Winnipeg paves the way in fleet management

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Preface
The City of Winnipeg Fleet Management Agency (WFMA), in conjunction with the Public Works Department, was awarded the American Public Works Association Accreditation in December 2006. This accreditation has marked an important milestone in the life of this Special Operating Agency located in Winnipeg, Manitoba, Canada. Obtaining the prestigious designation, however, was only one step in the process—the real benefit gained by the Agency came from the countless hours of preparation and attention to detail in ensuring their practices were among the best in the industry.

History of WFMA
On March 20, 1997, the City of Winnipeg Council adopted a document entitled “Reshaping our Civic Government.” The document identified the development of Special Operating Agencies (SOA) as one of the five strategic initiatives needed to create a more affordable and fundamentally better civic government.

January 1, 2003 saw the creation of the Winnipeg Fleet Management Agency, an SOA under the leadership of Chief Operating Officer Yvan Lupien, MBA, MPA, MCIT, PCSC, who reports to a delegate of Annta Stenning, the City of Winnipeg Chief Administrative Officer.

Description of the fleet
At the time of its inception, WFMA managed a fleet of approximately 2,300 light and heavy vehicles and specialty equipment ranging from riding mowers to front end loaders. Many of the City vehicles were past their useful life expectancy and spending excessive time in the garage, resulting in not only enormous maintenance costs for taxpayers but also lost operational time for City departments. Capital costs being saved by not replacing the aging vehicles were outpaced by repair costs and downtime. To counter the downtime, departments often held additional vehicles to cover for those vehicles in the shops.

Today, the fleet’s compliment is under 1,600 vehicles and equipment, and downtime is well below what it was four years ago.
The concept of our business model
The concept of WFMA's new business model is simple—operate a newer reliable fleet, manage all purchases, maintenance and disposal from one central hub, and utilize concrete data to manage fleet operations. "Our focus in the shop has been steadily changing from corrective maintenance to preventive maintenance," said WFMA Chief Operating Officer Yvan Lupien. "We are very pleased with that trend." The Agency finances the purchase of the vehicle and the City department in turn leases that vehicle from the Agency for a monthly lease rate—resulting in newer reliable vehicles and predictable budgeting for all departments.

What changes in becoming an SOA have meant for us
Before WFMA came into existence, many City departments purchased, maintained and disposed of their own vehicles. This required the fleet support infrastructure to be duplicated in each City department. This also meant there were a large number of varying business practices when it came to managing the different fleets—learned efficiencies did not always transverse departments and inefficiencies could run unchecked.

Now the Special Operating Agency manages the entire City of Winnipeg fleet. Administrative and logistical support once required by each City department is a thing of the past and, not surprisingly, support costs have been reduced significantly. The creation of the Agency provided for a distinct, accountable body dedicated to fleet service delivery with the ability to provide integrated service and comprehensive fleet management expertise to its customers.

What support we received from City Council
Since City Council members are accountable to the taxpayer, it would come as little surprise that Council was a driving force behind the creation of this new entity that operates in the best interest of every Winnipeg taxpayer. Council members sit on the governing boards that guide the Agency and they play an active role in supporting the strategic operations of the Agency.

How we do business
The Winnipeg Fleet Management Agency operates according to one major concept—life cycle cost management (LCCM), which is a procurement methodology that assists fleet managers in making financial decisions by considering all vehicle costs over the life of the vehicle. If the maintenance facilities, under the guidance of Dennis Konowich, are the beating heart of the Agency, then the LCCM group headed by Réal Pelletier can be said to be the soul of the operation. The LCCM group provides strategic guidance in vehicle procurement, manages the tracking and assessing of repair and maintenance costs and fuel services, and optimizes the residual value of every vehicle. In essence, the LCCM group works with other City departments to help ensure they get the right vehicle for the right job.

There are a variety of benefits to using life cycle cost management, all of which translate into cost savings and improved satisfaction for customers:

- Facilitates the creation of an integrated fleet management system that can provide reliable and valid data in all areas of the Agency's operations;
Ensures all vehicles and equipment are replaced at the appropriate point in time so as to minimize maintenance cost, reduce vehicle downtime and receive the best resale value;

Allows for fully-accountable operations and transparent financial information;

Permits the Agency to provide expert advice to customers on fleet management, including recommending optimal vehicle and equipment configurations and fleet improvements consistent with market developments;

Allows the Agency to provide information and offer suggestions to customers on how to best rationalize their fleet size, mix, usage and costs so that customers can manage their fleet effectively.

RTA Fleet Management Software (Ron Turley Associates) is the primary system used by the Winnipeg Fleet Management Agency to provide detailed management information and support life cycle cost management. "Using RTA has increased data integrity and boosted our ability to retrieve accurate vehicle maintenance history, giving us a real-time strategic picture of the City's vehicle and equipment inventory," Lupien said.

