



KH and Transportation

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TRANSPORTATION CHALLENGES: TODAY AND TOMORROW

Transportation, particularly air travel, have faced face rapid and unexpected changes world wide – first with the events of September 11th and now with the economic recess. They face new demands from managers, workers, customers, and oversight groups. The scale of large businesses has grown through mergers and alliances, fueled by advances in technology that make global enterprises more sustainable.

This growth has brought about interesting and unusual changes. U.S. Air, frequently mentioned as one of the weakest U.S. airlines, has been purchased by a rival – America West – and revitalized under its old name.

The real cost of transportation continues to fall. Air cargo is no longer reserved for immediately perishable or high-value items. Specialized planes carry aircraft subassemblies from Japan and China to Seattle for final assembly at Boeing. At the same time, the cost of sea freight, fueled by containerization and ships considerably larger than aircraft carriers, are making possible the dispersion of production facilities to almost every corner of the globe.

Access to capital is now worldwide and without interruption. Major capital markets are linked by instant news on the internet – and increasingly by direct alliances – so that it is possible to trade many securities 24 hours a day, seven days a week, from any point in the world.

Population is rising. While, theoretically, there are enough resources for everyone, there is a lack of adequate distribution. Some people have more goods and

services than they appear to need, while others are destitute.

There is concern about the cost and consequences of the way energy is produced and used. Users need to become more efficient and reduce the impact of energy consumption on the environment. The answers to these needs lie in a combination of technological, political, and social change that presents a considerable challenge. In addition, effective action in this area must be global, requiring use of emerging worldwide information and communications networks to their fullest extent.

KH develops practical, workable recommendations. More importantly, KH builds the consensus so critical to rapid adoption of new ways of working. Consensus, in turn, allows KH clients to reap the benefits of improved strategy, organizational design, and Balanced Scorecard performance measurements in a timely fashion.

KH SERVICES OFFERED

KH is a full-service management consulting firm. We offer services in:

- Strategic Planning
- Organizational Design
- Business Process Re-engineering
- Human Resources
- Information Technology (IT)

In the public sector, KH focuses on improving performance for a wide range of essential services, programs, operations, and administrative functions. We work with client organizations to create new visions of success, and we deliver the tools and support to make these visions real. Our larger studies primarily involve:

Strategic Planning. KH's Strategic Planning practice:

- Facilitates strategic planning and assists with preparation of strategic plans or master plans
- Analyzes customer satisfaction; evaluates different scenarios for service delivery
- Assesses an organization's resources (staffing, capital, facilities, etc.) and competencies to determine if they are sufficient for achieving the desired strategic directions
- Assesses environmental and competitive situations
- Conducts market research, including community needs assessments and opinion surveys
- Evaluates options (acquisitions, divestitures, mergers) available to enterprises and selects among them
- Structures strategic initiatives to achieve strategic goals and objectives
- Defines policies, objectives, and goals for building a long-term competitive advantage
- Delineates strengths, weaknesses, opportunities, and threats (SWOT analysis)
- Prepares Balanced Scorecards for accountability and achievement of Strategic Plans
- Analyzes an organization's external environment and competition
- Analyzes market position and opportunity; evaluates different scenarios for product, geographic, and service diversification
- Conducts Board and management planning retreats

Organizational Assessments and Management Audits.

Even the most successful organizations periodically need an outside assessment of current management, operations, and organization design. These reviews provide executive management and elected boards with an improved understanding of the existing organization, and sharpened insights on where improvements can be made. KH has developed a comprehensive, thorough, and highly cost-effective approach to these assignments. A typical evaluation includes:

- Use of one or more advisory groups, including union representatives, to ensure that the study addresses constituent concerns
- Broad-based input from the community, employees, and management for stakeholder and customer input
- In-depth probing into problem areas
- Thorough review of findings and recommendations with management, advisory groups, and others who would be affected by the outcomes
- Integration of recommendations with existing strategies, operations, and plans

Business Process Reengineering. The conflict created when rising standards and expectations collide with declining revenues requires radical change. For many public sector entities today, incremental change will no longer suffice. Reengineering takes advantage of analytical techniques and advanced technology, proven in the private sector, to improve productivity and quality of services significantly for organizations that:

- Face serious financial difficulty, necessitating major cost reductions, improved service, quality, or higher service levels
- Currently perform adequately, but foresee changes that will severely challenge them
- Lead their peers and want to maintain their status

MASTER AGREEMENTS

KH has a number of Master Agreements with governmental agencies, including:

