

Business Plan

Fleet

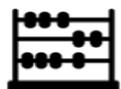
2019-24 Regulatory Period

Standard and Alternate Control

Supporting Document 12.1.17

Executive Summary

Portfolio Overview



> **3,533 assets in operation**



> 517 heavy vehicles



> 1,236 light vehicles



> 1,780 trailers and specialist plant



> **~ 41million Km p.a. travelled**



> **\$191M replacement value**



> **122 garaged locations**



> **Harsh, varied and unique environments**



> **Full lifecycle management services**

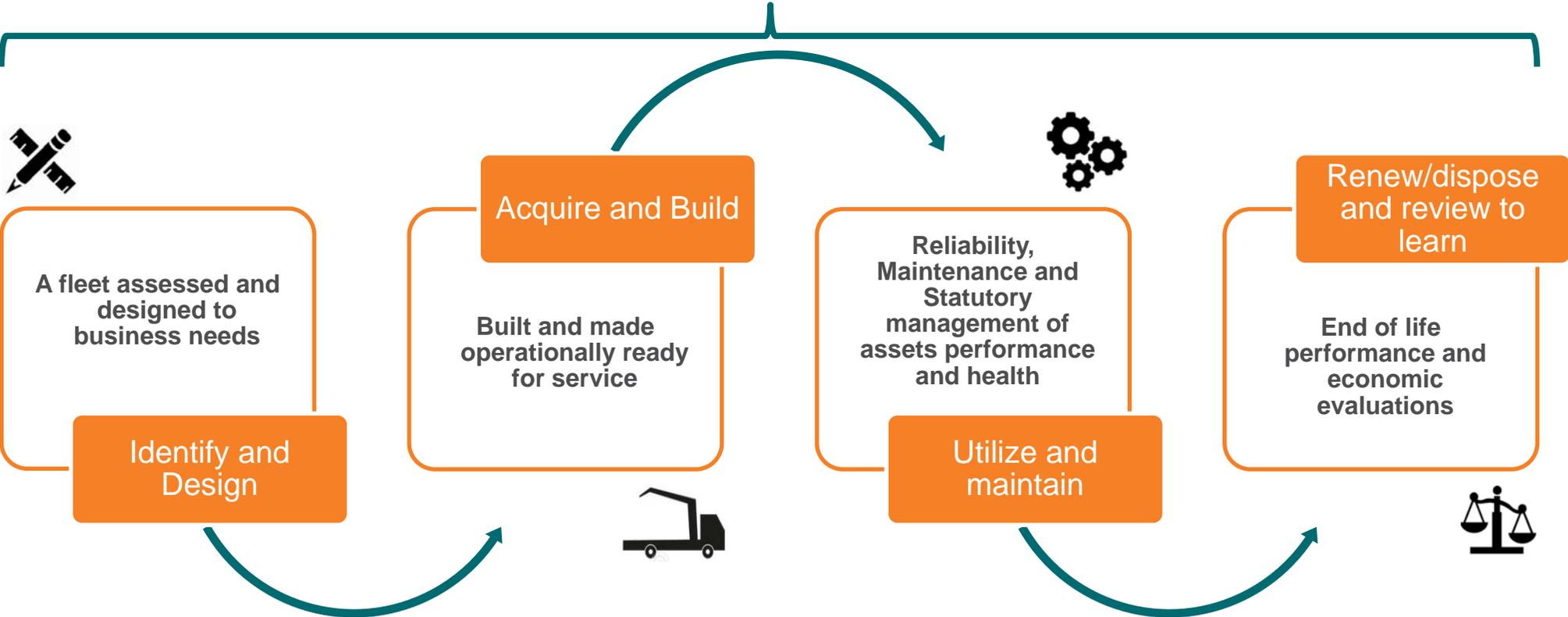
Asset	Average KMs pa	Quantity*	Average Age (years)	Economic Lifespan (years)
Passenger Vehicle	22,613	64	6	4
Light Commercial Vehicles	25,192	1,172	5	5
Heavy Fleet (excl. Truck with Plant)	11,725	195	8	15
Specialised Plant (& Truck)	16,518	322	7	15
Forklifts, Minor Plant and Trailers		1,780	13	8 to 15
Total Fleet	21,623	3,533	9	4 to 15

