



# TasNetworks Fleet Utilisation and Optimisation Review

Executive Pack

October 2021

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# TasNetworks' Fleet Strategy

TasNetworks' Organisational Strategy, supported by the Fleet Strategy, seeks to efficiently and effectively manage fleet assets.

## Organisational Strategy

*"To provide the best outcome for our customers and owners by delivering safe, reliable and competitive network services, both regulated and unregulated, while also delivering profitable complementary services that are within our capability. We do this by operating a sustainable, lean and efficient business and looking for growth opportunities within our rapidly evolving environment."*

## Fleet Strategy

*"The Tool of Trade Fleet Strategy seeks to provide sound fleet management services and functions to ensure that all fleet assets are managed efficiently and effectively and that decisions regarding safety, procurement, maintenance and management of fleet assets are undertaken in a consistent and transparent manner."*

### Key Objectives of Fleet Strategy

### Other Strategic Aspects of Fleet

#### Service Provision

*Maintain cost-effective and timely processes for procurement, maintenance, management and disposal of the Tool of Trade vehicle fleet.*

#### Vehicle Acquisition

*To identify and meet the Tool of Trade Fleet asset needs of TasNetworks for operational services.*

#### Tool of Trade Fleet Asset Replacement

*To maintain an efficient and effective whole of life vehicle fleet, ensuring vehicles are replaced in accordance with optimum replacement cycles.*

#### Industry Standards

*To review developments and opportunities in industry practices to maintain best practice fleet services.*

#### Operations & Customer Service Delivery Enablement

*Fleet is a key enabler for the Operations & Customer Service Delivery division. Key drivers include availability of fleet to respond to unplanned faults and emergencies, and utilisation of fleet to efficiently deliver the program of work.*

#### The Environment

*To protect and minimise the environmental impact of Tool of Trade Fleet vehicles and encourage the purchase of fuel efficient and electrical vehicles.*

#### Performance Monitoring

*To continue to develop relationships and communicate with service providers to maximise contractual arrangements.*

#### Collaboration

*To extend opportunities for collaboration and communication between departments for the benefit of TasNetworks.*

#### Resource Management

*To provide a framework for delivering Fleet Services and utilise information system capability.*

