

10 Ways to Improve

Public sector fleets face the mandate of continuous improvement with rigid budget restraints. "Do more with less" has become a tired cliché.

However, there are opportunities to contain costs with emergency fleet operations.

By Dave Robertson

Every fleet, whether public or private, has fought the cost containment battle. Those of us in the public arena face the mandate of continuous improvement with very rigid budget restraints and few opportunities to see any easing. "Do more with less" has become a tired cliché. However, as conscientious fleet managers, it is imperative that we look for opportunities to control costs, whether in good times or bad.

Emergency fleet operations present opportunities to contain costs. Although many will say their fleet is "different," many of the skills for fleet analysis remain the same whether emergency or not. What follows are 10 key elements in cost control and cost reduction that may apply to your fleet.

1. Know Your Cost

Knowing your cost by segments of operation becomes the first step in providing direction to search for cost improvements. For example, as manager of the Houston Fire Department fleet, I supervised the following distinct operations: Heavy Duty, Ambulance, Light Duty, Body Shop, Fabrication Shop, Parts, and Administration. Each of these areas has separate staffing requirements and different demands upon support elements.



If you have a computerized fleet maintenance system, these costs become easy to segment so that you may analyze and observe parts of your operation and consequently look at costs surrounding each element. Without an idea of costs the fleet manager remains in the dark as where to look for cost reductions and/or service improvements.

A further examination of costs should cover specific jobs within each business segment. For instance, how much does PM cost in Heavy Duty? How much is tire cost in Ambulance? What is the labor cost across all segments? What parts support and costs are there? In addition, what is the overhead cost?

2. Outsource Certain Functions

Once you recognize job costs, then you must benchmark those costs against the marketplace. Fleets must continually examine maintenance functions to discover ways to improve service and reduce costs. Remember, a cost-effective repair may cost more in dollars but provide value-added service. For example,

At a Glance

Steps to improve fleet operations include:

- Determine costs of each fleet segment of operation.
- Examine which repairs may be more cost-effective if outsourced.
- Review parts inventory and standardize vehicles and components.

compare the cost-effectiveness of in-house repair versus subcontracting to an outside vendor. Even if an outside repair is more expensive, it may be a more cost-effective solution. Spare usage may be reduced, and the crew may respond better, especially fire apparatus and ambulances, by having their regular unit back in service.

Tire service, primarily road service, is a target for possible outsourcing. The Houston Fire Department outsources all of its tire road service, plus the tire service at the Heavy Duty shop. We reduced workers' compensation claims and received a better level of service. The Hous-

the Cost-Effectiveness of an Emergency Response Fleet

ton FD does not have to use a mechanic to change tires, and the overhead of additional personnel is eliminated.

Overflow work is another factor. If I could not accomplish repair in my own shop in a reasonable amount of time, in most cases, I got a more cost-effective repair by contracting with an outside vendor.

3. Examine Parts Turnover

You can lower inventory of those parts that are readily accessible in your local market. Let the vendor keep that inventory on his shelf, not on yours. Obviously, hard-to-get parts or those that require long lead times require careful consideration concerning quantities to carry. The parts on your shelf represent real taxpayer dollars. The minimum amount you can carry while providing a satisfactory level of service consistent with demand is the objective. Parts turnover is one measurement worth tracking. Calculate parts turnover by dividing average annual usage by annual average inventory to produce a ratio. A calculated example might be 2.

A 2:1 ratio is less than an ideal turnover rate. Turnover rates should approach or exceed 4:1.

Periodically the fleet manager should run a parts usage report of stock parts to examine the frequency of use. For

example, you may have four filters for a particular application on the shelf, but during the past year you only utilized one. Depending on availability, if the part is easily obtainable in the local market, consider returning one or two filters to the supplier. The ability to do so depends on whether the contract language permits this, or if the vendor is willing to work with you. Parts are best returned within one year and in the original package. We often returned unused parts still in original packaging for credit.

The use of procurement cards provides one more tool for the fleet manager to reduce the cost of inventory. Often using procurement cards allows for obtaining parts immediately rather than a more lengthy process of obtaining purchase orders.

