

A person is captured mid-air, performing a backflip over a large rock on a beach. The person is wearing a light-colored shirt and shorts. The background is a bright, hazy sky. The entire image is overlaid with a semi-transparent blue filter.

VM to Manage Change in Montréal

***Merging 19 Cities
into one Metropolis***

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SAVE International

Government

Value Management Conference

July 16, 2004

Hyatt Regency Montréal, Qc, Canada

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Presentation agenda

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- Context
- Study plan
- Case study – MRA
- Conclusion



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Current Situation

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- 2001 - Creation of "One Island – One City"
- Amalgamation of 18 suburban municipalities into Montréal
- Statistics:
 - ◆ Population: 1,862,698
 - ◆ Territory: 482.8 sq. km
 - ◆ Organization: 27 boroughs
 - ◆ Elected officials: 105 (73 sit on Council)
 - ◆ Operating budget: \$3,869,908,000
 - ◆ Staff: 23,322 employees

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Objectives of Merger

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- Integrated, structured management
- Planned growth with a view to sustainable development
- Better quality of life for citizens
- Sustained economic and cultural vitality
 - ◆ Unify economic forces of the region
- Sound financial situation
 - ◆ Improve efficiency of services through economies of scale

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New Structure

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■ Ten departments

◆ Seven for services

- Transportation, roads and traffic
- Culture
- Parks and green spaces
- Urban development, planning and housing
- Social development
- Environment and sustainable development
- Sports and recreational activities

◆ Three support departments

- Finance and Administration
- Human Capital
- Material and IT Resources (DRMI)

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Challenge

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Deliver expected efficiencies while respecting local specificities of merged municipalities

Create collective wealth

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Study Approach

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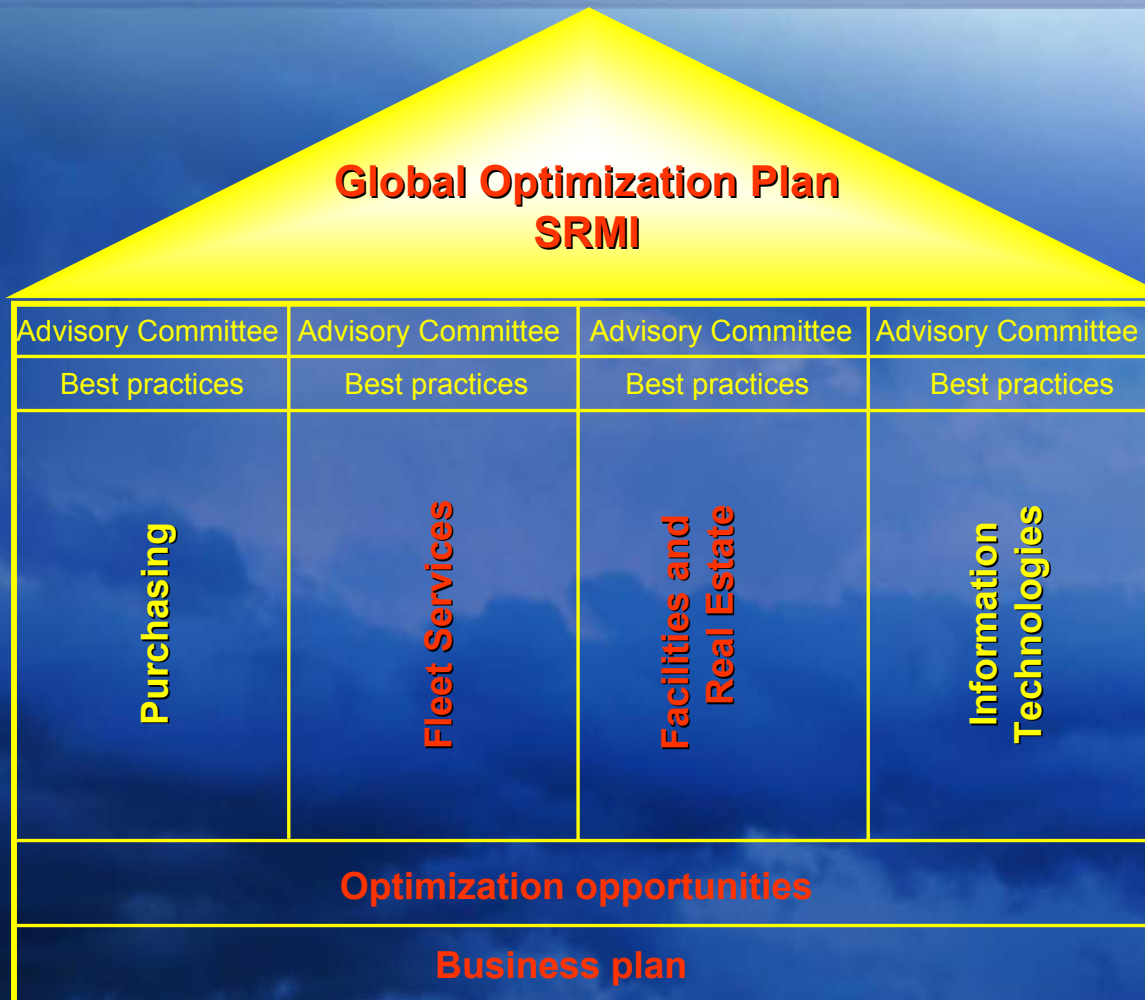
Apply Value Management principles relying on...

