

Outsourcing Strategies for Fleet Maintenance

By John Dolce

Concerned with economics in a changing environment, fleet managers might find themselves considering outsourcing vehicle maintenance services. Allowing professional vehicle maintenance organizations to purchase, maintain and retire equipment, fleets can take advantage of an outside organization's expertise in maintenance and economic control of resources. Among the reasons for outsourcing is that the fleet may be aging, and consequently the maintenance perspective is changing from a preventive maintenance program to a repair maintenance strategy. This requires upgraded mechanic skills, and should the staff not be so skilled there would be a need to outsource these activities.

If maintenance is to remain in-house, fleet managers may also need to provide the training resources necessary to upgrade work skills. Since the hours of labor will increase as vehicles age, a larger staff may be needed. Depending on the availability and skill level of people available, the outsource alternative may be more convenient and cost effective. Another reason to consider outsourcing are the environmental and safety regulations for shops, and their associated costs. Overall, though, to outsource efficiently the cost to repair in-house should be higher. In addition, a small number of vehicles at a domicile may not require a full mechanic's time. Here's an example to follow:

A mechanic is paid 40 hours per week, 52 weeks per year, or 2,080 hours. Excluding not-at-work time (vacation, sick, jury duty, outside training, holidays) and some non-productive time (coffee, bathroom, inside training), the available work time is 1,500 hours. If there is not 1,500 hours of work for the mechanic because of too few vehicles it is better to outsource repairs to a qualified organization.

The choices utility fleets have for outsourcing include local shops, national truck and car dealers, national repair chains, leasing companies and truck stops. To analyze these options efficiently, managers need to know their costs. With this information, they can solicit prices and compare costs accurately using information from their management information systems. Once the decision to outsource has been made, fleet management professionals must address some specific issues:

- All work to be done must have an estimate of labor and parts that is accurate and reflects the discount agreed on for parts.
- Repairs must be completed in the time promised to minimize downtime and any repairs generated from the disassembly process need to be clearly identified, priced accurately and added to the estimate for prior approval.
- Repairs need to carry a warranty to ensure quality. Warranty reclaimed by outsourced maintenance providers should be identified, tracked and credited to the fleet's account.
- Proper recording of vehicle repairs is essential. Historical data of vehicle repair trends is important for projecting costs and for scheduling repairs.
- The fleet should review management activity by vendor and request an analysis of repeat repairs, premature failures, road calls, breakdowns, warranty repairs, warranty reclamation activity, component cost information, top component costs, the percentage of scheduled repairs versus unscheduled repairs, and annual cost class summaries.
- Fleet managers should compare original proposals to actual costs. Especially important is trend analysis, which can be used to consistently monitor symptoms that lead to early problem identification and resultant corrective action.

- Any skepticism about fleet requirements and vendor responsibilities should be clarified quickly and clearly to both parties' benefit. Ongoing communication is the key to a win-win outsourcing relationship.

By outsourcing, utility fleets can concentrate on the cost effective control of the services they provide. Careful consideration of the options available and careful management of the outsourcing relationship can lead to benefits for utility fleets and their customers. A fleet manager is charged with delivering services, as promised, with continued increasing quality, in a cost effective manner that exceeds internal and external customer expectations on a consistent basis. In some cases, outsourcing vehicle maintenance allows fleet managers to maintain efficiencies and concentrate on the activities they know how to do best.

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