2016 Government Fleet Expo Annual Meeting

Corporate vs. Government: The Top Transferable Best Practices

Tuesday June 21, 2016, 4:25-5:25p
Room 105

Introduction – Speaker Bio

Steven Saltzgiver, MAOM

- Manager, Mercury Associates
- 37 years fleet management experience
- Former Fleet VP, Coca-Cola & Republic Services, over 50,000 assets – Budgets' over $1.2B
- Former Fleet Director, States' of Utah and Georgia, Over 20,000 assets
- Former Fleet Manager, City of West Jordan, Utah
- Former Supervisor, Utah Transit Authority
- Former "A" Technician, Utah Transit Authority
- Honda Environmental Award, 2000
- NCSFA Distinguished Service Award, 2009
- Fleet Technology Expo "Fleet of the Year", 2015

Why Best Practices?

Key Best Practices

KEY FLEET MANAGEMENT ACTIVITIES

EFFECTIVE FLEET MANAGEMENT

- Vehicle Assignment
- Dispatching
- Routing & Scheduling
- Mission & Authority
- Vehicle Acquisition
- Mileage Reimbursement
- Accident Management
- Vehicle Disposal
- Vehicle Replacement
- Registration Renewal
- Operator/Driver Training for Vehicle and Equipment Safety
- Facility Management
- Vehicle Maintenance & Repair
- Fuel Procurement & Supply
- Parts Procurement & Supply
- Vehicle Utilization
- Vehicle Operation
- Outsourcing
- Motor Pool Management
- Mechanic Supervision

Key Best Fleet Practices Inventory

	VEHICLE ACQUISITION AND DISPOSAL
1	VEHICLE SPECIFICATIONS DEVELOPMENT
2	VEHICLE ACCEPTANCE, PREPARATION, AND DELIVERY
3	VEHICLE DEACCESSIONING
4	VEHICLE DISPOSAL
5	VEHICLE PERFORMANCE MANAGEMENT

	VEHICLE OPERATION MANAGEMENT
6	OPERATOR CERTIFICATION AND RECORD KEEPING
7	OPERATOR TRAINING
8	PRE-TRIP INSPECTION AND RECORD KEEPING
9	VEHICLE MISUSE/ABUSE MANAGEMENT
10	ACCIDENT REPORTING, INVESTIGATION, AND MANAGEMENT

	VEHICLE UTILIZATION MANAGEMENT
11	VEHICLE UTILIZATION GUIDELINES ESTABLISHMENT
12	VEHICLE UTILIZATION DATA CAPTURE
13	INVESTIGATION OF UTILIZATION "ANOMALIES"
14	VEHICLE REASSIGNMENT OR DISPOSAL

	VEHICLE MAINTENANCE AND REPAIR
15	PRE-TRIP INSPECTION
16	PM PROGRAM DEVELOPMENT
17	WORK PLANNING AND SCHEDULING
18	DEFECT REPORTING AND SERVICE WRITING
19	WORK ESTIMATION AND ASSIGNMENT
20	MAINTENANCE AND REPAIR SERVICE DELIVERY
21	WORK SUPERVISION
22	ROAD CALL MANAGEMENT
23	FIELD SERVICE MANAGEMENT
24	OEM WARRANTY MANAGEMENT
25	SERVICE WARRANTY MANAGEMENT
26	QUALITY ASSURANCE

	FLEET MAINTENANCE CONTRACTOR/VENDOR MANAGEMENT
27	OUTSOURCING BENEFITS DETERMINATION
28	CONTRACT ESTABLISHMENT AND MANAGEMENT
29	SERVICE AUTHORIZATION
30	CONTRACTOR/VENDOR PAYMENT
31	CONTRACTOR/VENDOR PERFORMANCE MANAGEMENT

GFX GOVERNMENT FLEET EXPO & CONFERENCE

MERCURY

Key Drivers

- Both focus on customer service as primary objective
- Corp focus EPS/Shareholder value – Sacrifice long term?
- Gov focus on Taxpayer/Elected Official accountability
- Corp short-term investment opportunities to save long-term costs
- Gov focuses more on short-term vs. long term
- Corp focused on competition
- Corp > sustainability focus – "Right thing to do"
- Waste in both Orgs. >6 Sigma and Lean Opportunity?