- management by purpose (notion of function)
- search for optimal solutions
- arbitration of choices using indicators
- sharing of competencies (team)
- transverse communication
- recognizing collective success through people's contribution

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Study Approach



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Study Plan

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- Define purpose of new organization
 - ◆ SRMI (Material Services and IT)
 - Fleet Services (MRA)
 - Facilities and Real Estate (Buildings)
 - Purchasing (Procurement)
 - Information Technologies (IT)
- Develop model of new organization
- Select performance indicators

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Study Plan

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- Benchmark performance with comparables
- Worth analysis of model
- Creativity
- Idea evaluation
- Recommendations

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SRMI – Purpose

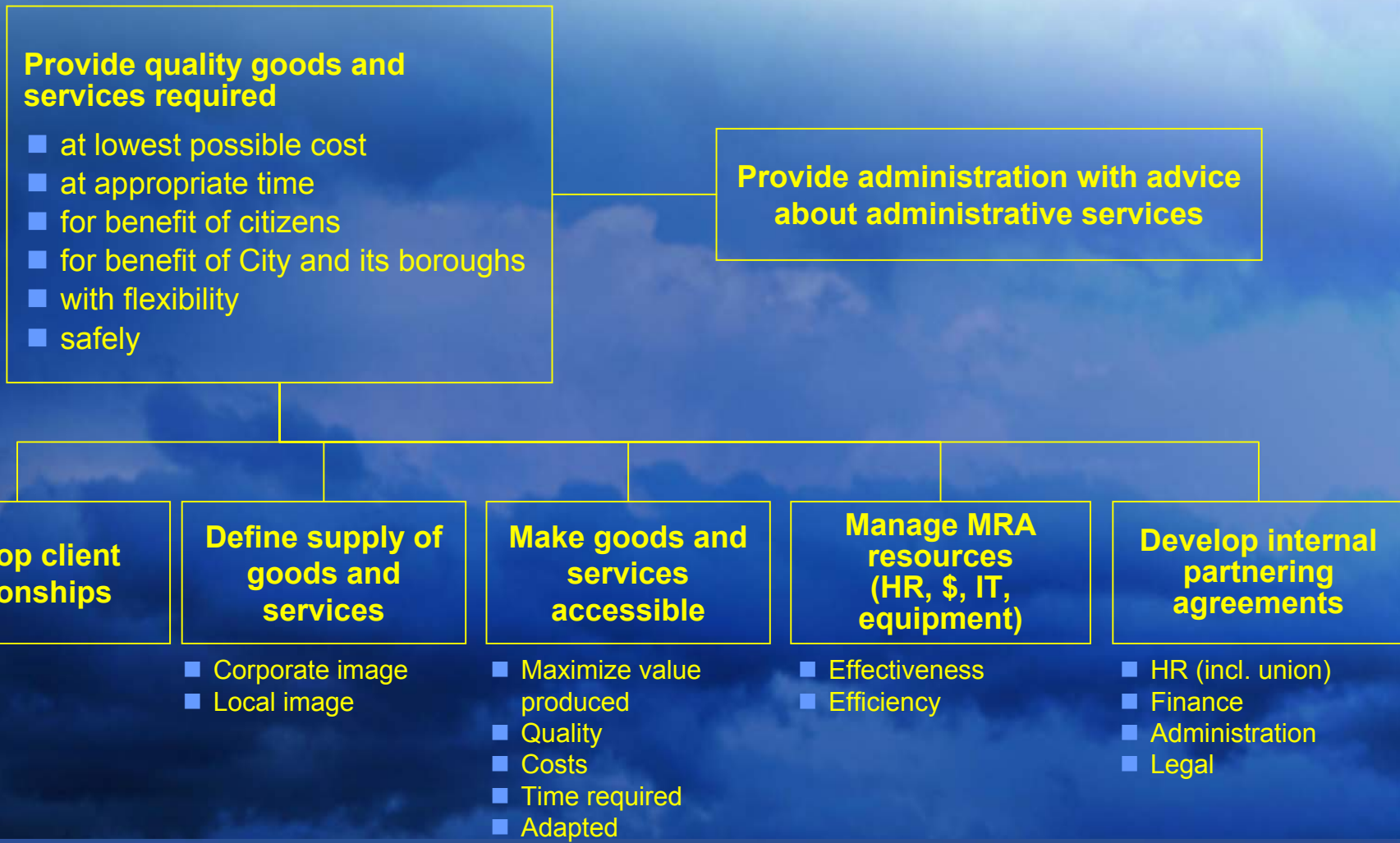
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To provide quality goods and services required at the lowest possible cost for the benefit of the citizens and boroughs of the new City

