

## GOVERNMENT FLEET ARTICLES

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### 4 Ways to Boost Fleet Operations Accountability

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We learn in today's news media the public's repeated calls for better accountability of government agencies and officials in performing their duties. Fleet managers cannot escape this increased scrutiny. While many fleet managers have done an excellent job in addressing this issue, some may have concerns with their fleet operations in this area.

Fleet operators can use a number of techniques to increase their fleet operation accountability and performance. These techniques deal with both the customers served and the fleet staff that serves them. This article will highlight four such techniques:

- Service Level Agreements.
- Fleet Users Committee.
- Profit and Loss Statements.
- Driver Vehicle Inspection Report (DVIR).

#### Service Level Agreements

One tool that best-practice fleet organizations use to manage their fleets is the service level agreement. These are formal, intra-agency agreements between the fleet service provider and fleet customers. These agreements define not only the fleet services to be provided, but also the costs and priorities of these services. Most importantly, they explain the *mutual* responsibilities of the parties involved. These agreements are often used in conjunction with fleet chargeback systems and can be modeled from typical outsourcing agreements.

Service level agreements can provide such benefits as:

- Enhancing interdepartmental communications and cooperation.
- Increasing the focus on the customer's specific needs.
- Avoiding potential misunderstandings among the parties involved.
- Providing remedies and protocols to deal with problems.
- Promoting smoother and more efficient operations.

- Providing a mechanism to monitor performance.
- Facilitating work planning.

From the fleet service provider's standpoint, these agreements will describe such items as:

- Points of contact.
- Scope and costs of services.
- Content and frequency of the preventive maintenance (PM) program.
- PM program compliance goals.
- Downtime goals.
- Procedures and goals rescheduling.
- Repair authorization requirements (such as requiring the fleet department to notify and receive customer department authorization for repairs that exceed a certain dollar amount).

From the fleet customer's standpoint, these agreements describe responsibilities as:

- Providing accurate and timely meter readings.
- Complying with preventive maintenance schedules.
- Reporting vehicle malfunctions promptly.
- Providing repair authorizations on a timely basis.

When modeled from fleet outsourcing contracts, the service level agreements define and differentiate between "target" and "non-target" services. Target services are generally routine vehicle maintenance and repair activities that are reasonably predictable and lend themselves to projection and estimation. Target services include preventive maintenance and replacement of normal wear items.

Non-target services vary by nature and, therefore, are not predictable. Typically, they include services for accident repairs, vehicle and equipment modification, vehicle damage caused by vandalism, driver abuse or acts of nature, expenditures required to extend vehicle life beyond specified lifecycles, and other directed work.

Outsourcing contracts use these definitions of work to cap overall fleet maintenance costs that can be predicted, while still allowing flexibility for those costs that can not be foreseen. Furthermore, the contractor and customer typically share any contract savings below the targeted price on a 50/50 basis. They also share costs on a 50/50 basis above the targeted costs, up to 110 percent. Any targeted costs in excess of the 110 percent are borne solely by the contractor.

## CHART 1: SAMPLE CONTRACTOR PERFORMANCE REQUIREMENTS

Required Service	Standard
No. of Work Orders Completed on Time	Contractor must process 96% of all work orders on time.
No. of Scheduled PMs Completed	Contractor must complete and maintain a 97% completion rate of all scheduled PMs.
Total Number of Labor Hours Expended	Contractor must not exceed number of total labor hours expended unless authorized by the fleet director.
Percentage of Available Vehicles and Equipment	Contractor must maintain an availability rate of 96.5% for all vehicle and equipment.
Turnaround Time on Directed Work	Contractor must perform directed work and other duties as assigned with minimal impact to daily operations.
Total Number of Re-repairs	Contractor must limit repeat repairs for all vehicles and equipment to 4%.

*This typical set of performance standards is borrowed from a fleet outsourcing contract. Some of its standards can be incorporated into a service level agreement.*

Chart 1 tabulates a typical set of performance standards that has been borrowed from one fleet outsourcing contract and some of which can be incorporated in a service level agreement. Originally, this particular set of standards was tied to a set of “liquidated damages” that would be deducted from the contractor’s monthly fee. Subsequently, it evolved into an incentive/ deduction program where the contractor could earn or lose “points” depending on whether the contractor did better or worse than the performance standard. Each point is worth so much money for crediting or debiting the contractor’s account. It also refined the performance standards by basing them on the type of vehicles involved (administrative, emergency, construction and medium and heavy equipment fleets.)

In addition, service contractors will report not only their PM compliance rate, but also the number of “no-shows” or times when a customer fails to show up on-time for their PM appointment. This metric provides mutual protection to the service provider and consumer alike.

### Fleet User Committee

Another tool to increase accountability is a fleet users committee to address the many operational issues that arise between fleet management and fleet customers. This committee can also be mobilized to guide the fleet specification and replacement process and consult on fleet utilization criteria. Similarly, establishing a fleet safety and accident committee is helpful in examining incidents to assess preventability and fault.

