

Memorandum

To	Chief Executive Officer	File no	SL2014/1
From	Streetlight Contract Manager	Date	28 March 2014
Subject	Streetlight Market Testing Outcome and Increase to Bulk Change Bonus Payment Rate		
Copies	Robert Moore, Ty Christopher, Janelle Sheather, Bruce Rowley, Mark Greenhill, Rod Howard		

Purpose

To inform the Chief Executive Officer on the outcome of the streetlight market testing and to seek the approval of an increase in the bulk change payment rate in accordance with specific commencement dates.

Background

In 2010 the streetlight bulk change process was market tested under RFT 1165/09T to determine the best delivery model for streetlight bulk change. The RFT offered a 3 year contract to the successful tenderer. The outcome of this tender resulted in the contract being awarded to the internal crews representing Integral Energy. To frame the working arrangements contained in the internal team's tender submission, the 2010 Streetlight Maintenance Workplace Arrangement was implemented.

[REDACTED]

[REDACTED]

[REDACTED] the completion of the previous contract period, affected employees requested that the payment revert to increase in line with EBA wage increases. As the market testing process and consultation was underway, a decision was made not to seek an increase to the rate until the outcome of the current market testing process was known.

Market Testing

To undertake an accurate market test to compare with our existing internal model, an internal baseline cost was calculated and then inflated to allow for the next three (3) years projected increases in labour costs to determine our projected costs. This total projected cost formed the benchmark for comparison to the external supplier tender responses.

An RFP was released to the market in November 2013, with initial evaluation of responses being completed in December 2013.

[REDACTED]

Consultation

A consultation process was undertaken between October 2013 and February 2014 with affected employees and unions to discuss the claim for an increase to the bulk change bonus rate. Two (2) potential opportunities to increase the rate were discussed:

1. Increase in the bulk change rate in line with EBA wage increases

As the previous contract period concluded on 30 June 2013, the unions and employees have requested increases be applied from 1 July 2013 on a six (6) month pro rata basis of 1.35% up until 24 December 2013, followed by an increase of 2.7% on 25 December 2013, in line with the EBA wage increase and increase to wage related allowances. Future increases of the bulk change rate would then be linked to future EBA wage increases.

2. Productivity improvements to offset an increase in the bulk change rate

Opportunities for improvement were discussed with the employees, with a sufficient number expressing an interest in commencing an afternoon shift trial over twelve (12) weeks with three (3) crews, to commence in May 2014.

The benefits of an afternoon shift to the organisation are significant, and include:

- reduced overtime for lights needing to be completed at night due to traffic/road access restrictions;
- a decrease in (lost) stand down time currently incurred with crews working at night;
- easier identification of faulty lights and easier testing after completion of repairs; and
- improved public safety and network compliance.

After the trial period is completed, an assessment will be undertaken to confirm the benefits before making a recommendation to continue the shift arrangement on a permanent basis.

Projected Program Cost and Performance

- [REDACTED]
1. LED technology is now being installed which will reduce the number of random failures and extend the time interval between planned maintenance cycles. This increased reliability will result in a decrease in the number of lights serviced per year, decreasing the total bonus payments made to employees.
 2. The afternoon shift will reduce current overtime expenditure and reduce stand down incurred when urgent work is completed during the working week.

Anticipated savings are based on:

- Bulk change (RP) completed on overtime at night can be completed on the afternoon shift. [REDACTED]
- Random repairs (RC) completed at night on main roads can be completed on the afternoon shift. [REDACTED]
- Night patrols (RI) completed on overtime at night can be completed on the afternoon shift. [REDACTED]
- Utilisation of stand down hours to complete maintenance work.

Direct savings - Bulk change currently completed on weekends can be scheduled for weekday work. As a base quantity of 11 lights per hour is applied during normal time, this directly reduces the amount of bonus payable to staff.

Future savings – utilisation of stand down hours for bulk change will defer the need for additional internal resources as streetlight asset numbers increase. An estimated 15,000 additional streetlights can be serviced without the need for an additional crew. |

The cost to implement and estimated savings of an afternoon shift as proposed is tabled below:

- [REDACTED]
3. Streetlight field force automation is due to 'go-live' in early April 2014. This system will improve reporting, billing accuracy, and crew scheduling and management. It is expected that efficiencies gained through this system will allow more work to be scheduled during normal time, decreasing workload out of hours and total bonuses paid to employees, and will improve fatigue management.
- [REDACTED]

Recommendation

It is recommended that the Chief Executive Officer approve:

1. Awarding the Streetlight Bulk Change Contract into a Memo of Understanding and then linked to the 2014 EBA to the internal staff, for a period of three (3) years commencing on 1 July 2014;
2. That a trial for the Afternoon shift of 12 weeks with a view to implement after that period. *



Recommended by



Waide Elliott
Streetlight Contract Manager
Date: 28 March, 2014

Endorsed by



Robert Moore
Program Director Maintenance
Date: 28/3/14.

