

# Fleet Part Manage

By Fiona Soltes

**WHEN KEITH LEECH BECAME** fleet manager for the City of Sacramento, CA, in 2006, he had a distinct – and unusual – advantage: He had no automotive background.

Decades of experience in public works and general services operational management had given the NAFA Member a keen eye to look beyond the ways things had “always” been done. And one of the first things in his line of sight, he said, was the way the city’s fleet division handled its parts.

The City of Sacramento Fleet Operations has seven maintenance locations, including three heavy-duty, three light-duty, and one body shop, and more than 33,000 work orders are processed each year. At the time, the city faced a projected \$35 to \$40 million deficit, requiring an operating cost reduction of 20 percent. Significant budget cuts already had been made. Consolidations already had been implemented. And labor concessions already had been negotiated.

“But we have part rooms at each location,” he said. “I only had five storekeepers, and they could only work eight hours a day. We had a system that predicated what parts we needed to buy, but the real problem was keeping the inventory secured. That was not related to shrinkage. When the storekeeper wasn’t there, the mechanics had to step in and do the job. That made them step away from their productivity. Sometimes they needed to jump in the shop truck and go to a parts store, or spend their time looking through the phone book, instead of focusing on mechanics.”

For Leech, the solution was clear. He could free up his technicians, reduce administrative overhead, consolidate purchasing power, reduce mechanics down time, and increase parts availability with the right integrated business solution. Best of all, he

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said, a new plan could keep employees from being laid off.

"It's important to spend some time on strategic planning," he said. And that planning has paid off.

### You've Got To Go There

Make no mistake – Though the idea of an integrated business solution for parts management seemed a quick and easy fix to Leech, it took a few unexpected battles, a little bit of tenacity and no small measure of stubbornness to see it through.

In some ways, Leech's experience is common to that of other fleet professionals. This spring, he took part in a session on Innovative Solutions for Managing Parts and Maintenance Operations at the annual NAFA Institute & Expo. Fleet professionals who attended, he said, shared concerns about angering unions with such a plan, overcoming the status quo, and the outlay of money for outsourcing services.

"But instead of not wanting to go there, my thought is that you've got to go there," Leech said. "You've got to consider it. If you don't save money in some way, someone will come in and trim your operation."

At the start, Leech estimated his department would save \$2 million over five years, "and we're already at \$1.2 million just from last year," he said.

Following a request for proposals (RFP), the City of Sacramento awarded a contract to NAPA in late 2009. NAPA purchased \$475,000 of city inventory, and phase-in of inventory management began with four sites. Previously, the large department had worked with more than 200 vendors, involving a quarter of a million parts each year.

But the way to the new solution was rocky indeed. Shop operations, which had relationships with other vendors already in place, wanted to remain autonomous. And the union representatives didn't want NAPA employees in their shops.

"I've discovered that there are multiple ways of getting to the end result, but you have to be flexible along the way," Leech said. "I ran into obstacles with the union, employees, and the city council. It was a particularly difficult sell to the city council, because they hadn't done a lot of outsourcing or gone into union negotiations before. Our council is very pro-labor, so we had to come up with a plan that included a



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compromise. No matter how much money we could save, the council members were not going to support something that made it look like they were selling the unions out."

The compromise included guaranteeing the city's five storekeepers jobs by turning them into fleet service coordinators, "and that contributed to greatly improved productivity," he said. "Our highest-paid technicians no longer had to do non-technical work, and that freed up a tremendous amount of their time."

Another benefit of the outsourcing? The department was able to get rid of stale inventory, or extra parts originally ordered with the best of intentions. "We were carrying in excess of a half million dollars' worth on the books," Leech said. "And we'll never have to deal with that again."

### A Singular Invoice

Over in the County of Sonoma, CA, meanwhile, fellow NAFA Members David Head and David Worthington were having parts challenges of their own. They, too, sent out a request for proposal for vehicle and equipment repair parts management services after being ordered to reduce the budget by cutting staff in early 2010.

