

“Striving For Continuous Improvement”

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973-966-9262 For Fleet Professionals

Preliminary Thoughts

- Fleets are at different levels among each other and within each other.
- There is always room for improvement, even in the best of fleet operations
 - Very important to recognize this, and that
 - Improvement is a continuous process.
- Always be on the lookout for improvement.
 - Self assessment,
 - Attendance at seminars like this,
 - Hiring outside expertise, and
 - Benchmarking.

Today's Discussion

- Benchmarking and other tools and techniques.
- Excerpts from case studies and our experience for your consideration and guidance.
- Areas found in most need of improvement
- Where fleets can experience the greatest return on investment for the resources expended.

Please Note!

- While there are certain key fundamental concepts common to all feet operations:
 - Everyone's situation is unique, and
 - One size solution does not fit all.
- As noted in Pam's introduction, "... the pinnacle for one is certainly not the pinnacle for all ..."

Benchmarking

- Can be a powerful tool to:
 - Learn and
 - Improve performance
 - Effectiveness, economy & quality
 - Serve as a catalyst for change
 - Help “make the case”.
- Our definition is: “ A systematic process of comparison used to gain insight into and improve an organization’s performance.”

Understanding Results

- Lately, many fleets believe it is important to be in the top quartile or even decile.
- All right, but what about avoiding extremes in the data?
 - Try to rely on medians not averages, since medians avoid the impact of data extremes.
- Benchmarking should not be an exercise in bragging rights.
- Instead, stay focused on improvement and not just being called as the best.

Avoid Playing Number Games

- Colleague reviewed the results of an investor owned utility thought they were the most cost-effective.
 - However, they were not.
- Closer look revealed that they did include many overhead costs in delivery of maintenance services.
- This had artificially made them look good, when in fact they were among the most expensive.

More than One Factor

- Look at more than one factor.
- Example: Percent of staff in administration
 - Some took this as a negative factor.
 - But if the value added by the administrative resulted in significantly lower costs, then that may be ok.
- When all or most of the indicators are in the wrong direction, then there may be a problem.

Detail vs. Overview

- It is not easy to make these comparisons,
- The more time and money obviously the better, but sometimes the costs are not worth it if you are can be satisfied with an overview rather than getting lost with too much detail.

Be Open For Surprises

- Example: Study of maintenance costs of trucks with high aerial units.
- Benchmarking found that other utilities had only a nominal number of such units, ranging from 0 to 3 units.
- Client utility with similar service area size had about 11 units.

Doing It Yourself

- Using networks to informally benchmark is fine.
- But it is good to get a professional consultant with the expertise and experience to:
 - Formulate the right questions,
 - Interpret the results,
 - Maintain confidentiality, if needed, and
 - Avoids pitfalls.
- The writing of questions is an art.
 - Obtaining enough detail for meaningful info, but not so onerous to scare away participants.

Embracing The Differences

- Please note to embrace fleet differences.
- Don't use differences as an *excuse* to avoid comparisons or learning from others.
- Differences can be accommodated through:
 - MRU vehicle equivalency analysis for comparing fleets of different size and mix.
 - Quantifying their impact to assess significance.
 - Example: Accident costs were only 2% of the total repair costs and not enough to tip the comparison of in-house equipment versus rental equipment.

