



**FLEET REVIEW
FOR
SHIRE OF DONNYBROOK-BALINGUP**

23rd Feb 2017

V1.9

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REVIEW SCOPE

The review is to:

- Review current turnover timeframes for both light vehicles (LV) and large plant in relation to years owned, kilometres travelled and hours of operation, and make recommendations on the optimum turnover timeframe, based on minimising operational and changeover costs to the Shire.
- Advise on the benefits and negatives to both the Shire and staff of implementing novated leases or leases for the Shire's LV fleet, including recommendations if this is a structure that the Shire should consider.
- Review and comment on the impact of increasing or decreasing the timeframe of the changeover of LV's in relation to: (a) attracting and retaining staff, (b) Existing officer salary packages and private use arrangements.
- Provide comment on the relevance of a LV and plant replacement policy having scope for changing market factors such as special offers, price variations etc.
- Provide comment on strategy's for the Shire to minimise FBT liabilities.
- Develop and provide a draft policy in relation to LV and plant replacement that Uniqco recommend the Shire have endorsed by Council.
- Make comment if there are any other considerations that the Shire should take into account in relation to its plant replacement program.

EXECUTIVE SUMMARY

The focus areas for the review were:

- Utilisation for heavy vehicles and plant
- Optimum replacement timing for the whole fleet and
- Options for provision of light vehicles and
- Policies for vehicle usage and strategies to minimise FBT

Uniqco has provided, as an addenda to this review a fleet maturity summary of the Shire's current position in relation to its mobile assets. The mobile asset maturity indicators show, that for the size and resource available to the Shire, the Shire is quite mature in its fleet delivery strategy. The review has highlighted that the council would benefit from formalisation of its fleet practices within its policy to provide a framework of governance.

The review process included a questionnaire and information request followed by a site visit and discussion with key stakeholders.

Heavy plant

A number of heavy vehicles and plant were identified below the Institute of Public Works Engineering (IPWEA) utilisation benchmarks and these should be subject to an operational review in the first instance.

In regard to replacement timing the major issue is changing the heavy fleet and utilities based on years only and changing light fleet too early with the exception of utilities that are being held longer but based on age only. By using both age and utilisation as the optimum replacement point the Shire will affectively replace assets at their lowest average cost point. Where an asset has high utilisation it is extremely critical to replace on the utilisation point as this is the point at which downtime increases, maintenance costs increase, and resale value substantially reduces.

We recommend the fleet be changed over at the optimum replacement points recommended by the IPWEA based on a combination of age or actual utilisation (engine hours or kilometres travelled) whichever occurs first. Timesheet hours should not be taken into consideration as these are not a true reflection of how hard the item is working.

Items should only be held beyond optimum replacement where utilisation is lower than the benchmarks and subject to a risk assessment by a qualified and experienced mechanic. This process can be applied to the identified low utilised plant, trucks, tractors, mowers, generators to extend their life.

For extension beyond optimum replacement to be feasible it is essential to ensure that scheduled maintenance takes place as per the manufacturer's recommendations.

There will be circumstances where an asset has to be replaced early. This could be due to the item no longer being suitable for the task, safety concerns or where the asset is suffering excessive failures culminating in high operational downtime and repair and maintenance costs. Where it is considered the risk of retaining the vehicle is too high it should be disposed of early.

Light fleet

For the Light Vehicle fleet, irrespective of make/model/type, we recommend the changeover be at 5 years or 120,000km (whichever comes first). For light vehicles with high annual usage, consideration to a change over approaching 150,000km could be option, subject to review. While we accept that there may be some exceptions from time to time with attractive offers from dealers, this recommendation is based on vehicle whole of life cost.

Vehicles should not generally be held beyond 5 years due to the increasing risk in terms of vehicle safety, breakdowns and increasing maintenance costs.

There is the opportunity for the Shire to include the full cost of providing a fully maintained motor vehicle for private use in a staff member's employment package, in order to acknowledge the benefit. Without the inclusion, the employment packages are underrepresented, which doesn't allow for an accurate staff assessment of considering alternative options, as identified in this review.

Vehicles – council assets

Council vehicles allocated for work-related purposes are the same as any other council asset used to provide goods and services to the community. Their use is subject to consideration of efficiency, effectiveness and economy as well as appropriate standards of probity and accountability.

Uniqco's approach

The Shire's current employment contracts provide for salary packaging of vehicles based on values in part determined and advised by WALGA (WA's local government industrial body). The Shire needs to consider a move towards greater transparency by adopting Uniqco's approach to valuing the benefit of vehicles being salary packaged.

Uniqco's recommendations are designed to move the Shire towards greater transparency and best practice. What steps the Shire takes and the timing of the implementation is entirely up to the Shire.

Improved transparency includes easier access to key information for ratepayers, the wider public and Parliament. Recent findings by the Victorian Auditor General concluded that salary packaging approaches by Councils make it difficult to differentiate employee salary costs from fleet costs.

"no-worse-off" test

The Uniqco approach is based on recent fleet management developments in the public sector. The implementation of Uniqco's approach, which may be different to the local government industry norm, can be undertaken over time as employment contracts become due. Otherwise, the Shire may consider implementing Uniqco's approach earlier. Either way the changes to employment contracts must be subject to the "no-worse-off" test. Where changes are made to employment contracts in a way that ensures the affected employee is "no-worse-off".

Further to the "no-worse-off" test, Uniqco recognises that amendment to current employment contracts typically requires assistance and engagement with the Shire's Human Resources (HR)

department. Engagement with HR was not part of the scope of this review, and should be considered in the implementation of the recommendations.

Fleet management – performance audits

The Auditor General's performance (effectiveness and efficiency) audits may focus on an issue or theme and will allow ratepayers to benchmark their councils. Since 2004 Victorian, Tasmanian and NSW Auditor Generals, as part of their program of performance audits, have conducted fleet management audits involving government agencies and local governments. Uniqco expects the WA Auditor General, in due course, to conduct similar performance audits. As Councils, may be the subject of these performance audits they need to continue to take steps towards greater transparency and accountability and this includes their fleet arrangements.

Shaping fleet management

Auditor General's across the country have shaped the development of public sector fleet management. Auditor Generals have encouraged public sector agencies to move past traditional salary packaging and look for new ways of providing vehicles for key personnel as part of their attraction and retention strategies.

Salary Packaging – choices and flexibility

Councils should offer salary packaging choice and flexibility to their employees. It is this choice and flexibility that will result in greater attraction and retention of talent. While some approaches may meet the needs of employees there are others that may not.

There are essentially four options for Council to consider in salary packaging a vehicle for employees:

1. The Council provides a fully maintained car as part of the employee's total remuneration package for private and business use;
2. The Council provides a car allowance as part of the employee's total remuneration package and the employee provides their own fully maintained car for private and business use, which may be leased/financed;
3. The Council provides a car as well as a car allowance, which is an FBT offset paid by the employee as a post-tax contribution, as part of the employee's total remuneration package for private and business use; and
4. The Council provides a car as part of the employee's total remuneration package or a "cash out" option, which is discounted to provide for a pool vehicle.

Where vehicle usage is predominantly private it should be capped at 35,000 kms per annum, within the salary package. Usage beyond the cap should attract additional contributions from the employee within the salary package. Both council and management should be aware of the true cost of providing a motor vehicle as part of an employment package. This cost should include the cost of depreciation, cost of capital, running costs, registration/insurance, FBT and the administrative cost.

Once the true annual cost is determined it can be included in the employment package as a vehicle allowance which can be used to offer alternatives to a council provided vehicle that is not required for car pool use. Alternatives include a novated lease, cashing out in part or in full. This can result in a win-win with the Shire reducing FBT liabilities and the employee having the flexibility to choose a vehicle to meet their private as well as business use needs or simply cash out.

A novated lease may not be attractive to all eligible staff, but the offer of the car allowance and their choice of vehicle can be very attractive. Where this option is being considered each individual staff member is advised to discuss the implications with their financial advisor or accountant.

Should a staff member (not on contract) opt to continue with a council provided vehicle they should not be offered a choice of vehicle. We recommend council owned vehicles be selected based on the lowest whole of life cost vehicle in a class commensurate with the staff member's position in the organisation. The vehicle is to be changed according to policy based on optimum replacement timing.

Staff who continue to opt for a council owned vehicle should then be required to contribute a post-tax amount to offset the FBT liability associated with private use.

Note that none of these changes can be offered to people with contracts unless the person elects to opt for the choice of providing their own vehicle.

A draft policy for Council owned light vehicles has been provided in a separate document for review and consideration.

The majority of the recommendations potentially have significant financial impact on the organisation and should be relatively straightforward to implement at an operational level.

Critical to realising the benefit will be the development of an aligned executive that recognises and communicates the value provided at the operational level and the opportunity available to the Council in the successful implementation of these recommendations.

We understand that resource in the form of staff time and technology will be required to drive this change, but Uniqco is very familiar with the amount effort required to affect these change as we currently provide this as an outsourced service to some local government clients throughout Australia. The time expertise and effort required can however see savings that will exceed the cost of implementation

In order to implement a sustainable change, we advise:

1. The creation of a steering group to champion the change and provide regular updates to the Executive Management Team and provide governance over the implementation.
2. Sequencing and prioritisation of the recommendations detailed in this report into an implementation plan.
3. Establishment of a reporting framework for both the operational (plant and fleet) performance / compliance and the realisation of the benefits achieved from implementing these recommendations.
4. Close liaison with human resources and finance to ensure accurate data provision and measurement of financial outcomes.

A summary of the recommendations for Council to implement are included below.

SUMMARY RECOMMENDATIONS

The following recommendations are categorised by the level of:

1. Relative positive impact the recommendation will have on the organisation will benefit from through the application of best practice (● High, ● Medium & ● Low)
2. The ease of implementing the recommendation based on Uniqco's assessment of current practices and organisational culture. (● Ease, ● Somewhat easy & ● Difficult)

Light Fleet Recommendations

























Impact to Organisation

Ease of Implementation

Average Annual Vehicle Operating Costs

1. Council reviews the use of Uniqco recommended values for LV's within salary packages (when due for renewal) to represent the true cost of providing a fully maintained Council vehicle.



Light Fleet Recommendations	Impact to Organisation	Ease of Implementation
Optimum Changeover of Light Fleet		
2. Council considers that for the Light Vehicle fleet, irrespective of make/model/type, the changeover be at 5years or 120,000km (whichever comes first), as a minimum. For light vehicles with high annual usage, consideration to a change over approaching 150,000km could be option, subject to review.		
3. Vehicles are not held beyond 5 years due to increasing risk in terms of vehicle safety and breakdowns and increasing maintenance costs.		
4. Where vehicles exceed their warranty period, continue to purchase roadside assistance from RAC (or similar) or the manufacturer of the vehicle.		
Risk Management in the Choice of Fleet Vehicles		
5. The following minimum standards be adopted: a) ANCAP 5 star rating for passenger cars and 4 star rating for utilities.		
b) Green vehicle star rating of minimum of Euro Level 5 for passenger cars, 4WD wagons, utilities and vans		
6. Where utilities are required for operational reasons, passenger air bags, ABS braking and diesel fuel (where available) be included in the standard vehicle specification.		
Private Use and Fringe Benefits Tax		
7. Where light vehicles that attract FBT are used for a substantial amount of work-related travel, Council should provide a written policy that requires the use logbooks in accordance with Australian Taxation Office guidelines to minimise FBT liability noting that this will also provide invaluable information on business use for managing the fleet. * We understand that this is currently the way logbooks are used but could find no written policy to confirm this		
8. For the purpose of FBT calculations Council note the opportunity for low utilisation vehicles that are held for 5 years, to reduce the base value of a car by one-third in the FBT year that starts after the car has been owned or leased for four years.		
9. Staff with private use of a council vehicle be provided with an allowance to make post tax contributions to offset the FBT liability.		
Vehicle Values to be Included in Salary Packages		
10. The actual cost of providing a Light vehicle to be included in staff salary packages (consistent with the salary package examples provided by Uniqco).		
Own or Lease?		
11. The Council continues to own rather than lease (operating) light vehicles.		
Car Allowance		
12. Subject to the staff vehicle not being required for car pool use the Council could consider offering a "Car Allowance" option to senior staff on the proviso that the employee must provide their own vehicle for their business use without any additional payments from Council.		

Heavy Fleet Recommendations

Impact to
Organisation

Ease of
Implementation

Utilisation

- | | | |
|---|---|---|
| 13. Continue to report actual utilisation to management and endeavour to report on a monthly basis. | ● | ● |
| 14. Consideration is given to: | | |
| a) Review the ownership of the gravel trucks and loaders by providing a business case for ownership. This will then formalise and document the case for ownership | ● | ● |
| b) Extend the change-over of graders to 12yrs / 10,000hrs subject to a risk assessment beyond 10yrs / 8,000hrs. | ● | ● |
| c) Review the ownership of the backhoe loader with a view to increasing its utilisation where possible | ● | ● |
| 15. A business case review is based on actual utilisation (Kilometres or Engine Hours) and not on timesheet hours reported through your financial system. | ● | ● |

Optimum Replacement Timing

- | | | |
|--|---|---|
| 16. The IPWEA optimum replacement benchmarks based on a combination of age and utilisation be considered for adoption. | ● | ● |
| 17. Prior to holding an item beyond optimum replacement an operating risk analysis is undertaken. | ● | ● |

Ten Year Plant & Heavy Vehicle Replacement Plan

- | | | |
|--|---|---|
| 18. The 10 year plant and heavy vehicle replacement budget based on optimum replacement principles of age and utilisation continue to be adopted. | ● | ● |
| 19. Rather than defer replacement, the Council lease major items of the heavy fleet with predictable utilisation such as graders, loaders, backhoes and selected trucks if there is a shortage of capital. | ● | ● |

1. LIGHT FLEET

1.1. Key deliverables

The review is to:

- Review current turnover timeframes for both light vehicles (LV) and large plant in relation to years owned, kilometres travelled and hours of operation, and make recommendations on the optimum turnover timeframe, based on minimising operational and changeover costs to the Shire.
- Advise on the benefits and negatives to both the Shire and staff of implementing novated leases or leases for the Shire's LV fleet, including recommendations if this is a structure that the Shire should consider.
- Review and comment on the impact of increasing or decreasing the timeframe of the changeover of LV's in relation to: (a) attracting and retaining staff, (b) Existing officer salary packages and private use arrangements.
- Provide comment on the relevance of a LV and plant replacement policy having scope for changing market factors such as special offers, price variations etc.
- Provide comment on strategies for the Shire to minimise FBT liabilities.

