

# Client Confidential - Maintenance Services Resourcing Review and Civil Maintenance Benchmarking

## the challenge

A regional Australian water business has implemented a Productivity Improvement Strategy based on an in-house model which continues to be the preferred option for delivery of maintenance services. Whilst the business made it very clear that undertaking formal market testing of Civil and EMM maintenance services was highly unlikely in the short to medium term, there was an expectation from Board that future contracting options for maintenance services still needed to be clearly understood. The water business engaged Marchment Hill Consulting (MHC) to undertake a Resourcing Review to investigate alternate Contract Model Options for their current Civil Maintenance (CM), Electrical & Mechanical Maintenance (EMM) and Dispatch and Scheduling maintenance activities.

To complement the Resourcing Review and gain an understanding of current performance levels, MHC benchmarked key reactive and planned Civil Maintenance activities, comparing performance across Australian Water Utilities. As part of this Civil Maintenance Benchmarking Program, MHC also provided direction on continuous improvement models and performance indicators to assist the business in achieving their vision of being a leading water business.

## what Marchment Hill did

To deliver the Resourcing Review scope of work, MHC undertook a four-phase process, covering:

- I. The establishment of Strategic Objectives and an Activity Rating Framework;
- II. A Core and Non-Core review of Maintenance Activities;
- III. The development of Contract Model Options; and
- IV. An assessment of Contract Model Options and reporting of outcomes.

In total, eighty-five (85) activities were included for assessment across the three maintenance groups, representing an annual total spend of approximately \$35M and 160 FTEs. The review of Core and Non-Core Maintenance Activities identified that many CM activities were suitable for outsourcing consideration, including large proportions of EMM and some Dispatch and Scheduling activities.

This assessment, based on comparing the risk of outsourcing versus the strategic value of each activity, resulted in the identification of fifty-nine (59) activities representing approximately \$28M and 120 FTEs as the basis of the Contract Model Options (refer Figure 1 below).

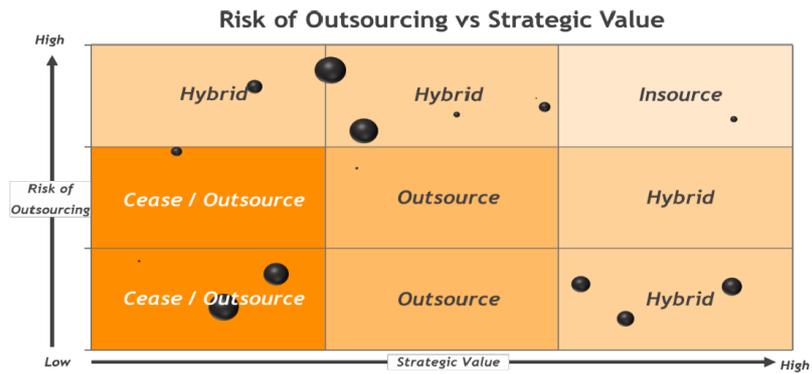


Figure 1 - Example output of Risk of Outsourcing versus Strategic Value rating

A rating system incorporating non-financial assessment criteria (e.g. alignment to current operating model, management effort, safety performance, regulatory compliance, transition effort, etc) was then used to identify the most suitable Contract Model Option.

Comparing collected cost and service level data of the business to MHC’s Civil Maintenance Benchmarking Engine, MHC was also able to provide the following performance outputs:

- Detailed analysis of cost and service level drivers across reactive and planned Civil Maintenance.
- Detailed analysis supporting other relevant and material insights based on relationships between benchmarked cost, productivity and service level performance, and the observed practices of the water utility.
- Detailed analysis of cost and service level drivers by individual Civil Maintenance activity.
- Recommended improvement initiatives for the organisation, based on observed cost and service level trends, and on how the business continues to monitor performance and maintain a forward trajectory of continuous improvement.

This benchmarking analysis also showed that several CM activities that had rated as non-core in the Resourcing Review had benchmarked poorly against industry comparators, further strengthening the argument that future contracting options for maintenance need to be clearly understood.

the benefit

MHC’s Resourcing Review assisted the business in identifying the most suitable Contract Model Options, including a suitable market testing approach and associated timeline.

The Civil Maintenance Benchmarking Program provided two (2) key improvement initiatives:

- Develop a crew reduction strategy to move from 3 to 2-person crews for selected water activities, and

- Improved systems integration and data capture for robust works order management.

MHC's review of the continuous improvement model identified benefits in aligning stated initiatives to measurable outcomes at an activity-based level. Using this model, measurable target benefits can be calculated, tracked and refined throughout the program via an annual planning glide path.