Endorsed by



Ty Christopher
GM Network Development
Date: 31/3/14.

Endorsed by



Janelle Sheather
Manager, Industrial Relations
Date: 1/4/14

Afternoon shift needs to be included in the new street light Agreement.

Endorsed by

*See attached email. 1 April 14 **

Mark Greenhill
Group Industrial Relations Advocate
Date:

Endorsed by



Bruce Rowley
GM People and Services
Date:

*50 5522 to 1. Afternoon shift included in new agreement as a condition
2. Recommendations have a term of 3 years in line with recommendations*

Endorsed by *Approved*



Rod Howard
Chief Operating Officer
Date: 29/4/14.

Approved by

Vince Graham
Chief Executive Officer
Date:

NOT REQ'D WITHIN COO DELEGATION

Agreement issues to be worked through with IR.

** The "shift trial" is to be limited to three crews. I will need to see the "trial reviews report" prior to confirming the shift work arrangement for the full three year period. As indicated the shift work arrangement must be part of the agreement.*

Janelle Sheather

From: Mark Greenhill
Sent: Tuesday, 1 April 2014 12:28 PM
To: Janelle Sheather; Rebecca Mifsud
Subject: Re: Memo for your review "StreetLight Market Testing Outcomes and Increase to Bulk Change Bonus Payment Rate" 28/3/14

Fully support.

Good stuff!

MG

From: Janelle Sheather
Sent: Tuesday, April 01, 2014 12:11 PM
To: Rebecca Mifsud; Mark Greenhill
Subject: FW: Memo for your review "StreetLight Market Testing Outcomes and Increase to Bulk Change Bonus Payment Rate" 28/3/14

This is great Bec and I'm happy to sign, if you are Mark?

Ty has asked for a meeting with Bec, Rod, and Ty to brief Rod tomorrow at 2pm. If you have any concerns about the recommendations we are seeking approval for, could you please let Bec know before then?

Thank you!
JS

From: Patricia Brogan
Sent: Tuesday, 1 April 2014 11:23 AM
To: Janelle Sheather; Mark Greenhill
Cc: Ty Christopher; Rebecca Mifsud
Subject: Memo for your review "StreetLight Market Testing Outcomes and Increase to Bulk Change Bonus Payment Rate" 28/3/14

Hi Janelle and Mark,

Please see attached for your review and I will bring down the original to HR soon for you endorse.

Trish

Patricia Brogan
Business Administrator to Ty Christopher General Manager Network Development

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Integral Energy
Street Light Maintenance
Agreement
2010



 **INTEGRAL**
energy
The power is in your hands

1. TITLE OF ARRANGEMENT

This Agreement shall be known as the Integral Energy Street Light Maintenance Workplace Arrangement Agreement 2010.

2. PARTIES TO THE ARRANGEMENT

The parties to the arrangement are:

- Integral Energy Australia
- Electrical Trades Union of Australia, New South Wales Branch

3. TERMS OF THIS AGREEMENT

These terms and conditions provide for Street Light bulk change and all associated maintenance in the geographical area covered by Integral Energy franchise. This agreement shall remain in effect from 1 May 2010 until the parties to this agreement agree to either replace or terminate this agreement.

3.1 12 MONTH REVIEW

This agreement is formed on the basis of the "Integral to Integral" response to RFT1165/09T. To ensure that the commitments to performance that formed the basis of this RFT response are met, a review of the group lamp change program shall be conducted at the 12 month point of this agreement. If at this point, the nominated KPI's of this agreement are not being achieved, Integral Energy may at its discretion reassess opportunities to deliver the group lamp change program utilising another source.

In order to fairly and transparently conduct this review, a number of KPI's have been developed that reflect the contents and assumptions of the tender response.

These essential KPI's are contained in Appendix 2 to this agreement.