- Develop and provide a draft policy in relation to LV and plant replacement that Uniqco recommend the Shire have endorsed by Council.

1.2. Light Fleet Intelligence and Trends

There have been significant changes in the light vehicle market since 2008 including:

- Far lower resale values driven by low cost Chinese manufactured vehicles now on the market. These offer an attractive price entry option for people who would previously have purchased second hand vehicle.
- The new vehicles available from the mainstream manufacturers being far more technologically advanced and far more reliable
- The availability of extended warranties of up to 5 years becoming the norm.

For the above reason the trend for light fleet replacement has been an extension to the optimum replacement point. With few exceptions, the modelling now shows the lowest cost changeover occurs after 5 years / 120,000km and for high utilisation vehicles travelling more than 40,000km per year this may now be extended to 150,000km with reduced risk for all light vehicles.

We note that the Shire has already moved to 4 cylinder vehicles and we support this move and confirm that in any policy review it should be noted that all Council vehicles will be 4 cylinder. By purchasing 4 cylinder vehicles, both fuel costs and CO₂ outputs are minimised resulting in higher resale values of these low fuel consumption cars. Opting for diesel fuel vehicles as the Shire has in their light commercial fleet further enhances fuel and environmental savings.

1.3. Average Annual Vehicle Operating Costs

Uniqco uses a first principles methodology to calculate average annual costs over the life of the vehicle (based on optimum changeover) and include depreciation, fuel, repairs & maintenance, tyres and FBT. Note that FBT does not apply to utility vehicles if the vehicle is only used for commuting.

Average annual vehicle costs provide the full economic impact of various vehicle types and are a tool that can be used:

- To provide a cost of vehicles included in employment packages;
- To provide the annual charge out rate for full cost recovery;
- As a comparison of costs between make/model of vehicles; and
- To assist in fleet mix selection.

Adopting the total average annual cost for vehicle providing a council vehicle ensures the "true value" can be shown in a salary package. This also enables comparisons with other options for providing vehicles such as novated leasing.

The "true value" is determined by an assessment for each individual based on their private and commuting use.

Table 1 (over page) provides the average annual costs for a range of fleet vehicles travelling 30,000 km/yr over 5 years.

RECOMMENDATION

Average Annual Vehicle Operating Costs

1. Council adopts average annual costs to represent the true cost of providing a fully maintained council vehicle.

**Impact to
Organisation**



**Ease of
Implementation**



Table 1 - Average Annual Vehicle Costs (Based on 5 years / 150,000 kms (average 30,000 km/yr)

Position	Type of Vehicle	Employment Value in HR Package *
CEO	Luxury Saloon or Station Wagon fitted with a tow bar or 4x4 Station Wagon (Holden Caprice - Toyota Presara - Toyota Prado or Equivalent)	\$29,000
Directors	Luxury Saloon fitted with a tow bar or soft road 4x4 station wagon or sedan (VW Passat - Toyota Atara SL - Toyota Fortuner or Equivalent)	\$21,000
Managers	4 Cylinder Saloon or other specified vehicle as required by the position and fitted with a tow bar. (Toyota Camry Altise - Mazda CX5 - Hyundai I40)	\$18,500
Staff	4 Cylinder Automatic Sedan or other specified vehicle as required by the position. (VW Golf - Toyota Corolla - Hyundai I30)	\$16,500
Staff	4 Cylinder Automatic Sedan or other specified vehicle as required by the position. (Toyota Yaris - VW Polo - Hyundai I20)	\$13,000
Operational	4 Cylinder Automatic Diesel Crew Cab Utility 4x4 - bull bar, tow bar, cruise control or other specified vehicle as required by the position (Mazda BT 50, VW Amarok, Toyota HiLux - Isuzu D-Max)	\$18,500

* The values attributed to vehicles in the employment package are calculated using the following data:

- The cost to lease an equivalent vehicle over a term of 60 months and 150,000km the lease cost is inclusive of all maintenance and tyres;
- The cost of fuel based on the average fuel consumption of this type of vehicle and a fuel price of \$1.20c per litre;
- Insurance cost at 1.1% of the cost of the vehicle; and
- Registration at 1.5% of the cost of the vehicle.

Should Council and the employee agree that the Council will continue to provide a vehicle as part of the package, Council should then provide a car allowance for the employee, which is then paid back post tax to the Council as a private use contribution. The net impact of this contribution is that the employee is marginally better off and the Council also saves on the overall HR remuneration package. Schedules providing scenario's are attached to this report

Position	Use	Type of Vehicle	Explanation	Weekly contributions post tax
CEO	Full Private Use	Luxury Saloon or Station Wagon fitted with a tow bar or 4x4 Station Wagon (Holden Caprice - Toyota Presara - Toyota Prado or Equivalent)	This is not recommended because most CEO's packages would exceed the income tax limits whereby offsetting the FBT value by making post tax contributions has no value.	NIL
Directors	Full Private Use	Luxury Saloon fitted with a tow bar or soft road 4x4 station wagon or sedan (VW Passat - Toyota Atara SL - Toyota Fortuner or Equivalent)	Based on the typical value of cars provided \$7280 annual post tax contribution	\$140
Managers	Full Private Use	4 Cylinder Saloon or other specified vehicle as required by the position and fitted with a tow bar (Toyota Camry Altise - Mazda CX5 - Hyundai I40)	Based on the typical value of cars provided \$6240 annual post tax contribution	\$120
Staff	Limited Private Use	4 Cylinder Automatic Sedan or other specified vehicle as required by the position. (VW Golf - Toyota Corolla - Hyundai I30)	Based on the typical value of cars provided \$5460 annual post tax contribution	\$105
Staff	Limited Private Use	4 Cylinder Automatic Sedan or other specified vehicle as required by the position. (Toyota Yaris - VW Polo - Hyundai I20)	Based on the typical value of cars provided \$4420 annual post tax contribution	\$85
Operational	Limited Private Use	4 Cylinder Automatic Diesel Crew Cab Utility 4x4 - bull bar, tow bar, cruise control or other specified vehicle as required by the position (Mazda BT 50, VW Amarok, Toyota HiLux - Isuzu D-Max)	Based on the typical value of cars provided \$5460 annual post tax contribution	\$105

While providing private use to employees who receive a car or utility as part of their package is a great attraction and retention benefit this benefit needs to be managed by Council.

Where vehicles are provided for private use and there is no evidence via the vehicle logbook that there is in excess of 50% business use any additional mileage that exceeds 35,000km per annum should be recovered post-tax via a staff member contribution at the rate of \$0.14c per kilometre.

The choice of make model and optional extras on the Council provided motor vehicle must be driven by Council, based on achieving the lowest whole of life cost while providing a safe efficient vehicle, with which to undertake their business role on behalf of Council.

The vehicle must be available for use by other Council employees while the vehicle is at council commonly known as "Pool Use"

Council should recognise that there is a cost associated with managing their own fleet and while Council may pay a slight premium when employees opt to take the value of the car in their package and then provide their own car for business use, through a novated lease or other arrangement. This arrangement has significant benefits for both the employee and council

1.4. Optimum Changeover of Light Fleet

To deliver lowest cost light fleet, the decision of when to change over the light fleet should be based on optimum replacement timing. The optimum replacement timing (point) for a vehicle is calculated to best estimate the optimum timing, in kilometers and time, to achieve the lowest average annual cost during the life of the vehicle.

What drives replacement timing today?

Replacement timing today is driven by more than just cost and considerations include:

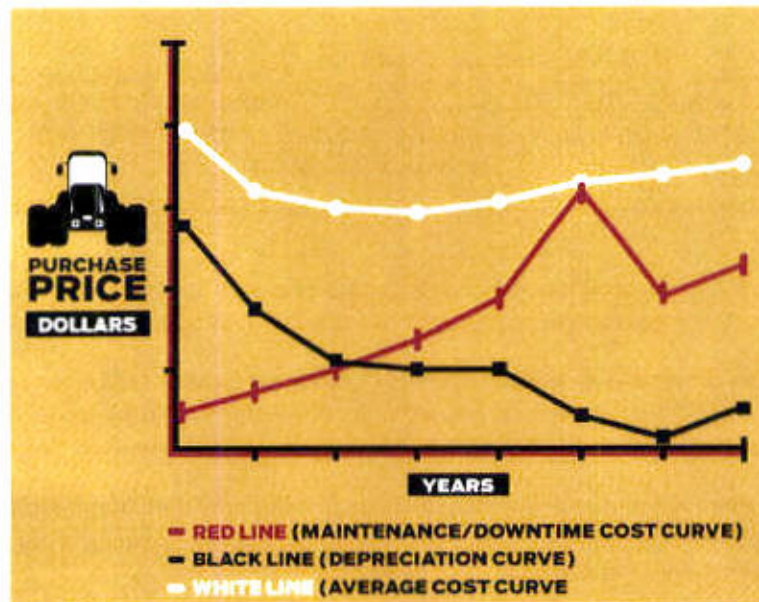
- Resale Value;
- Technology;
- Repairs and maintenance;
- WHS Risk (Safety);
- Environmental footprint; and
- FBT.

There are also the human factors

- Vested interests of staff; and
- Attraction & retention driven by HR departments.

Typically actual depreciation figures show two distinct steep drops in resale value. The first significant drop is immediately post purchase. The second drop is prior to a major component overhaul, which is when second hand buyers are aware of a large impending maintenance bill. (Refer **Figure 1** below which is provided for demonstration purposes only)

Figure 1 Optimum Changeover (Sample only)



The optimum replacement point in the life of the vehicle is near the lowest point on the average cost curve which is near when the decreasing line of depreciation intersects with the increasing cost of repairs and maintenance costs. Utilisation (kilometres travelled) is an important consideration in fleet changeover.

The Council's current light vehicle policy is to change the fleet at 2 years for cars and 3-5 years for utilities and there is no policy that outlines where utilisation is included as a factor in change over. In our experience and in comparison with other local government clients, there is a significant opportunity to realise financial benefits by adopting longer periods and taking into account the actual vehicle utilisation.

In this review, it was identified that the council has been approached by a local dealer offering a \$2,000 changeover option. Should Council wish to consider this offer they would have to go to an open market quotation. These purchases and trade backs would not be compliant with the current State Government / WALGA light vehicle supply contract. Council does not have sufficient expertise and nor should they pursue dealing in the motor vehicle market. Our recommendation would be for Council to continue to purchase vehicles using the State Government/WALGA light vehicle supply contract and dispose of vehicles by auction OR trade in. In order to confirm the value of auction it may be prudent that prior to accepting a dealer's trade in figure that an estimated auction value is obtained from the WA Government approved auction provider. It should be noted that disposing by auction can at times delay the resale income being returned to Council by up to 60 days.

RECOMMENDATION

Optimum Changeover of Light Fleet

2. Council considers for the Light Vehicle fleet, irrespective of make/model/type, the changeover be at 5 years or 120,000km (whichever comes first), as a minimum. For light vehicles with high annual usage, consideration to a change over approaching 150,000km could be option, subject to review.
3. Vehicles are not held beyond 5 years due to increasing risk in terms of vehicle safety and breakdowns and increasing maintenance costs.
4. Where vehicles exceed their warranty period, continue to purchase roadside assistance from RAC (or similar) or the manufacturer of the vehicle.

Impact to Organisation

Ease of Implementation



Risk Management in the Choice of Fleet Vehicles

The recommended criteria for vehicle choice is:

- Vehicles that are fit for the use/application proposed;
- Lowest whole of life costs;
- Safety with minimum ANCAP rating of 5 where possible; and
- Environmental considerations with minimum Green Vehicle Guide (GVG) rating of at least Euro Level 5.

RECOMMENDATION

Risk Management in the Choice of Fleet Vehicles

5. The following minimum standards be adopted:
 - a) ANCAP 5 star rating for passenger cars and 4 star rating for utilities.
 - b) Green vehicle star rating of minimum of Euro Level 5 for passenger cars, 4WD wagons, utilities and vans
6. Where utilities are required for operational reasons, passenger air bags, ABS braking and diesel fuel (where available) be included in the standard vehicle specification.

Impact to Organisation

Ease of Implementation



1.5. Private Use and Fringe Benefits Tax

Private and commuting use of council owned vehicles introduces additional costs to employers. In this section we look at fringe benefits tax – how it applies and strategies to minimise FBT liabilities. The Council's FBT liability in 2015/16 amounted to \$55,787.42 for motor vehicles.

When does FBT apply?

For Fringe Benefit Tax reasons, a car is:

- a station wagon, sedan, panel van or ute (including four-wheel drive utes);
- any other goods-carrying vehicle that has a capacity to carry 1 tonne or less; or
- any other vehicle which is designed to carry less than nine passengers.

Exempt Vehicles

Provided they are only used for home to work travel, business purposes and other minor, infrequent and irregular travel:

- Motor Cycles;
- Vehicles designed to carry a load of at least 1 tonne; and
- Taxis, panel vans, utilities and commercial vehicles designed to carry a load of less than 1 tonne but not principally designed to carry passengers.
 - According to MT 2024 this includes Nissan Navara Dual Cab Ute DX, Mazda Bravo 4WD Dual Cab Ute DX5, Toyota Hilux 4x2 Dual Cab Ute, Ford Courier 4x2Crew Cab pick-up GL and Holden Ute Series III 179kw V8.
 - Other vehicles that have more load space than passenger space may well qualify.

Availability for Private Use

A car is considered by the Australian Taxation Office to be available for private use if it is garaged at or kept at or near an employee's private residence and/or in their custody and control. Driving a car from home to work is considered private use for tax purposes.

Situations in which a car is considered **not to be available** for private use are:

- a. the car is off the road for any reason for more than three days e.g. extensive repairs are being carried out, as opposed to a routine service or maintenance;
- b. the vehicle is not garaged overnight at the employee's place of residence e.g. it is garaged at work and the keys to the vehicle are held by the office and there is a prohibition on the private use of the vehicle.

The lower the number of days available for private use, the lower the value for FBT purposes. This means a lower reportable benefit shown on an employee payment summary and less fringe benefits tax paid by the employer.