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SRMI – Model



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Example – Fleet Services

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From generic to specific modeling

1. *Develop client relationships*

- ✓ Support client
- ✓ Adapt service supply
- ✓ Negotiate agreements
- ✓ Evaluate client satisfaction
- ✓ Manage complaints and requests

2. *Define supply of services*

- ✓ Harmonize needs
- ✓ Design and develop goods and services
- ✓ Identify needs
- ✓ Compare
- ✓ Monitor
- ✓ Determine level of service
- ✓ Develop expertise

3. *Make goods and services accessible*

- ✓ Develop partnership agreements
- ✓ Acquire and sustain goods and services
- ✓ Perform services and produce goods
- ✓ Gain client acceptance
- ✓ Train users
- ✓ Develop expertise

4. *Manage MRA resources (HR, \$, IT, equipment)*

- ✓ Plan
- ✓ Organize
- ✓ Manage
- ✓ Monitor
- ✓ Evaluate

5. *Develop internal partnering agreements*

- ✓ Identify needs
- ✓ Define conditions of success
- ✓ Negotiate agreements

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Example – Fleet Services

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From generic to specific modeling

1. Develop client relationships
2. Define supply of services
3. Make goods and services accessible
4. Manage MRA resources (HR, \$, IT, equipment)
5. Develop internal partnering agreements

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Example – Fleet Services

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1. Develop client relationships

- Support client
- Adapt service supply
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Example – Fleet Services

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2. Define supply of services

- Harmonize needs
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Example – Fleet Services

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3. Make goods and services accessible

- Develop partnership agreements
- Acquire and sustain goods and services
- Perform services and produce goods
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Example – Fleet Services

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4. Manage MRA resources (HR, \$, IT, equipment)

- Plan
- Organize
- Manage
- Monitor
- Evaluate

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Example – Fleet Services

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5. Develop internal partnering agreements

- Identify needs
- Define conditions of success
- Negotiate agreements

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Fleet Services – Information Gathered

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Best practices

- Identified best management and operating practices in 17 Canadian public, parapublic and private organizations