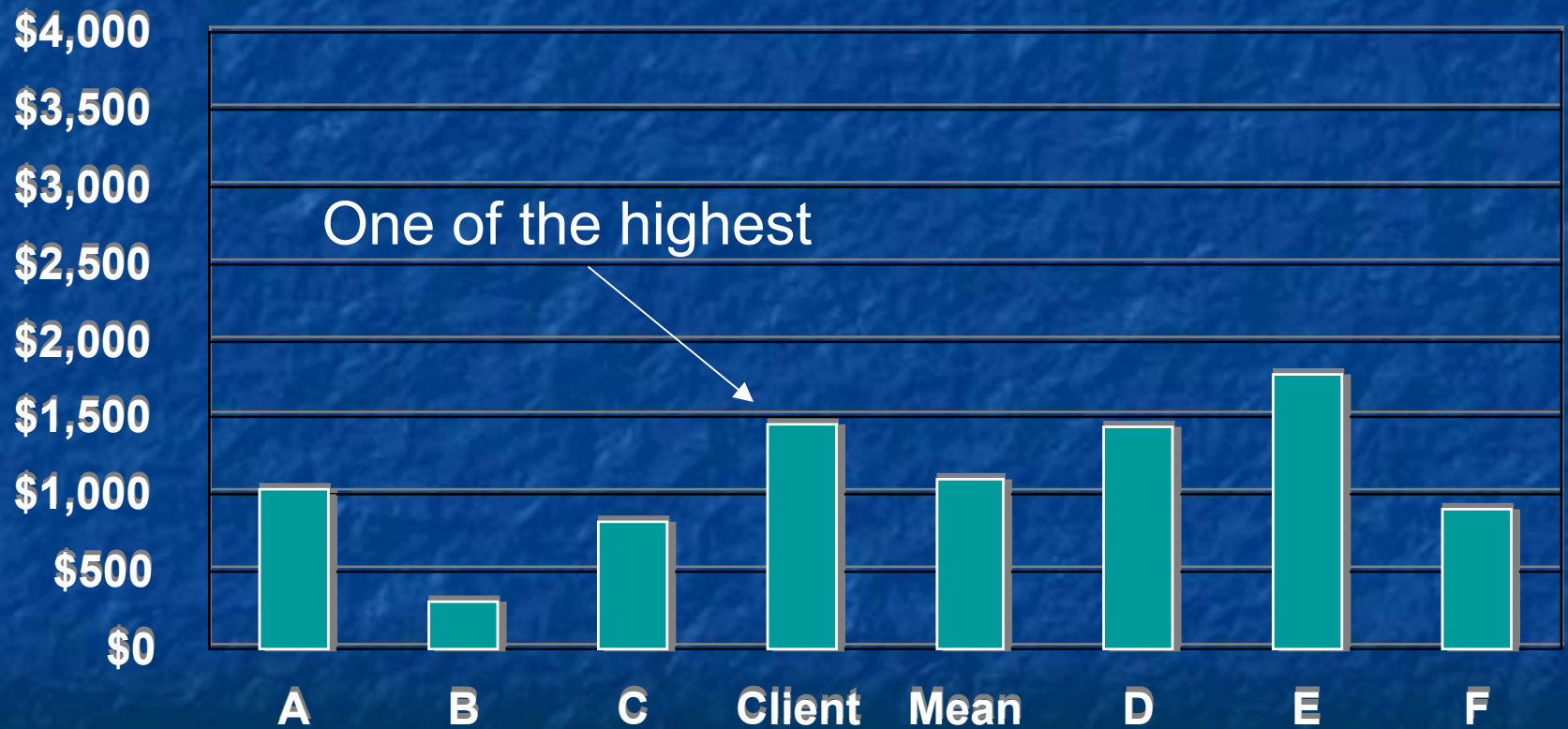
Learn From Vendor Contracts

WO's Completed On Time	96%
Scheduled PMs completed	97%
Labor Hours Expended	Not to exceed limits
Percentage of Available Vehicles and Equipment	96.50%
Turn Around Time on Directed Work	minimal impact
Re-repairs	4%