* Quantity is total business, standard and alternate control portion is 95.5%

Executive Summary

Fleet Functions and Services

The Asset Life Cycle



Asset Lifecycle Management

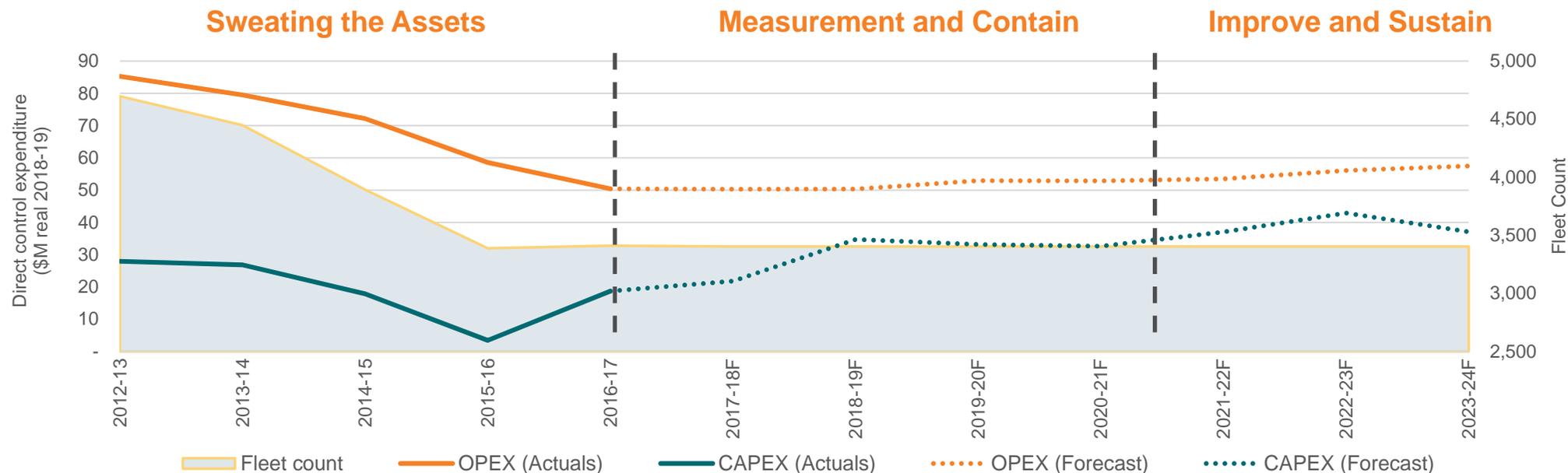
Overall Equipment Efficiency and Effectiveness Assessment and Management

Contract Management

Statutory Requirement Management

Executive Summary

Asset Trends



- > “Sell over repair” masking expenditure (**fleet downsizing**)
- > Asset **life extensions** due to uncertainty
- > Preference disposal of heavy assets to detriment of fleet suitability (**over mass issues**)
- > **Risk increase** due to aging assets in operation

