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# Outsourcing forklift fleet management

By Lisa Wichmann

## Third-party companies help find the savings

Third-party fleet management companies are doing a good job relieving manufacturers of their forklift worries. They're helping clients save millions of dollar and avoid disruptive breakdowns.

During a session at the recent ProMat materials handling show in Chicago, Dave deGruy, co-founder of Universal Fleet Services Inc., explained how maintenance costs from unruly fleets can cripple a company. He also had a few good tips on staunching the waste.

"When you have an older fleet, breakdown and repair maintenance is the operating rule at your facility. With a newer fleet you're moving toward periodic maintenance, where you're basically [using preventive maintenance] and doing minor repairs."

As obvious as that might sound, it's not easy to justify the cost of new trucks. But instead of looking at the up-front cash layout, deGruy suggested keeping return on investment in mind.

For instance, one of his clients, Fort James Corp.--a producer of towel and tissue paper in Atlanta, Ga.--saved millions on its ailing fleet of 1,500 trucks by getting rid of the old clunkers and setting a few standards.

"There was no uniform strategy in place," deGruy said. "Some of the facilities leased trucks. Others purchased them. There were no parameters identified for the replacement cycle."

## Good management

About 60% of Fort James' trucks were more than 10 years old. Supplied by 16 different manufacturers, many of the older forklifts were kept around in case one of the regular trucks broke down.

But it's those old trucks that are most expensive to keep, deGruy said. He worked with Fort James (recently acquired by Georgia-Pacific) to draft a clear-cut replacement strategy--the cornerstone of good fleet management.

"They decided to replace trucks between 10,000 and 12,000 hours of operation," he said. "During that first year we identified about 700 trucks needing replacement and annualized savings of over \$4 million were achieved at the facility."

Much of those savings came from a decrease in spare parts expenses, and a reduction or re-deployment of maintenance staff. Universal Fleet also helped negotiate the leases and procurement contracts.

As part of an on-going service package, it manages Fort James' fleet and keeps track of each trucks' hours of usage and maintenance costs. Two years into the program, Fort James is

enthusiastic about the results.

"It's been working out fantastic," says Shahid Javed, director of outsourcing with Fort James. "They manage everything. They manage the vehicles, their usage, they're working with the lift truck manufacturers [such as] Hyster, Toyota and Yale to negotiate deals...They also work with the mills to figure out the right replacement schedule."

Asked about lessons learned, Javed says before the overhaul, the company didn't pay enough attention to its fleet. "We had no clue what we were spending on," he says. "We didn't even have a policy of leasing versus buying, so we were buying trucks and keeping them for infinite use and running them through a lot of maintenance."

That confusion is all too common in manufacturing plants. So it's no surprise third-party companies such as Universal Fleet have found a largely untapped market. They do everything from steering companies around the pitfalls of leasing contracts, to compiling maintenance reports on each truck.

The reports identify over-used trucks that could run longer if moved to lighter applications. They also pinpoint defective trucks that require constant maintenance and spare parts.

While Universal can handle the whole spectrum of management services, other third-party companies offer simpler programs. Out in Colorado Springs, Colo., Fleet Management 2000 uses a software program to compare customers' fleet performance to industry benchmarks.

"They provide us, on a monthly basis, with their parts costs, labor costs and hourly meter readings...and we plug that into the program," says Lynn Gause, director of operations.

"We in turn provide them with a report showing their utilization. The one thing we provide that no one else [can] is their comparison to industry...It tells them what their utilization is [and] what their cost per hour is for each piece of equipment."

One of Fleet Management's clients, a food processing company in Pennsylvania--with 185 lift trucks spread out over seven facilities--uses the program to extend the life of its trucks.

"Normally, after you use a forklift for seven years the profitability is gone and you need to get rid of it and get something new," says Gause. "But these people utilize our reports in early screening...and their fleet cost is low, their utilization is above national average and everything that they have in their fleet is profitable."

There are countless components to fleet management, but above all, deGruy stressed the importance of maintenance. Not only does it expose the money-pit trucks, it also encourages operators to treat the machines with care.

"Trending and analysis [are] target points to identify abusive situations. If you're replacing a lot of tires...is there a need for operator training? Is there disciplinary action required?" he said.

"Simply by a company tracking this, we have seen abuse drop dramatically because the operators and others know that it's being monitored and that somebody is paying attention."

Whether a manufacturer chooses to manage on its own or bring in outside help will depend on the company's resources and priorities. Either way, third-party companies are ready and willing to step in and take control.

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