



Benchmarking of maintenance services through market testing

the challenge

Our client, an urban water business, was directed by their State Government to reduce costs to place downward pressure on water prices.

The water business uses an internal workforce for the delivery of their maintenance services, and had identified its Civil, Mechanical & Electrical Maintenance services as an area with potential cost reduction (among other initiatives). Our client wanted to conduct benchmarking through external market testing to identify, and potentially capture, savings in its maintenance cost.

Marchment Hill Consulting (MHC) was appointed to the role of Strategic Advisor & Project Support, responsible for providing input regarding the strategy for engaging the external market, specialist input into the development of market documents, contribute to the assessment of potential maintenance service providers, and development of the business case to determine the optimal maintenance services option.

what Marchment Hill Consulting did

MHC adopted a proven approach and methodology for this engagement, based on six (6) stages of work which were rolled up into three key phases. The three key phases of work were supported by our typical Project Management tools (detailed implementation plan, executive management and board status reporting, risk register, etc) which are fundamental to the successful delivery of a project (refer Figure 1).

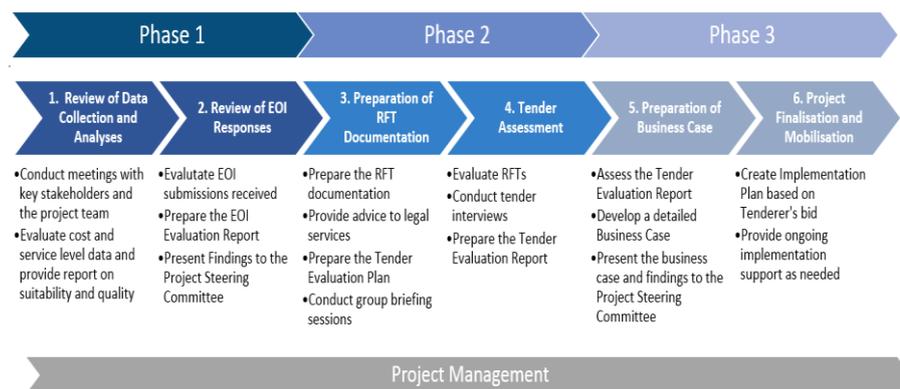


Figure 1: MHC Approach and Methodology

MHC helped our client deliver critical elements of the methodology:

- Defining and accurately scoping the activities to be benchmarked

engagement profile

- Collection of historic cost and service level data for each of the benchmarked Civil, Mechanical & Electrical maintenance activities, in order to allow accurate comparison to the external market
- Development of a commercial model for management of maintenance services, including work activity costing and payment mechanisms, reward and penalty provisions, pain-gain arrangements, and performance incentives and measures
- Preparation of clear and concise tender documentation for engaging with the external market
- Development of a transparent evaluation framework for comparing tender bids to historic performance, and
- Preparation of a detailed business case, including optimistic and pessimistic scenario testing, and internal change impacts that was used to determine the optimal maintenance services option.

the benefit

Our client identified a maintenance services option that had potential to realise significant cost reduction, but this option required a number of clear learnings from the benchmarking project to support its successful implementation. The following learnings were therefore taken directly into their Project Finalisation and Mobilisation stage:

1. Improved cost management through Activity-Based Costing (ABC)
2. Improved performance management through a rigid KPI framework
3. Increased productivity of the maintenance workforce through changes in the delivery model
4. Increased focus on innovation and technology
5. Increased focus on asset management, and
6. Successful implementation through detailed transition planning and allocation of sufficient funding to complete the transition.

These learnings culminated in the development of a Maintenance Services Improvement Plan (refer Figure 2) that defined the path ahead.

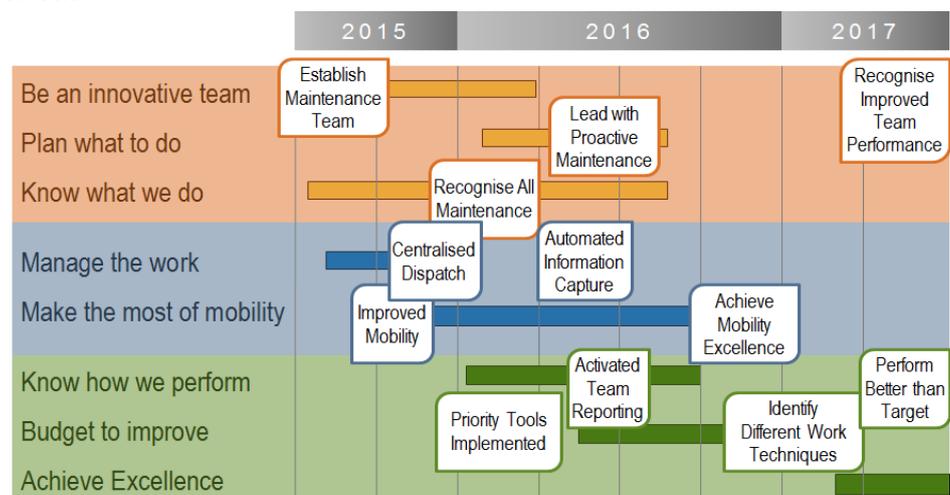


Figure 2: Maintenance Services Improvement Plan - Indicative High Level View

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