**"THROUGH THIS PROCESS, WE DISCOVERED CHALLENGES IN THE DEPARTMENT THAT THE PARTS STAFF HADN'T BEEN COMMUNICATING TO US. IF YOU'RE GOING TO DO SOMETHING LIKE THIS, YOU'VE GOT TO MAKE SURE YOUR EGO IS IN CHECK, BECAUSE IT MIGHT GET BRUISED A LITTLE BIT."**

**DAVID WORTHINGTON,  
NAFA MEMBER, COUNTY OF SONOMA, CA**

"We thought the best place to reduce staff without taking billable mechanics off of the shop floor would be to change the way we did parts," Head said. "We cut five positions that year, including three in parts."

One of the key elements of the RFP, Head said, was that the company that won the bid would have to be willing to purchase the organization's entire existing inventory. "The second key element was that we couldn't allow vendor staffing in our parts rooms. It has to do with government code, the way Sonoma is chartered. And the third element was that we would have to see significant savings."

That second element proved to be a challenge, but eventually, a vendor was secured. The county's technicians have

now been trained to enter data into two separate systems, and they have the ability to pull their own parts and post orders.

"Providing the technicians that level of trust has worked very well for us," said Worthington, who joined Leech in the NAFA I&E presentation. "The technicians know what they need, and they're able to communicate exactly what they need to the vendor. It doesn't have to go through a middleman, and we end up getting parts quicker."

Technicians average two to ten minutes per transaction, Head said, and the direct lines of communication end up with much greater accuracy. In addition, since the county previously received parts from up to 50 vendors nationwide, Head is thrilled that he now only receives one invoice at the end of the month.

If Head were to do it over, he said, the ideal process would include closing up the parts room for the transition, performing all inventory counts, and having the vendor supply any needed parts during the switch on an on-call basis. As it was, he said, it took several weeks to balance everything out.

The whole process is a very "doable" thing, Head said, "but it does take a lot of work." Those who embark on the journey must realize that they're going to be focusing on it for a period of time. "But once we got it up and running, we didn't look back," he said. "Parts is never part of my daily discussion anymore. I have time to deal with other issues. David doesn't have to deal with parts, either. Only the shop supervisor does. The gains go far beyond the dollar amounts."

In terms of those dollar amounts, both organizations also mentioned being able to take advantage of better pricing, as

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the business solution vendors are able to work in bulk. Worthington said the department even earned a free battery charger through rebates.

"The biggest negative for us is that we had to lay off three people," Head said. "It was their livelihood. But it was the direction we had to go, and we weren't given much choice in the matter. We were a small operation anyway, and the five employees laid off in 2010 made up 22 percent of our workforce."

And there was one important matter that needed consideration, Worthington said. As the department discovered greater efficiencies, employees learned that they were not doing quite as good a job as they thought they were. Initial analysis showed that outsourcing parts could save fleet operations more than \$100,000 a year. Actual first year savings were more than \$250,000.

Saving money is always good, but sometimes it's a necessity as well. When

NAFA President Douglas Weichman, CAFM, Director of Fleet for Palm Beach County was faced with ongoing cost-cutting measures, necessitated by tax revenue shortfalls amid a difficult economy, he found a way to increase fleet effectiveness and efficiency at a lower cost – he set up a new public vehicle maintenance plan for the County that outsources vehicle parts acquisition to NAPA's Genuine Parts Company. It took a mix of creativity, vision, and leadership, but the County wound up being better off in the end.

"Palm Beach County, like many fleet operations, looks for ways to increase efficiencies and utilize processes to increase productivity, streamline processes, and control costs," said Weichman. "After researching and much due diligence it was determined the process of outsourcing the parts operation could deliver many efficiencies and cost savings."

While many believe that the majority of savings from outsourcing a fleet's parts room comes from reduced costs for parts and the purchase of lower grade parts, Weichman's analysis showed that his fleet could see significant savings without adversely affecting quality. In fact, he is projecting annual savings between \$300,000 to \$500,000 with faster repair times, meaning less time for vehicles to be out of commission.

"As a fleet manager, you assume you're doing the best job you can with the resources you have," said Head. "But through this process, we discovered challenges in the department that the parts staff hadn't been communicating to us. If you're going to do something like this, you've got to make sure your ego is in check, because it might get bruised a little bit."

"It was definitely a reality check," continued Head. "But the end result is that now, we're doing a much better job." ■

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