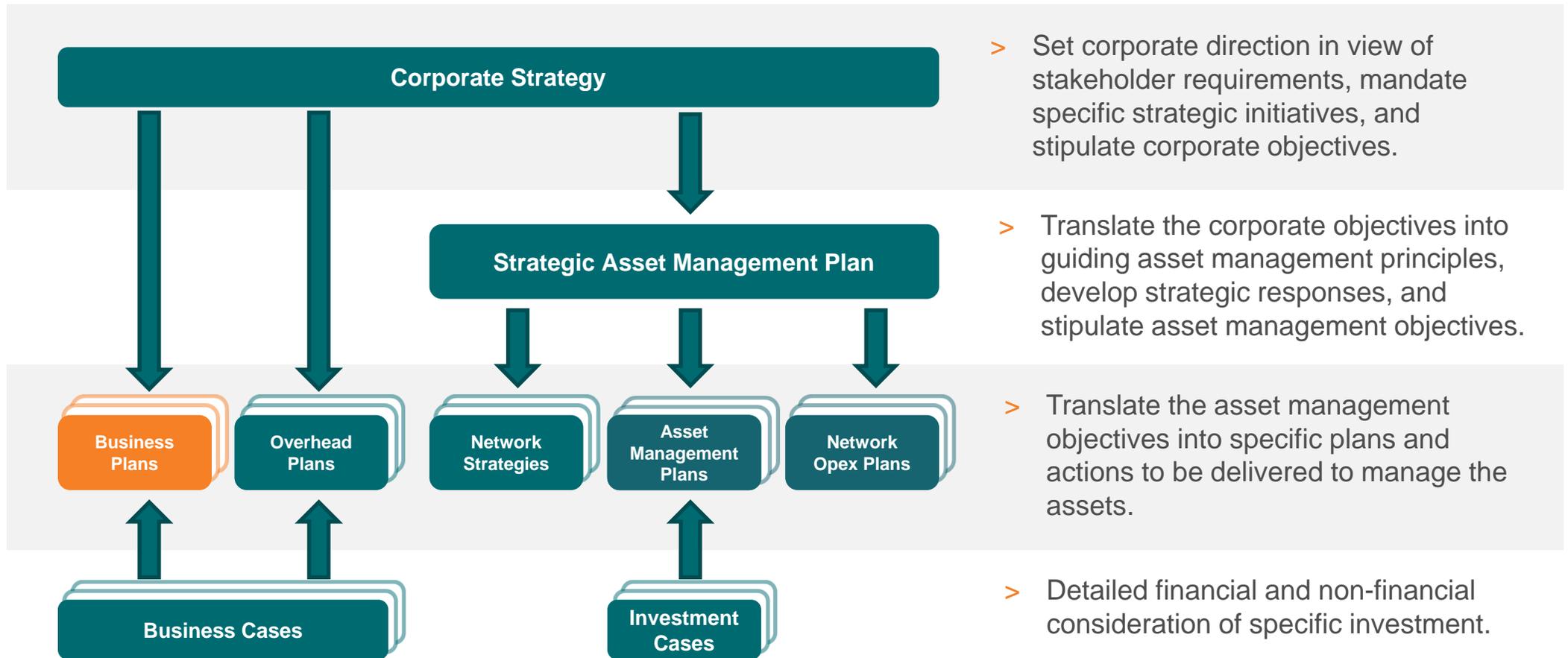
- > Risk controls to **manage aging assets** still in service
- > Return to **sustainable** levels of **maintenance spend**
- > Investment in new asset management technologies (**telemetric’s and defect reporting**)
- > Application of **asset management systems and processes** to fleet management

- > Stabilised fleet **health and performance**
- > **Suitable fleet classes** introduced
- > Routine lifecycle **planning** and **performance measurement**
- > High **accuracy fleet forecasting** and monitoring
- > **Consistent and sustainable** improvements in efficiency and effectiveness.

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Document hierarchy and purpose



Current State



> Asset health level low, increasing risk and efficiency losses (indirect costs)



> Limited asset or lifecycle management principles or concepts applied to fleet



> Risk profile of fleet increasing due to asset deterioration



> Divest before repair artificially lowering Opex requirements



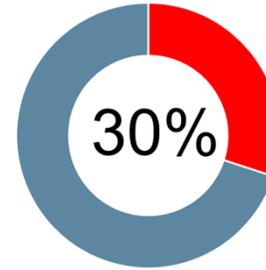
> Increasing legislation and regulatory requirements



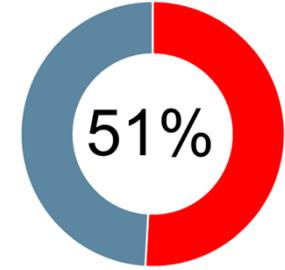
> Significant proportion approaching end of lifecycle (including statutory assets)