The Statutory Method

Under the statutory formula method, the value of the benefit is calculated as follows:

*Cost of the Car x Statutory Percentage x Days Vehicle Available for Private Use / Days in the Year
less Employee Contribution*

Employee Contribution is any post-tax payment made towards the cost of the car that has not been reimbursed by the employer.

The Operating Cost (Log Book) Method

This method calculates the taxable value as a % of the total costs of operating the car during the FBT year.

- The value for FBT purposes is the private use %.
- To determine the business and private use %, a logbook must be used.
- As a minimum the logbook is required to be maintained for a continuous period of 12 weeks for the first year the logbook method is used and then every 5 years. The period may overlap 2 tax years.

Under the Operating Cost method, the value of the benefit is calculated as follows:

Total Operating Costs x Percentage of Private Use less Employee Contribution

Reducing the value after 4 years

For the purpose of FBT calculations an employer can reduce the base value of a car by one-third in the FBT year that starts after the car has been owned or leased for four years.

- The reduction applies from 1 April after the fourth anniversary of the date on which the car was first owned or leased.
- The reduction applies only once for a particular car and the reduced base value is used for subsequent years.
- The reduction does not apply to non-business accessories added after the car is acquired.

Example:

- An employer purchases a car for \$30,000 (including GST) FBT \$5,760 on 1 July 2013. The employer can reduce the base value of the car by one-third (\$10,000) FBT \$3,840 a saving of \$1,920 in the FBT for the year beginning 1 April 2018.
- If our recommendation to extend vehicle replacement to 5 years/120,000km the above benefit can be applied to low utilisation vehicles.

Utilities

For utility vehicles, private use is exempt, provided the private use of the vehicle is limited to:

- travel between home and work,
- travel that is incidental to travel in course of duties of employment, or
- non-work related use that is minor, infrequent and irregular (e.g. occasional use of the ute to remove domestic rubbish)

Private use beyond the above is subject to FBT as a residual benefit and this is the most expensive method of fringe benefits tax calculation based on 52 cents per private use kilometer or 63 cents if the vehicle is over 2500cc engine capacity and this rate is then also applied to the commuting use.

Opportunities to Reduce FBT

While the statutory method is the most commonly used method for calculating FBT payable for car fringe benefits, the Operating cost method may deliver a lower FBT liability, particularly where there is a high percentage of business use. In the case of commercial vehicles used for private use log books should be used permanently.

The best way to determine which method will minimise FBT liability through the permanent use of log books in all private use vehicles and then assess which method to adopt on an annual basis.

Our recommended strategy to minimise FBT is:

- (i) Selection of vehicles with lower FBT liabilities
- (ii) Ensure there are post tax staff contributions for private use
- (iii) Use of logbooks
 - For a minimum of 3 months per year for all vehicles (only current practice for selected vehicles)
 - Permanently for FBT applicable vehicles with high business use and commuting use as well as private use, as is currently the practice at the Shire
 - Permanently for commercial vehicles with private use, as is currently the practice at the Shire

The use of logbooks can reduce FBT liabilities and provide invaluable information on business use for managing the fleet.

Where vehicles are provided for private use and there is no evidence via the vehicle logbook that there is in excess of 50% business use any additional mileage that exceeds 35,000km per annum should be recovered post-tax via a staff member contribution at the rate of \$0.14c per kilometre

RECOMMENDATION

Private Use and Fringe Benefits Tax

	<i>Impact to Organisation</i>	<i>Ease of Implementation</i>
7. Where light vehicles that attract FBT are used for a substantial amount of work-related travel, Council should provide a written policy that requires the use logbooks in accordance with Australian Taxation Office guidelines to minimise FBT liability noting that this will also provide invaluable information on business use for managing the fleet. * We understand that this is currently the way logbooks are used but could find no written policy to confirm this.	●	●
8. For the purpose of FBT calculations Council note the opportunity for low utilisation vehicles that are held for 5 years, to reduce the base value of a car by one-third in the FBT year that starts after the car has been owned or leased for four years.	●	●
9. Staff with private use of a council vehicle be provided with an allowance to make post tax contributions to offset the FBT liability.	●	●

1.6. Vehicle Values to be Included in Salary Packages

Vehicle values can be identified in salary packages to firstly ensure existing and potential new staff are aware of the real cost of providing a motor vehicle. Management staff in particular can then be provided with a number of alternative options such as novated leasing or cash out. In order to do this, it is essential to recognise average annual vehicle values in the employment package. We understand that WALGA provides a table of vehicle values however Uniqco has provided our reference table based on

- The cost to lease an equivalent vehicle over a term of 60 months and 150,000km the lease cost is inclusive of all maintenance and tyres;
- The cost of fuel based on the average fuel consumption of this type of vehicle and a fuel price of \$1.20c per litre;
- Insurance cost at 1.1% of the cost of the vehicle; and
- Registration at 1.5% of the cost of the vehicle.

Refer **Table 1**

Cash Out Option in the future for Executive and Senior Management

If an employee is to be offered a cash option and does not provide their own vehicle in lieu of provision of a fully maintained Council vehicle then we would recommend a lesser value (say 70-80%) be offered where the employee does not provide a suitable vehicle for business use. This would compensate the employer for the cost of the use of a pool vehicle or taxis. We estimate this could cost on average \$500 - \$1000 per annum in addition to the running costs for a pool vehicle.

A cash out option can be particularly attractive to a staff member who lives close to the council offices.

Where an employee does not provide a vehicle for business use this may put pressure on the use of other Council vehicles and may cause resentment from other staff whose allocated vehicles are used by the staff member who cashed out. If the staff member is offered a lesser cash value when a vehicle is not provided by him/her for business use then a sense of fairness is more likely to be experienced by other employees.

If the employee uses his/her own personal car on Council business, the employee's workers compensation would only cover him/her at work or when travelling undertaking duties directed by the employer.

Council may consider using the following policy clause where this option is taken: -

Where an employee accepts cash out option in lieu of a motor vehicle the following conditions shall apply: -

The employee shall arrange their own transportation:

- *To commute to and from home to work*
- *To attend to Council business when a pool vehicle is not available during normal working hours*
- *To attend to out of hours meetings. commute direct from home to a site where attendance is required in the course of employment*

RECOMMENDATION

Vehicle Values to be Included in Salary Packages

10. The actual cost of providing a Light vehicle to be included in staff salary packages (consistent with the salary package examples provided by Uniqco).

Impact to Organisation



Ease of Implementation



1.7. Options for Procuring Council Owned Light Vehicles

Typically the main options available to procure council vehicles include:

- (i) Purchase through the WALGA contract or State Government Contract and trade the old vehicle to the new vehicle supplier;
- (ii) Purchase through the WALGA contract or State Government Contract and auction trade vehicles;
- (iii) Purchasing through the tender process with an option to accept the trade price or auction the trade vehicle using the tendered trade price as the reserve price;

In our experience best value is generally achieved through option (ii) above and this is current practice.

1.8. Light Fleet Funding Options

- (i) Capital purchase
- (ii) Outsourcing through Leasing
 - Fully maintained operating lease
 - Standard operating lease with Council responsibility for fuel, tyres, repairs and maintenance

Leasing (Operating Lease)

The Council currently does not have any vehicles on an operating lease.

Operational Leases are similar to the finance lease with the exception that the risk of loss on sale is born by the finance lease company and no capital is reported for the Council's assets. Subsequently, this lease type carries a risk premium leading to a higher cost to the Council. However, once agreement is made the Council does not carry any variation to their fleet capital costs. A fully maintained operating lease includes all servicing in the cost of the lease payments. In this option the finance company or supplier takes the risk on the residual value of the item and the buyer therefore pays for the risk.

All leases are tied to a period of ownership and budgeted utilisation for the vehicle. Unless the vehicle obtains the target utilisation within the period of ownership, the Council suffers a lost opportunity with unused utilisation. Conversely the Council stands to attract additional costs if the budget utilisation is exceeded. At the end of the lease term the lessee will have four alternatives:

1. Upgrade or replace with a new vehicle;
2. Extend the rental period;
3. Return the vehicle with no further payments required (conditions apply); or
4. Purchase the vehicle at a market price.

Leasing (Operating lease) of light vehicles is generally not recommended due to the risk of penalties for over utilisation and effectively "overpayment" for underutilisation. If there is a shortage of capital it is preferable to lease major items of plant with predictable utilisation.

Purchase versus Operating Lease Comparison

Table 2 provides an "apples for apples" comparison of lease versus ownership (purchase) for a range of vehicles. Based on current low interest rates and if micro managed internally, leasing can provide a competitive cost effective option. However, leasing of light vehicles is generally not recommended due to the difficulty in managing varying utilisation and the inherent risk of penalties for over utilisation and effectively "overpayment" for underutilisation.

Table 2 – Lease versus Purchase (Based on 5 years/150,000kms and an average 30,000km/yr)

Vehicle Make / Model	Cyl	Annual Cost owned	Lease cost
Toyota Camry Atara S	4	\$8,875	\$6,204
Toyota Camry Hybrid	4	\$7,888	\$6,324
Volkswagen Tiguan	4	\$9,356	\$9,120
Holden Captiva SX 7ST(Diesel)	4	\$10,295	\$8,976
Nissan X Trail (Diesel)	4	\$7,305	\$9,468
Subaru Forester (Petrol)	4	\$6,870	\$8,676
Toyota RAV 4 (4x2)	4	\$9,177	\$6,780
Nissan X Trail (4x2) Diesel	4	\$8,024	\$9,468
Utilities 4x4 Crew Cab			
Ford Ranger XLT DT	4	\$9,996	\$9,000
Holden Colorado LX RC DT	4	\$9,652	\$9,600
Mitsubishi Triton GLX DT	4	\$9,338	\$8,640
Toyota Hilux SR DT	4	\$9,441	\$9,060

The average cost of overrunning a lease is \$0.14/km however to underrun a lease by comparison is on average of \$0.20 - \$0.30/km in lost opportunity. For example a lease on a RAV4 for 150,000 km (Average 30,000 km/yr) would cost \$33,900 over 5 years or \$0.226/km. If the vehicle only travels 120,000 km the organisation will still pay \$33,900 which represents a lost opportunity cost of \$6,780 over the life of the vehicle. Should there be a shortage of capital it is preferable to lease major items of plant with predictable utilisation. The pros and cons of each option are summarised in **Table 3**.

Table 3 – Own or Lease?

Organisation Owns Vehicle	
Positive	Negative
<ul style="list-style-type: none"> • Can deal with varying utilisation • Has complete control over the vehicle • Can choose to maintain under a Service Level Agreement (SLA) externally OR internally • Maintenance is normally well controlled 	<ul style="list-style-type: none"> • Ties up capital • Difficult to estimate true cost of ownership • FBT paid by the organisation (if there is no leaseback)

Operating Lease	
Positive	Negative
<ul style="list-style-type: none"> No requirement to provide capital funds for replacement Scheduled maintenance included No risk on the residual value 	<ul style="list-style-type: none"> Over or underutilisation costs Maintenance failures not recorded or controlled Scheduled maintenance is difficult to control FBT paid by the organisation (if there is no leaseback) Refurbishment cost of vehicle on return

RECOMMENDATION

Own or Lease?

11. The Council continues to own rather than lease light vehicles.

*Impact to
Organisation*

*Ease of
Implementation*



1.9. Options for Provision of Vehicles (Other than Council Owned or Leased)

There are three main options available to Council and these require provision of a car allowance include:

- Novated lease;
- Cash out with no vehicle; or
- Staff member provides their own vehicle.

Each of these options takes away the need to provide for the capital cost of a vehicle. Paramount to the take up of these options is inclusion of the "true cost" of providing a council owned vehicle in salary packages. For the purpose of discussion, we will call this a Car Allowance.

Novated Lease

Organisation packages the car costs by novating an operating lease and driver pays the FBT as part of the lease.

Under a Novated Lease the vehicle is registered in the name of the council but through a lease novation agreement belongs to the employee. Because the ATO require this type of lease to include the maintenance and running costs for the vehicle, these costs are included in the lease (post tax payments) and the service is provided by the lease company.

The onus of responsibility is placed on the employee once the novation is signed. The employer is protected at all times by the novation agreement and by indemnities provided by the employee at the time they enter into the lease. The employee meets all associated costs including the FBT from their gross pay. Should the employee leave, or the end of the lease term is reached, the full terms of the lease become the responsibility of the employee.

While the leasing option provides benefits, the difficulty is in obtaining agreement for use of these vehicles by other staff during work hours. Car pool use would not be available for novated lease vehicles.

By adopting total vehicle costs in the salary package, a novated lease is a viable option for staff.

Offering a novated lease as an option to senior staff who wants the flexibility of choosing their own vehicle has significant advantages in staff attraction and retention. Council is also placed at an advantage in not having to provide funding for capital replacement.

Where the novated lease is an option taken in lieu of an existing Council vehicle the employee must make their leased vehicle available at all times for their own business use without any additional payments from Council or access to the Council's car pool.

Cash Out Option

If an employee is to be offered a cash option in lieu of provision of a fully maintained council vehicle then we would recommend a lesser value say 70% be offered where the employee does not provide a suitable vehicle for business use. This would compensate the employer for the cost of the use of a pool vehicle or taxis. We estimate this could cost on average \$500 - \$1000 per annum in addition to the running costs for a pool vehicle.

Where an employee does not provide a vehicle for business use this may also put pressure on the use of other council vehicles and could cause resentment from other staff whose allocated vehicles are used by the staff member who cashed out. If the staff member is offered a lesser cash value then a sense of fairness is more likely to be experienced by other employees.

The productivity of the employee taking this option may be affected were they to use public transport to undertake their normal council duties.

Where an employee accepts a "cash out" option the following conditions are recommended: -

The employee shall arrange their own transportation:

- *To commute to and from home to work*
- *To attend to council business when a car pool vehicle is not available during normal working hours*
- *To attend to out of hours meetings. commute direct from home to a site where attendance is required in the course of employment*

Staff providing their own Vehicle for Council Business Use

A further option is for the staff member to take the full amount of the package value of the vehicle in cash or salary sacrifice and supply their own vehicle. If such a request is to be granted the vehicle should meet all the guidelines for a Council vehicle including:

- Less than 5 years old;
- Regularly serviced as per manufacturers guidelines and service records kept; and
- Business use noted on the insurance certificate

Note that under this scenario all of the costs of owning and operating the vehicle for business and private use are the responsibility of the employee and a vehicle provided under these circumstances would not be available for use by other staff.