Where any of the essential KPI's are not met, a consultation process will be undertaken in accordance with the award to address these failures. Where it can be demonstrated that the failure is outside of the control of the staff working within the terms of this agreement (i.e. material supply issues) the corrective action will not penalise these staff members.

4. HOURS OF WORK

The parties to this agreement recognise the importance of managing fatigue and have included in the list of KPI's, some that are specifically aimed at protecting the safety of employees from the impact of fatigue.

This includes having a nominal flexible spread of hours between 6.00am - 6.00pm, Monday to Friday, unless otherwise mutually agreed with a maximum of 10 Hrs on any one day.

Staff will agree to work efficiently in an effort to ensure that all Customer Guarantees are met within these hours. All staff will be granted one Roster Day Off per fortnight. For those staff currently working a 4 day week this may necessitate being available to work on a Roster day.

Normal Hours start or finish times can only be varied by agreement with the nominated supervisor.

Integral Energy is committed to the fair and equitable spread of overtime. In order to achieve this, the organisation has set a target gross salary to base salary ratio of 1.5. Where this target is not achievable at the same time as the program delivery, the organisation will assist staff to achieve the program requirements to meet the KPI's contained in Appendix 2.

5. DURESS

The parties confirm that the arrangement was not entered into under duress and has been developed in accordance with the Industrial Relations Act 1996 (NSW) and the Integral Energy Award 2008.

6. AWARD COVERAGE

Street Light Maintenance employees are covered under the Integral Energy Award 2008 for any provisions not covered under this arrangement.

7. WORKPLACE FLEXIBILITY

The parties agree to flexible working arrangements, outside of normal hours, consistent with the intent of this workplace arrangement.

8. PROCEDURES

Street Light crews will be required to carry out maintenance in accordance to RFT1165/09T including Schedules WAE2029 and WAE2030.

The source of work covered under this agreement for Street Light maintenance includes:

- a) For Group Lamp Replacement maps will be allocated to crews on a program basis.
- b) In process repairs discovered during the program agreed with Street light auditor and Operations Manager
- c) Fault Repairs after customer calls and patrol faults.

Where it is deemed that any alterations to procedures after the date of this agreement impact upon the Terms & Conditions of this arrangement a review can be initiated by any of the parties concerned and if after renegotiation the parties reach agreement a further arrangement will be entered.

9. PERFORMANCE CRITERIA

Attached at Appendix 2 is a set of Key Performance Indicators (KPI's) that the parties will use to manage the obligations of the RFT1165/09T under an internal model.

Street Light crews are required to safely achieve an average of 15 Street Lights per hour or equivalent. This metric, nominated in the response to the tender, forms the basis of the program and failure to deliver this will result in failure to achieve program requirements.

Employees will retain all leave entitlements associated with the Award current at any time during the term of this agreement. Where costs, such as excessive sick leave, exceed the level assumed in the development of the RFT response, these issues will be managed in line with Company Policy at the time.

10. WARRANTY

The requirements of RFT 1165/09T stated that no additional payment was applicable where a faulty lamp was found and replaced during bulk lamp testing. The application of this clause to the internal crew means that if a lamp requires rework the bonus claimable for this lamp cannot be claimed for the second visit to undertake any additional repairs. At no time can both the bulk lamp change bonus be claimed in addition to any repair bonus.

This condition was accepted in the RFT response by employees and in accepting this item the internal tender accepted that no additional bonus payment or contribution to bonus calculation would be applicable.

Where issues of material supply are identified, this will be taken into consideration when evaluating KPI's associated with faulty lamps.

11. AWARD RATE PAYMENT PLUS BONUS RATE AND PAYMENT ARRANGEMENTS

Staff will receive their award base payment plus appropriate allowances for normal hours. All award provisions including leave payments and superannuation will be calculated and paid at the appropriate rate as applicable under the Integral Energy Award 2008. The base salary plus appropriate allowances will be paid weekly. Claims for payment of weekly salary will be made on an Integral Energy weekly timesheet (FUM0012).

Claims for bonus payment under this agreement will be made on a weekly basis using the 'Group Change / Fault Repair Weekly Log' sheet (FNV1027). Bonus payments will be made fortnightly. Payment of bonuses will be made through the payroll system in the fortnight following the lodgement and processing of the claim. Such payments are made in accordance with the Integral Energy Award 2008.

Where the Street Light crew exceeds the base number of Street Lights, as described in the table below, for a two-week period each person in the crew shall be paid a bonus in accordance with the calculation procedure outlined in Appendix 1.