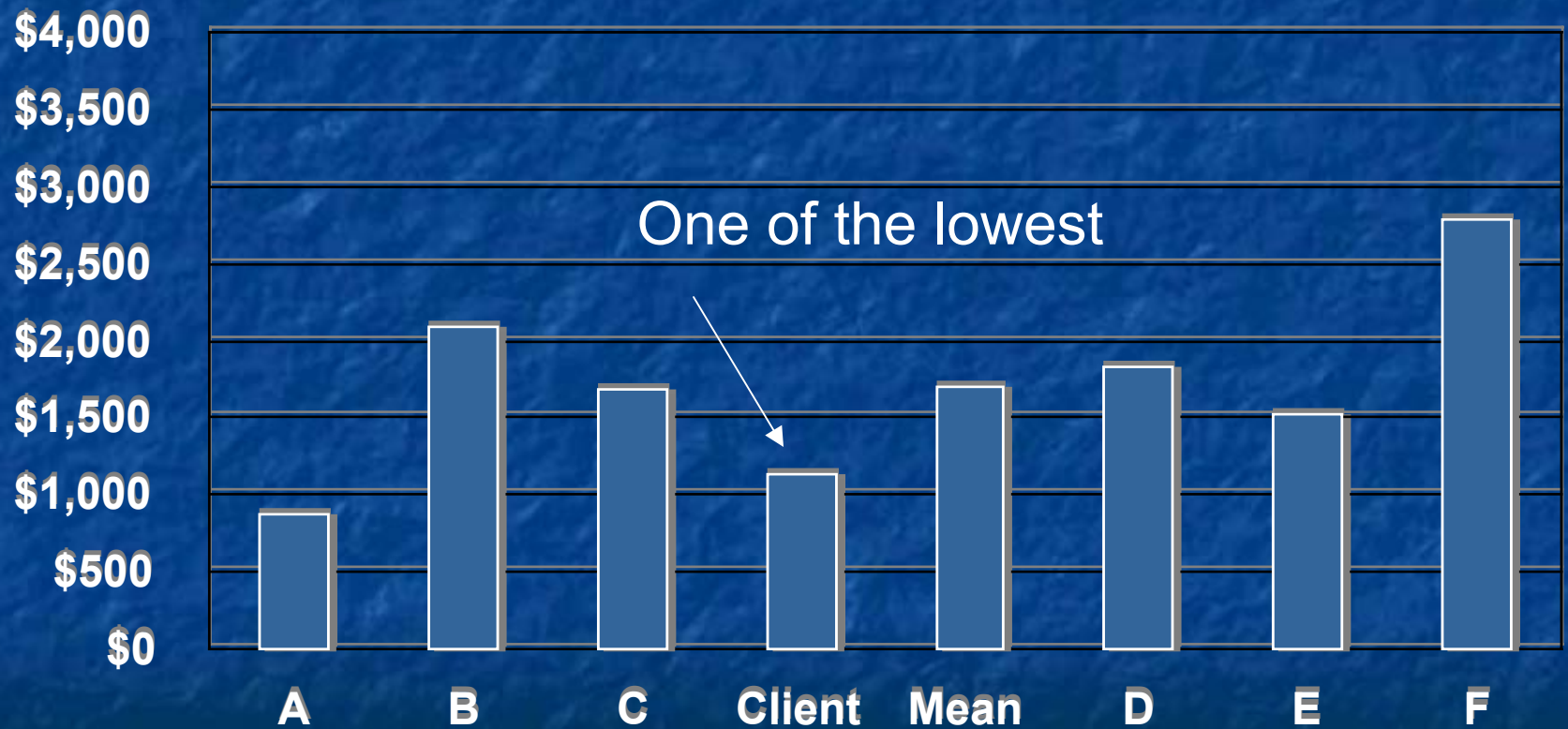
Two Benchmarking Examples

- Lifecycle costs need to be considered.
- Quality should not be ignored.