Safety/Risk

- Safety is major focus for Corp litigation
- Corp >Risk outsourcing services vs. Gov more internal
- Corp >focus on mitigating accident costs
- Corp >employee accountability focus on driver behavior, asset accident, abuse and misuse
- Corp >focus on driver behavior monitoring systems to prevent potential litigation
- Corp > focus on Gov compliance & impact vs. Gov
- Corp >metric focus toward continuous improvement

Strategy

- Corp focuses on long-term and short-term strategy
- Corp integrates strategic objectives end-to-end and top-to-bottom

Examples:

- Coca-Cola – 6 "Ps" People, Process, Productivity, Partners, Profit, Planet

- Republic Services – 5 "Rs" Respectful, Responsible, Reliable, Resourceful, Relentless
  - RPM – Reliability, Productivity, Maintained
  - RACE – Reliable, Available, Cost-effective, EQ Utilization

Organization

- Operations vs. Fleet animus can exist in both
- Corp >turnover. Elimination of Pension benefits?
- Corp >focus on revenue assets
- Corp >focus on centralized approach to leverage potential synergies. (i.e., less a political decision) about the bottom line
- Corp focus is national (globally) versus local which impacts politics
- People politics exist in both organizations
- Corp reorganizes every three years
- Gov leadership change every 4 years. Employees drive execution

Financial

- Corp hyper-focus on budget numbers to drive profit
- Corp is more focused on quarter versus Gov annual focus
- Gov focused on balancing the budget
- Both never have enough capital to properly replace assets
- Both have short-term budget funds to repair versus replace
- Both capital constrained but Corp more flexible to provide capital
- Cross-subsidization happens in both orgs
- Corp focused on Process Improvement Teams
- Corp asset management focus

Asset Management

- Corp > focus on TCO vs. low bid
- Corp < focus on profitable remarketing and disposal
- Corp concerns about used assets purchased by competitors
- Gov > focus on disposal returns for all vehicles
- Corp > asset management focus end-to-end
- Gov > focus on cooperative purchasing/bidding
- Corp > focus on long term partnerships with suppliers

Maintenance

- Both focused on safety and reliability
- Corp > focus on outsource partners (core competency)
- Both focused on PM currency as primary metric
- Corp >focus on Predictive Maintenance (PdM)
- Gov > use of COTS FMIS. Corp > use of Financial system FMIS
- Both focused on metrics and benchmarking
- Corp less willing to benchmark with other businesses
- Corp > focus on internal shop efficiencies and productivity

People

- Corp >focus on pay and reward $
- Gov >focus on accolades and praise
- Corp >ethic opportunities to error and compliance training required to avoid ethic issues
- Corp >focus on individual employee accountability & succession Planning (formal rating systems)
- Corp >focus on turnover, engagement and employee performance
- Gov vs Corp discipline/termination and "at-will" status

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Process

- Gov >focus on policy
- Corp >focus on TCO
- Corp more focused on warranty recovery and recalls
- Corp often execute purchases w/o formal bid processes
- Corp not always concerned about low price and perception vs. long-term strategic relationship
- Corp/Gov seeing >Parts due to bad diagnosis increasing $
- >Outsourcing becoming inevitable reality for Corp/Gov
- Tech productivity becoming >focus for Corp (SRTs)
- Corp/Gov use consultant services as needed

Technology

- Corp adopts technology quicker - ROI
- Gov lags behind until proven becomes standard
- Corp opportunity to leverage COTS FMIS vs. Gov
- Corp stronger focus to let Finance drive Fleet $
- Corp invests more in employee training and needed tools
- Corp invests in technology if productivity gains or savings proven
- Both becoming paralyzed by excess data available resulting in unreliable analysis used for decision-making
- Corp leads technology but Gov adopts quicker once proven

Trucking Industry Trends

* Life Cycle reduction trend on horizon?
* Telematics expansion and applicable uses
* Greater "Big data" and benchmarking focus to find > opportunities
* Driver and Tech shortages now epidemic
* Increased downtime due to complexity enlarging spares
* > Maintenance costs due to complexity and < employee productivity
* Technician "War" competition – Fighting for quality-trained techs

Trucking Industry Trends

- Technology increasing operations cost and downtime
- Increased Truck Fire incidents
- CNG regulatory compliance
- Supplier relationship focus (Fewer = better)
- Battery life cycle concerns for EVs
- Truck options = increasing exponentially
- Outsourcing strategy – moving to external, how soon?
- Vehicle complexity is becoming a challenge for internal shops