- **Office of the Chief Administrative Officer, County of Los Angeles:** Master Agreement (2001-2016) to perform Strategic Planning, Customer Service, Performance Measurement, and Special Studies
- **Office of the Auditor-Controller, County of Los Angeles:** Master Agreement (since 1994) to perform Management Audits and Special Studies
- **Office of the City Controller, City of Los Angeles:** Master Agreement (since 2001) to perform Management Audits and Special Studies
- **Information Technology Service (ITS) of the County of Los Angeles:** Master Agreement (three years) to perform Technical Systems Consulting
- **Public Utilities Commission (PUC) of Pennsylvania:** Master Agreement (pre-approved list of consultants) to perform Management Audits
- **State of California, Department of General Services (DGS):** Master Agreement to perform Business Management Consulting Services
- **Los Angeles World Airports (LAWA):** Master Agreement to perform Audit Services
- **Community Redevelopment Agency of the City of Los Angeles (CRA/LA):** Master Agreement to perform General Audit and Review Services
- **Salt Lake City, Utah:** Master Agreement to perform Management Studies

To be certified as a firm capable of performing management audits, KH has completed several Peer Reviews, as per the **U.S. Government's Yellow Book** requirements.

Representative KH Transportation Projects



The following projects show the size and scope of projects we can manage. We conduct

small and large studies – both in terms of dollar amount and complexity of management issues. KH has performed more than 200 consulting studies in 25 states and 6 foreign countries.

We have a track record of providing our clients with a thorough and well-documented set of alternatives for their consideration. The detailed processes that lead to conclusions ensure that the alternatives developed are all feasible and applicable. Our approach to sharing developing ideas throughout the study ensures “buy-in” and commitment to the final recommendations, thus facilitating implementation.

City of Los Angeles, Department of Airports (Los Angeles World Airports (LAWA))

The Department of Airports is also known as Los Angeles World Airports (LAWA), which includes Los Angeles International Airport (LAX), Ontario International Airport (ONT), Van Nuys Regional Airport (VNY), and Palmdale Regional Airport (PMD).

▶ LAWA: 2008 Industrial, Economic, and Administrative (IEA) Survey

The Los Angeles City Charter mandates the performance of an Industrial, Economic, and Administrative (IEA) Survey at least once every five years for the Department of Airports (also called Los Angeles World Airports or LAWA). As specified by the City Charter, the IEA Survey is a third-party management audit, conducted



Los Angeles World Airports

under the joint supervision of the Offices of the Mayor, the City Controller, and the Chief Legislative Analyst (CLA) representing the City Council and in consultation with LAWA Executives and managers and other City officials. KH conducted the last IEA Survey of LAWA in 1999.

The scope of the IEA Survey covers LAWA's strategic issues, management, administration, and

operations carried out by nearly 3,800 employees at the four Airports: Los Angeles International Airport (LAX) and Ontario International Airport (ONT), both full-service airports; Van Nuys Airport (VNY), a general aviation airport; and Palmdale Regional Airport (PMD).

KH conducted a variety of fact-finding tasks, including:

- Completed 195 interviews with City officials, LAWA Executives and managers, other governmental leaders, and LAWA airline and non-aviation customers
- Conducted an online IEA External Stakeholder Survey, completed by 3,258 individuals
- Conducted 5 focus groups with 152 external stakeholders and opinion leaders (e.g., citizen, community, business, and political opinion leaders) regarding their perceptions and concerns
- Surveyed 2,639 LAWA employees (of 3,800 total employees), representing the management, professional, technical, and support staff with computer access
- Benchmarked LAWA's Airports against 25 domestic and international airports around the world that have similar characteristics

The 500-page final report documents the strengths and challenges and presents recommendations pertaining to:

- **Strategic focus** – worldwide trends and economic downturn, regional challenges, lack of rail access, planning for the future airport infrastructure requirements, environmental initiatives, external relations, facility planning, and financial and risk management
- **LAWA airport operations** – property and concessions, law enforcement, airport maintenance, LAX, ONT, PMD, and VNY
- **LAWA corporate** – purchasing and contract administration, information technology, building an effective work culture, human resources, organizational development, and governance and City relations

The full LAWA 2008 IEA Survey Final Report is available on the website of the Office of the Controller, City of Los Angeles at: http://www.lacity.org/ctr/audits/2008_LAWA_IEA_Survey.pdf

▶ **LAWA: 1999 Industrial, Economic, and Administrative (IEA) Survey**

KH also completed the 1999 IEA Survey (management audit) of LAWA. The City's Co-Managers included representatives from the Offices of

the Mayor, City Administrative Officer, and Chief Legislative Analyst.