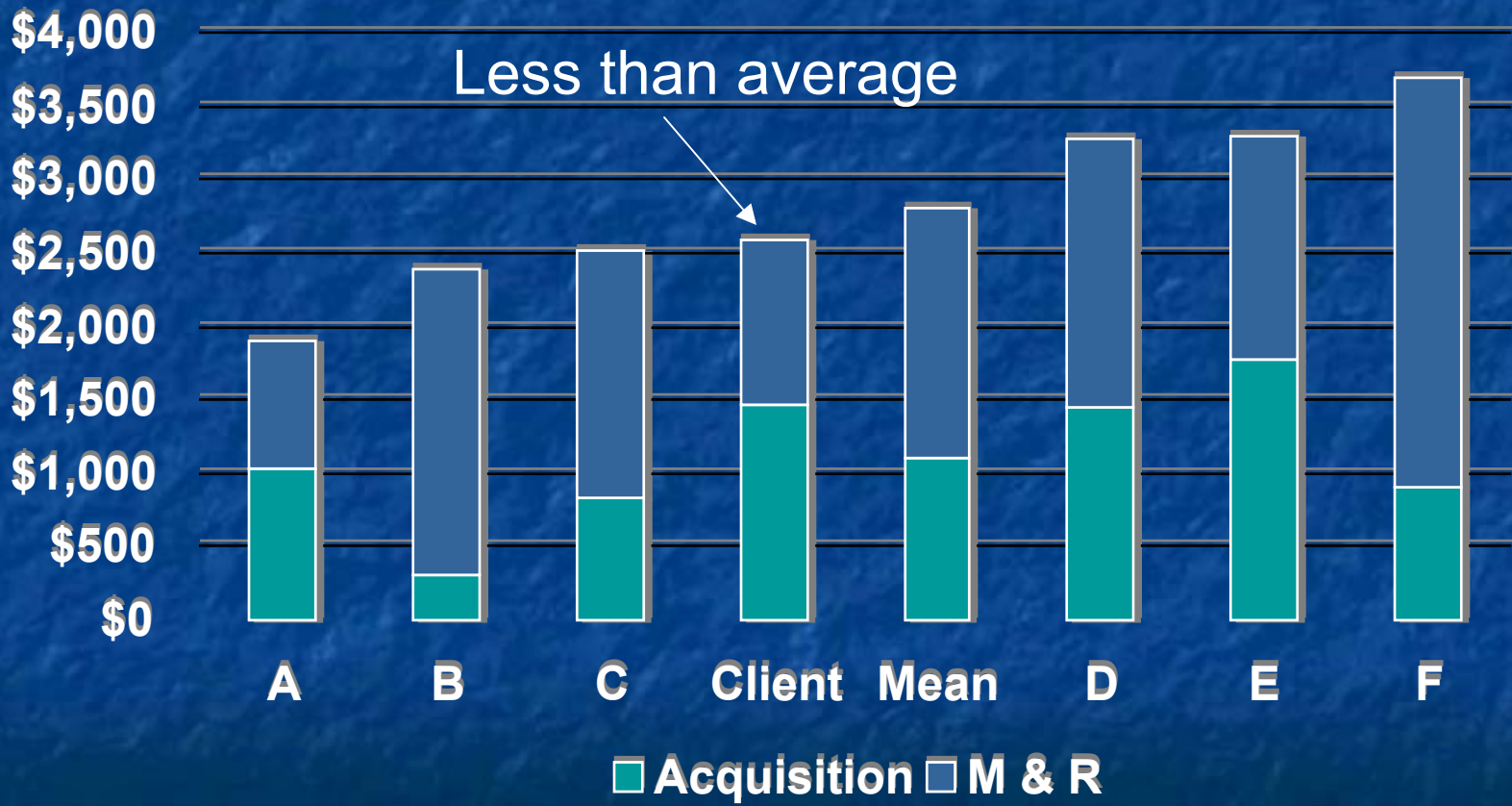
County Fleet Acquisition Costs Per MRU



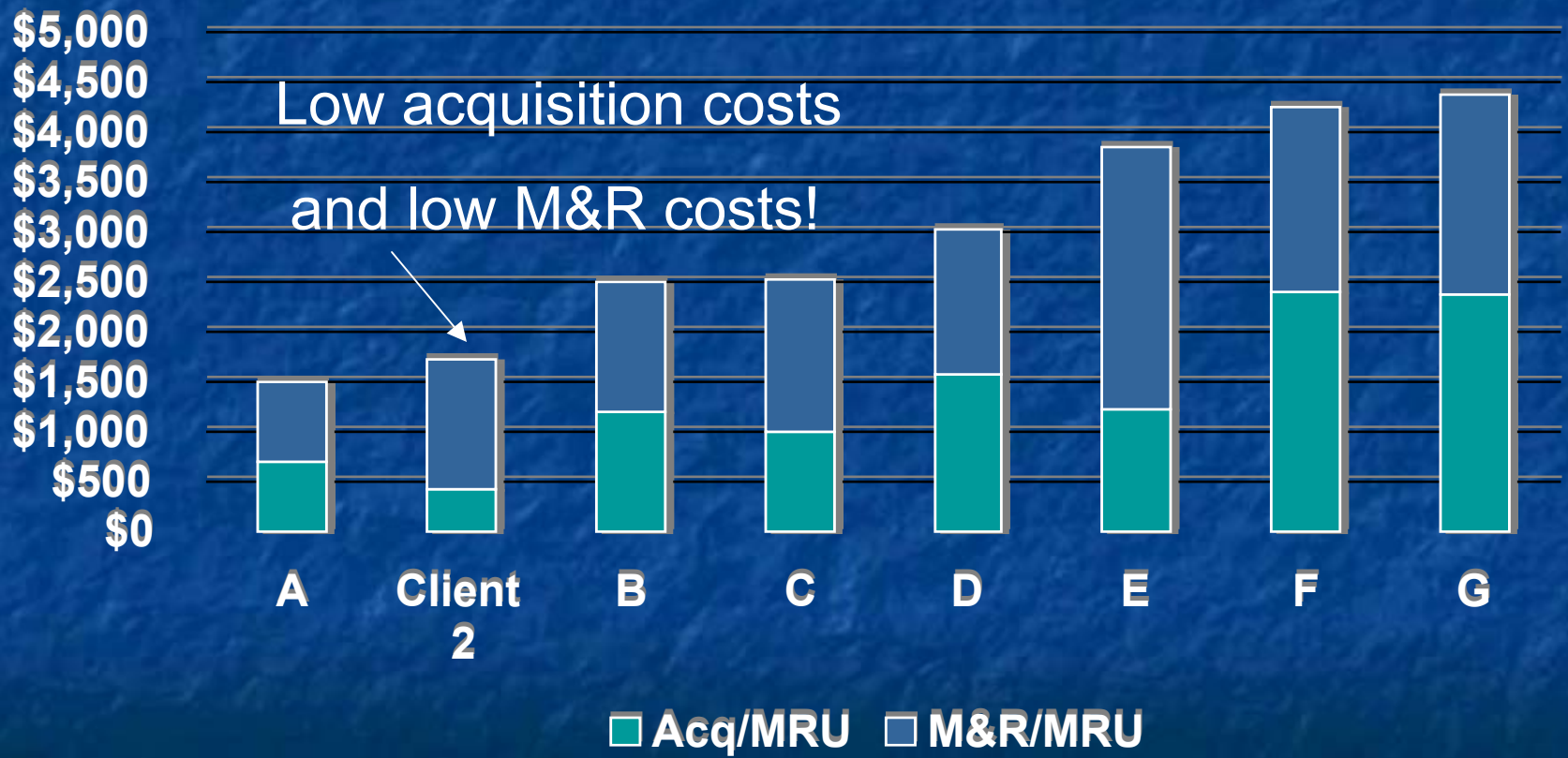
County Fleet M&R Costs Per MRU



County Fleet Total Cost Per MRU



City Total Fleet Costs Per MRU



What's going on?

What about quality?

Increasing Accountability

- Service Level Agreements
- Fleet User Transportation Committee
- Profit and Loss (“running it like a business”)
- DVIR (user abuse and incident committee)

Service Level Agreements

- Formal, intra-agency agreements between fleet department and its customers that defines:
 - Fleet services provided
 - Charges for these services
 - Responsibilities of the parties
 - Levels of services including,
 - Priorities, policies and standards.
- Used to improve the effectiveness and efficiency of their service delivery.

Mutual Benefits

- Establishes clear performance expectations.
- Clarifies the roles and responsibilities of each party.
- Focuses attention on the customer's needs.
- Encourages a service quality culture.
- Provides a mechanism for both future planning.
- Provides a useful tool for the customer to monitor performance.

Fleet Management Committee

