

FLEET MANAGEMENT BEST PRACTICES

2008 CONFERENCE
LONG BEACH, CA



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MERCURY

STATE FLEET MANAGERS FACE MAJOR CHALLENGES

- Highly political environment – more elected officials per capita than another level of government
- Responsibilities for fleet management are often decentralized, making it hard to coordinate activities, gather data, and answer even basic enterprise-wide questions
- Large service territories create challenges for serving customers

STATE FLEET MANAGERS FACE MAJOR CHALLENGES

- Back office processes are often antiquated and hard to change, placing a drag on efficiency and innovation
- Highly cyclical fiscal situation means that even in good times the next round of budget cuts is just around the corner
- Environmental initiatives and other (sometimes conflicting) regulations are making a hard job even harder

WHAT'S A FLEET MANAGER TO DO?

- Since you know they are coming, take your beatings with a smile
- Switch to an easier and less visible job such as managing parking, travel, or surplus property
- Cash in your thriving 401k, take early retirement, and start flipping houses for big guaranteed profits

A BEST PRACTICES APPROACH CAN HELP

- How an organization is structured and managed, and its basic policies and procedures, has a great impact on fleet program performance
- Best practices drive best performance

WHAT THE HECK ARE BEST PRACTICES ANYWAY?

- Ways of structuring, organizing, and doing business that produce the best business outcomes
- Recognized by industry experts and best in class fleet managers

PRACTICES WE WILL TALK ABOUT

- Organization
- Management reporting
- Fleet size
- Fleet replacement
- Maintenance and repair

ORGANIZATION

- Ideal would be one customer focused fleet organization efficiently meeting the service requirements of all agencies
- However, management of fleet is decentralized to some degree in every state
- Florida, California, and New York are among the least centralized
- Utah, South Dakota, and Alaska are among the most centralized

ORGANIZATIONAL BEST PRACTICES

- Agency fleet managers meet often and coordinate activities through a formal committee (example is FedFleet)
- Shops and fuel sites are shared to the benefit of all state employees
- In a decentralized environment, common standards have been set to guide how fleet activities are to be managed (such as in South Carolina)

MANAGEMENT REPORTING

- One FMIS has been deployed to facilitate capture of fleet information (such as Florida)
- If there are multiple FMIS, a process is in place to merge data (California as an example)
- A periodic fleet report is developed to provide information on activities, track KPIs and trends, and proactively communicate with decision makers (such as in Oregon)
- Web based reports and dashboards are used to facilitate reporting

FLEET SIZE MANAGEMENT

- Fleet size management program is based on organizational/mission requirements rather than mileage statistics alone (such as federal VAM program and its TOA)
- Where mileage is used, thresholds have been designed to match applications instead of one-size-fits all
- Agencies have flexibility to adjust fleet composition to meet their changing business needs

VAM Overview

- VAM is a tool for establishing and controlling fleet size and composition, popularly termed “right-sizing.”
- Purpose of a VAM is to provide fleet managers with a consistent decision-making process and objective criteria to determine the optimal size and composition for their fleets.

VAM Overview

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Traditional Fleet Size Management Process

- Establishes periodic (e.g. monthly/annual) utilization thresholds
- Thresholds normally expressed in terms of miles driven/engine hours used
- Thresholds also sometimes established for days used

Pros and Cons of Traditional Approach

Pros

- Simple
- Easy to administer
- Easy for management to understand
- Tends to hold fleet size down

Pros and Cons of Traditional Approach

Cons

- Single perspective approach
- Reactive
- Requires considerable on-going data collection and analysis
- Requires car czar to administer
- Not helpful for controlling additions

VAM Approach

- Establishes fleet size requirements by applying a consistent process across all organizational units in a company

VAM Approach

1. Establish company/agency policy

Example Policy

The most efficient and economical means of transportation will be used when the transport of people and/or materials, tools, etc., is essential to the performance of official government business. The policy of GSA is to base the assessment of efficiency and economy on a “Total Cost” approach that includes employee productivity, administrative process cost, and safety as well as transportation costs. User groups shall limit the provision of government owned or leased vehicles to the minimum number of appropriate vehicles required to fulfill the organization’s mission after consideration of all alternative transportation methods.

Vehicles shall not be authorized for reasons of grade, prestige, or personal convenience.

GSA shall maintain a “Zero Growth Policy.” This policy states that (following establishment of a fleet Table of Allowance, or TOA) the overall size of the fleet shall not exceed established limits of the TOA unless approved by Agency Director.

VAM Step 2

- Consider the need for permanent vehicle assignment from multiple perspectives including:

VAM Step 2

Alternatives to permanent assignment

- Feasibility of renting
- Feasibility of shared use pools
- Feasibility of employee mileage reimbursement

VAM Step 3

- Develop appropriate metrics for justifying vehicle assignment such as mission criticality factors, historical/expected miles or hours of use, days of use, ratio of employees to vehicles, required employee response times, required spare vehicle ratios, vehicle/equipment rental costs, employee mileage reimbursement costs, etc.
- Develop appropriate methods for collecting and analyzing data, and monitoring and reporting metrics.