If the Street Light Crew fails to achieve the base rate for any two-week period then the net shortfall will be carried forward into subsequent periods until the minimum required streetlight repairs or bulk changes are achieved. No bonus is payable until this shortfall is accounted for.

Group Lamp Change Rates

Street Light activity	Base qty per hour	Equivalent number of lamp changes
Lamp change	11	1
Luminaire change		3
PE Cell		0.625
Diffuser replacement		0.75
Gasket replacement		0.75

Table 1: Street Light equivalency

Where a Street Light Crew changes more than the base number of equivalent Street Lights in a two-week period, an additional payment will be calculated at the rate of:

- a) \$7.76 for each additional lamp replaced for the 2-man crew. This equates to \$3.88 per staff member per lamp.
- b) For each additional In Process Repair the 2-man crew, the following will apply.

In Process Additional Items

Street Light activity	Payment per crew member (for a 2 person crew)
Luminaire change	\$11.64
PE Cell	\$2.43
Diffuser replacement	\$2.91
Gasket replacement	\$2.91

Table 2: Bonus values

Claims will be audited and confirmed by Integral Energy prior to payment.

Only claims that have been entered on the computer database will be paid. Weekly log sheets must also be submitted when on Annual / Long Service etc to assist processing.

c) Rates for additional payments contained in this agreement shall remain fixed for the length of this agreement.

*Bank 14?
Size 4*

Work other than those described in this agreement are considered outside the scope of the bonus activity and are "Other Directed Work"

12. Fault Repairs

Repairs, as described in 8(c) of this agreement that are done outside of the group lamp replacement program, examples such as those reported by the public or by local councils, will be considered as part of the "Other Directed Work" category for calculation of KPI's.

A repair bonus will be applicable on these repairs after a base quantity of 2.25 repairs per hour is reached. A bonus payment of \$8.82 per repair per person for a 2 person crew will be paid with this value indexed to award increases.

Fault Repair Items

Street Light activity	Base quantity per hour	Equivalent number of lamp changes
Fault repair	2.25	1
Luminaire change plus choke removal		2
SLCP repair		2

13. CALCULATION METHODOLOGY

The following adjustments shall apply:

Part A: Group Lamp Change Bonus payment

i) Calculated Base Hours per Fortnight

The following deductions shall be allowed from the base 72 hour when calculating the adjusted hours worked:

- Any period of approved leave taken in a two-week period.
- Any Public Holiday.
- Other Directed Work.
The RFT response was predicated on the achievement of 70% of normal time being directed to work other than group lamp change. The actual worked hours on these other activities will be deducted from the base hours.
- Sick leave non-production.
A crewmember who does not give timely advice of sick leave which results in lost production time, will be penalised the equivalent lost time.

Excess travel time (in excess of 1 hour from their normal work area) will be booked and charged to a separate work order. This will be included in the calculation for the total program cost.

ii) Calculated Number of Street Lights

For Group Lamp Replacement the equivalent number of lamps shall be the summation of:

- (i) each lantern that had a lamp replaced = 1 lamp each
- (ii) each lantern that had multiple lamps replaced = 1 lamp

To calculate the base number of Street Lights for hours worked on Street Light maintenance in a 72-hour period the following is used:

The adjustment calculated in Part i) above will be deducted from 72 (with the exception of the sick leave non-production which is effectively added to the 72 hours.

The resulting hours are then multiplied by 11 to give the total number of lamp change equivalents required before a bonus can be paid. This will be rounded to the nearest whole number.

Part B: Fault Repair Bonus Payment

For Fault Repair the number shall be the summation of the number of equivalent fault repairs completed times the equivalent bonus payment for each repair as per Table 3.

14. MAXIMUM NUMBER OF STREET LIGHTS TO BE GROUP LAMP REPLACED

So as not to over-burden any individual Street Light crew with too large a workload, no individual crew will be allocated more than 600 Street Lights in a two-week period.

Employees included in the bonus scheme will not be eligible to work extra overtime or claim any overtime related allowances beyond the scope of the Group Lamp Change Bonus Scheme for bulk lamp change activities except by prior approval for jobs requiring traffic control.

15. STANDARD OF WORK

The date that each lamp is replaced is to be marked on each lamp with an indelible marker.

As work is completed errors found are to be recorded and forwarded for correction.

The staff will be required to complete all work in accordance with the RFT document 1165/09T.