- Evaluate vehicle usage,
- Discuss operational concerns,
- Strategize,
- Prepare replacement list,
- Review additions to fleet, and
- Review fleet reductions.

Profit & Loss By Facility

Fleet Maintenance Facility A Monthly Income Statement & Labor Analysis

Revenues (a)	\$79,072
Less: Cost of Goods Sold (b)	\$26,293
Gross Margin	\$52,779
Shop Expenses:	
Rent / Depreciation	\$1,400
Utilities / Supplies & Services	\$5,839
Tools	\$280
Misc (Contractor, etc)	\$140
Service Trucks	\$3,231
Subtotal, Shop Expenses	\$10,891
Payroll Expenses: (c)	
1 Garage Supervisor	\$4,858
1 Lead Auto Tech	\$8,316
2 Sr Auto Tech	\$3,836
3 Auto Tech	\$10,710
1 Assoc Auto Tech	\$3,038
1 Sr Office Clerk	\$2,198
Subtotal, Payroll Expenses	\$32,956
Total Expenses	\$43,847
Net Income	\$8,932
Total Labor Hours Available (# Techs x 168)	1,176
Total Labor Hours Billed (Gross Margin / \$52.36 per hour)	1,008
Labor Efficiency Factor = (Total Labor Hours Billed / Total Labor Hours Available x 100)	86%

Notes:

- (a) Revenues = Parts & Labor @ \$52.36/hr. from Work Tickets Billed to Customers
- (b) Costs of Goods Sold = Parts Costs
- (c) # Personnel x Mid-Point \$Wages x 2

