



NOMINATION FORM

Nominee Information

Public Sector Procurement Project Light-Duty Vehicles Strategic Sourcing Project

Team Name Light-Duty Vehicles Strategic Sourcing Project Working Committee Team Leader Alec Chan

Organization City of Edmonton

Team participants Bruce Kobiialko, Claire Ehman, Dennis Simcoe, Dale Weiss, Don James, Don Turenne, Gary Dyck, Ken Arychuk, Huang Trac, Musse Desse, Neil Ganske, Norman Li, Ray Bridgewater, Ray Ng, Sam See-Too, Terry Mandziuk

Category of public sector Municipal Government

Address 8/F. Chancery Hall, 3 Winston Churchill Square Email alec.chan@edmonton.ca

City Edmonton Province Alberta Postal code T5J 2C3

Telephone 780-944-0411 Fax 780-496-5015

Nomination submitted by

Name Alec Chan Title Senior Buyer, Strategic Sourcing

Organization City of Edmonton Email alec.chan@edmonton.ca

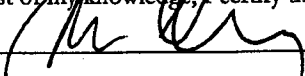
Address 8/F. Chancery Hall, 3 Winston Churchill Square

City Edmonton Province Alberta Postal code T5J 2C3

Telephone 780-944-0411 Fax 780-496-5015

Certification

To the best of my knowledge, I certify that the information provided is accurate and true. Signature

 Date June 17/2009

Structure of the submission

The nomination form must be accompanied by an overview of the project you wish to profile. We provide you with the following outline to help you structure your submission. You are welcome to include additional information that you feel is pertinent but the submission should not exceed five (5) pages. If you have any questions, please contact us at award@summitconnects.com.

Project objectives

Brief description of the project

Summary of project experience – How did it go?

Contribution of project to key criteria:

- high degree of innovation – new ideas or approaches in either operational or policy settings;
- measurable and significant benefit – savings, efficiency and effectiveness, satisfy the stated objectives of the project;
- transferability – the central idea or approach shows some promise for being used in other areas of the public sector;
- advancing professionalism within the community.

The submission must include a letter of reference from a senior manager or procurement supervisor on the project – someone other than the team leader submitting the nomination.

award@summitconnects.com

Background

The City of Edmonton light-duty vehicle fleet serves to support the delivery of civic services and operations. The fleet includes passenger cars, cargo and mini vans, SUVs, pickup trucks from ¼ Ton up to 2 Ton capacity, cab & chassis, and police cruisers, totaling approximately 1350 units with an annual purchase requirement of approximately 200 units and expenditures exceeding \$5,000,000.

Prior to initiating this project, Departments worked with the City's Mobile Equipment Services (MES) Branch to identify vehicle requirements, with vehicle selection decisions made based primarily on business requirements with no consideration of related costs and efficiencies that could be achieved through standardization of vehicles. This historical approach led to a significant mixed fleet at the City, driving up cost and complexity on parts inventories and vehicle maintenance activities.

Purchasing activities in support of the City's light duty fleet were transactional in nature, with tenders issued periodically to establish standing offers with local dealers for all major vehicle makes. Separate parts tenders were issued to supply parts for the broad and increasing requirements of a heterogeneous fleet.

Objectives

The objective of the light-duty vehicles strategic sourcing project was to develop a best-value approach to the procurement and management of the City's Light Duty Vehicle fleet. This was to be accomplished through standardizing fleet categories, reducing base models, refining business processes which provide effective policies and procedures with a major focus on right-sizing of vehicles while continuing to meet operational needs, achieve life cycle cost reductions, reduce emissions to support a cleaner environment, and improve fuel economy and customer service levels.

This project was initiated and wholly managed by the strategic procurement section of the City's Materials Management Branch.

Project Description

The purpose of this project was as follows:

