

Fleet Right-Sizing – The Crucial Factors

The critical elements in achieving your optimal fleet size

by Jon White, Fleet Consultant

There are so many factors in achieving the optimal fleet size, but which are really crucial in keeping the fleet in balance with its missions? The objective of this article is to bring forward the most important elements in this dynamic process.

Like the areas they serve, a government agency and the services it provides to its citizens comprise their own mini-economies and therefore are subject to the dynamics of basic economics. No economy is perfectly static, which means that it experiences continuing cycles of growth and decline. In order to sustain the service for its citizens, government agencies must effectively manage these cycles of growth and decline. If they don't, services may stagnate or costs increase and become out of balance with the resultant services.

A government fleet of vehicle assets is a 'tool' for the civil servant to accomplish a mission, which in turn provides a service for the citizens. It is the responsibility of fleet management within these sectors to respond to the dynamic fluctuations within this mini-economy and the variations in mission needs, while also managing the fleet and its supporting organizations. As the needs of the fleet customer increase or decrease, the fleet size and make-up must respond accordingly. This action prevents excessive costs if the fleet size is too large, and, in the case of needed growth, justifies the need for an increase in capital expenditure for increasing operational support.

One of the challenges that government and private sector fleet managers face is effectively understanding the needs of the fleet customer and responding accordingly. Sometimes, to use the

words of a Bob Degnan, former Commissioner for the Department of Fleet Management, City of Chicago, "it's like pulling teeth" to get a fleet department customer to give up vehicle assets in a fleet reduction campaign. On the other end of the spectrum, a common challenge is the need to justify capital or operational increases to the government executive branch, which is both essential and time-consuming.

Accurate Data – The Foundation for All Right Sizing Work

Whether speaking with a fleet department customer manager or an executive branch manager about the need for fleet growth or decline, the key ingredient for discussion is timely, valid and reliable data. Any debate on growth or decline of the vehicle base implies accurate utilization and cost data; therefore, if fleet management has access to a robust and effective fleet

management system, the task at hand becomes somewhat easier.

The foundational data for a right-sizing exercise can cover a wide spectrum. Specific vehicle asset data, as well as assignment, mission, and operational data, all affect a well-defined outcome for this work. The specific vehicle asset data, at minimum, must include:

- Vehicle specifications, class / type, and assignment
- Vehicle expected life cycle – (This may come from industry / manufacture benchmarks)
- Vehicle observed useful life cycle - (Based upon observed internal data)
- Vehicle age and current life utilization (current meter)
- Vehicle utilization (most recent and recent past annual utilization)
- All maintenance records – (planned maintenance and repair costs excluding outside repair costs due to outside influence and management decision)
- Fuel consumption
- Vehicle downtime

The objective of this data is to point to vehicles which are candidates for reassignment or disposal. This data also indicates vehicles which are over utilized; this may support discussions with using departments which require expansion of their vehicle base.

Executive Support

Data often tells the story of the need to increase or decrease fleet size, but acting on that data requires decision making within the using department. Implementing changes to the fleet size and structure can be much more effective and less arduous with the spoken support of the government executive branch. Without that top-down support, the fleet review exercise and subsequent recommendations for change



flounder forever in debate.

Collective Wisdom

Whether a fleet is looking to change its fleet size and makeup due to external issues, such as the economy, or internal issues, such as the interest to outsource maintenance issues, bringing all of the involved parties together can help build a foundation of support for the project. As consultants, CST Fleet Services often recommends that organizations form a fleet steering committee that includes executive leadership, fleet representatives and other internal experts to gather the data and analyze it collectively and discuss vehicle life cycles, specifications and even the opportunity to share vehicles across departments. In one CST case study, maintenance problems were the result of a fleet that had grown too large, resulting in underutilized vehicles. With the support and insistence of the mayor, the project did not get 'bogged down' in a lot of rhetoric between the fleet and using customer departments. As a result, the asset fleet was reduced by over 20% and maintenance problems dissipated within 18 months. Had (A) the mayor not voiced a strong position or (B) good data been unavailable, this project could have been delayed and all the push for maintenance out-sourcing may have been successful.