Discussion on Private Use Vehicles

In summary, there are two scenarios that should be considered:

1. Organisation owns the vehicle; or
2. Annual Vehicle Allowance in lieu of Council Vehicle

Scenario 1 – Organisation Owns the Vehicle

Utilise private use contributions to reduce FBT and fleet operating costs

- FBT is the most expensive component of a company supplied vehicle
- FBT can offset by private use contributions (lease back)
- Level of contributions has HR implications

See schedule of calculations provided by Uniqco's FBT consultant

Table 4 – Organisation Owns Vehicle

Positive	Negative
<ul style="list-style-type: none"> • The vehicle is available for pool use • The organisation has complete control over vehicle choice • If the vehicle is used for pool use the FBT does not appear on the employees group certificate 	<ul style="list-style-type: none"> • Costs are difficult to control • Employees tend to take less care of the vehicle • There is always conflict regarding the choice of vehicle • Little or no control over the total private utilisation (depends where employee lives and extent of private use)

Scenario 2 - Annual Vehicle Allowance in lieu of Council Vehicle

- Calculate annual costs and include in employee salary package
- Provides more options for employees and employer

See schedule of calculations provided by Uniqco's FBT consultant

Table 5 – Car Allowance

Positive	Negative
<ul style="list-style-type: none"> • The true value of the vehicle is understood • The employee has a number of choices <ul style="list-style-type: none"> ✓ Cash out (eg 70-80% of allowance) ✓ Provide their own vehicle ✓ Novated lease ✓ Hire purchase ✓ Take a council vehicle 	<ul style="list-style-type: none"> • Establishing a fair value to provide for a vehicle • Vehicle not available for car pool use • Can appear too complicated for employees • Employees providing their own car may try to use Council vehicles for business • By law it is still part of the company fleet

A further option is for the staff member to take the full amount of the package value of the vehicle (car allowance) in cash or salary sacrifice and supply their own vehicle. If such a request is to be granted the vehicle should meet all the guidelines for a Company vehicle:

- Less than 5 years old
- Regularly serviced as per manufacturers guidelines and service records kept
- Business use noted on the insurance certificate

In this situation all of the costs of owning and operating the vehicle for business and private use are the responsibility of the employee and a vehicle provided under these circumstances would not be available for use by other staff.

It should be noted that where an employee receives a car allowance within his or her salary and uses that car to travel to work and to meetings, in the eyes of the law it is part of the company fleet. In the eyes of most fleet managers it probably isn't.

Reducing the number of council owned vehicles reduces the effective 'car pool' for general staff transport.

RECOMMENDATION

Car Allowance

12. Subject to the staff vehicle not being required for car pool use the Council could consider offering a "Car Allowance" option to senior staff on the proviso that the employee must provide their own vehicle for their business use without any additional payments from Council.

**Impact to
Organisation**



**Ease of
Implementation**



Please note that a draft policy in relation to LV and plant replacement is provided in a separate report for endorsement by Council.

1.10. Light Fleet Summary Actions

- Ensure vehicle specifications meet business use requirements and only include optional extras that add to resale value.
- Set minimum acceptance standards for ANCAP Safety Rating and Vehicle Green Guide Rating.
- Hold the vehicle for a period of 5 years or 120,000km or up to 150,000km for high utilisation vehicles (over 40,000km pa) (whichever occurs first) to minimise loss of value in resale. Irrespective of make or model holding on to the vehicle longer (up to 5 years) will reduce annual ownership costs. High utilisation vehicles can be held up to 150,000km with little risk.
- Purchase roadside assistance for the full 5 years.
- Apply private use contributions for private/commuting use vehicles that attract FBT with a minimum contribution to offset the FBT value. Offset FBT by either private contributions or a vehicle allowance
- Offer a vehicle allowance in lieu of a car for staff whose vehicle is not required for car pool use. Allowance allows staff choice and the organisation has more control over cost. This opens the door to staff providing their own supplied vehicle including a Novated lease.
- Ensure vehicle policy includes all rules regarding staff supplying their own vehicles where this option is available. A draft policy is provided in a separate document to this report.

Our light fleet recommendations, when implemented, have the potential to improve vehicle arrangements and salary packaging for employees.

2. PLANT & HEAVY VEHICLES

2.1. Key deliverables

The review is to:

- Review current turnover timeframes for both light vehicles (LV) and large plant in relation to years owned, kilometres travelled and hours of operation, and make recommendations on the optimum turnover timeframe, based on minimising operational and changeover costs to the Shire.
- Make comment if there are any other considerations that the Shire should take into account in relation to its plant replacement program.

2.2. Heavy Fleet Intelligence and Trends

The most recent significant change in the management of Plant and Heavy Vehicles is the introduction of On Road Chain of Responsibility (ORCoR) legislation, which is to be followed by the impending legislation around Chain of Responsibility maintenance requirements. The maintenance aspects are largely covered by the workplace health and safety legislation and incorporating this into a formalised system attached to the ORCoR will provide alignment.

What does the ORCoR mean?

- All organisations that own, hire or contract in functions that use plant or fleet will need a systematic process and policy to ensure there are no breaches of the ORCoR legislation;
- Fleet Governance including reporting and detailed records will form part of the requirement to demonstrate compliance;
- Specifications will need to be confirmed and formalised as compliant;
- Operationally organisations will be expected to hold detailed records on compliance, training, and reporting on risk; and
- In the disposal phase there is also associated risk and this needs to be incorporated in the process.

Resale values for heavy plant have been depressed for the last 2 years and will continue to be low for the foreseeable future thereby requiring organisations to review the timing on replacement in order to amortise the depreciation over a longer period. There will also be a need to review the business case for continued ownership where other options are available.

Technology changes are also going to improve productivity and make it easier and safer to operate plant and fleet but will require a new level of training and competence in this area.

During the review and with responses from the questionnaire provided the staff confirmed that some of the Plant and Fleet best practice requirements, measuring utilisation, adjusting the 10 year plan in line with their asset management principals, budgeting etc were in place but there is no formal policy adopted and endorsed by council. Therefore, many of the recommendations are made formally recognising that while the current staff undertake some aspects of best practice, they need a formal endorsed framework under which to deliver plant and fleet.

2.3. Utilisation

Utilisation is the extent of use of a particular item of plant, vehicle or equipment and is usually measured by hours worked, or distance travelled in a nominated time frame (generally the calendar year). Knowledge of actual utilisation in kilometres or engine hours (levels and usage patterns) enables the fleet management to:

- Service vehicles based on manufacturer's recommended service intervals (programmed maintenance);
- Track actual use versus timesheet allocations to optimise operational requirements;
- Develop a floating replacement program to reduce costs in periods of lower activity, and change of plant at the optimum replacement point; and
- Develop accurate budget forecasts.

Utilisation is the key to the procurement and management of the plant and vehicle fleet. Under-utilisation, low, or poor utilisation raises questions about operational management, including coordination of use between work sites and operational units. It also raises the question of ownership versus hire. Under no circumstances should timesheet hours be used as a substitute for actual utilisation.

The first step in our review process is to calculate the average annual utilisation of each item of mobile plant/vehicles and this is used to make a comparison against national benchmarks. Using average annual utilisation provides a guide only as utilisation can vary during the life of the item and it is important to be aware of trends. Without detailed data over a number of years, we rely on discussions with mechanical and operational staff to verify our utilisation assessment. For example, an item may be showing reasonable utilisation over its life but has dropped off in recent years or vice versa.

Table 6 identifies items with average annual utilisation below IPWEA national benchmarks. We accept that there will always be cases where items are essential for the job regardless of utilisation.

Our review process included discussions with operational managers on each item of the heavy fleet and in particular those with lower than benchmark utilisation to identify the reason and also to explore opportunities for potential rationalisation.

In summary

- There is potential to extend the life of a number of assets due to low utilisation
- A business case review be undertaken for the heavy duty trucks to confirm that ownership of these trucks is the lowest cost alternative. Low utilisation may indicate that these vehicles may have a critical role working in conjunction with other plant and this will be reflected in the business case
- Always base a business case review on actual utilisation (Kilometres or Engine Hours) and not on timesheet hours

Service delivery options for heavy plant assets are buy, hire or contract out construction and maintenance activities. Our business case template provided in **Appendix 1** addresses the own or hire decision and the step by step process checklist is included at the end of this section. Contracting out is a decision driven more by in-house capability/capacity and cost and is addressed in more detail in the Fleet Asset Management Plan.

Table 6 - Low Utilisation Compared to National Benchmarks

Make/Model	Age (Yrs)	Annual Utilisation (Engine Hrs)	IPWEA Annual National Benchmark	Comment
Caterpillar Grader 120MQ with AccuGrade (Mtce)	6.28	797	1,000	Safety risk assessment to determine extended life options
Caterpillar 924G ITC Loader with attachments (quick release log jibs grabber, forks)	9.73	592	800	Safety risk assessment to determine remaining life
Caterpillar 924K Loader (quick release jib, forks)	0.46	464	800	Monitor utilisation
Volvo BL71B Backhoe	2.17	398	600	Safety risk assessment to determine extended life options
Caterpillar CS533C2 steel single drum vibrating roller	7.86	305	500	Safety risk assessment to determine remaining life

* Benchmarks were established through a consultation process conducted during the development of the IPWEA best practice Manual and reviewed by the IPWEA Fleet Panel on a regular basis.

Utilisation needs to be constantly monitored throughout the year with monthly reports to management and supervisory staff. While the shire does undertake an annual review of both utilisation and costs Uniqco recommends monthly trend reporting reflecting average annual utilisation trends Vs timesheet hours will provide early intervention capability. Each year a "budget" or target utilisation should be established and will form the basis for the internal hire rate.

Your current asset management plans for infrastructure assets will provide a degree of certainty for maintenance works but new construction is more difficult to predict. Our recommended strategy is to continue to maintain a core level of plant & labour for continuity of work and high utilisation and be prepared to either contract out excess work or hire in plant & labour. This is a proven strategy subject to the availability of contractors or heavy plant for hire.

Over Utilisation

When it comes to plant and heavy vehicles the aim is to maximise utilisation as high utilisation normally has little effect on resale value and only a marginal increase in depreciation. The only increase in cost is the operational cost and this will be recovered from jobs. High utilisation may result in earlier replacement and the need to ensure funds from depreciation are transferred to the plant reserve. The earlier replacement will be catered for in the 10 year plan if reviewed annually.

Under Utilisation

Under utilisation does come at a cost as fixed costs have to be recovered over less operating hours.

Example - A truck with 20,000 km average annual utilisation, costing \$130,000 and with an expected \$20,000 resale after 8 years

Depreciation = \$110,000/8 years = \$13,750 / yr
 = \$110,000/ (20,000*8) = \$0.69/km

If the vehicle doesn't travel 20,000 km the lower utilisation costs \$0.69/Km below 20,000

For a vehicle travelling 15,000 km / yr the underutilisation cost is \$0.69*5,000 km = \$3,450 annually

RECOMMENDATION

Utilisation

13. Continue to report actual utilisation to management and endeavour to report on a monthly basis.
14. Consideration is given to:
 - a) Review the ownership of the gravel trucks and loaders by providing a business case for ownership. This will then formalise and document the case for ownership
 - b) Extend the change-over of graders to 12yrs / 10,000hrs subject to a risk assessment beyond 10yrs / 8,000hrs.
 - c) Review the ownership of the front end loader back hoe with a view to increasing utilisation
15. A business case review is based on actual utilisation (Kilometres or Engine Hours) and not on timesheet hours reported through your financial system.

	<i>Impact to Organisation</i>	<i>Ease of Implementation</i>
	●	●
	●	●
	●	●
	●	●
	●	●

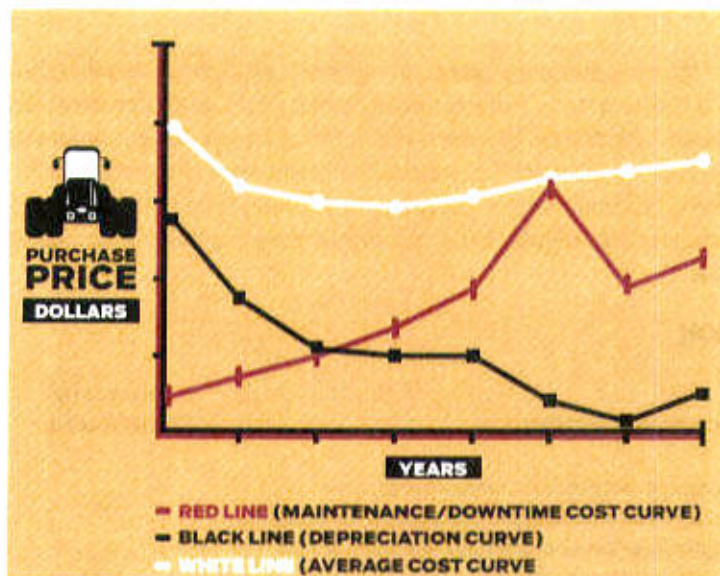
2.4. Optimum Replacement Timing

The optimum replacement timing for a plant or heavy vehicle or an item of equipment is calculated the same as has been explained for light fleet with the difference being with plant and some heavy vehicles engine hours are the primary measure of utilisation.

Hence the optimum time, will be determined in either kilometres or engine hours, and time, to achieve the lowest average annual cost during the life of the machine.

The optimum replacement point in the life of the plant item is near when the decreasing line of depreciation intersects with the increasing cost of repairs and maintenance costs. Actual depreciation figures will show two distinct steep drops in resale value. The first significant drop is immediately post purchase. The second drop is prior to a major component overhaul, which is when second hand buyers are aware of a large impending repair and maintenance bill. (Refer Figure 4)

Figure 4 - Optimum Replacement Point – Example only



Optimum Replacement Calculations

An optimum replacement calculation has many variables and therefore can only really be applied to each unit individually based on given utilisation. If the utilisation increases the optimum replacement point will occur sooner and if the utilisation drops there may be an opportunity to delay replacing a unit. The key drivers of optimum replacement are:

- Downtime costs (lost opportunity cost of existing plant + cost of hire equipment);
- Maintenance Costs; and
- Resale value.

When calculated as per the above example and using Net Present Value (NPV) we can establish the year of lowest average cost and this is the optimum replacement point.