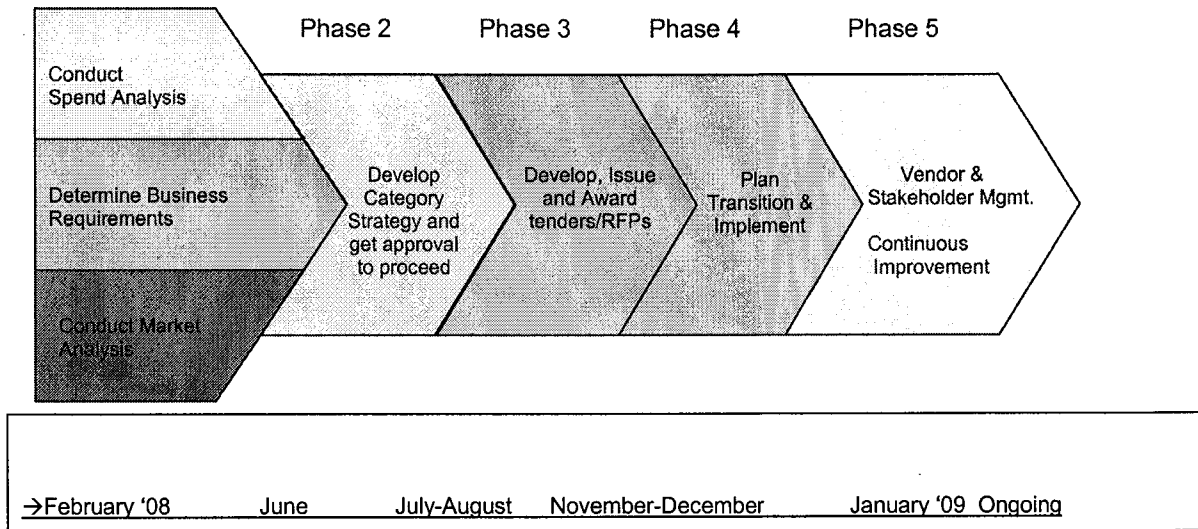
- To identify innovative opportunities and develop a strategic approach to vehicle procurement and heighten accountability for departments in right-sizing their vehicles;
- To implement the approved strategy that will establish a coordinated mechanism to provide effective vendor and procurement/category management and continuous improvements.

The project was initiated in early 2008 and completed in December 2008 successfully by using a collaborative and team-based strategic sourcing methodology, including key stakeholders from all departments as active participants in the planning, formulation, implementation and ongoing management of the resultant procurement/category management and the associated decision and business processes.

The following diagram outlines the major phases in the strategic sourcing approach and methodology that were employed in the project.

2009 LEADERSHIP IN PUBLIC PROCUREMENT AWARD NOMINATION
CITY OF EDMONTON LIGHT-DUTY VEHICLES STRATEGIC SOURCING INITIATIVE

Phase 1



Summary of Project Experience

Project success was demonstrated in the following areas:

- Vehicle standardization and base models reduction through application of strategic sourcing approach.
- Significant shift in corporate behavior towards sustainability, environmental consideration, and right-sizing with strong support from senior management and City Council
- Sustainable cost savings from direct vehicle purchase mainly by standardizing to more fuel efficient models
- Emissions reduction by selecting models that are more environmentally-friendly
- Establishment of a Corporate policy that specifies vehicle standards and clearly assigns accountability for vehicle selection /right-sizing decisions within departments
- Long-term purchase agreements established that include vehicles, parts, tools, diagnostic equipment and training for mechanics
- Process improvements included streamlined vehicle specification and purchasing processes, vendor performance management (e.g. ongoing monitoring and tracking of performance metrics and service levels to identify areas for continuous improvement in service performance such as vehicle and parts procurement and repair turnaround time reduction)
- Longer-term strategic sourcing benefits driven by vendor/department/standing committee collaboration (e.g. job function/role based vehicle layouts, configurations and accessories standardization, standard vehicle catalogue, vendor value-added services, parts tracking visibility, etc.)

Initiating-

Prior to the project commencement, Materials Management staff held consultations with major vehicle manufacturers & dealers and internal customer stakeholders (consisting of fleet managers/supervisors from each City department) to solicit feedback on the current procurement approach and to seek validation for a strategic sourcing approach within the fleet category. All participating stakeholders expressed strong support for this initiative.

CITY OF EDMONTON LIGHT-DUTY VEHICLES STRATEGIC SOURCING INITIATIVE

A comprehensive spend analysis was undertaken in order to detail the vehicle mix, scale and scope of expenditures in the light-duty fleet category.

A project charter was developed and approved by the City's Senior Management Team (City Manager and all Departmental General Managers) in November 2007 to establish senior management support and to ensure the commitment of key individuals within operating Departments to the project. A working committee (led by an MM strategic procurement project manager) and made up of representatives from Materials Management, MES and all affected departments was formed and tasked with achieving the project objectives. A steering committee with senior department managers and the Materials Management Branch Manager was established to provide guidance, approve recommendations and strategies presented by the working committee and sign-off on all project deliverables.