Benchmarks

- 17 Canadian public, parapublic and private organizations provided information for benchmarking

Performance

- Selected eight indicators of interest

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Fleet Services – Benchmarking

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| Source of information | Organizations contacted | Organizations that supplied useful data |
|--|-------------------------|---|
| Large Canadian municipalities outside Québec | 4 | 4 |
| Large municipalities in Québec | 5 | 2 |
| Large public – parapublic organizations | 5 | 4 |
| Large private organizations | 10 | 7 |
| Total: | 24 | 17 |

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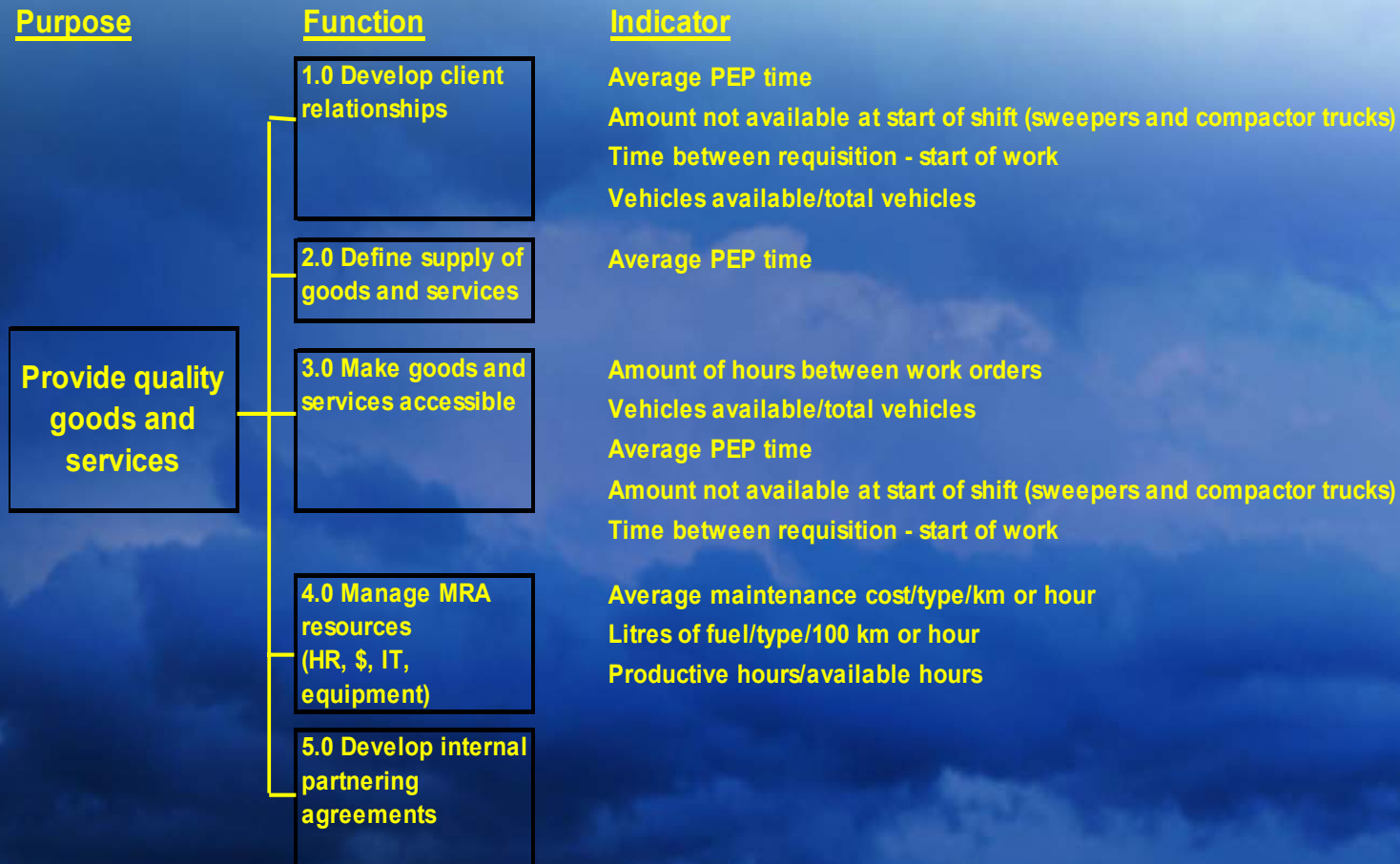