Analysis of Data to Achieve Meaningful Results: The CST KRRD Modeling

As outside consultants, CST Fleet Services works with both fleet as well as their customer department management to bring all the above ingredients together into a series models which separate department vehicles into groups for each using department. CST refers to this as KRRD models which indicate the following:

| KEEP | REPLACE | REASSIGN | DISPOSE |
|---|---|---|---|
| The vehicle is still within its life cycle, costs are in range of where it is in its life and the vehicle is being well utilized by the department. | The vehicle is at the end, or beyond the end of its typical or expected life cycle, but it is also being well utilized by the department. | The vehicle is still within its life cycle, costs are in range of where it is in its life but the vehicle is NOT being well utilized by the department. | The vehicle is at the end, or beyond the end of its typical or expected life cycle, and it is NOT being well utilized by the department |

A series of models have been developed using vehicle data and information about your organizations' current and future mission needs. By creating scoring tables that help formulate the models, you can begin to use facts, instead of emotions, to make KRRD decisions. The models are a tool for the fleet steering committee to evaluate where an asset is in its life cycle, how it is being utilized (or not), and the percentage of life maintenance costs relative to a replacement vehicle cost. The point structure is then mapped into one of the 'KRRD' candidate groups. The degree of sophistication in this type of modeling is dependent on the depth of your decision-making data.

Shared Vehicles

Whether you manage your own motor pool through a system, like AssetWorks KeyValet, or an external rental agency, like Zip Car or Enterprise, shared vehicles can buffer the fleet from year-to-year size fluctuations. This organized sharing of vehicle assets is one step removed from requesting the department customer to release the vehicle, and often emerges from the reassign category in the CST KRRD model. It provides the departmental fleet coordinator a way to maintain at least some degree of control for his employees through vehicle reservations.

Whether a fleet right-sizing exercise yields decline or growth, it should be repeated at least once annually. 'False-fleet-creep', which essentially means that the fleet expands without specific relation to a growth in mission, can grow undetected if the organization isn't proactively tracking utilization and performing right-sizing exercises on a regular basis.

Hayes Smith, President of CST, comments: "The thing is that once these right-sizing models are built, it is so easy to simply run them again. We leave our models with our customers. If they do not run them at least annually the fleet can get quickly out of balance again."

The Need for Repetition

Planning for Growth with Sustainable Vehicle Life-cycles

In a recent summary of City Fiscal Conditions for 2014, the National League of Cities reported that, for the first time since 2008, more cities are increasing rather than decreasing the size of municipal work forces. Cities are reporting 1.6% as the first positive growth in tax revenues in the last five years. The 2014 study goes on to say that for the first time “more city finance officers report improved conditions this year than in the 29-year history of the survey, with 80 percent reporting that their cities are better able to meet fiscal needs than in 2013”. In the 2015 fleet survey by [Government Fleet Magazine](#), only 12% of fleets surveyed experienced fleet reductions while 42% had growth in the fleet. Both of these references indicate that trend of down-sizing is reversing.

Throughout the recession and recovery over the last decade, many organizations had limited capital planning and expenditures, which has translated into fleets that may be working past their typical life cycle. While it may seem straightforward and easy to simply replace those vehicles and enlarge the fleet, wise organizations are strategic in their growth plans. Massive replacement plans can create a ‘bubble’ of capital needs that can be disastrous as those vehicles reach the end of their life cycles in the next five to ten years. By applying the same KRRD model with future growth in mind, fleets with large numbers of aging assets can slowly bring the fleet into a good life cycle so that no capital ‘bubble’ will occur in the future.

Conclusion

As stated in the beginning of this article, a fleet of vehicles is a tool designed to help a public or private organization accomplish its mission. In order to accomplish this mission in the most cost-effective way, one must follow recipe step-by-step processes for keeping a fleet in its optimal size and condition. These processes involve accurate data, result oriented analysis, support from all levels of the organization, and intelligent planning. By repeating this entire exercise periodically, smart organizations can proactively manage their fleet to its optimum size.

About the Author:

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