> Lack of fleet modernization and adoption of newer technologies



of fleet to be replaced or refurbished in regulatory period



Light Commercial Fleet (LCV) outside of operational lifespan

Asset	Quantity*	Overdue for Replacement	Percentage of Fleet
Passenger Vehicle	64	40	63%
Light Commercial Vehicles	1,172	597	51%
Heavy Fleet (excl. Truck with Plant)	195	5	3%
Specialised Plant (& Truck)	322	0	0%
Forklifts, Minor Plant and Trailers	1,780	418	23%
Total Fleet	3,353	1,060	30%

* Quantity is total business, standard and alternate control portion is 95.5%

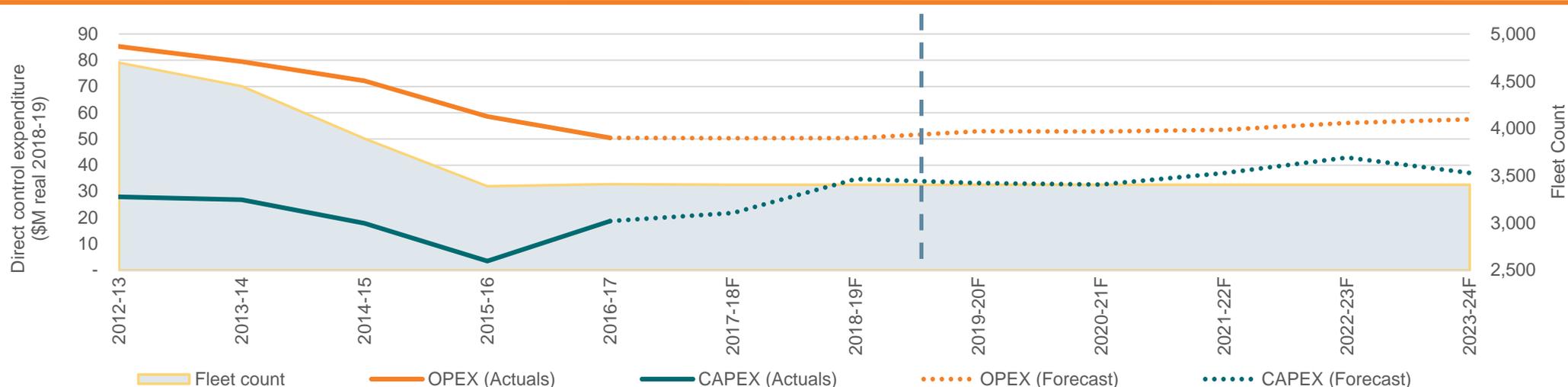
Expenditure Profile

\$182.8M

CAPITAL INVESTMENT PLAN 2019 -2024

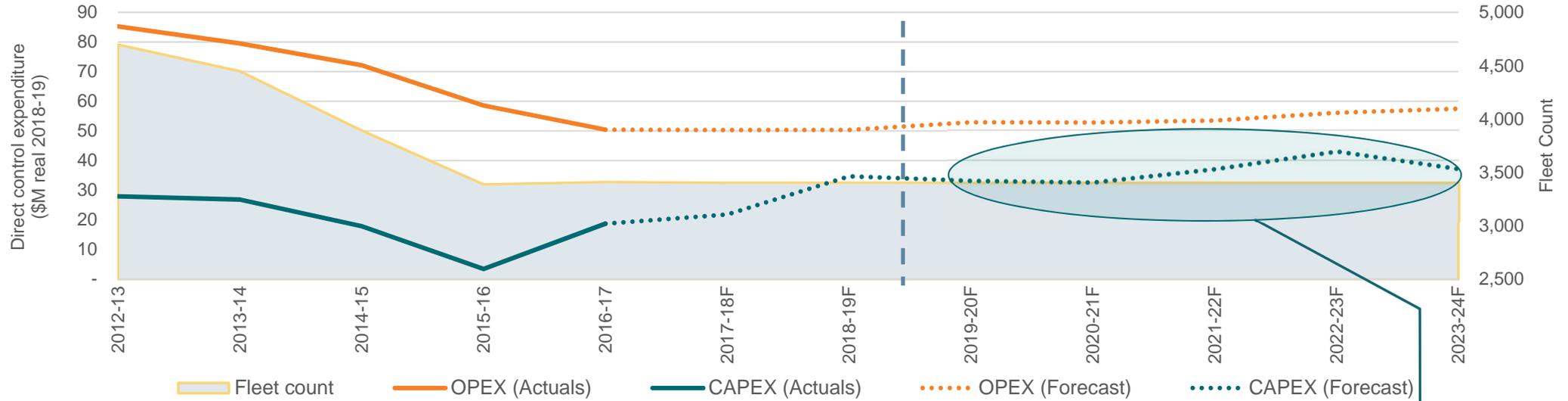
\$272.8M*

OPERATIONAL INVESTMENT PLAN 2019 -2024



Current State	Key Initiatives (Responses)	Future State