Items should only be held beyond optimum replacement where utilisation is lower than the benchmarks and subject to a safety risk assessment by a qualified and experienced mechanic. This process can be applied to the identified low utilised plant, trucks, tractors, mowers, generators to extend their life.

For extension beyond optimum replacement to be feasible it is essential to ensure that scheduled maintenance takes place as per the manufacturer's recommendations.

There may be circumstances where an asset has to be replaced early. This could be due to the item no longer being suitable for the task, safety concerns or where the asset is suffering excessive failures culminating in high operational downtime and repair and maintenance costs. Where it is considered the risk of retaining the vehicle is too high it should be disposed of early.

We understand from interviewing staff that this possibly has occurred in the case of the Bomag 24R Multi tyred Roller, due to its excessive downtime and non-scheduled maintenance requirements.

Optimum Replacement Benchmarks

IPWEA national benchmarks provide a guide to optimum replacement points in a simplified format whereby high utilisation equipment is replaced on meter limits (hrs or kms) and lower utilisation equipment is replaced (in years) before a significant drop in resale value is experienced. This is the time when the unit becomes too old for the second hand buyer to finance in its entirety. This generally occurs at 10 years.

Continuing with and formally adopting optimum replacement in practice will reduce annual plant replacement costs in the long term, reduce maintenance costs and most importantly minimise downtime in the outside operations. We also recommend an operating risk analysis be undertaken prior to making a decision to hold an item beyond its optimum replacement point. The process involved in undertaking an operating risk assessment can be found in Section 1.8 of the IPWEA Plant & Vehicle Management Manual and a document covering the mechanical risk assessment is provided in appendix 2.

RECOMMENDATION

<i>Optimum Replacement Timing</i>	<i>Impact to Organisation</i>	<i>Ease of Implementation</i>
16. The IPWEA optimum replacement benchmarks based on a combination of age and utilisation be considered for adoption.	●	●
17. Prior to holding an item beyond optimum replacement an operating risk analysis is undertaken.	●	●

Optimum economic life replacement timing and Utilisation benchmarks

Group/Type	National Annual Benchmark Utilisation	Optimum Replacement Timing	
		Years	KM/Hrs
Backhoe Loader	700 Hrs	8	5,000
Excavator	700 Hrs	10	8,000
Excavator Mini	300 Hrs	8	5,000
Forklift	150 Hrs	15	5,000
Grader	1,000 Hrs	12	8,000
Heavy duty Truck (HR & HC)	35,000 Km	10	500,000
Light duty Truck (LR)	10,000 Km	10	150,000
Loader	700 Hrs	10	8,000
Medium duty Truck (MR)	20,000 Km	10	200,000
Mower Front Deck	500 Hrs	5	2,000
Reach Mower	N/A	10	N/A
Gang Mower	500 hrs	5	3000
Roller Rubber tyred	350 hrs	10	5000
Roller Vibe	350 hrs	8	5000
Skid Steer	500 Hrs	5	5,000
Sweeper (Truck Mounted Road)	1700 Hrs	8	8,000
Tractor Medium	500 Hrs	8	5,000
Tractor light	200	5	2,000
Trailer heavy	NA	15	NA
Trailer light	NA	15	NA
Wood chipper	500 Hrs	5	5,000
Rubbish Truck Side Loader	1500 hrs	8	8000
Rubbish Truck Rear Loader	1000 Hrs	8	8000
Waste Compactor (Roller)	1500	10	8000
Chain Saw	N/A	5	N/A
Blower	N/A	3	N/A
Patching Truck (hrs)	1000 Hrs	8	8000
Shredder Chipper	800 Hrs	8	5000
6 cylinder cars	20000 km	5	150000
4 cylinder cars	20000 km	5	150000
Utilities 4 & 6 cylinder	20000 km	5	150000

2.5. Ten Year Plant & Vehicle Replacement Plan

The current 10 year plan needs to be amended in line with the recommended optimum replacement points. Any funding gap can generally be addressed by:

- Subject to a risk assessment deferring low utilisation items including the graders.
- Leasing heavy plant and vehicles with predictable utilisation such as the graders rather than deferring their replacement.

RECOMMENDATION

Ten Year Plant & Heavy Vehicle Replacement Plan

18. The 10 year plant and heavy vehicle replacement budget based on optimum replacement principles of age and utilisation continue to be adopted.
19. Rather than defer replacement, the Council lease major items of the heavy fleet with predictable utilisation such as graders, loaders, backhoes and selected trucks if there is a shortage of capital.

Impact to Organisation

Ease of Implementation



APPENDIX 1 - NEW PLANT/VEHICLE/EQUIPMENT BUSINESS CASE TEMPLATE

Step by Step Approach

Section 3: Buy or Hire – Business Case Analysis

Scope

- Establish the predicted utilisation of the existing item from historical fleet management records.
- For new items, assess predicted utilisation based on current external dry hire, or term contract services, and estimated future work where applicable.
- Using the IPWEA optimum replacement point benchmarks, calculate whole-of-life costs for the item to establish annual costs.
- Ascertain if the work envisaged for the item is seasonal.
- How will the unit be transported to site, and what type of terrain will it work in?

Addressing the key business planning questions. Check off every option below.

Buy (In-house)

- Is there a unit available for dry hire?
- How critical is availability?
- What are the estimated annual operator costs?
- How will the purchase be funded?
- Can current utilisation be increased — review operational requirements.
- Are operators sufficiently skilled to operate the machinery, and meet OH&S requirements?
- Will the unit be serviced in-house, or will it be subject to contract maintenance?
- Will additional resources be required?
- Are our maintenance staff sufficiently skilled, or will we need to outsource the maintenance?
- Have operator training costs been identified?
- What is the total internal hire rate, including the operator cost?

Hire (Contractor)

- Is there a contractor available?
- What is the minimum period of hire?
- Are there additional on- and off-site charges?
- Will the contractor offer a replacement item in the event of breakdown, and what are the conditions?
- Will the contractor charge by flat-rate, by hour meter/odometer, or by time sheet hours?
- Does the contractor understand OH&S issues?
- Does the contractor carry product and public liability insurance?
- Are skills available in-house to manage the contract?
- Is the contractor's machinery capable of undertaking the work?
- Is the contractor fully trained to operate the machinery?
- Does their company have a quality management system in place?
- Who is responsible for mechanical failures?
- Who is responsible for wear items like blades, tips etc?
- Is the contractor financially sound?
- What will it cost to manage the contract?
- What are the total contractor costs per hour?

Which option provides best value?

Source: IPWEA Plant & Vehicle Management Manual 3rd Edition 2012

New Plant/Vehicle/Equipment Purchase – Business Case Template with Example

DATE	Item to be purchased: 6X4 Wheel Tipper					
Item Description	User			Business Unit		
Explain why the item is essential to the business operation						
New Item	Requirements of New Item					
Provide details of specific requirements of the item required – these are the key items that would form the basis of a tender technical specification.	300 HP					
	10m3 tipper					
	Conventional cab arrangement					
	Air operated swinging tail gate					
	6 rod suspension					
	Tow hitch and hydraulics extended for trailer use					
	Air conditioning					
	Bull bar					
Questionnaire						
History						
1	Does the proposed item have a history of external hire? If yes provide annual utilisation. NO			Engin e Hours	Timeshe et Hours	Kms
2	What is the expected annual utilisation if the item is owned.			Engin e Hours	Timeshe et Hours	900 Kms 18,500
3	Was the hire wet or dry? (Dry hire is without an operator)			Hourly/Daily Dry Hire Rate		
				Hourly/Daily Wet Hire Rate		
4	If there is NO history of hire, is there a contractor available with the required skills to provide a quality service at a competitive price?			Hourly/Daily Dry Hire Rate		No dry hire available
				Hourly/Daily Wet Hire Rate		\$60/hr
5	If a contractor is available what replacement service will the operator offer if the unit supplied breaks down?			100% availability (ie backup available) This company has a small fleet of trucks. Different scenario for single owner/operator		
6	Is there an in house plant operator sufficiently skilled?			Yes		
7	Is the work seasonal? If yes over what period?			October-April		
Operating Conditions						
8	How will the unit be transported to site?			Self drive		
9	What terrain will the unit be working in?			Undulating		
Operating Requirements						
10	What other items of plant or equipment will be required to support the item?			Nil		

	Servicing and Maintenance	
11	Will the item be maintained in house or by an external operator?	In house
	In House	
12	If in house what staff resources are required for servicing and repairs?	No additional staff requirement
13	Are the in house resources sufficiently skilled?	Yes
	Contractor	
14	Is there a contractor available to undertake servicing and repairs?	Yes
15	What is the minimum hire a contractor would expect – on site, off site charges?	500 hrs for an annual supply contract for a 3 year term
16	What will it cost to manage the hire?	Advertise, prepare specs, assess tenders, certify invoices, admin costs Allow \$2/hr@900hrs = \$1800
17	What replacement service will the operator offer if the unit supplied breaks down?	Replacement truck within 4 hours
18	Will the contractor charge by flat rate or hour meter or a combination of both?	Timesheet hours
19	Who is responsible for mechanical failures?	Truck Owner
20	Who is responsible for wear items like blades and tips?	Truck Owner
	Operating Costs	
21	What is the estimated annual operating cost of the item?	Covered in ownership cost below
22	What is the estimated annual ownership costs?	\$44,520 44,520/900 = \$49.47/hr
	Operator Costs	
23	What is the estimated annual operator costs?	900hrsX \$30/hr = \$27,000
	Internal Hire Rate	
24	What is the estimated wet hire rate?	\$30+\$49.47 = \$79.47
	Cost Comparison	
25	Total Contractor Cost	\$60 plus \$2 admin = \$62/hr
26	Total Day Labour Cost	\$79.47
27	Annual Cost Difference	79.47-62 = 17.47 * 900 = \$15,723 in favour of Hire over Ownership

Section 1 Utilisation

Appendix 2: Guide to Assessing Plant and Vehicle Operating Risk

The Risk Management Standard AS/NZS 4360:2004 provides a generic guide for the establishment and implementation of risk management processes and this will be used to provide the framework for plant and vehicles being held beyond their optimum replacement point. The diagram in Figure 1 below sets out the approach outlined in the standard.

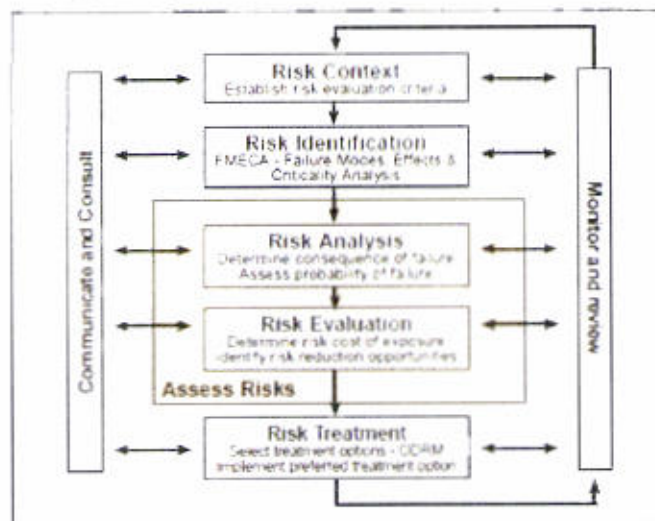


Figure 1

Scenario

The Executive Management Team at your organisation has directed that the plant and vehicle replacement budget of \$3M be cut by \$1M for the next financial year. We need to do an operating risk assessment on our fleet items due for replacement in order to identify the highest financial risk items that should not be deferred. We can use the Australian Standard for risk management to develop and apply an operational risk assessment.

Step 1 Risk Context

The first step in the risk management process is to establish the context within the organisation for plant and vehicles. Establishing the risk management context includes the establishment of a framework against which to assess risks. These are usually in the form of the Consequence Likelihood and Risk matrices as shown in the tables below.

Consequence Matrix

For the purpose of this exercise we have developed a Consequence Matrix for plant and fleet and this will be used in our risk assessment.

Appendices – Section 1

Plant and Fleet Consequence Matrix

Consequence	Injury	Service Interruption	Environment	Financial	Reputation
Insignificant	First-aid	< 1 hour	Nil	< \$1000	Nil
Minor	Doctor	1 day	Oil/fuel road spill	< \$5000	Complaint
Moderate	A&E	1 week	Component failure	< \$50,000	EMT
Major	ICU	1 fortnight	Vehicle write-off	< \$100,000	Board
Catastrophic	Death	>1 month	Irreversible	>\$500,000	Inquiry

Likelihood Matrix

Likelihood	Almost certain	Is expected to occur at most times
	Likely	Will probably occur at most times
	Possible	Might occur at some stage
	Unlikely	Could occur at some stage
	Rare	May occur in rare circumstances

Risk Matrix

	Catastrophic	Major	Moderate	Minor	Insignificant
Almost certain	Extreme	Extreme	Extreme	High	Medium
Likely	Extreme	Extreme	High	Medium	Low
Possible	Extreme	High	Medium	Medium	Low
Unlikely	High	Medium	Medium	Low	Low
Rare	Medium	Low	Low	Low	Low

Step 2 Risk Identification

There are numerous methods for identifying risks and these include brainstorming workshops and flowcharting. When considering plant and vehicle risk management, it is particularly important to identify critical assets. Critical assets are those that are deemed to be essential to the organisation and would have an impact on service delivery if they were damaged or compromised in some way. A simple approach to identifying critical plant and vehicles assets is assuming that those used in the most critical services are the most critical.

Step 3 Risk Analysis

Once the risks have been identified, we can determine the exposure by considering both the consequence and likelihood of an event. The objective is to separate the minor, acceptable risks from the major risks that require active management.

The probability of failure is related to the condition of the plant and vehicle asset and can be assessed qualitatively (e.g. almost certain to rare, as shown above) or quantitatively using probability and statistics.

Step 4 Risk Evaluation

With the knowledge of the consequence of failure along with the likelihood of the event, the risk can be evaluated using a risk matrix such as that shown above. Although the consequences of failure may be major, if the event is unlikely to occur, that is rare, the risk may be considered low and acceptable. It is essential that both consequence and likelihood are considered together.

Step 5 Risk Treatment

Once we know the risk of the critical assets we can prioritise actions and treatments using a risk treatment hierarchy for example as shown below.