KH developed a model for conducting the IEA Survey that focused on positioning LAWA to be “world class and cutting edge.” As part of our fact-finding, KH conducted 166 interviews with City officials, LAWA executives and managers, other governmental leaders, and LAWA airline and non-aviation customers; conducted site visits of LAWA's Airports; benchmarked the LAWA Airports against 10 domestic and international airports; and conducted 20 focus groups with 213 external stakeholders and external leaders. The recommendations addressed areas of improvement in governance, air transportation leadership, regional transportation planning, intra-City relationships, strategic business planning, organizational structure, external affairs, environment implementation, master planning, accounting and financial reporting, administration, facilities planning, engineering and construction management, and asset management.

The Co-Managers approved the Final Report. LAWA executives implemented the strategic business processes and new organizational structure.

▶ **LAWA: Airport Police and Security Organizational Design**

The objectives of this organizational design project were to assess LAWA's airport safety, security, and related facilities policies, procedures, and organization, concentrating on Airport Police's administrative overhead functions, traffic, changes from Public Law 107-71, “The Aviation and Transportation Security Act,” and collaboration with Federal security organizations and the Los Angeles Police Department (LAPD).

The scope included airport police, security, safety, and traffic management operations at all LAWA airports: LAX, ONT, VNY, and PMD. The effort involved an extensive review of documents; tours of airport police operations; more than 62 interviews with management, 5 focus groups (with Traffic Officers, Access Control Officers, Airport Police Officers, Airport Police Sergeants, Field Training Officers, and ONT Airport Safety Officers (ASOs)), union representatives, LAPD, and Federal Security representatives; analysis of operations; and administrative and interpretation of the Virtual CEO survey (completed by 79 individuals).

KH recommended an Airport Police and Security organizational infrastructure to manage common functions across all airports with specific restructuring within each of the individual airports from an operational perspective. The new structure assumed that Orange and Yellow Alerts were the new standard operating mode and applied an Incident Command matrix model for day-to-day operations.

▶ **LAWA: Project Management of Engineering- and Inspection-Related Projects**

KH conducted an initial fact-finding effort – extensive interviews, document reviews, and review of flow charts – that led to an all-day retreat with the Engineering & Project Management Division (EPMD) managers and the Deputy Director to identify agreed-to strengths, opportunities for improvement, and next steps. The outcome was the formation of 4 Work Groups that KH team members facilitated to identify strategies for addressing EPMD mission and values, streamlining work processes, analyzing staffing requirements, and identifying human resource improvements.

▶ **Organizational Review of LAWA's IT**

In reviewing the LAWA IT organization, KH examined several aspects of IT from both the internal and IT customer perspective.

IT Organizational Performance. KH captured both quantitative and qualitative information in this area. The quantitative information was collected via a survey that rated several standard IT areas. This survey was provided to both the CIO direct reports and representatives of the IT customer base. KH obtained the qualitative information through one-on-one interviews with the same group of people.

IT Operational Performance. As part of understanding the operational side of the IT organization, KH surveyed the degree of formality and ability to audit aspects of the IT organization across the CIO's direct reports.

IT Accountability, Responsibility, and Decision-Making. A final part of the review was to address the areas of accountability, responsibility, and decision-making within the IT organization. For this review, KH used a combination of interviews and a survey of IT process areas assigned to the CIO's direct reports.

▶ **LAWA: Organizational Restructuring**

LAWA had maintained the CEO-COO structure KH had designed during the IEA Survey in 1999. Since 9-11, LAWA's world had changed – new Federal security requirements, reduced air travel, increased need to modernize the airports, etc. In November 2005, LAWA retained KH to conduct a two-phase organizational design project. Phase I was the restructuring of the executive team (1st two levels under the CEO) into four core businesses. Phase II was the realignment of all of the core business functions, including the reallocation of approximately 3,700 employees. KH facilitated several dozen meetings with the LAWA lines of businesses to review organizational options for the core businesses, divisions, sections, and units.

Port Authority of New York and New Jersey (PANY&NJ)

▶ **VAL-ACT Activity Analysis of Engineering Functions**

(SUBCONTRACT TO URS GREINER, INC. AND BOOZ ALLEN HAMILTON)

KH prepared VAL-ACT functional and physical dictionaries, describing what work tasks the Engineering Department performs, and how work is physically performed (e.g., meetings, analysis, written communications, etc.). In total, KH administered the VAL-ACT survey to approximately 1,000 employees in various locations around greater New York City and New Jersey. KH then compiled the VAL-ACT survey data and produced a series of VAL-ACT reports that displayed how Engineering employees spent their time – by organizational level, by project stages, and in terms of full-time equivalents, actual labor costs, et al. URS Greiner and Booz Allen Hamilton then used this information as part of their analysis of needed improvements and recommendations.