DVIR Acknowledgements

PRE & POST TRIP DRIVER VEHICLE INSPECTION REPORT

DEPARTMENT: _____ DRIVER: _____

PLATE #: _____ MILEAGE/HR. METER _____ DATE _____

INSPECT ITEMS LISTED - IF DEFECTIVE CIRCLE OR CHECK AND DESCRIBE IN "REMARKS"

PRE-TRIP	POST-TRIP	PRE-TRIP	POST-TRIP
_____ OIL	_____	_____ EMERGENCY EQUIPMENT	_____
_____ TRANSMISSION	_____	_____ OTHER	_____
_____ LIGHTS-WIPERS	_____	_____ TIRES-RIMS-WHEELS	_____
_____ ELECTRICAL	_____	_____ COUPLING DEVICES	_____
_____ HEATER-AC	_____	_____ BRAKES	_____
_____ EXHAUST SYSTEM	_____	_____ HORN-MIRRORS	_____
_____ STEERING	_____	_____ DAMAGE	_____
_____ COOLANT	_____	_____	_____

REMARKS

CONDITION OF ABOVE VEHICLE SATISFACTORY UNSATISFACTORY

I have reviewed the last driver's report for this vehicle. No defects Defects as found DRIVER'S SIGNATURE _____

PRE-TRIP DRIVER'S SIGNATURE _____ SATISFACTORY UNSATISFACTORY

POST-TRIP DRIVER'S SIGNATURE _____ SATISFACTORY UNSATISFACTORY

ABOVE DEFECTS CORRECTED
 ABOVE DEFECTS NEED NOT BE CORRECTED FOR SAFE OPERATION OF VEHICLE

MECHANICS SIGNATURE _____ DATE _____

Improvement Areas Noted By Government Fleets

- Electronic service manuals & billing.
- Quicker purchase orders.
- Improved inventory control.
- Improved customer communications.
- Improved fleet information system.
- Elimination of underutilized vehicles.
- Vehicle rotation to improve utilization.
- Driver safety training.

Government Improvement Areas, Cont'd.

- Adequate maintenance staffing.
- Capital replacement fund.
- More work space.
- Create a fleet utilization committee.
- Improve safety/training program staff.
- Implement a fleet policies and procedures manual.
- Parts inventory audit to remove unused/dated inventory yearly.

Improvement Areas Noted By Utility Fleets

- Communication between our customers and ourselves.
 - We all agree it is important, but we still don't do it well.
- Continue to evaluate and implement outsourcing of non-core business functions.
- Fleet Replacement models.
- Improve the overall effectiveness of our parts management.
- Low utilization and excess fleet construction equipment.
- User involvement in making vehicles available for mandated preventative maintenance inspections.

Utility Improvement Areas, Cont'd.

- Continue implementing technological advancements and training of technicians.
- Technician training and retention.
- Reducing time spent on unproductive activities - chasing parts, attending frivolous meetings, travel time, etc.
- Keeping maintenance costs under control, while not having enough capital allocated to execute a comprehensive life cycle replacement program.
- Standardization of the fleet.
- Warranty recovery.

Some Government Best Practices Observed

- Making greater usage of the capabilities in its fleet management information system.
- Improving vehicle classifications and work codes.
- Specifying vehicles to minimize maintenance.
- Establishing a quarterly report to managers. on effective usage, delinquent vehicles.
- Providing timely communication with users/managers.

Some Utility Best Practices Observed

- Increased flexibility in dealing with customer groups.
- Significantly reducing fleet size and transportation department size.
- Downsizing high reach aerial units and relying increasingly on rental companies to provide these units on a preplanned basis.
- Consolidating maintenance and construction fleet into the same organization.
- Continuously reviewing outsourcing opportunities and reexamining where transportation services are still cost effective.

Utility Best Practices, Cont'd.

- Viewing transportation as an outside contractor offering a menu of services agreed upon in advance.
 - This requires a thorough understanding of the costs to supply various levels and combination of services.
- Relying on the major vendor suppliers to provide new ideas and services to make their utilities clients more successful.
 - This is a survival mechanism for the vendors to ensure that their clients will continue to exist. !!

In Conclusion

- Make the most of your information technology.
- Quantify your performance.
 - Don't just say "We have made progress".
- Prove it by showing the numbers!
 - Downtime, PMs completed, PM no shows, mechanic utilization, life cycle costs, etc.
- Continuously strive for improvement.
- It's a never ending journey.