Risk Treatment Hierarchy

Risk	Treatment
Extreme	Don't defer priority 1 maintenance
High	Don't defer priority 2 maintenance
Medium	Can defer short term – scheduled maintenance
Low	Can defer long term – scheduled maintenance

Example

A 3 tonne truck used in parks and gardens operations

Average annual utilisation 10,000 km

Optimum Replacement Point (ORP) 150,000 km/6 yrs

Assess the operating risk of delaying changeover of the truck by one year

Risk identification for this example

Hazard	Consequence	Likelihood	Risk	Treatment
Breakdown	Minor	Unlikely	Low	Scheduled servicing
Accident or injury (resulting from delayed replacement)	Moderate	Possible	Medium	Scheduled servicing
Environment	Insignificant	Rare	Low	Scheduled servicing
Financial	Minor	Likely	Medium	Scheduled servicing
Reputation	Insignificant	Rare	Low	Nil

uniqco **SMALL PLANT RISK INSPECTION REPORT**

Items that are beyond economical life guidelines to have a plant risk inspection

Instructions:

To be completed in conjunction with the Plant Management Manual and the "NOHSC 1010 (1994) -National Standard For Plant".

Part A and B – Completed by a qualified mechanical maintenance person

Part C and D – Used by Project Supervising personnel/ Plant team who are operating plant and wish to extend the life of the plant or fleet item

Part A. Plant Description					PART C. Risk			
Plant/Description					Project ID / Item ID	Risk 1 - low 2 - medium 3 - high	Risk 4 - high	
Make	Year of Manufacture:		Rango or Owners ID Number					
Model								
Attachments	Where relevant list attachments included in Table 1 at the end of this form							
Owner/Supplier					Unit/Fleet No.			
Utilisation Per Annum KM/Hrs		Last Serviced		Next Service				
Part B. Serviceability Check								
	Inspection Item			Condition OK or Risk		in No	Defect identified	Risk
	Safety guards - Free to hazards/moving parts - Good condition and suitable material to prevent contact - Signage indicating hazard if guard removed - Suitable to be removed without tool (unless interlocked) - suitable for type of access and hazard			<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
	Hazard - safety signage - Clearly legible - visible and fitted at appropriate positions including asset ID, COG and AER reference			<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
	Debris - Free from spoil / material / weeds - etc.			<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
	Emergency stops - prominent - clearly and durably marked - immediately accessible to operator position - manual reset - not impacted by electrical malfunction			<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
	Quarterly Inspection Tag (in date) - Electrical, Oil, Grease etc.			<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
	Condition of accessories (e.g. towbars, blades, buckets, attachments etc.)			<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
ENGINE	Permanent guards - fitted to prevent access to fan belts, pulleys, gears etc whilst in operation			<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
	Oil - Level OK - No leaks etc. sample			<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
	Air intake hoses and clamps - good condition - secure			<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
	Air cleaner indicator level - within serviceability range			<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
OTHER	Quick hitch(es) - Safety system for retaining attachment if failure - If any don't closed eye with rated capacity - If information permanently marked (Manufacturer serial no. mass of attachment (e.g. fuel machine (mass) rated lifting capacity) positive lock system			<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
				<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
				<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		

Owner / Mechanic sign off to verify mechanical inspection
- I certify that the described plant is to the manufacturer specifications and is being serviced and maintained by qualified personnel to the manufacturer recommendations

Name	Position
	Date

Plant Inspector - Assessment and Details

Plant is serviceable and suitable for continued use for _____ Months

Plant is suitable for deployment on the network after corrective actions listed in part D

Plant should be replaced as per the guidelines

Name _____ Date _____

Part D FINAL CHECK: Documentation Pre-Delivery	CONFIRM _____
1. Plant Inspection Report	
2. Plant Risk Assessment	
3. Operators Manuals (Copy accessible)	
4. Service Manual (Copy accessible)	
5. Engineering Approval for any Attachments or Modifications	
Name _____	Position _____

Part C. Defects / Corrective Actions		Part E. Verification of Correction (*Project Supervisor or Plant Team only)			
Include Work Order number					
Part C Ref	Actions Required to be taken	Due Date	Name	Date	Signed
1					
2					
3	+				
4	+				
5	+				
6					
7					
8					
9					



PLANT RISK INSPECTION REPORT

Items that are beyond economical life guidelines to have a plant risk inspection

Instructions:

To be completed in conjunction with the Plant Management Manual and the *NOHSC 1010 (1994) "National Standard For Plant"*.

Part A B and C – Completed by a qualified mechanical maintenance person

Part D E and F – Used by Project Supervising Personnel / Plant Team who are operating plant and wish to extend the life of the plant or fleet item

Part A. Plant Description				PART C. Risk	
Plant/Description:				Complete Part D F defect identified	RISK (1) low (2) medium (3) high
Make:	Year of Manufacture:				
Model:	Rego or Owners ID Number:				
Attachments:	Where relevant list attachments included in Table F at the end of this form				
Owner/Supplier:	Unit/Fleet No:				
Utilisation Per Annum KM/Hrs:	Last Serviced:		Next Service:		

Part B. Serviceability Check		Verified	Defect identified	Risk	
Inspection Item					
GENERAL	Mandatory (All Plant and Vehicles)	Seatbelt - Fitted and in good condition	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>
	Safety Guards - Fitted to hazardous moving parts. Good condition and suitable material to prevent contact. Signage indicating hazard if guard removed. Unable to be removed without tool (unless interlocked); suitable for type of access and hazard	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Hazard Safety Signage - Clearly legible, visible and fitted at appropriate positions including asset ID, DG3 and AER reflective	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Fire Extinguisher or Suppression System - Fitted, inspected and charged	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Reverse Alarm - Operational	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Lights - (Turn, Hazard, Stop, Tail, Headlamp and Parking)	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Flashing Light - Operational and visible at 360°, Non-Stroke Type	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	All Vehicle Systems Operational (including lights, indicators, wipers and washers)	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Bodywork - Structural Components (including mainframe) - Damage, excess wear, free from cracks	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Detritus - Free from spoil, material, weeds, etc.	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Lockable Battery Isolator - (if required by risk assessment)	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Emergency Stops - Prominent, clearly and durably marked, immediately accessible to operator position(s), manual reset, not impacted by electrical malfunction	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Quarterly Inspection Tag (includes Electrical, EWP, Scaffolding etc)	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Lifting, Hoisting & Towing Points - SWL / Capacity marked & good condition, load chain intact	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Plant Specific	ROPS Canopy - EMV certified to AS2294.2, ISO 14711 or SAE J1040	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>
	Excavators - Certified to AS2294 or ISO 12117.2 (if required by risk assessment)	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
FOPS - EMV certified to AS2294.2, ISO 3446 or SAE J1043. Excavators - ISO 10262 or SAE J1330 (if required by plant risk assessment)	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
Condition of Accessories (e.g. towbars, blades, buckets, attachments etc)	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		
Travel Alarm (Auto Activating) - Operational	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		

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Part B. Serviceability Check (continued...)			Verified	Defect identified	Final
Inspection Item		Condition OK or Risk			
ENGINE	Permanent Guards - Fitted to prevent access to fan, belts, pulleys, gears etc whilst in operation	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Water / Radiator - No corrosion and No leaks	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Radiator Hose and Clamps - Good condition and fastened	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Radiator Core - Good condition	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Vee Belt - Good condition and adjustment	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Fan Hub Bearings - Good condition, no noises	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Oil - Level OK - No leaks and oil sample	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Air Intake Hoses and Clamps - Good condition, secure	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Air Cleaner Indicator Level - Within serviceability range	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Radiator Cap - Pressure release type	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Battery - Good condition, secure and well ventilated with permanently fitted cover	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
DRIVE TRAIN	Transmission Oil - Level OK - No leaks and oil sample	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Wheel Hub Oil - Level OK and No leaks	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Wheel Nuts and Locks - Secured and good condition	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Front and Rear Drive Line - Good condition	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Foot and Park Brakes - Operational and within wear tolerance	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
SYSTEMS	Steering System and Linkages - Good condition, emergency steering is operational or part can be controlled under loss of power	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Articulation Bearings and Retainers - Good condition	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Self Supporting Safety Props - Permanently attached	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Air Systems - No leaks and air tanks drained - No oil out of drains	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Hydraulics - Operational, no leaks and oil levels OK	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Hydraulic Hoses - Free from damage and protected against damage at any potential contact points	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Neutral Start - Must only start in neutral	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Hydraulic Systems Designed to 'Fail to Safe' (i.e. failure should not permit loss of load or equipment control, uncontrolled descent etc. in such a way that there is a risk to safety)	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
CAB / OPERATIONS	Foot and Park Brakes - Operational and within wear tolerance	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	General Access - <ul style="list-style-type: none"> All surfaces of access system are slip resistant and good contrast Stable and appropriate clearances for majority of users Vertical access avoided (i.e. not more than 50') Permits three points of contact and considers operator / serviceman needs for tools of trade Access retractable to avoid damage where possible Grab rails in place and good condition and max. height of first step not >400mm when parked 	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Fall Protection - Guardrail - Provided if access required to machine platform or other elevated areas for maintenance, cleaning, operation etc.	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	General Cab Condition and Seating	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Lights - Interior and dash - Operational	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Foot Pedals - Slip resistant and good condition	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Unauthorised Use Preventable (i.e. machine fitted with lockable cabin entry, isolation and lockable housing etc. if applicable)	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
	Warning Systems, Lights and Gauges - Including horn	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
Controls and Linkages - Clearly labelled / free of damage	<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>		

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Part B. Serviceability Check (continued...)							Inspected	Defects identified	Fixed
Inspection Item						Condition OK or Risk			
CAB / OPERATIONS	Windows and Mirrors - Fitted and free from cracks					<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Air Conditioning - Operations					<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reverse Camera - Fitted and operational (if required by risk assessment)					<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	UHF Radio - Fitted and operational					<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TYRES & TRACKS	Tracks - Rollers, idlers in good condition and no broken or missing shoes or bolts.					<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Tyres - In satisfactory serviceable condition and correctly inflated					<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Posn	Tyre Serial #	Tread Depth	Posn	Tyre Serial #	Tread Depth			
	1 (Rf)		mm	2 (Rf)		mm			
	3		mm	4		mm			
	6		mm	8		mm			
	7		mm	10		mm			
OTHER	Quick Hitch(es) - Safety system for retaining attachment in place, lifting point closed eye with rated capacity (kg), information permanently marked (manufacturer, serial no, mass of quick hitch, kg, host machine class, rated lifting capacity), positive lock system					<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/> NA <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Owner / Mechanic sign off to verify mechanical inspection.

I certify that the described plant is to the manufacturer's specifications and is being serviced and maintained by qualified personnel to the manufacturer's recommendations.

Name	Position
	Date

Plant Inspector • Assessment and Details

Plant is serviceable and suitable for continued use on the network for _____ Months

Plant is suitable for deployment on the network after corrective actions listed in part C

Plant should be replaced as per the guidelines

Name: _____ Date: _____

Part D. Defects / Corrective Actions <small>(Include Work Order Number)</small>			Part E. Verification of Correction <small>(Project Supervisor or Plant Team ONLY)</small>		
Part C Ref No	Actions Required To Be Taken	Due Date	Name	Date	Signed
1					
2					
3					
4					
5					
6					
7					
8					
9					


PLANT RISK INSPECTION REPORT
TABLE 1. Attachments Provided / Included

ATTACHMENTS		Complies / OK Condition?		Verified	Defective	WO No.
Type	Serial No.	<input type="checkbox"/> NA <input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/> NA <input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/> NA <input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/> NA <input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/> NA <input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/> NA <input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/> NA <input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/> NA <input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/> NA <input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/>	<input type="checkbox"/>	

Part F. FINAL CHECK: Documentation Pre-Delivery	CONFIRM
1. Plant Inspection Report	
2. Plant Risk Assessment	
3. Certificate of Approved Operator	
4. Copy of Registration	
5. Operators Manuals (Copy accessible)	
6. Service Manual (Copy accessible)	
7. Engineering Approval for any Attachments or Modifications	
Name _____	Position _____

Risk Item Summary					
Item	Injury	Service Interruption in Days	Environment Impact From Spill or Waste	Financial Cost in Dollars	Reputation Customer Complaints
1					
2					
3					
4					
5					
6					

APPENDIX 3 - SALARY PACKAGING

Salary packaging options for the provision of car benefits to employees.

In arriving at our recommendations, we considered alternative approaches for employers in relation to how car benefits can be provided to employees and prepared some comparative calculations showing the impact of the following:

Option 1 - Where the employer pays a car allowance to an employee and the employee leases a car in their own name. The employee is therefore responsible for the maintenance and running costs of the vehicle.

Option 2 - Where the employer leases a car and provides a car fringe benefit to an employee. The employer is therefore responsible for the maintenance and running costs of the vehicle.

Option 3 - Where the employer leases a car and provides a car fringe benefit to an employee whilst also paying a motor vehicle allowance to the employee to allow the employee to make a contribution to the employer to eliminate any fringe benefits tax ('FBT') liability. The employer is again responsible for the maintenance and running costs of the vehicle.

We have used the data in respect of a "typical rural council vehicle structure" and have prepared separate calculations for employees in the following roles:

1. Rural CEO earning a salary of approximately \$150,000 per annum with 10% business use of a vehicle:
 - Option 3 provides the best after tax outcome for the employee.
 - Option 3 results in the lowest cost of employment for the employer.
2. Engineer earning a salary of approximately \$120,000 per annum with 70% business use of a vehicle:
 - Option 1 provides the best after tax outcome for the employee.
 - Option 3 results in the lowest cost of employment for the employer.
3. Accountant earning a salary of approximately \$120,000 per annum with 10% business use of a vehicle:
 - Option 1 provides the best after tax outcome for the employee.
 - Option 3 results in the lowest cost of employment for the employer.
4. Manager earning a salary of approximately \$100,000 per annum with 30% business use of a vehicle:
 - Option 1 provides the best after tax outcome for the employee.
 - Option 3 results in the lowest cost of employment for the employer.
5. Supervisor earning a salary of approximately \$80,000 per annum with 80% business use of a vehicle:
 - Option 1 provides the best after tax outcome for the employee.
 - Option 3 results in the lowest cost of employment for the employer.

Please refer to the attached Appendices for the detailed calculations.

Please note that these calculations do not take into account any Goods and Services Tax ('GST') consequences.

There will be additional GST savings for employees under Options 2 and 3.

