

Cost efficiency drives Alberta fleet

by Melanie Collison

A DECADE AGO WHEN Alberta Premier Ralph Klein and his government got very serious about cost containment, the leaders of Ralph's Revolution were hailed for a new kind of thinking in government. In fact, more than anything, the province was stepping back to the values that had anchored Prairie culture since pioneer days. Buy the best you can afford, but buy only what you can afford. Waste not, want not. Don't confuse want with need.

As they look for the best ways to balance fuel efficiency and financial effectiveness, the people who manage the province's fleet of vehicles insist on accountability.

The rule of thumb used to be that departments kept their vehicles for about five years. Transportation took care of purchasing or any leases; Treasury did not even bill finance charges back. Fast forward to six years ago. Alberta Infrastructure now handles the fleets; an independent study has determined leasing would cost the same as purchasing once financing costs are included. The bonus is a newer, fuel-efficient fleet. "We were told to come up with something, which would not put the cost of the vehicles on the balance sheet," says Larry Robins, director of vehicle operations for Alberta Infrastructure. "The government felt we shouldn't be in the business of buying and selling vehicles."

Infrastructure turned entirely to leasing and Jim Pattison Lease was awarded the entire contract in April 1998 for five years; it was renewed for seven years. The RFPs drew about five responses. "A lot of the bigger companies will not do an operating lease," Robins says. "They're more prepared to do a capital lease, which has less risk."

Each department determines its own light vehicle needs, and chooses a lease two to four years long with a maximum of 140,000 kilometres. Infrastructure nego-

tiates the resulting 1,800 leases for their sedans, mini vans, half- and three-quarter ton pick-up trucks and vans. Users now pay the finance charges, but warranties save them repair costs. They are expected to comply with the manufacturer's recommended maintenance schedule.

The fleet still includes about 1,200 vehicles from before the switch. "They're for parks, or grounds-keeping or other short mileage tasks, but they're getting fairly long in the tooth," Robins says. Heavy-duty vehicles such as dump trucks, graders and snowplows are now outsourced. Some departments will continue to own specialized units, such as fire fighting trucks or vehicles like those the Solicitor General uses to transport convicts, unless a lease can be suitably customized. "Approximately 120 owned vehicles are returned per year," according to Martin Dupuis, assistant director of communications at Infrastructure. "Not all are replaced. A number of the owned vehicles that remain in service are very low mileage/seasonal trucks that will last for a long time and are much less expensive to operate than a new one with a lease payment."

To ensure the best deal, Infrastructure keeps one eye on fuel efficiency/financial effectiveness, while scanning the marketplace annually for quality and value. Because of the wide range of vehicle purposes, the department is chafing a little over being limited to operating leases, and says a proposal to add capital leases may be brought to the table any day now. "We find operating leases don't fit all the scenarios," Robins says. Under a capital lease, the government would end up owning the vehicle, and could pay for it over, say, eight years, which would be better for low mileage vehicles.

In October 2002, in its document, *Albertans and Climate Change: Taking Action*,

the government promised to purchase or lease 100 new alternative fuel or hybrid vehicles over the next three years. It may take longer.

"We're always looking for ways to go into something more green, but what is needed is for business and program delivery [to evolve]," Robins says. "It's just not there right now." The realities of the bitterly cold North and long, lonely highways limit hybrid or alternative fuel vehicles to urban centres. "We're looking for what's available for parcel delivery in the city because that's where [alternatives] shine. We have vehicles in 'Upper River Boot' not just the main centres. Alberta Environment would certainly like us to have hybrids, but there aren't many types made. There are no pickups, no full-sized trucks. A lot of our people need half-tons and three-quarter-tons for their jobs. It's going to be a slow process to put them in." He adds that getting them repaired would also be tough, if they did exist. A further hurdle is the \$7,000 or \$8,000 premium a hybrid commands, although interdepartmental cooperation could be the answer.

"Alternative fuel vehicles are even more difficult because of fuel distribution," Robins adds. "There are about 13 commercial fueling outlets in Alberta. When you leave Edmonton, you have to know exactly where the refueling station is in Red Deer [to be sure you won't run out]."

Small gains may come from driver training. In its 2003 Voluntary Challenge and Registry submission, Alberta reported 30 employees saved up to 10 percent on fuel during an afternoon drive, compared with the morning's performance, which occurred prior to training. A formal program may be introduced. *MM*

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