**Profit and Loss Statements** Creating a monthly profit and loss statement for each shop is an excellent tool to promote accountability and run the fleet operation as a business. “Revenues” consist of the amount of work earned or billed by technicians during a given month, plus parts charged to customers. The cost of goods sold (i.e. parts) is subtracted to yield gross margin. This is compared to total garage operating expenses such as labor, rents, utilities, and other garage

overheads to assess whether a garage is profitable and technicians are fully utilized. See Chart 2 for a simplified version of a profit and loss statement.

<b>CHART 2: ILLUSTRATIVE MONTHLY INCOME STATEMENT AND LABOR ANALYSIS BY FACILITY</b>	
<b>Revenues</b>	\$79,100
Less: Cost of Goods Sold	26,300
<b>Gross Margin</b>	<b>\$52,800</b>
<b>Shop Expenses:</b>	
Rent / Depreciation	\$1,400
Utilities / Supplies & Services	5,800
Tools	300
Miscellaneous (contractor, etc.)	100
Service Trucks	3,200
<b>Subtotal, Shop Expenses</b>	<b>\$10,800</b>
<b>Payroll Expenses:</b>	
1 Garage Supervisor	\$4,900
1 Lead Auto Tech	8,300
2 Senior Auto Tech	3,800
3 Auto Tech	10,700
1 Associate Auto Tech	3,000
1 Senior Office Clerk	2,200
<b>Subtotal, Payroll Expenses</b>	<b>\$32,900</b>
<b>Total Expenses</b>	<b>\$43,700</b>
<b>Net Income</b>	<b>\$9,100</b>
Total Labor Hours Available (7 Techs x 168 hours per month)	1,176
Total Labor Hours Billed (Gross Margin / \$52.00 per hour)	1,015
Labor Efficiency Factor = (Total Labor Hours Billed / Total Labor Hours Available x 100) =	86%
NOTES: • Revenues = Marked-up parts expense + labor hours times shop rate, as derived from work orders billed. • Costs of Goods Sold = parts costs • Payroll expenses equal salaries plus fringe benefits	

### Driver Vehicle Inspection Reports

Government fleets can borrow from protocols the federal government has established for motor carriers to improve vehicle safety. These regulations are codified in the Federal Motor Carrier Safety Regulations.

While certain exemptions exist for state and local government fleets, the pre- and post-trip inspection reporting aspects (49 CFR Part 396, Section 11) of these regulations can serve as a useful model for promoting safety and increasing accountability among vehicle operators and maintenance personnel. Moreover, since certain states have adopted the federal regulations, government fleet operators must check with their state agencies to determine whether they are covered by regulations similar to the federal models. Unfortunately, some government fleet managers are not fully aware that their fleets may be subject to pre- and post-trip inspection regulations.

In essence, drivers of vehicles with a gross vehicle weight rating (GVWR), gross combination weight rating (GCWR), gross vehicle weight (GVW), or gross combination weight (GCW) of 10,001 lbs. or

more, and involved in interstate commerce are required by federal regulation to inspect their vehicles and document the results in a form prescribed by the federal government.

This form is known as the Driver Vehicle Inspection Report (DVIR), and must cover the following safety areas:

- Service brakes, including trailer brake connections.
- Parking (hand) brake.
- Steering mechanism.
- Lighting devices and reflectors.
- Tires.
- Horn.
- Windshield wipers.
- Rear-vision mirrors.
- Coupling devices.
- Wheels and rims.
- Emergency equipment.

While its precise design is left open to the fleet operator, the DVIR form must address the safety items listed above and provide space for the driver to acknowledge that he or she reviewed the previous driver's DVIR.

As noted, even drivers of government vehicles with a GVWR or GCWR of 10,001 lbs. or more, and not engaged in interstate commerce, may be required under state regulations to inspect and report on the condition of their vehicles. Regardless of its applicability, the DVIR form can be used proactively to increase safety and accountability.

The form should be as simple as possible while meeting the minimum regulatory requirements. It is advisable to print the form in triplicate as a carbonless booklet. Booklets containing 25 copies should be placed in every crew vehicle of 10,001-lbs. or more GCWR. The original and first copy should be perforated for easy removal. The second copy remains in the book, which remains with the vehicle.

Drivers of vehicles 10,001 lbs. or more GCWR fill out the form prior to each vehicle or equipment unit operation and update the form at the end of the unit's shift. When the unit is serviced, the top original and first copy is sent through the local operator supervisor to fleet maintenance.

After the repair is completed, the technician signs both copies and returns the original to the customer and attaches the first copy to the work order and file both in the vehicle's history file jacket. If the vehicle does not require servicing, the top and first copy should be removed from the vehicle's book, signed by the vehicle operator confirming the vehicle is safe and economical to operate, and given to the dispatcher to file for 90 days. Thirty days of history should be kept onboard the vehicle.

In providing a documentary trail of inspection, repair, and acknowledgement, the DVIR process reduces the likelihood that unsafe vehicles are operated or safety repairs are not performed. Both the vehicle operator and the service technician are held accountable.

Furthermore, to reinforce the DVIR process, the jurisdiction's vehicle policy should stipulate:

- A formalized pre- and post-trip inspection program.
- Affected operators and technicians must follow the process.
- Requirements and procedures.

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