

OPTIMISATION IS THE KEY

BISHOP FLEET OPTIMIZATION, A WORLD LEADER IN FLEET UTILISATION AND AUDIT SERVICES, HAS OFFICES IN AUSTRALIA, NEW ZEALAND AND THE UNITED STATES AND WILL BE LAUNCHING INTO THE UK MARKET IN 2011. GOVERNMENT NEWS SPOKE TO **DERRICK BISHOP**, BFO FOUNDER AND MANAGING DIRECTOR, ABOUT THE KEY TRENDS IN FLEET MANAGEMENT.

WHAT ARE SOME OF THE MAJOR CONCERNS OF FLEET MANAGERS IN THE PUBLIC SECTOR?

One major concern is balancing fleet costs with flat or decreasing budgets.

It is important that they purchase quality 'fit for purpose' vehicles at the lowest cost with best residual sale value. Fuel price fluctuations and the subsequent impact on operating budgets are also of concern.

Another significant challenge is managing vehicle numbers to meet organisation needs. Eighty per cent of vehicle costs are incurred just by possessing the vehicle in a fleet, regardless of whether it drives one or thousands of kilometres. Depreciation (50 per cent), capital charges (19 per cent) and insurance (6 per cent) are key fixed costs in the first three years. Only about 20 per cent of costs relate to driving the vehicle such as fuel (13 per cent) and maintenance (6 per cent). These figures make it clear that optimising the number of vehicles is the number one initiative fleet managers can do to save costs.

Optimising vehicle numbers has been difficult in the past. BFO research has shown logbook-based audits are 40 per cent inaccurate due to missing, illegible or incorrect data. Mileage standards approaches ignore key factors such as vehicle destination, offsite parking duration and, importantly, the number of vehicles away from home base simultaneously. The latter is important to ensure vehicle demand peaks can be met or better distributed across a day.

For many years, vehicle utilisation audit findings were difficult to implement due to poor data accuracy that causes legitimate change resistance by department managers and their staff. Vehicle requisitions often create tension between departments and fleet managers as no definitive data can prove or disprove the need for a vehicle. Improper vehicle use occurs but is difficult to prove or act on without definitive data.

The costs of going, and not going, 'green' are also a major concern.

WHAT ARE THE GREATEST CHALLENGES GOVERNMENT FLEET MANAGERS WILL FACE IN 2011?

Making tighter budgets go further. BFO estimates that Australia can save \$660 million by optimising its federal and state government car fleets with no loss of service provision capacity. Fleet managers need to convince their C-level executives that this work needs to be a priority to meet tightening budget constraints, provide money for fleet modernisation to meet emissions targets and generate tax payer savings.

HOW CAN THEY BALANCE THE COMPETING GOALS OF LOWERING CARBON EMISSIONS AND ENSURING COST EFFECTIVENESS?

Improved trip planning and route optimisation increase staff productivity while saving emissions. Excess vehicle identification through fleet utilisation audits enables older, less efficient vehicles to be removed. The resulting younger fleet improves the average fleet fuel consumption per vehicle and also improves overall vehicle safety.

Some managers keep older vehicles in the fleet for 10 years or more to minimise depreciation costs but this is at the expense of newer vehicle technologies that reduce emissions. The challenge is to balance vehicle ownership cost with an effective vehicle replacement program that focuses on keeping 'modern' fuel efficient and green vehicles in the fleet.

Ensure vehicle engine sizes are appropriate for the job. Most urban fleets with one to two vehicle occupant counts require 1.3-1.6L vehicles to go from 'A' to 'B'. Smaller engines cost less, depreciate less, save fuel and have lower emissions.

Exceptions where larger vehicles are required are in special instances where towing or larger internal cabin space is required for cargo or additional passengers.

BFO HAS SAVED THE NEW ZEALAND GOVERNMENT AU\$10MILLION. HOW DID IT ACHIEVE THIS?

BFO is the fleet utilisation audits preferred supplier for all 21 District Health Boards in New Zealand. Clients were also eligible for Energy Efficiency and Conservation Authority [www.eeca.govt.nz] grants to promote more efficient fleets. We have audited utilisation for 3000 health sector vehicles across 17 health services to date, and used new GPS technology to gather utilisation data for each health service fleet.

Our change management focus was a great success. As a result, implementation rates of suggested solutions were very high with little or no staff, media or union conflict.

First-time clients viewed their entire organisation at work 'outside the front gate'. Fleets with more than 300 vehicles reduced vehicle numbers by 25 to 29 per cent with no impact on health service delivery.

WHAT ADVICE CAN YOU OFFER TO GOVERNMENT FLEET MANAGERS IN AUSTRALIA?

Make sure you do a utilisation audit before committing to new vehicle purchases. Our experience is that most fleets hold 20 per cent plus vehicle excesses. Often your next vehicle replacement cycle is not required.

Do not purchase/install permanent GPS units for utilisation projects. This is an expensive exercise and the additional information gathered (beyond the five-week data collection period BFO uses) adds little or no value to the task of determining optimal vehicle numbers.