Port of San Diego

▶ **Assessment of Strategic Alternatives**

(SUBCONTRACT TO BOOZ ALLEN HAMILTON)

KH assessed key strategic alternatives for the sea port, airport, and real estate divisions of the Port of San Diego. The effort focused on identifying programs that would increase short-term revenues and support long-term capital projects that the Port anticipated. Among the programs considered were: new policies for Port real estate leases, expansion of shipping and rail facilities, and environmental initiatives. The KH consultants led the environmental studies and provided an assessment of communication strategies to stress the positive impacts the Port has on communities in the San Diego area. The report and discussions with the Board were later used in the development of a new five-year strategic plan for the Port of San Diego.

Port of Oakland (California)

▶ **VAL-ACT Activity Analysis of Port, Airport, and Real Estate Operations**

(SUBCONTRACT TO BOOZ ALLEN HAMILTON)

KH conducted a multi-faceted Activity Analysis to benchmark the work activities of employees at the Port of Oakland Divisions, including the Airport, Harbor, and Property Management. The Activity Analysis forms, dictionaries, and survey process were customized by a KH-led work group of key managers from the revenue and administrative organizations. Booz Allen Hamilton used the results to test hypotheses that focused on ways to change the

organization's effectiveness so that long-term financing of development projects for the next five years could be justified. The project was completed on time and within budget.

Port of Los Angeles, Harbor Department, City of Los Angeles

▶ Port of Los Angeles: Work Simplification of Support Functions Performed in the Executive Office

KH analyzed the administrative, secretarial, and clerical support activities. The purpose of the study was to address work-related issues, including workflow, administrative and clerical staff responsibilities, and office layout. We focused on:

- Reactions to and perceptions of existing work procedures and reporting relationships
- Characteristics of positions and functional activities
- Feasibility of alternative work arrangements

The outcomes of these interviews included: (a) an understanding of the current situation and the modifications desired and (b) identification of organizational and work processes that needed additional clarification. The results were summarized in a written report and the recommendations adopted.

KH then assisted with the implementation of the recommendations and further refinement of the action steps. Most of the implementation work involved periodic updates and monitoring of support staff's reactions to the alternative work methods and procedures and consolidated work efforts.

▶ Port of Los Angeles: Organizational and Operational Effectiveness Study

(SUBCONTRACT TO BOOZ ALLEN HAMILTON)

The Board of Commissioners at the Port of Los Angeles retained Booz Allen Hamilton to perform an organizational and operational effectiveness study of the Port. Booz Allen Hamilton subcontracted with KH to apply Activity Analysis to the Port. KH designed the questionnaire and collected surveys from 708 incumbents. In addition, we analyzed the VAL-ACT reports, considering:

- How work was physically performed
- Functions performed
- Primary customers within the Port, within the City, and outside of both the Port and City
- Primary providers of information or services, and the quality of information or services provided

KH developed a computer model of staffing levels in terms of full-time equivalents, labors costs, and relative

importance of work performed, by organizational structure, and management hierarchies.

▶ Port of Los Angeles: Reengineering Strategies

The Port of Los Angeles established a Strategic Planning Task Force to oversee a wide-sweeping change process to ensure the Port's competitiveness and success in the second half of the 1990s and beyond. As the "steering committee" for the change process, the Task Force worked with Port senior management on a Working Committee and a variety of employee Action Teams to develop a cost-effectiveness plan. The Task Force formed two types of Action Teams: Functional Action Teams and Policy and Procedure Action Teams.

The Port of Los Angeles retained KH to work directly with the Functional Action Teams in their initial efforts and later to help in developing strategies to overcome City, political, and personnel (e.g., Civil Service) barriers to implement adopted recommendations. The Functional Action Teams' role was to identify opportunities to improve overall cost-effectiveness and productivity, with particular emphasis on their respective operational areas, namely:

- Administration, including Management Services, Personnel, Information Systems, Purchasing, and Risk Management
- Finance, including Accounting, Treasury, etc.
- Marketing and Customer Service, including Strategic Planning, Communications, Wharfingers, Police, Port Pilots, Marketing, and Real Property
- Construction and Maintenance (C&M), including seven Support Teams in the areas of Administration; Crane and Electric; Gardening and Warehouse; Machine, Boat and Garage; Maintenance, Carpentry, Pile Driving, Roofing, and Painting; Plumbing; and Street Maintenance, Water and Land Clean-up, and Equipment
- Development, including Construction Management, Engineering, and Environmental Affairs

Each Action Team attended at least six formal meetings with KH. In addition to the 120 to 150 meeting hours, Action Teams met informally to brainstorm ideas, prepare background information, and refine their change proposals for the next meeting. Each Functional Action Team was actively involved, highly committed, and willing to face some hard issues confronting the Port of Los Angeles. Some of the recommendations addressed "softer" operational concerns that would enhance overall effectiveness. Other recommendations were hard-hitting with major cost savings. Yet other recommendations had critical strategic implications and presented innovative approaches for the Port in the future.