The implementation of RTA allows for the harmonization of fleet parts inventory and the expansion of life cycle cost management, permitting significant cost reductions to City departments, and enhanced service to the citizens of Winnipeg.

Vehicle/equipment improvements we have brought about for various departments

Because of their detailed data tracking software and life cycle cost management principles, the Agency has been able to take purchasing via tender to a new level. By closely monitoring market trends in vehicle resale values and using the past to predict the future, the LCCM group has been able to make some pretty impressive vehicle purchases for the City of Winnipeg. Using a unique formula developed in-house, the Winnipeg Fleet Management Agency has been able to write fair market tenders that encourage the best vendors in the industry to compete aggressively for the business. The Agency's fleet boasts top name brands such as Toromont, Volvo, John Deere, Freightliner and more. Being able to operate with top quality equipment is a direct benefit of using life cycle cost management in the preparation of tenders.

How our new system affects everyone involved from City departments to taxpayers

With the past way of doing business, various City departments bought, maintained and disposed of their own vehicles. Each department paid into a city-wide Equipment Replacement Reserve Fund, and from this fund purchased their vehicles. Because the money was pooled, departments could potentially pay in more than they would get back. Also, the vehicles had to be purchased outright, which required much more up-front capital and could thus hinder a department in replacing vehicles that were older and past their optimum life. When it came to maintenance, repair time and costs were generally not tracked. Some vehicles were undoubtedly costing more in maintenance than economically sensible, but there were no facts or figures to determine which vehicles were in this category. Because departments might not have the funds to outright purchase a new vehicle, they may have been forced to run an old vehicle that could spend up to three or four hours in the garage for every hour on the road.

With the new leasing system and life cycle cost management, departments can now operate newer vehicles, more of them, with less downtime and all for less taxpayer dollars. Departments now also get to enjoy economies of scale, because all City of Winnipeg vehicles are now purchased through WFMA—20 units can go on one tender to lower the per unit price, whereas before, the same 20 vehicles may have gone out on five different tenders. "Now we pay less for each individual vehicle, and only pay the administrative overhead one time for a group purchase," Lupien said.

Dollar amounts we have saved departments and the City

As a Special Operating Agency in our first year of operations in 2003, the Agency transferred $2,763,000 back to the City. The Agency transferred back $1,440,000 in 2004, $4,410,000 in 2005, and in 2006 the Agency transferred back $1,862,000 to the City. During their first four years in operations, the Winnipeg Fleet Management Agency has transferred back to the City of Winnipeg a total of $10,475,000.

Some model practices that we do

WFMA manages a preventive maintenance (PM) program for all vehicles to meet warranty requirements, and also to reduce unscheduled downtime and unnecessary vehicle damages due to neglect. Each type of vehicle has its own PM schedule, and by following this, WFMA is able to keep all fleet vehicles in optimal operating condition and avoid vehicles breaking down during peak operational seasons. Although a PM program cannot eliminate the risk of a vehicle breaking down, following such a program undoubtedly reduces the risk and increases the useful life of a vehicle. "Our focus is really on the customer and we are working hard to give them the best vehicles and services possible to do their jobs," Lupien said.

Dennis Konowich, Superintendent of Equipment & Shops
Management & Administrative Team

**Challenges and opportunities we are facing**

With the Winnipeg Fleet Management Agency on the scene, many departments have lost a portion of the control they once held. Vehicle budgets, purchases, disposal and maintenance are no longer departmental private matters. Also, as with any change, there is also resistance to that change. A few departments were very used to the old method of managing their fleet, and did not eagerly adapt to the new order of things. As a result, WFMA has faced and is still facing skeptics today. However, once people get used to the new system, they seem to enjoy the fact that they no longer have many of the headaches that once came with managing their fleets. Now they can accurately budget for their fleet needs year after year and all they have to worry about is operating their vehicles, as WFMA takes care of the rest.

Aside from the many obvious economic opportunities that come with a centralized fleet management agency, the City of Winnipeg is now becoming much more active in “greening” its fleet. WFMA has begun to test hybrid vehicles and is also looking into alternative fuels such as biodiesel. Because there is one body managing the City vehicles, a decrease of 10% in emissions now has a much larger effect than it would have if one department embarked on similar initiatives in the past.

When WFMA implements an improvement, it can impact a lot of people and this is good news for everyone. Obtaining the APWA Accreditation is not just a feather in this Winnipeg Fleet Management Agency’s cap—it’s a statement about who they are and what they are achieving.

“Essentially, what we’ve been given is an opportunity to make a positive difference for our City, and we’re confident that we are doing just that,” Lupien said. “We’ve learned a lot in the past few years and I think what we’ve accomplished will serve as a blueprint for other cities who also want to take control of their fleets and realize the substantial benefits that are possible with this new business model.”

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