VAM Step 4

- Document results in a formal fleet size report
- Include a table of allocation for assigned vehicles that shall not be exceeded without the approval of company/agency management.

Example Report

POLICE DEPARTMENT - ANIMAL CONTROL DIVISION

Mission: Field Operations

Equipment Type: Extended Cab 4WD Pick-Up with Special Body

Employees supporting this mission: Five total (Supervisor, 3 officers, clerk)

# in Fleet	# Approved	# Requested	
4	4	4	
Avg Utilization	25,000 miles per year		
Utilization detail/ unit	See attached schedule		
Alternative Transportation Budget for This Activity	Public Trans	Rentals	POV
	\$0	\$0	\$0

Justification: There are currently 3 animal control officers and an animal control supervisor. One vehicle is necessary for each of the officers in order for all to be in active field patrol at the same time. The supervisor needs a vehicle because he is in active field patrol about half-time and his vehicle acts as a spare when other units are down for service. There is no ability to use pooled vehicles, commercial rentals, or mileage reimbursement due the requirement for specialized vehicles and

Example TOA

Type ↓	Location →	Washington DC	Denver	Seattle	Miami
Sedans		12	3	4	4
SUV's		2	4	2	1
Mini Vans - Passenger		2	1	1	1
Full Size Vans- Passenger		2	1	1	1
Mini Vans – Cargo		1	0	0	0
Full Size Vans – Cargo		2	1	1	1
LD 4x2 Trucks		3	1	1	1
LD 4x4 Trucks		0	3	1	1
MD Trucks		2	1	1	1
HD Trucks		0	0	0	0
Buses		1	0	0	1
Motorized Off Road Equipment		1	2	1	1
Trailers		1	3	2	2
	Total	29	20	15	15

VAM Step 5

- Back check actual vehicle use on an annual basis and require re-justification of outliers

VAM Pros and Cons

Pros

- A VAM represents a proactive approach to managing fleet size and provides a standardized process for justifying vehicle need
- A VAM results in better vehicle allocation decisions because it considers the need for vehicles from multiple perspectives

VAM Pros and Cons

- A VAM aligns an organization's mission, work tasks, and personnel with its fleet requirements. This strategic view enables better fleet allocation decisions
- A VAM approach is strategic and business-like, therefore, it inspires confidence in company management or elected officials that an organization is using its resources wisely

VAM Pros and Cons

Cons

- A VAM requires considerable upfront effort to implement
- Zero growth aspect may limit flexibility in responding quickly to changes in an organization's business.

FLEET REPLACEMENT

- Develop defensible replacement criteria
- Project long-term replacement funding requirements
- Understand alternative financing
- Charge back capital (and operating) costs to users in order to influence behavior by sending clear price signals

FLEET REPLACEMENT

- Acquire most vehicles at the beginning of the model year (generally fall) in order to minimize depreciation expense
- Develop a remarketing strategy to maximize the residual value of assets
- Track values obtained from sales in relation to market value guides and commercial auctions
- Hold frequent sales (at least monthly)

TWO PAST CLIENTS

FLEET 1

- Flow chart workflow to ID choke points
- Extensive use of management information from good fleet system
- Well documented policies and procedures
- Lots of training and ASE certs.
- Business plan
- Good parts management

FLEET 2

- Nope
- Poor system, poorly used
- None
- Nope
- None
- Sloppy

TWO PAST CLIENTS

FLEET 1

- 1,000 vehicles
- Funding to replace 50 vehicles each year
- Average fleet age 9 years
- 20 mechanics
- High M&R costs
- Unhappy customers
- Outsourcing is an issue
- Low morale
- Fleet manager forced out

FLEET 2

- 1,000 vehicles
- Funding to replace 200 vehicles each year
- Average fleet age 3 years
- 10 mechanics
- Low M&R costs
- Happy customers
- Outsourcing never discussed
- High morale
- Fleet manager promoted

MORAL OF THIS STORY

- You can follow best practices and still fail because problems caused by an old fleet are difficult to overcome

FLEET MAINTENANCE

- Should you outsource or run your own shop?
- Answer is likely to do both
- Shops make sense when they are conveniently located, have a high volume of work, service trucks and equipment, and are effectively managed
- Vendors make sense to reduce windshield time and meet specialty needs

FLEET MAINTENANCE

- Maintenance best practices include PM focus, staffing levels tied to size/type of fleet, ASE certifications, QA program, calculate full-burdened service rates, monitor KPIs

SERVICE RATES

- Many fleets improperly price their services
- This leads to improper cost records
- First, define your service offerings
- Second, spread your costs across services
- Third, figure your service volumes
- Fourth, calculate rates
- Fifth, monitor and update

HOW SHOULD YOU BILL CUSTOMERS?

- Not at all
- By the day/month
- By the mile/engine hour
- By the service

KPIs

- Fleet availability
- Service turn time
- PM compliance
- Scheduled repair rate
- Mechanic productivity
- Average fleet age

QUESTIONS?

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