

Collaborative Procurement of Vehicles

PROJECT STATUS REPORT

Status Date:	1 November 2011
Project Name:	Collaborative Procurement of Vehicles
Lead Agencies:	UNDP
Project Budget:	US\$ 990,000 (\$510,000 for phases I & II Approved. Phase III approved pending review of I and II.)

Project Summary

Project Overview

The project was prepared by the HLCM Procurement Network (PN) special project on Collaborative Procurement of Vehicles for the HLCM's Harmonisation of Business Processes Steering Committee. The purpose of the project is to promote consolidated and strategic planned purchasing of vehicles across the UN, and in doing so increase efficiency, effectiveness and achieve considerable cost savings.

The United Nations Organisations spend in excess of \$300 million per year on vehicles (both soft-skinned and armoured). Despite this volume, there have been no major attempts to consolidate volumes in order to better negotiate with vehicle manufacturers a more competitive pricing structure. This is partly due to the lack of clear data across all UN agencies on buying patterns and/or efforts to standardise on similar makes/models of vehicles.

This project aims to promote consolidated and strategic planned purchasing of vehicles. Studies have shown that procuring directly from manufacturers, rather than from in-country spot purchasing from stockists, which is a common practice today, could return overall savings somewhere in the region of 10-20% of the overall spend.¹

A phased approach will be used to enable the progressive building of an overall vehicle procurement strategy, starting from data gathering and feasibility, which will build the overall business case, to development and adoption of a consolidated vehicle procurement framework. The final phase, would deliver an implementation of the framework and a new way of buying vehicles in the UN system.

The project objectives were endorsed by the HLCM Procurement Network in Madrid, March 2011. The Steering Committee of the HBP Plan of Action approved the project in July 2011 with funding allocated for phases I and II and funding for phase III depending on a review of the first two phases.

¹ By this methodology, savings of around \$30M/year could be achieved if all organizations opt in. However, the first phase of the project will confirm or revise this estimate. Nevertheless, significant savings are expected.

Project Objectives

The objectives of the project are to:

- Analyse and evaluate the current methods of procuring vehicles that are in operation amongst UN Organisations
- Identify the opportunities that exist for standardising fleet specifications
- Based on best practices identified, develop an optimal model that can be implemented by UN Organisations
- Develop Long Term Agreements (for both ‘soft-skinned’ and armoured vehicles)
- Implement collaborative procurement through Long Term Agreements

Expected Benefits:

The expected benefits include:

- (i) Cost savings due to increased ex-factory purchasing rather than ex-stockist
- (ii) Cost savings due to better negotiating leverage with combined volumes
- (iii) Enhanced access of smaller UN Agencies to the better developed vehicle technical competencies of the main Agencies procuring vehicles
- (iv) Standardization of vehicle types, but with greater contract flexibility, allowing ex-factory configuration for different operating environments
- (v) Opening up other inter-Agency opportunities such as consolidated spare parts ordering, driver and maintenance technical training for safety and security, fleet management, shared workshops etc.
- (vi) Enhanced warranty terms and conditions, access to manufacturers’ technical websites and online assistance, improved management of manufacturer product recalls/safety campaigns
- (vii) Possibility to leverage manufacturer-held stocks of vehicles for immediate access and response to crisis situations
- (viii) Creation of vehicle technical expertise for some of the more specialized vehicle types procured – engineering plant, airfield equipment, armoured vehicles, ambulances, various truck types (fuel trucks, fire fighters, compactors, sewage etc.)
- (ix) Improved inter-agency mobility of staff with technical expertise concerning vehicles and transport
- (x) Improved inter-agency transfer/sale of vehicles, spare parts and considerable potential for realizing significant end-of-life disposal/sale benefits

Project Activities

Phase I: Data Gathering and Feasibility – 6 months

- Gather existing vehicle fleet data – by Agency, location, type and make, fuel type, emissions standards
- Analysis of country specific requirements:
 - o Categorization by environmental type (leads to better requirements articulation)
 - o Legal requirements in terms of safety & emissions standards, import requirements, fuel types allowed
- Examine Agency policies on vehicle standards
- Analyze programme data, annual volumes, method of procuring, typical sources of supply
- Review of existing Long Term Agreements, vehicle types/makes, unit costs, other contract provisions related to training, warranty, delivery terms, stocking obligations
- Review of spot purchase contracts - vehicle types/makes, unit costs, other contract provisions related to training, warranty, delivery terms,
- Review of spare parts consumption by Agency, costs, source of supply
- Review of field maintenance practices – outsourced, in-sourced, in-house
- Review of vehicle ancillaries/Agency-specific vehicle requirements – VHF, HF, Carlog, Fleet Management Systems, vehicle alarms, vehicle markings, flags, lights, First Aid kits, fire extinguishers
- Review of vehicle insurance practices/coverage levels/contracts

Output – Phase II: Proposal Development and Sign-off – 6 months

- Detailed analysis of cost saving/efficiency opportunities
- Development of options for implementation
- Agree on vehicle standards
- Agree on how to improve vehicle procurement requirements and planning
- Determine which current Long Term Agreements can be shared with other UN Agencies
- Conduct inter-Agency tenders for Long term Agreements for areas not already covered by any agreement

Output – Phase III: Implementation of Consolidated Procurement – 6 months

- Actively implement the use of monitoring Long Term Agreements
- Set up consolidated planning and ordering cycles for UN Organisations
- Identify other areas for collaboration, such as driver training, fleet management software, spare parts management, satellite tracking etc.

Output – A consolidated vehicle supply chain is established

Expected Project Outputs

Phase I

Final Report including:

- Analysis of UN vehicle fleet
- Analysis of buying practices
- Analysis of the regulatory/legal obligations for our areas of operation

- Identification of opportunities for cost savings/efficiency gains

Phase II

- Long Term Agreements delivered, matching inter-Agency vehicle needs and vehicle standards agreed on.

Phase III

- Actively implement the use of monitoring Long Term Agreements
- Set up consolidated planning and ordering cycles for UN Organisations
- Identify other areas for collaboration, such as driver training, fleet management software, spare parts management, satellite tracking etc.

Final Project Outcome – A consolidated vehicle supply chain is established

Project Duration Estimates

Project Milestone	Date Estimate	Implementation Level
Data gathering and feasibility	June 2012	
Proposal Development and Sign Off	December 2012	
Implementation of Consolidated Procurement	June 2013	

