Accenture Federal Fleet Management
Improving Fleet Efficiency and Compliance through Best Practices

High performance. Delivered.
Rationalizing Your Fleet

10.5 Years: The average age of the federal fleet.

With effective fleet rationalization, your agency has the opportunity to easily reduce its fleet size by 15-25 percent and maximize cost savings by driving down the age of its fleet.
I. Addressing the Unique Challenges of Federal Fleet Management

The basic principles of fleet management are the same across all industries, from acquiring vehicles to conducting daily operations and maintenance to disposal activities—the aim is to be as efficient as possible while meeting the organization’s goals. Federal fleet managers, however, have the additional challenge of complying with federal mandates, which sometimes are long term and strategic in nature, and often not fully funded.

There is a common theme at the heart of all federal fleet mandates: implement a comprehensive fleet management program that leverages best practices in the procurement, replacement, operation and maintenance of agency vehicles. While this is a simple idea to grasp, federal fleet managers know the difficulty of introducing and executing change to fleet processes and policies. Striking a balance between day-to-day fleet management responsibilities and complying with overarching mandates is daunting—can a Fleet Management Information System (FMIS) be used for more than capturing data for Fleet Automotive Statistical Tool (FAST) reporting? Can a Vehicle Allocation Methodology (VAM) be created to optimize fleet size, composition and lifecycles? Can Green Fleet initiatives be met without sacrificing mission goals?

Many agencies do not count fleet management as a core competency, often leaving their fleet managers as the only ones with the knowledge and desire to pursue fleet management improvements. Simple bulletins, such as a mandate to meet alternate fuel quotas or a potential requirement to reduce all federal fleet sizes, may appear straightforward to agency heads but present real challenges to fleet managers, especially those who feel that meeting agency mission goals is already difficult with current fleet sizes and compositions. As federal agencies develop their respective VAMs it is important to have understanding of the fleets’ true Total Cost of Ownership (TCO) to drive future rightsizing and green fleet decisions.

Accenture’s integrated fleet management approach is guided by nine “mile markers” that help fleet managers understand their options for decreasing TCO throughout the fleet lifecycle. By using a structured, diagnostic approach to calculate TCO, fleet managers will have the information needed to make difficult changes. With more than a half-million federal vehicles registered across civilian and military agencies, there is ample opportunity to use fleet management best practices to drive meaningful and efficient change.
II. Diagnostics Can Drive Comprehensive Fleet Management

Accenture’s federal fleet management model is centered on the principles being mandated by the Government. Using a repeatable diagnostic approach based on best practices allows federal fleets to increase efficiency and reduce cost for the length of the fleet lifecycle. Accenture uses a two-pronged approach:

1. Understand and calculate the TCO of the fleet from cradle to grave. Today, most fleet managers assume that their total fleet cost is simply the sum of costs incurred for leasing or acquisition, maintenance, fuel, insurance and registration fees. While most agencies accept this approach, it frequently—and often significantly—underestimates the true cost and complexity of owning and operating a fleet.

2. Develop a comprehensive fleet management program that is driven by TCO diagnostics and focused on improving value throughout the fleet lifecycle. With a concrete understanding of the TCO levers, federal fleet managers are better equipped to make important fleet policy and operational decisions.

By using a structured, diagnostic approach to calculate TCO, fleet managers will have the information needed to make difficult changes. With more than a half-million federal vehicles registered across civilian and military agencies, there is ample opportunity to use fleet management best practices to drive meaningful and efficient change.
Optimizing Your Preventative Maintenance

$1,818: The average yearly maintenance cost for a federal fleet vehicle.

Optimizing maintenance and repair practices can lead to a 10–20 percent reduction, and result in immediate cost savings for your agency.
IIII. How TCO Is Relevant to the Federal Fleet

The TCO concept is closely tied to federal mandates for implementing an FMIS and developing a VAM. TCO is an easy-to-understand, but tricky to calculate, number that fleet managers can use to compare costs within their fleet, identify trends, and make replacement decisions. The most important contributors to TCO include:

- Acquisition costs, including upfitting and delivery
- Maintenance and repair costs
- Operating costs (fuel, title/tax/registration, permits, insurance, etc.)
- Administration and overhead costs
- Technology costs
- Third-party fleet management services
- Residual value
- Disposal reimbursements
- Life cycle (in years)
- Vehicle utilization or miles driven per year

Fleet Management Information System

To calculate TCO, there must be a system in place to capture and share all transactional data for each vehicle. This concept is aligned with the federal mandate that all agencies implement an FMIS. While a primary goal of any agency's FMIS should be to meet FAST reporting requirements, an FMIS also should be the foundational tool to capture TCO data throughout fleet lifecycles. It must also be flexible to account for new and changing FAST reporting requirements on a year-to-year basis. Moreover, an FMIS should be intuitive and user friendly while performing day-to-day vehicle operation functions as well as performing more occasional functions such as generating FAST or TCO reports.

