

The Trigger Points of Privatization Initiatives

Today, there are fewer sacred cows than ever when it comes to outsourcing fleet functions. The City of St. Louis fleet considers virtually everything for possible outsourcing. If we can get the same level of service at a lower cost or improved service at the same cost, it is outsourced. We can assign work and monitor contractor performance just as easily as we can our own employees. If vendors don't perform as promised or attempt to gouge us on price, we find another vendor or bring the function back in-house.

Trigger Points to Outsourcing

There are logical trigger points in deciding to outsource a function or return it to our own operations. Staff vacancies, particularly in a specialized skill set, are opportunities to test the capabilities and costs of using outside vendors. Hiring freezes in many governments during these tough economic times can be the impetus in considering changes in long-standing practices to refocus remaining internal assets on core fleet functions. Similarly, major shifts in government regulation or vehicle technology requiring investment in infrastructure, equipment, tools, or skill retraining should prompt an in-depth in-house versus outsourcing review.

The trigger point for work currently outsourced is typically contract renewal or expiration. While potential bidders prepare responses, fleet organizations

These trigger points are often prompted by the need to cut costs, poor customer service, staff vacancies, or hiring freezes. To respond successfully, you must know the actual costs of your internal operations before these triggers occur.

By Chris Amos

should calculate the cost of performing the function themselves.

How services are grouped can be important. The concepts of bundling and unbundling services so important to corporate fleet managers are also relevant for government fleet managers. Related services provided by a single vendor can be less expensive than farming out pieces to multiple vendors. The converse may also be true.

The Key to Success

The key to being successful is making an informed decision based on knowing the actual costs of your internal operations before these trigger points occur. Internal rates built without considering the cost of contributions from other internal suppliers (e.g., information systems, finance, facilities and grounds, supply, personnel, and legal) are misleading. To compare accurately, you have to ask: "What would go away if we no longer did this?"

It is also important to identify all internal costs for outsourced functions. For instance, someone must develop contract specifications or gather bids,

award the contract/work, monitor performance, assign the expense to the unit/activity, and pay the invoice(s).

Partnering Can Be Good Business

Partnering with outside vendors is not only good business, it can make the difference in analyzing the benefits of completely outsourced fleet operations.

If someone can come into my organization and underbid me when I don't have to pay taxes or make a profit, shame on me. If I were an outside contractor looking for new business opportunities, I'd be on the lookout for those fleets that are managed with the philosophy that everything should be accomplished in-house — they would most likely be easy pickings. **GF**



FOR MORE INFORMATION:

The author of the preceding article is Chris Amos, CAFM, commissioner of Equipment Services for the City of St. Louis, MO, and senior associate, Mercury Associates, Inc. He can be reached at: camos@mercury-assoc.com.