

Lessons from the public sector: Smaller fleet, big impact

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A new approach to fleet management let a public agency fulfill its mission with one-third fewer vehicles—and saved more than half a billion dollars.

by Steffen Fuchs, Erikhans Kok, and Saleem Zafar

A series on operations transformation in a public-sector organization

With demand for services rising faster than tax revenues, public entities around the world face unprecedented pressure to do more with less. Many think they must make a stark choice: cut service quality, cut availability—or cut both. This series of articles follows a large US public agency that chose another option: find radically better ways to deliver services by completely transforming its operations. Within 36 months, the agency booked nearly \$2 billion in cost efficiencies, while also building the capabilities of more than 10,000 people to make those changes sustainable.

Operating and maintaining public infrastructure requires plenty of vehicles—around 15,000 for one agency, ranging from construction equipment to cars to trucks of all sizes. But the fleet was beset by problems. Policies focused on meeting peak demand left many assets barely used, while underinvestment in maintenance and lifecycle planning meant that many more were old or in poor condition.

Right-sizing the fleet

The agency recognized that it needed a better approach, which started with a rigorous, fact-based review of fleet requirements. A battery of analyses examined utilization, total cost of ownership, and the comparative costs of purchased and rented assets under different usage scenarios. Together the data revealed the number and types of assets the agency really needed.

The savings opportunity turned out to be much larger than expected. The agency calculated that if it could improve availability through better maintenance processes, and meet demand peaks by renting equipment when required, it could remove several thousand assets from its fleet.

Now it had to turn its findings into lasting savings. With targets for fleet size reductions set, the agency embarked on a program to deliver them on the ground. But because the targets could be achieved only by upending long-ingrained processes and behaviors, the agency needed an intensive change-management program. At every one of its regional locations, the agency ran dozens of problem-solving sessions to confirm in detail that the new approach was workable. Senior managers reinforced the changes' importance, both through an extensive communications campaign and, more importantly, by being highly visible in the asset-reduction effort. Finally, to encourage broad ownership of the changes, each location had final say over which of its

assets would go—so long as the total savings met the agency's top-down target.

Just in the first twelve months of fleet resizing, the agency disposed of more than 3,000 assets, resulting in lifecycle cost savings of around \$200 million. More than 2,500 vehicles were sold at auction, generating gross proceeds of more than \$15 million.

Managing peak demand

With fewer assets in its fleet, the agency needed new, cost-effective ways to manage peaks in demand. First, it negotiated short-term rental agreements with external providers. In parallel, it developed blanket purchase orders to simplify administration and ensure price compliance, and appointed rental coordinators to manage the program. To curb misuse, it allocated rental spend to end users' budgets. But to further limit the risk of shortages, the agency also created a strategic reserve fleet of around 500 vehicles, with standard operating procedures covering processes for requesting and maintaining those assets.

Modifying maintenance processes

Next, the agency overhauled its maintenance processes and practices. The objective was simple: to improve asset availability while reducing the cost of supporting the fleet, through a combination of fewer, shorter trips to maintenance workshops and lower expenditures on parts and outside services.

To improve the performance and availability of its assets across the full lifecycle, the agency reviewed its preventative maintenance (PM) approach. Using data on asset-specific failure modes, it defined new PM intervals and schedules for critical assets. It also established a new triage process, prioritizing repairs based largely on seasonal demand fluctuations and the cost and availability of rental alternatives. The new work-prioritization tool also considered each asset's operating context, giving higher priority to ones required for high-value jobs or whose absence might create potential bottlenecks.

A new performance-management system helped improve workshop productivity by setting new targets for work completion and categorizing employees by the tasks they could perform. Regular performance dialogues helped the agency uncover and address sources of delays and inefficiencies, ultimately improving the productive "wrench time" of its mechanics by an hour per person per day.

A series of workshops changed the way employees worked with external vendors. The agency secured dealer-managed parts contracts with its top two OEMs. This move cut the waiting time for parts from 7 days to 24 hours, and saved 10 to 30 percent on unit prices. As with rentals, the agency established blanket purchase orders, eliminating process steps and simplifying relations between workshops and buyers. Workshop staff were also trained in techniques that improved communication and accountability with 3rd party vendors, further reducing avoidable delays.

Together, these steps helped reduce the fleet's total cost of ownership by an expected \$200 million over 10 years (the typical lifetime of fleet assets), while simultaneously improving its overall quality and availability.

Sustaining the change

To support the changes over the long term and keep improving, the agency changed the way it managed its fleet. Historically, fleet management was distributed across the organization, with shared-service units embedded in individual districts. That led to significant differences in operating practices and performance, and a scarcity of suitable talent.

The agency therefore established a new, central fleet-operations division within its procurement function. It consolidated activities such as vehicle specification and fleet location planning to a single location, improving the speed and quality of decision making.

It also significantly upgraded the capabilities of its staff. A multi-week, role-specific training program standardized its approach and gave its staff new skills to work together more effectively and continually improve fleet performance. In line with adult-learning principles, the training program was delivered through a combination of classroom training and field activities, so participants had immediate opportunities to put into practice what they had learned.

Throughout its change process, the agency sought to ensure its staff supported both the immediate changes and the program's overall objectives. It conducted regular surveys to evaluate awareness of, and buy-in to, the program. Where issues arose, they were quickly addressed through meetings and problem-solving activities at the local level and, in some cases, modifications to the transformation program to address common concerns.

Finally, the agency introduced a new performance and health management approach. It created digital dashboards covering cost, usage, availability, and maintenance metrics. These dashboards gave managers immediate insight into overall fleet performance, and allowed them to drill down into the underlying data to identify the root causes of problems and exceptions (exhibit).

Exhibit**A fleet performance dashboard uncovers the root causes of performance lapses.**

Metric	Monthly			
	This month	Target	Previous year	Previous month
Heavy equipment utilization	27.0%	60.0%	21.9%	20.1%
People mover utilization	51.0%	70.0%	49.8%	44.3%
Heavy equipment availability	94.2%	95.0%	92.5%	94.2%
People mover availability	95.0%	95.0%	94.0%	95.1%
Fleet size	14,354	9,974	TBD	15,482
Assets removed	1,128	N/A	N/A	TBD
Cost, \$ million	\$8.0	Budget	TBD	TBD
Rental success rate	96.0%	95.0%	Not tracked	TBD
Stockouts	3	6	Not tracked	TBD
Health score	2.99	3.00	Not tracked	Not tracked

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Cumulatively, right-sizing the fleet and transforming maintenance processes delivered savings of more than \$500 million across the ten-year fleet lifecycle, or roughly 30 percent of the agency's overall fleet expenditure. But there's no magic in what the agency did: fact-based decision-making, strong leadership engagement, front-line problem solving, and carefully designed structural and organizational changes mitigated risk and magnified impact. They're available to any organization that decides to transform how it manages its fleet. ■

Steffen Fuchs is a partner in McKinsey's Dallas office, where **Saleem Zafar** is an associate partner, and **Erikhans Kok** is an associate partner in the Houston office.

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