Vehicle Allocation Methodology

For those agencies that already have an FMIS, it is imperative that the data being captured be analyzed using TCO principles. Federal Management Regulation (FMR) Bulletin B-30 states that “the expected outcome of implementing [a VAM] is a Federal fleet that is comprised of smaller, more efficient, less greenhouse gas emitting vehicles that operate primarily on alternative fuels.”

With an FMIS that captures their fleets’ true TCO, agencies have the foundation for developing and justifying fleet management policies and methodologies. For instance, TCO diagnostics can tell fleet managers which vehicles are the most costly, thus prime candidates for disposal or replacement with an alternate fuel vehicle. In addition, TCO can demonstrate how vehicles with lower Gross Vehicle Weight Ratings (GVWR) can accomplish the same task as heavier vehicles in the fleet. Replacing vehicles that have high GVWRs with lighter vehicles leads to a reduction in greenhouse gas emissions that help agencies meet quotas.

TCO should be used to support decision making as agencies standardize their approach toward meeting VAM requirements such as:

- Rightsizing the fleet while meeting the agency’s mission and green fleet initiatives
- Determining the most efficient fleet composition (vehicle type and fuel type)
- Determining current fleet inventory and utilization
- Optimizing vehicle operations and lifecycles

Figure 2a: Incorporating TCO Into Federal Fleet Initiatives
### Figure 2b: Calculating TCO: Vehicle Replacement Cycles

<table>
<thead>
<tr>
<th>Vehicle Class</th>
<th>Number of Vehicles</th>
<th>Replacement Cycle</th>
<th>Annual Total Cost to Own</th>
<th>Total Cost Per Mile</th>
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</thead>
<tbody>
<tr>
<td>Passenger Vehicle</td>
<td>1,636</td>
<td>5 Year</td>
<td>$16,318</td>
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<tr>
<td></td>
<td></td>
<td>7 Year</td>
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<td>Savings per unit/yr</td>
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<tr>
<td>Savings per class (%)/yr</td>
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<td></td>
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<td>$1,537,540 (5%)</td>
</tr>
</tbody>
</table>

**Higher acquisition costs offset by higher revenues at disposition**

**Reduction in cost**

With an FMIS that captures their fleets’ true TCO, agencies have the foundation for developing and Justifying fleet management policies and methodologies.
Improving Your Fuel Economy

12.5 MPG: The average miles per gallon for a federal fleet vehicle.

With comprehensive fleet management and a TCO approach, your agency can quickly realize a 8–12 percent improvement in fuel economy.
IV. A Comprehensive Federal Fleet Management Program

Armed with a new awareness and understanding of TCO, federal agencies can begin implementing a comprehensive fleet management program that not only meets the requirements of the VAM but also maximizes the value of the fleet. Accenture’s model follows nine basic “mile markers,” shown in Figure 3 below.

These mile markers include more than capturing TCO; integrated fleet management also involves organizational considerations. To have a well-run and cost-effective fleet, agencies need to do a better job of communicating within departments: Namely, Procurement and Operations departments need ongoing communications regarding standardizing the fleet and consolidating vendors. In addition, integrated fleet management requires leadership buy-in, so that policies and procedures are put in place to create a centralized fleet management program supported by all appropriate departments. Benefits can be derived from focusing on just a few of these elements, but real value comes from a comprehensive, integrated approach accomplished in a logical order.

Figure 3: The Nine Mile Markers for Comprehensive Fleet Management

Implementing World-Class Fleet Management is a multistep, interlinked set of actions leading to lowest Total Cost of Ownership.