Integral Energy has in place a number of policies, procedures and processes that provide for a safe workplace that meet all legislative and external authority regulations. These systems, as they exist at any particular point in time, are applicable to all staff working under the terms of this agreement.

16. REPORTING

Reporting is currently a mixture of old paperwork forms and computer data base entry.

As hand held computers are introduced some methods of reporting will change.

Fault repairs will be entered into the OMS computer database preferably daily. Patrol faults must be entered on the 'Street Light Patrol Report Form' which is to be submitted the day following the patrol.

The 'Group Lamp Replacement Weekly Reporting Form' is to be submitted on completion of each week's work.

Maps and computer catalogues are to be marked up and returned as soon as completed.

17. FUTURE PAY INCREASES

The basis of the 'Integral to Integral' RFT submission was budgeted to a maximum 3% pa future pay increases (inclusive of all increases such as superannuation) for the term of the three year agreement.

During the term of this agreement all staff working within the terms of this agreement will be eligible to receive any award increase. However, if any increase in excess of the budgeted 3.0% is negotiated for the new Integral Energy Award/Agreement (Core Award/Agreement) then the parties to this agreement agree to commence consultation, at the earliest opportune time, to identify improvements in efficiency and or productivity gains to fund the difference between the RFT budgeted figure and the negotiated Award/Agreement base increase outcome.

The initiatives used to meet the requirements of this clause cannot include any initiative identified as a corporate initiative used to satisfy the requirements of the NSW Governments State Wages Policy. If prior to the Award increase outcomes additional savings or efficiency improvements have been implemented to cover the increase above 3% no additional savings will be required.

18. ONGOING MANAGEMENT OF THIS AGREEMENT

Grievances and disputes will be resolved under the Disputes clause of the Integral Energy Award or Agreement.

Any consultation required in regards to terms of this agreement will be conducted in accordance with the Consultation and Communication clause contained within the Integral Energy Award or Agreement.


This agreement can be modified at any time by agreement between all the parties.

19. CERTIFICATIONS

For and on behalf of
Integral Energy:


.....dated 30/4/2010
Liz Schenke
Group General Manager Corporate Services

For and on behalf of the
Electrical Trades Union


.....dated 11.5.10
Mr Bernie Riordan
Secretary Electrical Trades Union
NSW Branch

Appendix 1

Calculation of Bonus Payment per Staff Member

Group Lamp Replacement

Total lamps changed (Exclude lanterns changed)	(a)	
Total of Group Lamp Change Hrs (normal time). Do not include extra hrs worked on weekends etc. Attach copy of booked hours	(b)	
Base Quantity (11 per hr)	$11 \times (b) = (c)$	
Equivalent lamps - Base Quantity	$(a) - (c) = (d)$	
Bonus Amount	$\\$3.88 \times (d) = (e)$	

Group Lamp In Process Additional Items

Work Done	Quantity (A)	Bonus ea (B)	Total Bonus (C)
Luminare change		\$11.64	
PE Cell		\$2.43	
Diffuser replacement		\$2.91	
Gasket replacement		\$2.91	

Fault Repairs

Total Fault Repairs completed	(v)	
Total of Fault Repair Hrs (normal time). Do not include extra hours worked on weekends etc. Attach copy of booked hours	(w)	
Base Quantity (2.25 per hr)	$2.25 \times (w) = (x)$	
Equivalent repairs – Base Quantity	$(v) - (x) = (y)$	
Bonus Amount	$\\$8.82 \times (y) = (z)$	

Bonus (e) + column (C) + (z) =

Appendix 2

Bulk Change Program KPI's

12 Month Review Critical KPI's

Safety

1. Maximum number of lamps (or equivalents) completed
 - Target Maximum 600 per fortnight
2. Incidents of working outside agreed hours without supervisor permission
 - Target zero

Program Delivery

1. Program Compliance
 - Target 100% in all areas (Excluding any agreed identified issues beyond control of the staff signed onto this agreement)

Quality

1. Audit findings
 - Target less than of 1% of lights not functioning due to defective workmanship during post group lamp change auditing

Cost

1. Maximum Estimate at Completion.
 - Less than 100% of tendered program cost (excluding management component)

Other Management KPI's – To be reviewed and acted upon by crews but not used for purpose of the 12 Month Review

1. Shared overhead structure
 - 70% of time booked to other directed work (Averaged across crews for entire period)