Planning-

The working committee fully engaged in the planning stage to complete the following project deliverables:

- business requirement analysis by job functions as well as vehicle categories and functional analysis in order to identify the minimum standards and common features for standardization;
- vehicles purchase requirement planning and forecasting for the next 3-year cycle;
- historical spend analysis update; and
- market research which included market scanning, benchmarking with other municipal and provincial agencies, posting of a Request for Information, and meeting with the vehicle manufacturers as well as incumbent vendors to discuss vehicle technology roadmap, tendering approach, training, value added services, repair and maintenance support, and access to dealership parts inventory tracking system.

An implementation strategy that emphasized standardizing and reducing base models, supporting environmental stewardship, reducing total cost of ownership, improving operational efficiency, and enhancing in-house mechanics training on various types of vehicle technology (i.e., hybrid, electric) was presented to and approved by the steering committee in July 2008.

Executing-

A comprehensive open Request for Proposal was issued in September 2008, and contracts for specific vehicle categories were awarded to successful Proponents based on scoring against pre-established evaluation criteria including a comprehensive total cost of ownership financial evaluation. The project had achieved the objectives laid out in the implementation strategies. Final project recommendations including a "Purchase of Light-Duty Vehicles" policy was approved by the City's Senior Management Team in November 2008.

Implementation, Monitoring and Control-

New contracts were implemented with the successful vendors. A standing committee was established to provide oversight activities including change management, vendor development and collaboration, performance measurement, process improvement, issues identification and resolution (example, standard model and category changes), and annual vehicle category review to ensure the then-current category standards continue to represent best value for the City.

Contribution of Project to Key Criteria:

1. High degree of innovation – new ideas and approaches evolved from this project are as follows:

- 1.1 Value based fleet standardization- annual vehicle review cycle (technical specifications, minimum standards, costs, operational needs) is established to ensure the oversight of base models, categories, and configurations is properly managed and evaluated by the standing

CITY OF EDMONTON LIGHT-DUTY VEHICLES STRATEGIC SOURCING INITIATIVE

committee in order to align vehicles selection strategically with operational requirements for right-sizing and leverage advance in vehicle technology for fuel efficiency, emissions reduction, and cost-effectiveness that provides the best value to the City.

- 1.2 Formalizing change management process- a systematic approach for the standing committee to carry out review, approval and communication of all change requests pertinent to vehicle standards, procurement processes, and business/functional requirements provides a consistent, well-documented, and responsive structure that is adapted to meet changing business requirements and priorities.
- 1.3 Vendor involvement and active participation- regular ongoing formal/informal meetings with vendors to review service and performance level promotes stronger vendor relationship and help drive continuous improvement. Vendors are now actively involved in understanding MES' operations, identifying value-added opportunities such as providing inventory tracking and monitoring capabilities to MES, and striving to expand and improve their products and services.
- 1.4 Buy-in from all stakeholders to new policy- A new Light-Duty Vehicles purchase policy was developed and incorporated into the City Administrative Bylaw (i.e., an administrative directive that establishes compliance standards and guidelines for the purchase of Light-Duty Vehicles). The policy received strong support and endorsement from both the Senior Management Team and the user community. This new policy reinforces the significance of right-sizing, department accountability, and conformance to the pre-established standards and procurement process, requiring written approval by the department GMs or designates for all vehicles purchase. This helps ensure all new vehicles represent the best alternative in fulfilling the operational requirements and are given careful consideration to major factors such as risk management, needs assessment, life cycle cost, environmental impact, and job-specific equipment requirements. Any deviation and non-compliance to purchasing standard models must be further approved by the City Manager.

2. Measurable and significant benefit

- 2.1 Cost improvement: exceeded annual target purchase cost savings of \$300K through this initiative.
- 2.2 Standardization: standardized Light-Duty Vehicles into 16 categories (eliminating over-sized categories such as 6- and 8-cylinder passenger cars, 8-cylinder SUV, passenger van).
- 2.3 Base vehicle model reduction: reduced vehicle models from 52 to 17 through standardization. The multiple models approach used in the past was replaced with a single model for each vehicle category.
- 2.4 Greenhouse gas reduction: reduced carbon footprints by 55,000 kg of CO₂ annually compared to the models purchased in 2008. The project advocated and adopted model selection criteria that balanced out total cost of ownership with emissions reduction and fuel efficiency. More fuel efficient, low emissions models (including two hybrid-electric models) were introduced into a number of standard categories (Passenger Car, SUVs, ¼ Ton and ½ Ton Pickups).
- 2.5 Improvement in procurement efficiency and effectiveness: established a well-defined procurement process with tools and procurement guide available in the Mobile Equipment Services and Materials Management web sites to assist Department staff through the process of acquiring a vehicle and documenting vehicle specifications, replacing the previous RFQ process and streamlining the specifications development process.