Fleet Services: Performance Indicators

| | Actual Results | External Data | Target 2004 | Ideal Targeted | Best of Category |
|---|----------------|---|-------------|----------------|---|
| OPERATING EXPENSES | | | | | |
| 1.1. Average maintenance cost/type of vehicle/ km or hour | | \$0.68/km | | | \$0.68/km |
| 1.2 Amount of km between work orders/ type of vehicle | | 34 hours | | | 34 hours |
| 1.3 Amount of litres of fuel/type of vehicle/100 km or hour | | 52 l/100 km 64 l/100 km 13 l/hour | | | 51 l/100 km 62 l/100 km 13 l/hour |
| EXCESS CAPACITY | | | | | |
| 2.1 Ratio of vehicles available/ total vehicles | | 96% | | | 98% |
| PRODUCTIVITY | | | | | |
| 3.1 Ratio of productive hours/available hours | | 75% | | | 77.40% |
| 3.2 Average PEP inspection time/ type of vehicles | | 3.2 hours 3.0 hours | | | 3.2 hours 3.0 hours |
| CLIENT SATISFACTION | | | | | |
| 4.1 Amount not available at start of shift/type of vehicle/month | 7 | | | | |
| 4.2 Average time between requisition and start of work | 8 | | | | 8 hours |

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Fleet Services: Worth Analysis



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Fleet Services – Creativity

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Optimization opportunities

- 89 opportunities for Fleet Services
- 26 opportunities for Specialized Maintenance Shops
- Four categories of opportunities
 - ◆ Human resources
 - ◆ Physical resources
 - ◆ Processes
 - ◆ Client relationships

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Fleet Services – Evaluation

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| Criteria | Weighting (relative weight) |
|--|--------------------------------|
| 1. Feasibility Administrative framework Union Legal Technical | 10 |
| 2. Client impact Product availability | 8 |
| 3. MRA employee impact | 4 |
| 4. Implementation time Effort required (availability of managers) | 4 |
| 5. Impact on productivity Efficiency | 6 |

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Fleet Services – Results

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Ideas recommended for implementation

- 30 ideas for Fleet Services
- 7 ideas for Specialized Maintenance Shops

Potential capital expenditure savings

- \$4,000,000

Potential operational savings (recurring)

