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Best practice examples of leasing to public authorities

BwFuhrparkService: Modernizing Armed Forces' fleet

By founding the fleet-management company BwFuhrparkService GmbH about 10 years ago, German Federal Armed forces have started an outsourcing project for the commercial "white" fleet and parts of the military "green" fleet. By now, the privatised fleet counts 26,000 vehicles, and thus is the largest public fleet in Germany. In terms of financial resources, leasing plays a central role as a financial alternative and in order to boost cost-effectiveness.

Before the implementation of the privatised fleet-management company in 2002, German Federal Armed Forces had too many old vehicles. The passenger cars and trucks were on average between 9 and 16 years old, and worse still over 2,000 passenger cars and almost 12,000 trucks were over 20 years old. Even in the best equipped transport facilities, the high age of the vehicles resulted in up to a third of the vehicles being in for repair at any time. In many normal barracks the availability was even worse.

On average, vehicles in the German Federal Armed Forces were only capable of being roadworthy between 10% and 50% of the time that a normal commercial vehicle would operate, because of

- type and quality of vehicles did not match the actual needs and requirements;
- long down times and poor running performance;
- high average age, high failure rates, high maintenance costs and high operating costs;
- small proportion of modern commercial off-the-shelf vehicles and tool kits;
- poor quality of data available and lack of appropriate IT applications, thus transport assets could not be managed effectively.

What is modern fleet-management for Armed Forces about?

In order to enable the German Armed Forces to fulfil all their current and future functions, the fleet-management company BwFuhrparkService GmbH was founded in 2002 by the German Armed Forces and Deutsche Bahn AG (German Railways).

The essential goal of fleet-management is to relieve the German Federal Armed Forces of all functions which do not belong to the "core-competencies" as economically as possible. A second aim is to achieve maximum satisfaction for the customer, the German Federal Armed Forces.

The main goals are:

- Provide modern vehicles and Mobility- Centres to meet demand.
- Optimise vehicle utilisation and reduce the over provision of vehicle reserves.
- Reduce costs and increase efficiency within the budget of the Armed Forces.
- Free up military resources for core competencies.

The mechanism

BwFuhrparkService GmbH determines the number of vehicles necessary after qualitative and quantitative analysis of the customer's requirements for peace-time use. The main idea modern fleet-management is based on, is the mechanism of a demand-orientated market. The customer must therefore be aware of the costs involved in his actions and use of vehicles. This automatically empowers the customer in making decisions and controlling his costs. There is also the advantage that the customer has the flexibility in obtaining specialised vehicles at short notice without depleting the budget by excessive capital expenditure on infrequently used equipment.

The methods

Permanent: One of the core functions is to supply permanently needed vehicles to the user by way of rent.

On Call: The customer can rent at short notice additional vehicles – an advantage in flexibility, which becomes apparent in the total costs.

BwFuhrparkService GmbH uses different financial resources, whereas leasing prevails.

In addition to this, modern fleet-management covers the entire process chain of vehicles' procurement and supply, use, servicing and maintenance. Thus the customer is relieved of many functions and can concentrate on core competencies.

Facts and figures

The main achievements of the BwFuhrparkService GmbH can be illustrated by the following:

- Reduction of the “white” commercial vehicle fleet from 29,000 to 20,000 vehicles.
- Cost-efficient provision of 6,000 “green” military off-the-shelf vehicles by modern pooling procedures.
- Increase in terms of utilization of the vehicles. The mileage of passenger cars has been doubled from 14,000 to about 28,000 km per year. Thus costs per kilometre could be lowered by more than 20%.
- High customer satisfaction achieved.
- Modernized fleet (average age 2 – 3 years) has a positive impact on environmental sustainability.

Finally, the customer now knows immediately the prices to be paid, the costs associated with the recovery of his mobility needs and can deal with it consciously. Cost transparency creates incentives for efficiency – which is a crucial point for modern Armed Forces.