UNIQCQ INTERNATIONAL PTY LTD
SALARY PACKAGING EXAMPLE

APPENDIX A

Position: Rural CEO

Comparison of the impact on an Employer and Employee of providing either a car allowance or a car fringe benefit to the Employee:

- Option 1 Employer pays car allowance
- Option 2 Employer provides motor vehicle
- Option 3 Employer provides motor vehicle and pays car allowance that is used as a recipient contribution to eliminate FBT liability

	1. Employer pays car allowance (and employee pays for car)	2. Employer provides motor vehicle	3. Employer provides motor vehicle and pays motor vehicle allowance that is used as recipient contribution to eliminate FBT liability
Option 1			
	Note:	Note:	Note:
Cash Salary	150,000	150,000	150,000
Car Allowance	29,000	-	22,103
Less:			
Motor vehicle deduction	2 (1,951)		
Taxable Income	<u>177,049</u>	<u>150,000</u>	<u>172,103</u>
Tax Payable	1 (53,140)	1 (43,112)	1 (51,310)
Medicare Levy	(3,541)	(3,000)	(3,442)
Motor vehicle expenses paid by employee	2 (19,513)	Motor vehicle expenses paid by employee	Employee contribution on car benefit provided (13,483)
Cash Salary after tax and motor vehicle expenses	<u>102,806</u>	<u>103,868</u>	<u>103,868</u>
Employer Superannuation Contribution (@ 12%)	21,480	18,000	20,652
Total cost to Employer			
Cash Salary	150,000	150,000	150,000
Car Allowance	29,000	-	22,103
Employer Superannuation Contribution (@ 12%)	21,480	18,000	19,513
FBT Expense	-	14,180	20,652
Total Expense for Employer	<u>200,480</u>	<u>201,693</u>	<u>198,785</u>
Total net benefit to Employee			
Cash Salary after tax	122,319	103,868	117,351
Employer Superannuation Contribution (@ 12%)	21,480	18,000	20,652
Motor vehicle expense	(19,513)	-	(13,483)
Total Net Benefit for Employee	<u>124,286</u>	<u>121,868</u>	<u>124,520</u>
Option 2			
	Note:	Note:	Note:
Cash Salary	150,000	150,000	150,000
Car Allowance	29,000	-	22,103
Employer Superannuation Contribution (@ 12%)	21,480	18,000	19,513
FBT Expense	-	14,180	20,652
Total Expense for Employer	<u>200,480</u>	<u>201,693</u>	<u>198,785</u>
Total net benefit to Employee			
Cash Salary after tax	122,319	103,868	117,351
Employer Superannuation Contribution (@ 12%)	21,480	18,000	20,652
Motor vehicle expense	(19,513)	-	(13,483)
Total Net Benefit for Employee	<u>124,286</u>	<u>121,868</u>	<u>124,520</u>

Notes:

1. Tax estimates are based on 2017 year rates.

2. Motor vehicle deduction:

Lease rentals (includes maintenance)	13,800
Fuel and oil	3,950
Insurance	742
Registration	1,011
Business use percentage	10%
Tax deduction	1,951

3. Motor vehicle fringe benefit:

Operating Cost Method

Lease rentals (includes maintenance)	13,800
Fuel and oil	3,950
Insurance	742
Registration	1,011
Private use percentage	90%
FBT Taxable Value	17,502

Statutory Formula Method

Lease value of car	67,415
Statutory Fraction	20%
FBT Taxable Value	11,481

Grossed up Taxable Value using Statutory Method

FBT Payable @ 49%	28,939
	14,180

4. Cash allowance required to cover FBT recipient contributor

FBT Taxable Value (lowest TV chosen)	13,483
Tax rate applicable to Employee	37%
Cash allowance required (estimate) (incl MI)	22,103

UNIQCO INTERNATIONAL PTY LTD
SALARY PACKAGING EXAMPLE

APPENDIX B

Position: Engineer

Comparison of the impact on an Employer and Employee of providing either a car allowance or a car fringe benefit to the Employee.

- Option 1 Employer pays car allowance
- Option 2 Employer provides motor vehicle
- Option 3 Employer provides motor vehicle and pays car allowance that is used as a recipient contribution to eliminate FBT liability.

	1. Employer pays car allowance (and employee pays for car)	2. Employer provides motor vehicle	3. Employer provides motor vehicle and pays motor vehicle allowance that is used as recipient contribution to eliminate FBT liability
	Note:	Note:	Note:
Cash Salary	120,000	120,000	120,000
Car Allowance	21,000		6,296
Less:			
Motor vehicle deduction	(8,961)		
Taxable Income	132,039	120,000	126,296
Tax Payable	(36,486)	(32,032)	(34,361)
Medicare Levy	(7,641)	(2,400)	(2,526)
Motor vehicle expenses paid by employee	(12,801)	Motor vehicle expenses paid by employee	Employee contribution on car benefit provided (3,840)
Cash Salary after tax and motor vehicle expenses	89,072	85,568	85,568
Employer Superannuation Contribution (@ 12%)	16,920	14,400	15,155
Total cost to Employer	120,000	120,000	120,000
Car Allowance	21,000	Car Expenses 12,801	6,296
Employer Superannuation Contribution (@ 12%)	16,920	Employer Superannuation Contribution (@ 17%) 14,400	17,801
FBT Expense	-	FBT Expense 4,039	15,155
Total Expense for Employer	157,920	151,240	(3,840)
Total net benefit to Employee	101,873	85,568	89,408
Cash Salary after tax	89,072	Cash Salary after tax 85,568	Cash Salary after tax 89,408
Employer Superannuation Contribution (@ 12%)	16,920	Employer Superannuation Contribution (@ 12%) 14,400	Employer Superannuation Contribution (@ 12%) 15,155
Motor vehicle expense	(12,801)	Motor vehicle expense	Recipient contribution paid to Employer (3,840)
Total Net Benefit for Employee	105,992	99,968	100,723

Notes:

1. Tax estimates are based on 2017 year rates.

2. Motor vehicle deduction:

Lease rentals (includes maintenance)	7,920
Fuel and oil	3,960
Insurance	390
Registration	531
	<u>12,801</u>
Business use percentage	70%
Tax deduction	8,961

3. Motor vehicle fringe benefit:**Operating Cost Method**

Lease rentals (includes maintenance)	7,920
Fuel and oil	3,960
Insurance	390
Registration	531
	<u>12,801</u>
Private use percentage	30%
FBT Taxable Value	3,840

Statutory Formula Method

Lease value of car	35,432
Statutory Fraction	20%
FBT Taxable Value	7,086

Grossed-up Taxable Value using Operating Cost Method

	8,243
FBT Payable @ 49%	4,039

4. Cash allowance required to cover FBT recipient contributor

FBT Taxable Value (lowest TV chosen)	3,840
Tax rate applicable to Employee	17%
Cash allowance required (estimate) (incl ML)	6,296

UNIQCQ INTERNATIONAL PTY LTD
SALARY PACKAGING EXAMPLE

APPENDIX C

Position: Accountant

Comparison of the impact on an Employer and Employee of providing either a car allowance or a car fringe benefit to the Employee

- Option 1 Employer pays car allowance
- Option 2 Employer provides motor vehicle
- Option 3 Employer provides motor vehicle and pays car allowance that is used as a recipient contribution to eliminate FBT liability.

	1. Employer pays car allowance (and employee pays for car)	2. Employer provides motor vehicle	3. Employer provides motor vehicle and pays motor vehicle allowance that is used as recipient contribution to eliminate FBT liability
Note:			
Cash Salary	120,000	120,000	120,000
Car Allowance	18,500	-	10,487
Less:			
Motor vehicle deduction	(11,872)	-	-
Taxable Income	137,313	120,000	130,487
Tax Payable	(38,438)	(32,032)	(35,912)
Medicare Levy	(7,746)	(7,400)	(2,610)
Motor vehicle expenses paid by employee	(11,872)	-	(6,397)
Cash Salary after tax and motor vehicle expenses	85,444	85,568	85,568
Employer Superannuation Contribution (@ 17%)	16,620	14,400	15,658
Total cost to Employer	120,000	120,000	120,000
Cash Salary	120,000	120,000	120,000
Car Allowance	18,500	-	10,487
Employer Superannuation Contribution (@ 12%)	16,620	14,400	15,658
FBT Expense	-	6,728	(6,397)
Total Expense for Employer	155,120	152,999	151,620
Total net benefit to Employee	97,316	85,568	91,965
Cash Salary after tax	16,620	14,400	15,658
Employer Superannuation Contribution (@ 12%)	(11,872)	-	(6,397)
Motor vehicle expense	-	-	-
Total Net Benefit for Employee	102,064	99,968	101,226

Notes:

1. Tax estimates are based on 2017 year rates.

2. Motor vehicle deduction:

Lease rentals (includes maintenance) fuel and oil	7,740
Insurance	3,300
Registration	352
	480
	<u>11,872</u>
Business use percentage	10%
Tax deduction	<u>1,187</u>

3. Motor vehicle fringe benefit:Operating Cost Method

Lease rentals (includes maintenance) Fuel and oil	7,740
Insurance	3,300
Registration	352
	480
	<u>11,872</u>
Private use percentage	90%
FBT Taxable Value	<u>10,684</u>

Statutory Formula Method

Lease value of car	31,986
Statutory Fraction	20%
FBT Taxable Value	<u>6,397</u>

Grossed-up Taxable Value using Statutory Method
FBT Payable @ 49%

	13,730
	<u>6,728</u>

4. Cash allowance required to cover FBT recipient contribution

FBT Taxable Value (lowest TV chosen)	6,397
Tax rate applicable to Employee	37%
Cash allowance required (estimate) (incl M.L.)	<u>10,487</u>

UNIQCQ INTERNATIONAL PTY LTD
SALARY PACKAGING EXAMPLE

APPENDIX D

Position: **Manager**

Comparison of the impact on an Employer and Employee of providing either a car allowance or a car fringe benefit to the Employee

- Option 1 Employer pays car allowance
- Option 2 Employer provides motor vehicle
- Option 3 Employer provides motor vehicle and pays car allowance that is used as a recipient contribution to eliminate FBT liability.

	1. Employer pays car allowance (and employee pays for car)	2. Employer provides motor vehicle	3. Employer provides motor vehicle and pays motor vehicle allowance that is used as recipient contribution to eliminate FBT liability
	Note:	Note:	Note:
Cash Salary	100,000	100,000	100,000
Car Allowance	18,000	-	9,096
LESS:			
Motor vehicle deduction	(2,916)		
Taxable Income	115,084	100,000	109,096
Tax Payable	(30,213)	(24,632)	(27,998)
Medicare Levy	(2,302)	(2,000)	(2,182)
Motor vehicle expenses paid by employee	(9,721)	-	(5,549)
Cash Salary after tax and motor vehicle expenses	75,764	73,368	73,368
Employer Superannuation Contribution (@ 12%)	14,160	12,000	13,092
Total cost to Employer			
Cash Salary	100,000	100,000	100,000
Car Allowance	18,000	-	9,096
Employer Superannuation Contribution (@ 12%)	14,160	12,000	13,092
FBT Expense	-	5,835	-
Total Expense for Employer	132,160	127,835	126,360
Total net benefit to Employee			
Cash Salary after tax	85,485	73,368	78,917
Employer Superannuation Contribution (@ 12%)	14,160	12,000	13,092
Motor vehicle expense	(9,721)	-	(5,549)
Total Net Benefit for Employee	89,924	85,368	86,460

Notes:

1. Tax estimates are based on 2017 year rates.

2. Motor vehicle deduction:

Lease rentals (includes maintenance):	5,700
Fuel and oil	3,300
Insurance	305
Registration	416
	<u>9,721</u>
Business use percentage	30%
Tax deduction	<u>2,916</u>

3. Motor vehicle fringe benefit:

Operating Cost Method	
Lease rentals (includes maintenance)	5,700
Fuel and oil	3,300
Insurance	305
Registration	416
	<u>9,721</u>
Private use percentage	70%
FBT Taxable Value	<u>6,805</u>

Statutory Formula Method

Lease value of car	27,743
Statutory Fraction	20%
FBT Taxable Value	<u>5,549</u>

Grossed up Taxable Value using Statutory Method	11,909
FBT Payable @ 49%	<u>5,835</u>

4. Cash allowance required to cover FBT recipient contributor

FBT Taxable Value (lowest TV chosen)	5,549
Tax rate applicable to Employee	37%
Cash allowance required (estimate) (incl ML)	<u>9,096</u>

UNIQCQ INTERNATIONAL PTY LTD
SALARY PACKAGING EXAMPLE

APPENDIX E

Position: Supervisor

Comparison of the impact on an Employer and Employee of providing either a car allowance or a car fringe benefit to the Employee.

- Option 1 Employer pays car allowance
- Option 2 Employer provides motor vehicle
- Option 3 Employer provides motor vehicle and pays car allowance that is used as a recipient contribution to eliminate FBT liability.