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V. Accenture’s Edge in Federal Fleet Management

Accenture’s model for integrated fleet management, driven by a heightened understanding of actual TCO, is directly applicable to federal fleet mandates. Accenture is positioned to not only help federal fleets meet these mandates, but to do so in a way that optimizes fleet performance and cost savings. Accenture is bringing fleet management best practices to both federal agency and commercial fleets, outlined in the following case examples:

Global Federal Agency

This federal agency faces complex challenges in implementing FMIS to its large, global fleet. With hundreds of unique motor pools falling under its umbrella, the scope alone makes implementation daunting. Another challenge is that many of these motor pools follow unique, noncentralized processes. Accenture’s implementation of Commercial-Off-the-Shelf (COTS) software is addressing these issues.

Accenture designed this agency’s FMIS to be intuitive and compliant with FAST by automatically calculating FAST metrics. The standardization designed in the system promotes the use of best practices throughout the unique motor pools. Simultaneously, the system is flexible to meet varying needs at the motor pools. As FMIS is deployed throughout the agency, Accenture is gathering TCO metrics to paint a true cost picture and compare costs across the many motor pools.

The FMIS has resulted in 100 percent FAST compliance for all motor pools that have received the system. As full deployment is completed, this agency will have complete visibility and accountability for all FAST metrics and fleet TCOs to drive future decisions.

Large Civilian Agency

This civilian organization asked Accenture to analyze all maintenance aspects of its vehicle operations. One area of focus was around the overmaintaining of vehicles. Current maintenance schedules across its vehicle fleet were based on outdated programs and assumed rougher driving conditions than actually occurred. By optimizing service intervals based on vehicle type, miles driven and maintenance costs, Accenture adjusted the preventive maintenance schedule threshold from 6,000 to 7,200 miles on the targeted populations.

By enhanced alignment of preventive maintenance schedules with vehicle maintenance requirements, multiple benefits were realized, including no appreciable increase in unscheduled repairs, greater availability of vehicles for business use, and a heightened focus on vehicles in greater need of repair.

Commercial Telecommunications Company

This commercial organization asked Accenture to develop and implement a long-term fleet transformation program with a newer and more reliable fleet model in an effort to rightsize its fleet. This approach was engineered to meet the needs and demands of vehicle operations and inconsistent fleet practices across the country.

Accenture’s methodology identified a framework to consolidate fleet management activities and begin operating under a centrally-led fleet organization and on a single platform for all fleet transactions. Concurrently, migrating to a TCO model was utilized to drive optimal replacement cycles and disposition timing.

The organization is continuing to improve the fleet with a successful Strategic Sourcing Program (SSP) as part of its integrated fleet management program. The most notable accomplishment from the SSP included the creation of a team of national fleet managers and supervisors, which has developed national standards and specifications for technician vans and aerial trucks, sourced lower competitive pricing from the upfitters, and improved the incentive program with its vendors. All of these efforts have resulted in a 10-15 percent reduction of the cost of acquiring vehicles.

Accenture’s working relationship led to $5.4 million in savings during the first year, with an expected savings of $73 million NPV after eight years. The company also was able to reduce vehicle models across its national footprint from more than 200 unique makes to less than 50.
About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 246,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$25.5 billion for the fiscal year ended Aug. 31, 2011. Its home page is www.accenture.com.

About the Authors

Ron Ash heads Accenture’s Global Health and Public Service Supply Chain and Operations practice. Ron has more than 16 years of experience working with our clients around the world to deliver supply chain programs across a number of sectors including Public Service, Communications and High Tech, Media and Entertainment, and Retail. Over the past nine years, Ron has focused on helping large US federal agencies solve complex supply chain issues.

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Karl Dedolph is a senior manager for Accenture’s Health and Public Service Supply Chain and Operations practice. With more than 10 years of supply chain experience, Karl has spent the past six years leading transformative fleet and asset management initiatives at large US federal agencies. Karl’s leadership has driven more efficient, compliant, and high-performing systems and processes for clients, enabling them to meet challenging demands and elevating them to the forefront of federal fleet and asset management best practices and standards.

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Stefan Ruiz is a consultant for Accenture’s Health and Public Service Supply Chain and Operations practice. Stefan has more than six years of supply chain experience working at multiple US federal agencies. For the past two years, Stefan led the implementation of an FMIS for a large, global federal fleet, leveraging TCO expertise and a keen understanding of fleet management best practices. Stefan’s expertise and client experience were instrumental in the successful rollout of the FMIS, resulting in increased efficiency with fleet management activities, improved use of fleet utilization data, and compliance with federal mandates.

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