies
- Take home vehicle policies
- Fleet Management System RFP
- Private sector data



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT

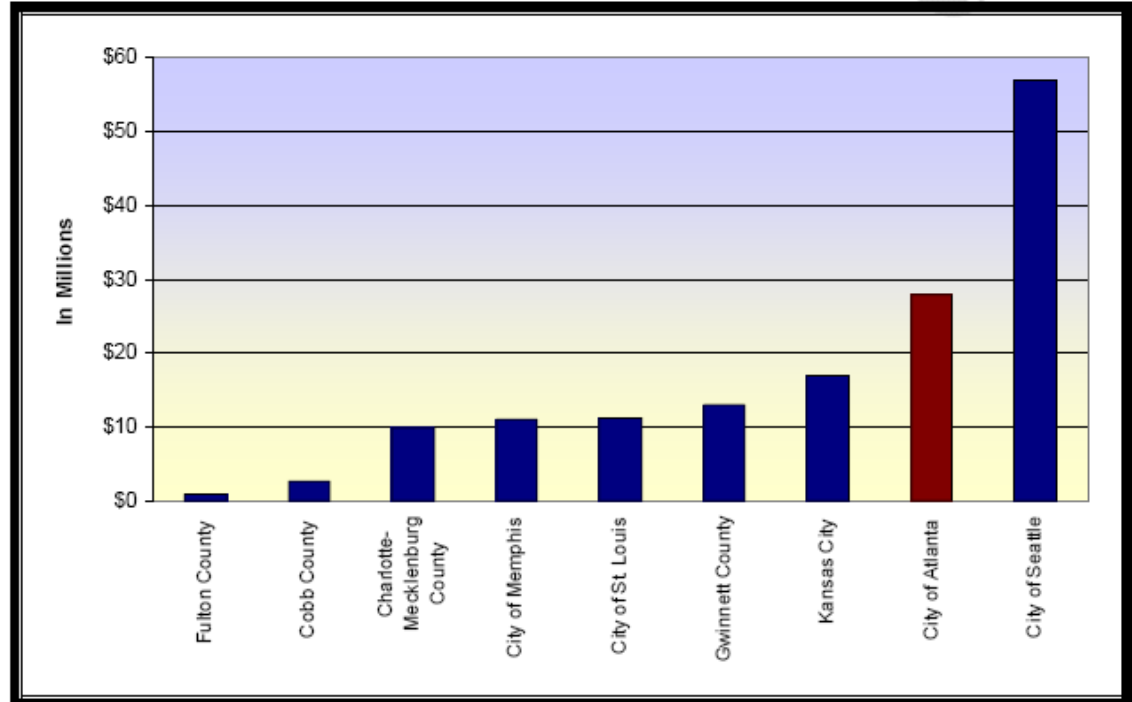


*****Lastly*****

**If you are audited,
verify the results!**



**Exhibit 2
Fleet Services Budgets**



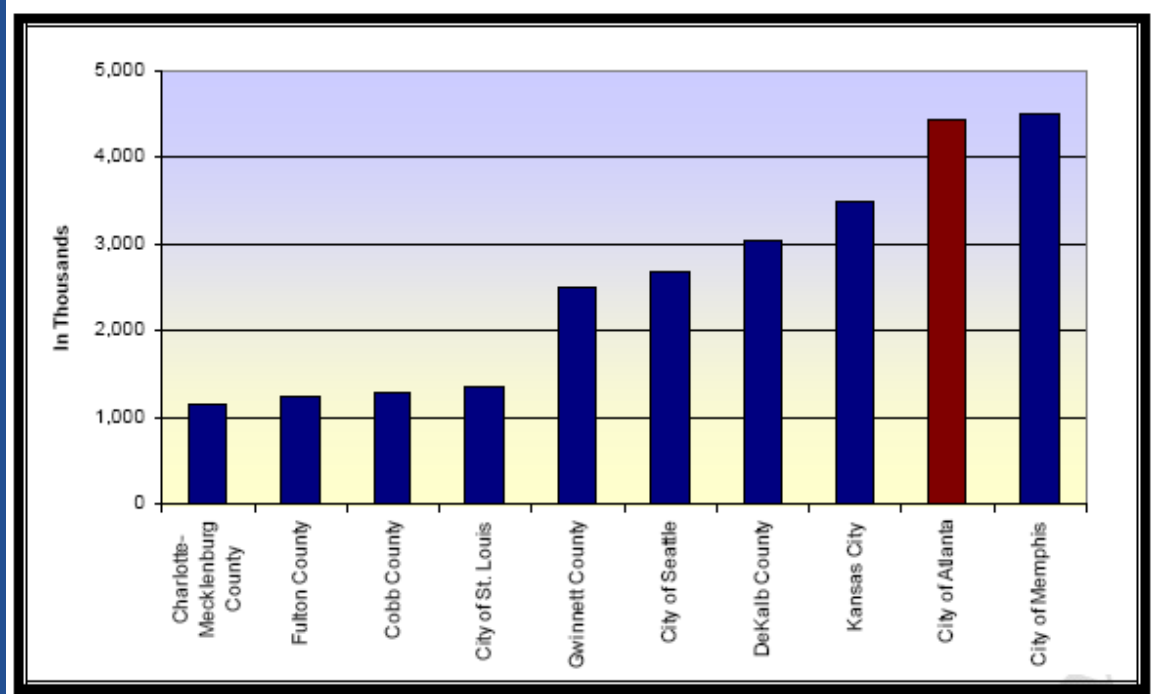
Source: City Auditor's Office



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Exhibit 3
Number of Vehicles in Fleet



Source: City Auditor's Office



RECOGNIZING EXCELLENCE IN GOVERNMENT FLEET MANAGEMENT



Questions?