KH team members facilitated the meetings, addressing cost-effectiveness strategies and alternatives. The Functional Action Teams generated many change proposal ideas – all of which were debated, some rejected, many consolidated, and 119 remained.

KH then reviewed, refined, and reconstructed these change proposals into formal recommendations. KH's role was to ensure consistency in the presentation of the recommendations across Functional Action Teams, and strengthen their arguments where feasible; understand the Functional Action Teams' ideas; help them to form their ideas; where appropriate challenge their thinking; and finally, ensure they considered all possibilities.

After KH's refinement of the change proposals into recommendations, all Action Teams reviewed their respective recommendations before finalization. The teams identified opportunities to reduce costs by millions of dollars in the areas of finance, marketing, real estate, maintenance and construction, engineering, human resources, purchasing, risk management, etc.

Orange County Transportation Authority (OCTA)

GARDEN GROVE, CALIFORNIA

► Efficiency Review of the Employment Section

OCTA employed 1,600 individuals to manage, maintain, and operate its transportation system, serving Orange County, California. Each year, approximately 340 individuals were recruited for either new positions or vacant positions. KH was retained to improve the overall efficiency of OCTD's recruitment activities because of the lag-time in filling vacant positions. As part of the review, KH analyzed hiring trends, interviewed hiring authorities, met with departments that routinely interfaced with Employment Section personnel, and surveyed 340 employees who were hired within the last year. Using a participatory approach, KH reviewed its findings at various stages with Employment Section staff, resulting in uniform acceptance of our recommendations. The efficiency review resulted in changes in recruitment strategies and consolidation of previously fragmented work activities, thereby simplifying the recruitment process and shortening the turnaround time.

South Australia Department for Transport, Energy and Infrastructure

ADELAIDE, SOUTH AUSTRALIA, AUSTRALIA

► VAL-ACT Activity Analysis to Assess Overhead Functions

(SUBCONTRACT TO PAK-POY & KNEEBONE CONSULTING ENGINEERS, LTD.)

The South Australian Department of Marine and Harbours was interested in applying U.S. productivity

tools to its operations. KH established a two-year strategic alliance with Pak-Poy & Kneebone Consulting Engineers, Ltd., in Adelaide, Australia, to become partners in delivering such tools to Australia.

Working with Pak-Poy & Kneebone, KH applied its Activity Analysis approach, using VAL-ACT, to administrative positions in this state governmental agency. The study team was intimately involved with three of the strongest unions in Australia. Because KH instilled a participatory approach to Activity Analysis, the result was widespread acceptance of our recommendations. During the course of the study, KH trained the South Australian team in the VAL-ACT approach, including dictionary development, employee surveys, and interpretation. Cost savings for the Department exceeded \$1.2 million in the first year.

Port of Long Beach

LONG BEACH, CALIFORNIA

► Benchmark Comparisons with the Port of Los Angeles

(SUBCONTRACT TO BOOZ ALLEN HAMILTON)

Booz Allen Hamilton retained KH to collect benchmark VAL-ACT data from the Port of Long Beach. KH worked with 22 senior and division managers to collect data on work performed by approximately 290 employees. The benchmark data was then used to compare the two Ports: Port of Long Beach and Port of Los Angeles.

WHY HIRE KH?

In these dynamic times, boards, corporate executives, educational leaders, elected officials, and public sector administrators retain KH because of their need to:

- Bring about change from within
- Accomplish specific initiatives despite internal time pressures and staff constraints
- Remain or become a regional, state, national, or international leader
- Acquire special expertise and tools
- Solicit a fresh perspective, as well as independence, objectivity, and discretion
- Bypass both “politics” and natural resistance to examination and change, particularly in environments with diverse agenda
- Solicit external, professional opinions without the risk of prejudice (i.e., internal managers may be defensive when their operations are under review)
- Obtain insights into “best practices” and “lessons learned” at other comparable organizations
- Have nothing taken for granted, including data that might otherwise be overlooked or unused (e.g., consultants can ask “naive questions” such as “why are you doing that task that way?”)
- Leverage respected external authorities before their boards or executive team

Additional descriptions of KH firm capabilities, including a general KH firm brochure, are available upon request.

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