Aged and deteriorated fleet	<ul style="list-style-type: none"> > Application of asset management principles and processes to fleet > Introduction of lifecycle performance (utilisation and efficiency) monitoring and management > Light and Heavy fleet replacement strategy 	Asset health profile stable and monitored
Increasing risk profile and exposure		Asset performance monitored against life plans
Poor fleet reliability and high total cost of ownership		Asset lifecycles constructed and managed on total risk profile and total cost of ownership
Absent asset management practices		Best in class Overall Equipment Efficiency (OEE)

Expenditure Drivers - Capex



> Capex profile weighted towards light vehicle replacement early in cycle



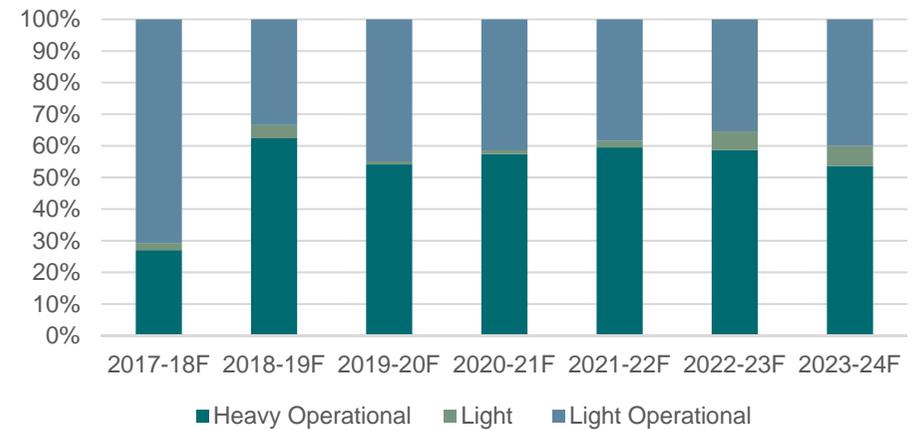
> Average light vehicle age < 5yrs by 2020



