

March 2011

Briefing 11-14

Efficiencies in transport services

The pressure is on to find further savings in transport services and this paper attempts to highlight the main areas where costs reductions can be sought. It is not possible to compile a complete list and further ingenious ways of saving money will be found and technology will produce new opportunities. It is therefore proposed to update this document in the future and reissue when appropriate.

Service providers should also be encouraged to diversify and maximise income by carrying out work for other bodies. (Visit the APSE Trading and Charging web portal <http://www.apse.org.uk/charging-trading/index.html> for further details)

1 Accounting structures

Transport operations and vehicle maintenance includes supplying and maintaining a range of vehicle groups from cars and car derived vans through to coaches, sweepers and refuse collection vehicles. Income is generated in the service via hire charges and contract maintenance charges to internal departments within the council (e.g. social services, building maintenance, education and refuse collection) as well as providing a range of other services such as taxi testing, MOT's, education and support (including driver training) and accident management. Some council's also work in formal partnership arrangements with other local authorities and public bodies (such as the Fire & Rescue Services) in areas such as maintenance and support agreements.

The separation and allocation of costs is crucial to the effective management of the transport service; including the fleet and workshop costs, store costs, overheads, administration charges and the cost of non-fair wear and tear.

When seeking cost reductions, crude cuts run the risk of damaging the underlying service and run the risk of accidents and/or non-compliance with the ultimate sanction of revoking the council's operator license. It is therefore vital that safety and record keeping is paramount.

Potential savings under each heading will be detailed following:

2 Performance

The performance of vehicle maintenance workshops can be measured on an individual council basis through key indicators such as the weighted number of vehicles maintained per fitter per annum. As a guide, the average for this from APSE performance networks in 2009-10 was 124.

Vehicle availability and reducing the downtime of vehicles has an impact on the productivity rates of other departments within the council. In terms of effectiveness of the maintenance regime, 3 key performance indicators can be used. The percentage of vehicles passing DOE first time, percentage of vehicles serviced within 7 days of schedule and the percentage of all workshop jobs completed within 24 hours.

3 Purchasing

Many councils have entered into regional purchasing arrangements to reduce the cost of vehicles by purchasing in bulk. Through joint procurement of Refuse Collection Vehicles, a group of councils in the East Midlands saved over £1.75 million. Benchmarking and sharing of vehicle costs provides a tool to not only analyse the cost of different types of operations but also vehicle utilisation.

4 Green fuel

The use of alternative fuels can both reduce the council's CO² emissions and reduce the costs of running the fleet. A city council in the north of England began a demonstration trial of two compressed gas powered refuse collection vehicles using biomethane. Initial research suggests that if the technology was rolled out on a large enough scale, this has the potential to reduce the council fuel bill by up to 10%. In addition, a council in the north of Scotland reduced carbon emissions from their vehicles by 76.5% collecting used vegetable oils and then reprocessing them to produce bio diesel to run the councils fleet vehicles. The collection of waste oil previously using another supplier was 33p per litre, now the council gets paid 5p per litre for the oil collected. The cost of fuel is 10p cheaper per litre to run the bio diesel vehicles with no difference in mileage output.

5 Overtime

Opportunities exist to make further savings on overtime costs or to eliminate them altogether. This can be done through the design of shift systems which ensures that staff are carrying out their normal working hours on the days that they are needed.

6 Sub-contracting

The intelligent use of sub-contractors can not only assist in dealing with peaks in workload but can also add added value to the service by providing specialism's at optimum cost, this will also decrease vehicle downtime and in some cases reduce the number of spare needed to cover service.

7 Replacement programs

As vehicles and plant get older they also incur increased down time due to efficiency reducing with age. This can be reflected as an increase in replacement hire charges for a vehicle whilst out of service.

Normally charges for the maintenance element of vehicles and plant to service areas are based on their useful life; the charges take into account past charges over a number of years and this is smoothed out over its useful life. If vehicles are extended

beyond their useful life then the transport operation will be faced with bearing these increased costs (in the case of maintenance only provision this burden will transfer to the end user).

This will impact greatly over time on the workshops to deliver and put transport operations into an uncompetitive position because they will be benchmarked against the private sector whose vehicle will be within the expected life bands.

8 Sickness absence

Average sickness for fitters and tradespersons in transport operations and vehicle maintenance is 5.23% (source: APSE performance networks). There are examples of transport services who have managed to reduce the overall sickness figure down to below 1%. This has been achieved through a combination of strict adherence to the method for managing absence and timely management enforcement. The system for monitoring sickness needs to highlight absences immediately and action to follow very shortly afterwards. Too often action is taken many days after the absence and ceases to act as a deterrent or capture the cause.

9 Enforcement and training

Compliance and training is vital to ensure the safety of drivers and also to managing costs through controlling non-fair wear and tear on vehicles. This can include effective driver training, monitoring overloading, license checks, etc. APSE's query service which is free to member authorities allows for the sharing of different approaches taken by councils. For more information, contact Debbie Johns at the APSE office on djohns@apse.org.uk

10 Central establishment charges (CECs)

CECs are probably the most contentious area of cost. They are frequently apportioned in an arbitrary fashion or on the basis of head-count or square meterage. Charges based on actual usage should be argued.

11 System thinking

Previously business re-engineering and now lean/systems thinking are all the rage as the 'new way' to identify waste and remove costs from the workplace. All start by process mapping the system of working. In transport, lean principles can be applied to the quick change over of equipment and shifts; standardisation of processes and methods of working; and keeping processes simple by visualising them. APSE has process benchmarking groups in place for transport, which are available free of charge for APSE performance networks member authorities. For more information, contact Debbie Johns at the APSE office on djohns@apse.org.uk

12 Data

To operate effectively in this commercial environment the requirement for data intelligence is paramount, this is obtainable from your own records and systems and comparables of this data can be obtained from benchmarking services such as [APSE performance networks](#).

Understand your own data, make sure it's up to date and don't jump to conclusions; always see if you have any collaborating data before implementing any actions or changes.

13 APSE comment

APSE exists to support in-house local services and recognises there will be pressure to seek cost reduction as a consequence of the current and anticipated squeeze of local authority funding. Reductions in staff numbers may be necessary as Councils attempt to maintain services whilst managing the cost base. Any staff reductions should be managed sensitively and the Trade Unions fully involved, using the full range of options including redeployment, voluntary redundancy and reduced hours ahead of compulsory redundancy.

APSE has compiled a list of Do's and Don'ts as a checklist of ideas on what authorities can do (and shouldn't do) in the current financial climate:

Do's

- Do rework number of hours (productivity)
- Do review vehicle utilisation and downtime
- Do research income generation e.g. MOTs
- Do examine the green agenda e.g. electric fleet
- Do tackle staff absence
- Do eradicate overtime – plan against actual demand
- Do demand bigger discounts from suppliers
- Do strip out wasteful activity (Lean)

Don'ts

- Don't assume defeat
- Don't dismiss 'green' opportunities
- Don't stop marketing and selling
- Don't assume there is a pain free solution
- Don't stop benchmarking (shield)
- Don't forget you have friends to call upon

Should a member authority have a pressing difficulty, APSE has a range of assistance available to inform the search for efficiencies. This ranges from average productivity figures, benchmarking information from APSE performance networks through to full consultancy support through APSE best value consultancy.

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