Vehicle Complexity – Emissions & Compliance

Weighted Average Cost per Engine Hour (CPEH)

Truck Age: 4, 5, 6, 7, 8, 9, 10

Legend: Post-Emission | Pre-Emission Cost Curve
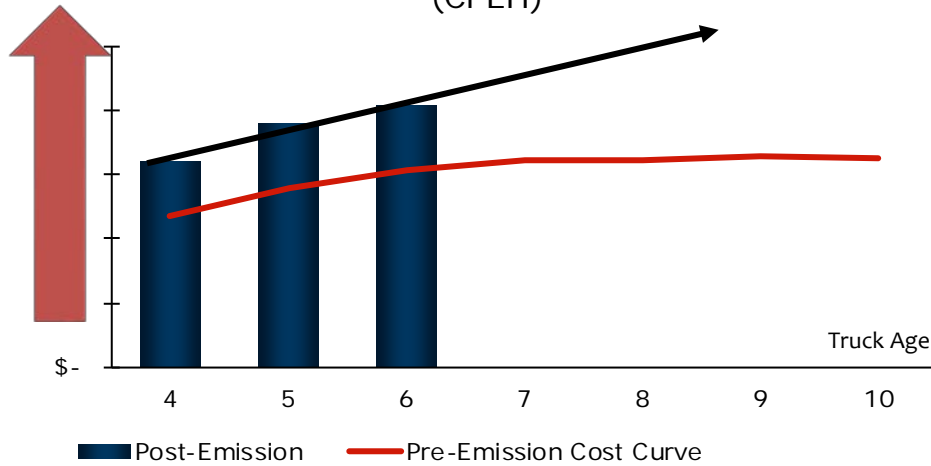
Examples of emissions complexity:

System	Part Description	Pre-Emission	Post-Emission
Emissions/Exhaust After Treatment	Muffler vs. Diesel Particulate Filter Assembly	$ 95	$ 4,719
	Diesel Particulate Filter Only	$ -	$ 2,258
	Turbo vs. Variable Geometry Turbo	$ 967	$ 3,294
	EGR cooler vs. no EGR cooler	$ -	$ 1,096
Engine	Fuel Injector E6 vs. MP7	$ 106	$ 695
	Cylinder Head E6 vs MP7	$ 1,779	$ 3,674

- Government emissions regulations and new engine technologies between 2007 and 2010 continue to elevate maintenance costs on trucks

- On average a post-2007 emissions truck costs >25% higher per engine hour to maintain when a truck comes off warranty (two years after purchase)

- Capital costs > 30% since 2007

- Parts costs and total number replaced is expanding

- Need to continue working to mitigate cost impact by training technicians on new technologies to lessen reliance on higher cost 3rd party repair vendors and downtime

- Training! Training! Training!

Key Transferable BPs?

- Strategic focus – Team rowing in the same direction
- Talent/succession planning focus and evaluation process
- Benefit from thinking long term making decisions based on positive ROI and IRR and not annual politics
- Rationale for sustainable vehicle use
- Investment in people engagement, retention, and training skills
- Making business decisions based on TCO
- More use of Process Improvement tools

Industry Trends

- **Future government mandates increasing complexity and impacting cost:**
  - Phase 2 fuel standards (2018)
  - CSA compliance changes > FMCSA shutdowns
  - Collision avoidance (coming)
  - HOS Compliance (on hold until 2016)
  - ELD Mandate
  - ICC protection increasing
  - ESC mandate (2017)
  - Back up camera compliance (2018)

Summary

- **Focus opportunities for both?**
  - Cost impact studies due to increasing complexity and downtime
  - Charge-back customer accountability for consumption of fleet expenses
  - >Right-sizing and outsourcing optimization studies
  - CSA compliance studies and aid FMCSA impacted fleets
  - >PM, PdM, VEU, SRT, 5S, VMRS, Parts/Shop optimization studies
  - Fleet management training/mentoring - new gen training studies
  - Sustainability/fuel, Phase 2 compliance/asset modernization studies
  - Gov mandate impact cost analysis on org productivity studies
  - Telematics/FMIS optimization studies – Tech not fully leveraged
  - Waste elimination. Six Sigma and Lean optimization studies

Summary

- **Focus opportunities for both?**
  - Cos
  - Cha ... ses
  - >Ri
  - CSA
  - >PM
  - Flee
  - Sus
  - Gov
  - Tele
  - Wa

Bottom line
Difference is minimal
99% the same!

Questions?

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