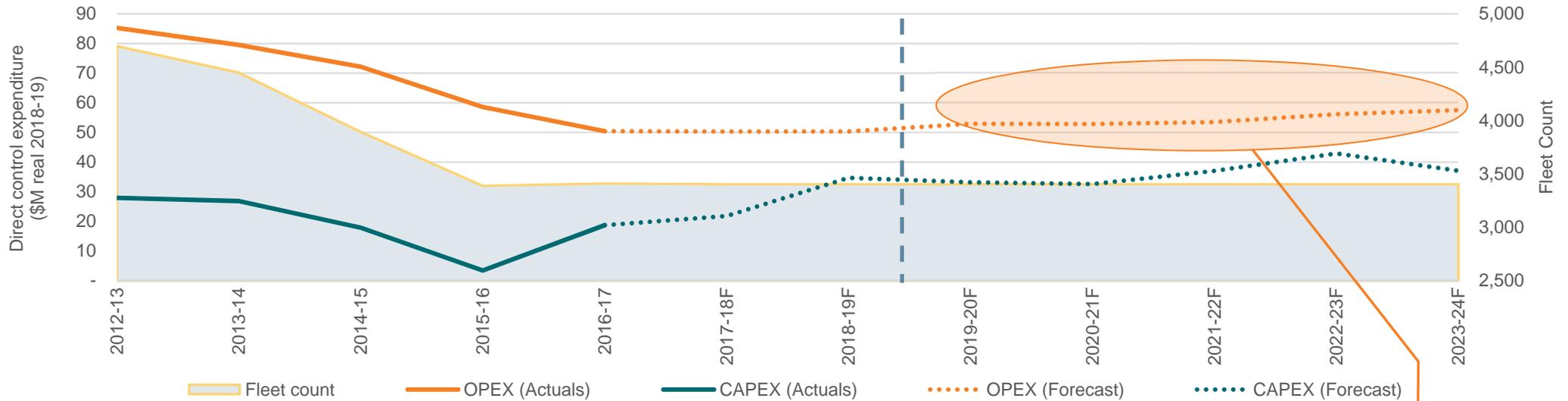
> Introduction of 5 star ANCAP units lowers risk profile



> Statutory heavy asset midlife refurbishment / replacement liability peaks 2021



Expenditure Drivers - Opex



> Capex investment in fleet stalls rise in Opex and stabilises spend



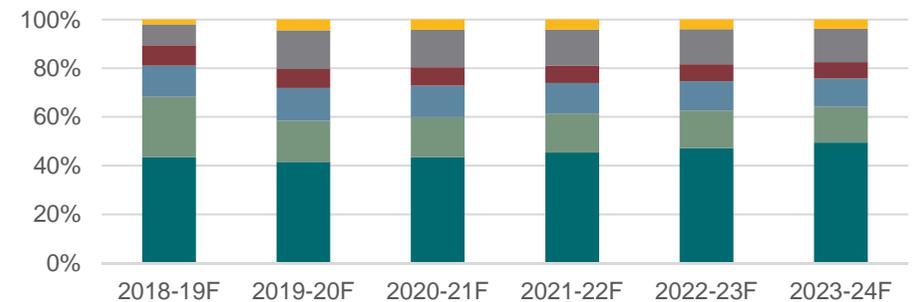
> End of life failures (engines, transmissions, chassis) avoided – maximising returns at disposal



> Increase of \$1.0m p.a. to Fleet Management External due to telematics' services



> Reduction in damage due allowances to improved driver aids (i.e. reversing cameras), design improvements and telematics



■ Depreciation ■ Direct Asset - Maintenance ■ Direct Asset - Operation
 ■ Insurance and Licensing ■ Fleet Management ■ Fleet Management External

Combined Expenditure Summary

\$M real 2018-19	2017-18F	2018-19F	2019-20F	2020-21F	2021-22F	2022-23F	2023-24F
Heavy Operational	\$6.2	\$22.2	\$17.8	\$19.0	\$22.8	\$26.4	\$21.0
Light Operational	\$16.2	\$11.9	\$14.7	\$13.7	\$14.7	\$15.9	\$15.6
Light	\$0.5	\$1.5	\$0.3	\$0.4	\$0.8	\$2.6	\$2.5
Management Initiatives	\$-1.1	\$-0.8	\$0.3	\$-0.4	\$-1.4	\$-2.1	\$-2.0
CapEx Total	\$21.8	\$34.7	\$33.2	\$32.6	\$37.0	\$42.9	\$37.1
Depreciation	\$21.4	\$21.7	\$23.5	\$25.1	\$26.9	\$29.9	\$32.0
Direct Asset - Maintenance	\$12.2	\$8.8	\$8.9	\$8.8	\$8.8	\$8.9	\$8.7
Fleet Management	\$4.3	\$8.3	\$8.3	\$8.2	\$8.2	\$8.3	\$8.2
Direct Asset - Operation	\$6.3	\$7.0	\$7.0	\$6.9	\$6.9	\$7.0	\$6.9
Insurance and Licensing	\$4.1	\$4.1	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0
Fleet Management External	\$1.0	\$2.3	\$2.3	\$2.2	\$2.2	\$2.3	\$2.2
Management Initiatives	\$1.0	\$-1.9	\$-1.0	\$-2.4	\$-3.5	\$-4.3	\$-4.5
OpEx Total	\$50.3	\$50.3	\$52.9	\$52.8	\$53.5	\$56.1	\$57.5
Total	\$72.1	\$85.1	\$86.1	\$85.5	\$90.5	\$99.0	\$97.0