4. Monitor Productivity

A direct versus indirect time analysis has been a standard for measuring mechanic productivity as long as I have been involved in fleet management. Unless supervisors rigorously reduce the time mechanics spend at the parts counter waiting on vehicles, looking for vehicles, and other time wasters, your indirect time will grow. Anything less than a 75/25 split, should prompt the fleet manager to analyze the reasons why.

The measurement of scheduled versus non-scheduled repairs is directly related to the effectiveness of the repair quality. Scheduled maintenance is predictable and therefore much easier to manage and prepare for than the surprise of a non-scheduled repair. PMs, state inspections, warranty repairs (if not from breakdown), and manufacturer recalls all fall under the scheduled umbrella and should approximate 65 percent of mechanic activity.

5. Standardize Vehicles and Parts

Standardizing vehicles makes good economic sense. Private sector fleets have a much easier time with this than the public sector. For public fleets, it's important to ensure that components within a certain brand name are standardized and common to the best extent possible. For instance, if you can purchase over a few years the same tire sizes, engines, transmissions, you are able to better control parts costs, reduce training time, and speed up maintenance and repairs.

6. Establish Working Groups

One technique I employed with the Houston fleet was creating a working group of maintenance supervisors and mechanics to review a particular part of the business. Often managers and su-



pervisors overlook the obvious because of a focus on the “big picture.” Mechanics and support personnel can solve problems and may contribute solutions. Use that knowledge base. I even met with mechanics and non-supervisory personnel to eliminate the natural tendency to “filter” information as it travels up the chain of command.

7. Identify Highest Cost Items

The fleet manager should examine annually (or even more often) the types of maintenance and repairs that each maintenance segment incurs. In my fleet, these repairs differ from each other with the exception of the PM inspections common to all. For instance, in my Heavy Duty shop, the order was: inspections, tires, and air conditioning. In the Ambulance Shop, the order was inspections, air conditioning, and brakes. Start with the highest cost of repair or service and focus on developing strategies to improve. Finish one before you start the next.

8. Size Staff Appropriately

Without going into a lengthy discussion of vehicle equivalent analysis (VEU), personnel is the largest cost of an in-house maintenance fleet. In the Houston Fire Department fleet, personnel accounts for approximately 70 percent of the actual cost of the operation, not including fuel. Therefore, the fleet manager must analyze the size of

the organization, as well as the quality of the people within the organization.

9. Training

Training cuts are typical reductions in extremely difficult budget times, especially if travel is involved. Fleet managers abhor training cuts because the ability to stimulate personnel and improve job skills is lost. For instance, I funded training at an appropriate level, but there was no travel budget for attendance at OEM schools. Many OEM classes will not easily transport to a customer’s site. Therefore, you may have to depend on the local market to supply whatever training is available.

Nonetheless, training is an investment in the present and future, and while hard to quantify, consider that its cost-effectiveness is a given. Training improves the timeliness and quality of repairs.

10. Vehicle Usage

Vehicles provide substantial opportunities to reduce cost. By reviewing and analyzing vehicle usage, the fleet manager may be able to reduce fleet size. Fleet reductions drive down other operational costs.

While at the Houston FD, I was involved in a citywide study examining vehicle usage. We determined that if we did not use a non-emergency sedan at least 8,500 miles annually, it was not cost-effective for the city to own the ve-

hicle. It was more cost-effective to utilize vehicle pools or reimburse an employee at the standard IRS rate for the business use of their personal vehicle.

Finally, establish goals and objectives. They must be written, quantified, and achievable. Share the goals with everyone in the organization and “sell” them as something in the organization’s best interest. Goals may target cost reductions or service delivery improvements. You can sometimes build a case that a cost-effective repair may cost additional out-of-pocket dollars, but the result will yield substantial improvements.



Some years ago, while at the Houston Police Department fleet, I made the case to purchase a frame machine to improve accident repair turnaround times. We spent \$40,000 to purchase the machine, but the service improvements provided value-added benefits. The frame machine had a payback in one year. We reduced costs of towing, travel time back and forth to the vendor, and returned the vehicle to service much faster.

I have found that these 10 cost-control and cost-reduction elements are practical, reasonable, doable, and most of all, necessary to ensure the effectiveness of your operation. While they may not be new to most of you, from time-to-time we all need reminding. **GF**



FOR MORE INFORMATION:

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