	1. Employer pays car allowance (and employee pays for car)	2. Employer provides motor vehicle	3. Employer provides motor vehicle and pays motor vehicle allowance that is used as recipient contribution to eliminate FBT liability
Cash Salary	Note: 80,000	Note: 80,000	Note: 80,000
Car Allowance	18,500		4,414
Taxable Income	<u>86,936</u> ²	<u>80,000</u>	<u>84,414</u>
Tax Payable	1 (19,801)	1 (17,547)	1 (18,981)
Medicare Levy	(1,739)	11,600	(1,688)
Motor vehicle expenses paid by employee	2 (14,455)		2 (2,891)
Cash Salary after tax and motor vehicle expenses	<u>62,505</u>	<u>60,853</u>	<u>60,853</u>
Employer Superannuation Contribution (@ 12%)	<u>11,820</u>	<u>9,600</u>	<u>10,130</u>
Total cost to Employer	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
Car Allowance	18,500		4,414
Car Expenses		14,455	14,455
Employer Superannuation Contribution (@ 12%)	11,820	9,600	10,130
FBT Expense		3,040 ³	
Total Expense for Employer	<u>110,320</u>	<u>107,095</u>	<u>106,107</u>
Total net benefit to Employee			
Cash Salary after tax	76,980	60,853	63,744
Employer Superannuation Contribution (@ 12%)	11,820	9,600	10,130
Motor vehicle expense	(14,455)		(2,891)
Total Net Benefit for Employee	<u>74,325</u>	<u>70,453</u>	<u>70,983</u>

Notes:

1. Tax estimates are based on 2017 year rates.

2. Motor vehicle deduction:

Lease rentals (includes maintenance)	9,480
Fuel and oil	3,960
Insurance	429
Registration	586
	<u>14,455</u>
Business use percentage	80%
Tax deduction	<u>11,564</u>

3. Motor vehicle fringe benefit:**Operating Cost Method**

Lease rentals (includes maintenance)	9,480
Fuel and oil	3,960
Insurance	429
Registration	586
	<u>14,455</u>
Private use percentage	20%
FBT Taxable Value	<u>7,891</u>

Statutory Formula Method

Lease value of car	39,035
Statutory Fraction	20%
FBT Taxable Value	<u>7,807</u>
Grossed-up Taxable Value using Operating Cost Method	6,205
FBT Payable @ 49%	<u>3,040</u>

4. Cash allowance required to cover FBT recipient contribution

FBT Taxable Value (lowest TV chosen)	7,891
Tax rate applicable to Employee	32.5%
Cash allowance required (estimate) (incl MI)	<u>4,414</u>



Government of Western Australia
Department of Transport

CHIEF EXECUTIVE OFFICER
SHIRE OF DONNYBROOK-BALINGUP
PO BOX 94
DONNYBROOK WA 6239

Dear Sir / Madam

Financial impact of discontinuation of vehicle licence concession

The Department of Transport (DoT) advised you in a letter dated 30 December 2016 that the vehicle licence concession currently offered to Western Australian Local Government Authorities (LGA) will be discontinued effective from 1 July 2017. DoT has since received a number of enquiries about the financial impact this will have on LGA vehicle fleets.

In response to this, please find below the estimated costs to licence your vehicle fleet both before and after the discontinuation of the LGA vehicle licence concession.

Estimated current cost	Estimated cost after concession discontinuation	Estimated difference
\$10884.86	\$31232.22	\$20347.36

Please note that these estimates are based on the following conditions.

- Your vehicle fleet as at 31 January 2017.
- The fees and charges that were applicable at the time the estimates were prepared. These fees and charges may be subject to change in the 2017-2018 financial year.
- The category that was applicable to individual heavy vehicles at the time the estimates were prepared.
- Excludes any credit or debit adjustments on individual vehicles at the time the estimates were prepared.
- Both the estimated current cost and the estimated cost after concession discontinuation do not include the payment of insurance duty on motor injury insurance as LGAs will continue to be exempt from this payment after the concession has been discontinued.

SHIRE OF DONNYBROOK-BALINGUP RECEIVED 17 FEB 2017
Record No: <i>cor57245</i>
File No: <i>DEP 32</i>
Officer: <i>BAR Belinda + Damien</i>
X Ref:
Corresps:
Signed Off:

Your ref:
CWS ref:
Enquiries:

- These estimated costs are for vehicle licence renewals and do not include vehicle licence duty (stamp duty) that will be payable on the grant or transfer of a vehicle licence. Any vehicle licence duty incurred after the discontinuation of the concession has not been factored into these estimates.
- Vehicles that will be automatically granted an alternate concession when the LGA concession is discontinued have been considered in the estimated cost after concession discontinuation.

For further enquiries please contact the DoT customer contact centre on 13 11 56.

Yours sincerely



Steve Mitchinson
A/General Manager, Driver and Vehicle Services
13 February 2017



Google

Imagery ©2017 Google, Map data ©2017 Google

Schedule of Submissions

Transportable Structure at Lot. 461 South Western Highway, Donnybrook – Old Caravan Park

No.	Name & Address	Description of affected property	Summary of Submission	Comments	Council's recommendation
1	Main Roads Western Australia	N/A	<p>Advises that:</p> <ul style="list-style-type: none"> • The proposed food van has potential to generate significant traffic demands at the site – particularly to attract heavy vehicle traffic (as site very accessible for "trucks"); • Use by heavy vehicles will significantly increase deterioration of cross overs. <p>Prepared to support proposal subject to:</p> <ul style="list-style-type: none"> • Crossovers being repaired and upgraded to the specifications and satisfaction of MRWA • The damaged kerbing to the island access barrier fronting the site being repaired to the satisfaction and specifications of MRWA. 	<p>Note</p> <p>Agree in part. The proposal is for a short term of 6 month maximum. The potential for significant deterioration is overstated.</p> <p>Disagree. The proposed cross overs can be maintained as a condition to ensure that deterioration does not increase. The need for considerable upgrading for a 6 month lease is not reasonable and would fail the test of a reasonable condition imposed by a reasonable authority. Disagree. See above.</p>	<p>Note</p> <p>Agree in part</p> <p>Disagree</p> <p>Disagree</p>

No.	Name & Address	Description of affected property	Summary of Submission	Comments	Council's recommendation
2	Robyn Hayward	34 Cora Street, Donnybrook	<p>Objects to the proposal on the grounds that:</p> <ul style="list-style-type: none"> • Town currently has 9 food outlets. These businesses have invested in real estate and employ local people. • Fast food vans are often seen in entertainment precincts and could attract undesirable behaviour. • Will detract from the heritage streetscape in our unique and picturesque village; • Potential for disturbance to nearby residents who might hope for some night time relief from the daily noise pollution of the traffic on S/W Hwy 	<p>Note. This relates to competition and this is not a town planning matter which Council can use in its decision making. This is covered in more detail in the Council report.</p> <p>Note. It is difficult to equate the existence of one fast food van with undesirable behaviour. This matter is covered in more detail in the Council report.</p> <p>Disagree. The proposal is for a temporary use of the land (6 months). The site is setback from the street and will not be a prominent part of the streetscape.</p> <p>Disagree. The hours of use will be restricted to ensure that "after hours" activity is limited. It will be difficult to distinguish traffic noise generated from the van site from traffic on the highway.</p>	<p>Note</p> <p>Note</p> <p>Disagree</p> <p>Disagree</p>
3	G & W Ferguson	Local Resident	<p>Has concerns as follows:</p> <ul style="list-style-type: none"> • Hoped that fast food outlets do not come into our main street and spoil what small town should be. • Also hope that van isn't going to be the start of food chains in our lovely little town. • Family businesses cannot compete with large organisations 	<p>Note</p> <p>Note</p> <p>Note. Matters related to competition are covered in more detail in the Council report.</p>	<p>Note</p> <p>Note</p> <p>Note</p>

No.	Name & Address	Description of affected property	Summary of Submission	Comments	Council's recommendation
			<ul style="list-style-type: none"> Bunbury is close enough if families really wish to eat this sort of food and with health issues across Australia we should not be encouraging this in our community Not wanting to support a van close to our home The south west is being changed (not for the better) with fast food restaurants and their very ugly signs. Vasse is an example Please do not let Donnybrook become another victim of greed with fast food outlets. 	<p>Note. This is not a town planning consideration. This matter is covered in more detail in the Council report.</p> <p>Note.</p> <p>Note.</p> <p>Note.</p>	<p>Note</p> <p>Note</p> <p>Note</p> <p>Note</p>
4	Helen Reading	Local Resident	<p>Advises that dismayed that lovely Leucoxyton Rosea eucalypts along SW Hwy removed as looked forward to their flowering every year.</p> <p>Even more dismayed regarding application for food van at the entrance of our lovely town. Hope that this was not to facilitate the additional of this fast food outlet.</p> <p>Totally disagree with proposal on the grounds that:</p> <ul style="list-style-type: none"> Only have to look at the 	<p>Note</p> <p>Note. The fill recently placed on the site has been the result of negotiation with MRWA and will enable an improved landscape presentation once completed. It is separate and unrelated to the food van proposal.</p> <p>Note. Conditions can be added to require the</p>	<p>Note</p> <p>Note</p> <p>Note</p>

No.	Name & Address	Description of affected property	Summary of Submission	Comments	Council's recommendation
			<p>outskirts of other towns and see garbage thrown from cars when customers have finished their meal.</p> <ul style="list-style-type: none"> • Noise will be a problem with revving engines as they leave a residential area; • Read a lot about the need to curb obesity in our society. I hope Shire stands for healthy living and eating in this day and age. With the precedent set in this way, how long before we get others. Are there not enough food outlets in Donnybrook? • When first moved here 17 years ago, Donnybrook was voted the ugliest town in WA. After many projects the town is now a pretty one. • Why would you want to start introducing rubbish again? Surely the land could be turned into a beautiful park? • Would love someone from Council to go for a trip to Tasmania where many of the 	<p>immediate site to be kept clear of rubbish generated by the business.</p> <p>Disagree. Conditions can be imposed to restrict hours of operation. Further, it will be difficult to define which traffic noise was generated from which source.</p> <p>Note. Food choice is not a town planning matter. This is discussed in more detail in the Council report.</p> <p>Note.</p> <p>Partly agree. The proposal is for a 6 month temporary use of a site for a fast food van. Conditions can be imposed to limit potential adverse impacts. This proposal does not eliminate the potential to develop the site as a park in the future.</p> <p>Note.</p>	<p>Disagree</p> <p>Note</p> <p>Note</p> <p>Partly agree</p> <p>Note</p>

No.	Name & Address	Description of affected property	Summary of Submission	Comments	Council's recommendation
			<p>towns have said no to fast food outlets and have become tourist destinations because of their retention of solid values.</p> <ul style="list-style-type: none"> Does our imagination for our town begin and end with Chicken Treat? Please stand up and be counted as a forward thinking and culturally motivated town. 	<p>Note</p>	<p>Note</p>

BUSH FIRES ACT 1954
LOCAL GOVERNMENT ACT 1995
Shire of Donnybrook-Balingup

BUSH FIRE BRIGADES AMENDMENT LOCAL LAW 2017

Under the powers conferred by the *Bush Fires Act 1954*, the *Local Government Act 1995* and under all other powers enabling it, the Council of the Shire of Donnybrook-Balingup resolved on 22 March 2017 to make the following local law.

1. **Title**
 This local law may be cited as the *Shire of Donnybrook-Balingup Bush Fire Brigades Amendment Local Law 2016*.
2. **Commencement**
 This local law comes into operation 14 days after the date of its publication in the *Government Gazette*.
3. **Principal local law**
 This local law amends the *Shire of Donnybrook-Balingup Bush Fire Brigades Local Law* as published in the *Government Gazette* on 17 October 2000.
4. **Title amended**
 The title of the local law is amended by inserting "**LOCAL GOVERNMENT ACT 1995**" below "**BUSH FIRES ACT 1954**" at the top of the page.
5. **Enacting clause amended**
 In the enacting clause of the local law, after "*Bush Fires Act 1954*" insert ", the *Local Government Act 1995*".
6. **Clause 1.2 amended**
 - (1) In clause 1.2(1)—
 - (a) Delete the definitions for "**Authority**" and "**Council**";
 - (b) Following the definition of "CEO" insert:
 "**Department**" means the Department of the Public Service principally assisting in the administration of the *Fire and Emergency Services Act 1998*.
 - (2) Subclause 1.2(2) is amended as follows—
 - (a) in paragraph (f) delete "." and replace with ";".
7. **Clause 3.1 amended**
 In clause 3.1, delete "Council" and replace with "local government".
8. **Clause 4.4 amended**
 In clause 4.4(f), delete "Authority's" and substitute "Department's".
9. **First Schedule amended**
 The First Schedule is amended as follows-
 - (1) In Part 2, clause 2.5—
 - (a) in the clause heading delete "FESA" and substitute "Department"; and
 - (b) delete "Authority" where it appears throughout the clause and substitute "Department".
 - (2) In clause 3.2, delete the words "Duties of" in the clause heading.
 - (3) In clause 3.3(1)(e) delete "Authority" where it appears throughout the clause and substitute "Department".

- (4) In clause 8.1(4)(c)—
- (a) delete "or" at the end of paragraph (c)(ii);
 - (b) delete the semi-colon at the end of paragraph (c)(iii) and substitute "; or"; and
 - (c) after paragraph (c)(iii), insert
 "(iv) email;"
- (5) In clause 8.1(4)(d)—
- (a) delete "or" at the end of paragraph (d)(ii);
 - (b) delete the full stop at the end of paragraph (d)(iii) and substitute "; or"; and
 - (c) after paragraph (d)(iii) insert—
 "(iv) if no notification is received by the sender to indicate that an email is undeliverable."

10. Name of local government amended

Delete "Shire of Donnybrook/Balingup" where it appears throughout the local law and substitute "Shire of Donnybrook-Balingup".

Dated 22 March 2017.

The Common Seal of the Shire of Donnybrook-Balingup was affixed by authority of a resolution of the Council in the presence of-

Cr. ANGELO LOGIUDICE, President

B. G. ROSE, Chief Executive Officer

DOG ACT 1976
LOCAL GOVERNMENT ACT 1995

Shire of Donnybrook-Balingup
DOGS AMENDMENT LOCAL LAW 2017

Under the powers conferred by the *Dog Act 1976*, the *Local Government Act 1995* and under all other powers enabling it, the Council of the Shire of Donnybrook-Balingup resolved on 22 March 2017 to make the following local law.

1. Citation

This local law may be cited as the *Shire of Donnybrook-Balingup Dogs Amendment Local Law 2017*.

2. Commencement

This local law comes into operation 14 days after the date of its publication in the *Government Gazette*.

3. Application

This local law applies throughout the district.

4. Principal local law

This local law amends the *Shire of Donnybrook-Balingup Dogs Local Law* as published in the *Government Gazette* on 17 October 2000 and as amended on 3 June 2008.

5. Clause 1.3 amended

Clause 1.3 is amended as follows:

- (a) in alphabetical order, insert the following:
 "**district**" means the district of the local government;

6. Clause 2.4 amended

Clause 2.4 is amended as follows:

- (a) delete 'Where the dog is a dangerous dog, \$2,000, otherwise \$1,000' and insert 'Where the dog is a dangerous dog, \$4,000, otherwise \$2,000'.

7. Clause 6.1 amended

Clause 6.1 is amended as follows-

- (a) in subclause (2) delete \$200 and insert "\$1,000".

8. Schedule 3 amended

Schedule 3 is amended as follows:

- (a) in the modified penalty for a dog excreting in a prohibited place delete \$40 and insert \$100.

Dated 22 March 2017

The Common Seal of the Shire of Donnybrook-Balingup was affixed by authority of a resolution of the Council in the presence of-

Cr A. LOGIUDICE, Shire President

B. G. ROSE, Chief Executive Officer