- Management Initiatives Included**
- > More targeted maintenance (internal reliability and maintenance analytics)
 - > Better operational cost and variance analysis (internal spend management)
 - > Improved maintenance effectiveness (internal asset management)
 - > Improved total cost of ownership and lifecycle measuring and management
 - > Holistic asset option assessment and analysis at asset design stage
 - > Overall Equipment Efficiency (OEE) monitoring and management introduced

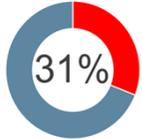
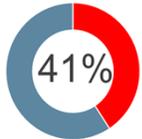


**Capex
reduction
2019-24**



**Opex
reduction
2019-24**

Key Challenges and Responses

Key Challenge	Response	Investment / benefit Proportion
1. Improvement of average fleet age and asset condition	a) Fleet identification, assessment, selection and investment program to suit business requirements. b) Introduction of reliability management: In life performance and assessment functions, improved quality assurance of in life activities.	 <p>31% of fleet Capex</p>
2. Heavy fleet statutory rebuilds and replacements falling due in regulatory period	a) Heavy asset economic assessment and investment program b) Revised asset identification and selection processes to identify new, more suitable technology and equipment	 <p>41% of fleet Capex</p>
3. Reductions in network activity	a) Previous fleet rationalisation limiting impact of reductions in network activity to the fleet profile b) Fleet rationalisation to be achieved through; <ul style="list-style-type: none"> i. Introduction of in life monitoring and overall equipment efficiency (OEE) measurement ii. Vehicle and fleet limiting factor analysis and scenario generation iii. Individual economic assessment of asset retention options 	 <p>-5% of fleet Totex</p>
4. Improve quality control and lifecycle management of fleet	a) Application of asset performance monitoring and asset management principles to the fleet and fleet management functions.	 <p>2% of fleet Totex</p>

Relevant Legislation and Policies

Legislation

Document	Relevance to the Business Plan
Work Health and Safety Act 2011	<p>To ensure the health and safety of our workers and the public, so far as reasonably practical</p> <p>Vehicles, plant and equipment are of a standard and in a condition that prevents or minimises safety risks</p>
Road and Maritime Services (RMS)	
Heavy Vehicle National Law Act 2012 (HVNL)	
National Heavy Vehicle Regulator (NHVR)	
Motor Vehicle Standards Act	
Australian Design Rules	
Australian Standards	
Office of Environment and Heritage (OEH)	
Protection of the Environment Operations (Clean Air) Regulation 2010	

Policies / Documents

Document	
CECP0002.33 Governance Non System Investment	CEOP2111 Risk Management Procedure
CEOM7039.01 Management of Fleet	CEOM7039.04 Heavy Fleet Vehicle and Equipment Inspections
CEOM7039.05 Heavy Fleet Vehicle and Equipment Maintenance	CEOM7039.07 Heavy Fleet Sourcing & Disposal of Vehicles and Equipment
CEOM7015 Fleet Drivers Handbook	Fleet Overview (Q4) – power point summary
Chain of Responsibility Legislation – industry briefing – National Heavy Vehicle Regulator (NHVR)	National Heavy Vehicle Regulator (NHVR) – Stakeholder communications pack – power point summary
NFR4 Risk Assessment and controls	Energy forum – Industry Benchmarking and Trend Analysis
National Roads Safety Partnership Program Benchmarking Analysis (Fleet)	

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