CITY OF EDMONTON LIGHT-DUTY VEHICLES STRATEGIC SOURCING INITIATIVE

- 2.6 Employee discount program extended by all vendors: providing cost saving opportunities on new vehicles purchase for all City employees.
- 2.7 Performance metrics: established performance metrics and tracking/monitoring capabilities, ongoing review of monthly service level reports including vehicle and parts procurement, ordering and repair turnaround time, spend, and issues identification and resolution.
- 2.8 Long term contract commitment: provisioning contracts set for an initial term of three years with four optional extension periods of three years each (potentially up to 15 years) at the sole discretion of the City represents a long term commitment from the City to the vendors. This long term commitment provides the incentive to the vendors to allocate high level resources to manage and support their products and services to the City. The optional extension framework also provides the City the ability to promptly react to the evolving market conditions, new legislation on emissions and fuel economy standards, emerging supply situations and advances in green or other beneficial technologies in the auto industry.

3. Transferability to Other Areas of the Public Sector–

- 3.1 Well-defined policy and governance model- The administrative directive established a set of clear and consistent vehicle purchase standards and guidelines that had clearly demonstrated the City's commitment to strengthening accountability for optimizing fleet selection decision, advocating sound environmental choices and providing a firm foundation for the City to consider and invest in more fuel-efficient, environmentally-friendly, and cost effective vehicles. This policy and model can be transferred to managing materials and assets in other key commodities.
- 3.2 Strategic sourcing methodologies- The project effectively applied a strategic sourcing methodology fostering collaboration, project management, and continuous improvement internally within all departments and externally with the vendors. It tapped into the experience from all the project team members to analyze requirements, rationalize and formulate implementation and communication strategies. It encouraged and secured a long term commitment and support from the vendors to consistently adding value and improving quality in both products and services. The high level of participation, enthusiasm, support and buy-in from all levels and the vendors clearly demonstrated the value and benefits of applying a strategic sourcing model in other procurement initiatives. All project team members acknowledged the benefits derived from applying the strategic sourcing approach in achieving the project deliverables.

4. Advancing professionalism within the community

- 4.1 The project resulted in a robust and strategic approach to adopt an environmentally sustainable procurement approach for the purchase of low emissions, fuel efficient vehicles and a sound policy that improved City Council and citizen perception of the City's commitment to a sustainable civic fleet through a formal structure in making purchasing decision. This helps demonstrate the City is leading by example to exercising environmental stewardship in all operations, products and services.
- 4.2 The strategic sourcing approach applied successfully throughout the project further exemplified the value of the Materials Management Branch and procurement in driving strategic change at the Corporate level, heightened our credibility with Senior Management Team and Departments managers, and strengthened the level of confidence and cooperation within the vendor community as a result of a fair, open and transparent procurement process.

June 17, 2009

your reference

our reference

Summit Magazine
award@summitconnects.com

Re: 2009 Summit Leadership in Public Procurement Award

Dear Selection Committee,

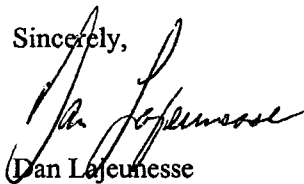
The City of Edmonton Light-Duty Vehicles strategic sourcing project is very worthy of consideration for this year's award.

The City's Materials Management Branch initiated and led this project, with Mr. Alec Chan acting as project manager as well as lead for the post-implementation activities through a permanent standing committee that was established.

This project highlights the strategic capability of the City of Edmonton procurement group and resulted in considerable financial, environmental and administrative benefits. It also demonstrates the results that are possible when taking an enterprise approach to procurement planning and execution and creating ownership for key stakeholders by creating a transparent process that balances corporate benefits with meeting business requirements. This project demonstrates that Edmonton is at the forefront of Canadian public sector organizations with respect delivering strategic change through the use of a formal strategic sourcing methodology and project management principles in major spend categories.

This project was extremely challenging given its scope and complexity, as well as the change management that was necessary before and during the project to establish the buy-in of our Mobile Equipment Services Branch and operating Department management and fleet coordinators to invest the time and energy required and to consider a better way of approaching the procurement of light-duty vehicles to drive real improvement and achieve a successful outcome. This project is an excellent example of how Materials Management can facilitate strategic change within the organization and can enhance its credibility as a truly value-added service provider.

Thanks again for your consideration. Don't hesitate to call me at 780-496-5018 if you have any questions.

Sincerely,

Dan Lajeunesse
Branch Manager, Materials Management

EDMONTON

2007



CULTURAL CAPITALE
CAPITAL CULTURELLE
of CANADA du CANADA