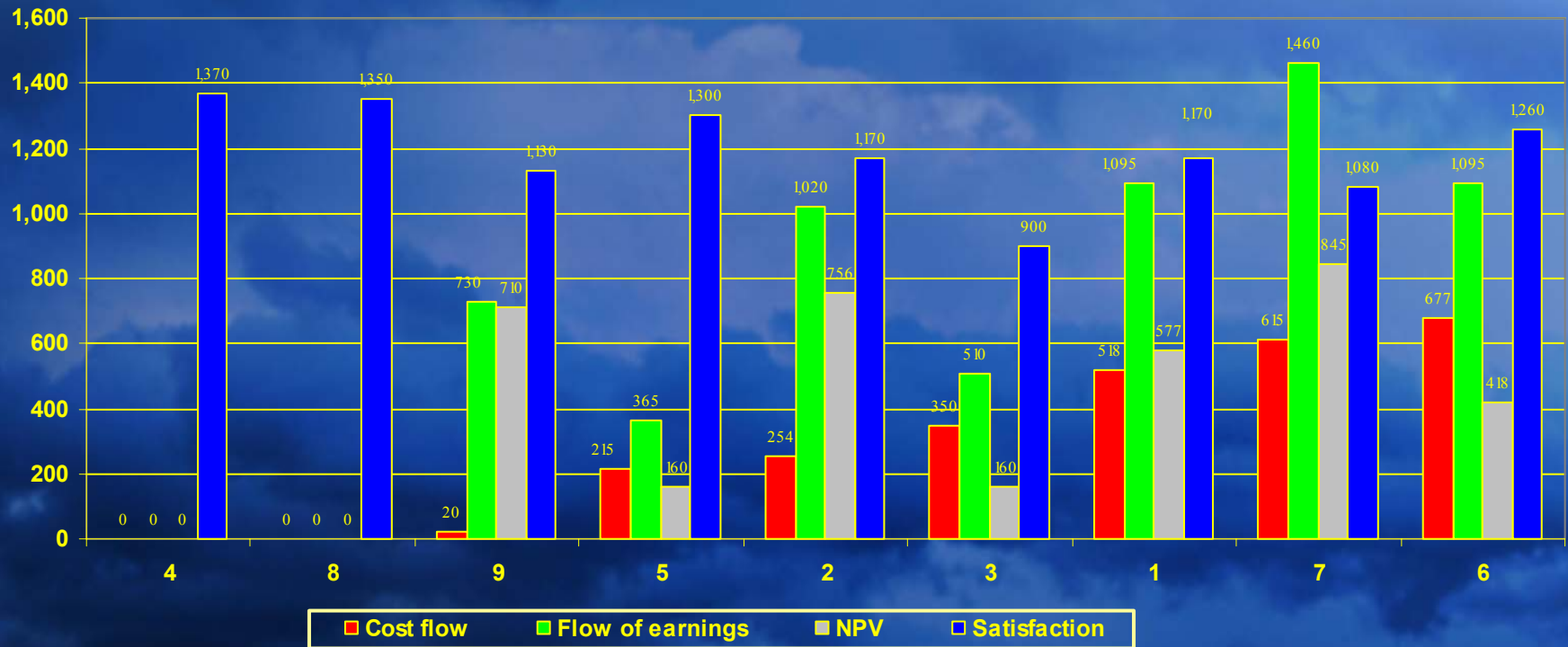
- \$3,500,000/year for Fleet Services
- \$500,000/year for Specialized Maintenance Shops

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Fleet Services – Idea Prioritization

Prioritization of Areas of Improvement

Value Graph – Sorted by Increasing Cost Flow



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Fleet Services – Implementation

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Three-year action plan

- 2004
 - ◆ Revisit Supply Chain Process (savings: \$447,000)
 - ◆ Vehicle pool purchasing (savings: \$730,000/year)
 - ◆ Vehicle parts pool purchasing (savings: \$1,200,000/year)
 - ◆ Implementation of first "Balanced Scorecard"
 - ◆ Plus nine additional ideas
- 2005
 - ◆ Eleven additional ideas
- 2006
 - ◆ Remaining seven ideas

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SRMI – Progress Report

Global Optimization Plan SRMI

| Procurement | Fleet Services | Real Estate | Information Technologies |
|---|--|--|---|
| <ul style="list-style-type: none"> ▪ Optimization plan submitted in August ▪ Topics <ul style="list-style-type: none"> ◆ Acquisition of goods and services ◆ Professional and technical services ◆ Transport ▪ Presentation in September | <ul style="list-style-type: none"> ▪ Projects in process <ul style="list-style-type: none"> ◆ Organization of Customer Service ◆ Vehicle acquisition time ◆ ± Ten other projects ◆ Pooled purchases <ul style="list-style-type: none"> – vehicles – parts ◆ Supply Chain Process | <ul style="list-style-type: none"> ▪ Plan submitted ▪ Approximately 20 priority projects | <ul style="list-style-type: none"> ▪ Completion of functional tree ▪ Surveys of key participants and clients ▪ Benchmarking with 100 organizations around the world ▪ Analysis in progress ▪ Plan submitted in September |

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Conclusion:

What has VM exercise brought to integration process?

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- Instilling cultural change oriented toward partnership agreements
- A shared Mission among stakeholders
- Opening of communications with clients and creation of synergy
- Orientation of optimization sector plans
- A common understanding of what each party has to offer/contribute to the new Metropolis
- A clear definition of where to work in order to rationalize operating costs of the new entity
- Substantial cost reduction opportunities

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