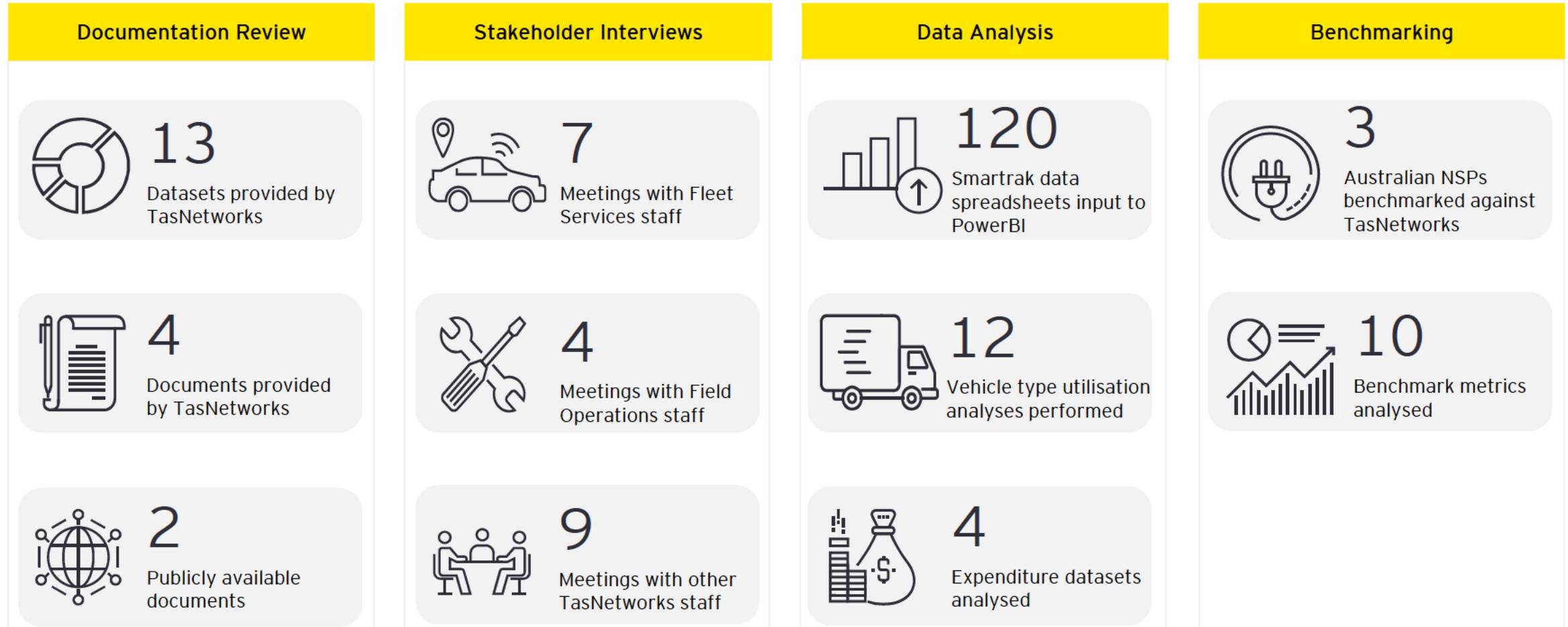
#### Employee Value Proposition

*For many field staff, access to their own vehicle is a key part of the value proposition. This has been common practice at TasNetworks even before the merger.*

#### Fleet Ownership Model

*TasNetworks owns 100% of their Tool of Trade Fleet Assets. TasNetworks outsources planned maintenance to a maintenance contractor.*

# We were asked to analyse fleet utilisation and identify potential recommendations to help reduce fleet expenditure



# We reviewed fleet composition, utilisation and associated expenditure and identified insights to inform potential optimisation opportunities

## Key Insights

### *Fleet daily usage is low*

- Heavy vehicles completed **less than five trips per day** on average.
- Light vehicles completed **less than seven trips per day** on average.

### *PHBE and MEWP time in use is low*

- 45% of PHBEs and MEWPs average **less than 400 hours usage per year** in service.

### *Pool vehicles are under-used*

- Pool vehicles were **used on only five to seven days in a ten-day fortnight**.
- Pool vehicles were **used for both long trips** (more than 70km) **and short trips** (less than 20km).

### *37 vehicles have particularly low utilisation*

- 26 vehicles in the fleet **travel less than 10,000km per year** in service.
- 11 heavy vehicles were **used less than half of the time** in a nine-day fortnight.

### *Replacement criteria identify significant replacement expenses*

- Total potential **replacement CAPEX up to \$26m** over the remainder of the 2019-2024 regulatory period per replacement criteria.
- **\$12.9M CAPEX** if all MEWPs identified by replacement criteria are replaced during the current regulatory period.

# We performed a deeper analysis of five potential optimisation opportunities identified in the Utilisation Analysis

## Potential Opportunities

**1** Light vehicle utilisation could be improved by reviewing and addressing allocation criteria.

**2** Some heavy vehicles are used infrequently, indicating that further optimisation is an opportunity, with works programming optimised.

**3** Pool vehicles have low distance travelled and are infrequently used, indicating the size of pool vehicle fleet can be reduced.

**4** Specific vehicles with very low distance travelled or infrequent usage may be reduced from fleet size.

**5** Continue to align TasNetworks' Tool of Trade Replacement Criteria and risk assessment to historic usage and maintenance costs.

## Potential Change to Fleet and Processes

- [Redacted]
- Change to allocation criteria

- [Redacted]

- [Redacted]
- Change to pool vehicle booking and usage

- [Redacted]

- Change to vehicle acquisition / replacement processes

# We identified five recommendations to optimise fleet utilisation and expenditure, with potential benefit of \$3M-\$19M

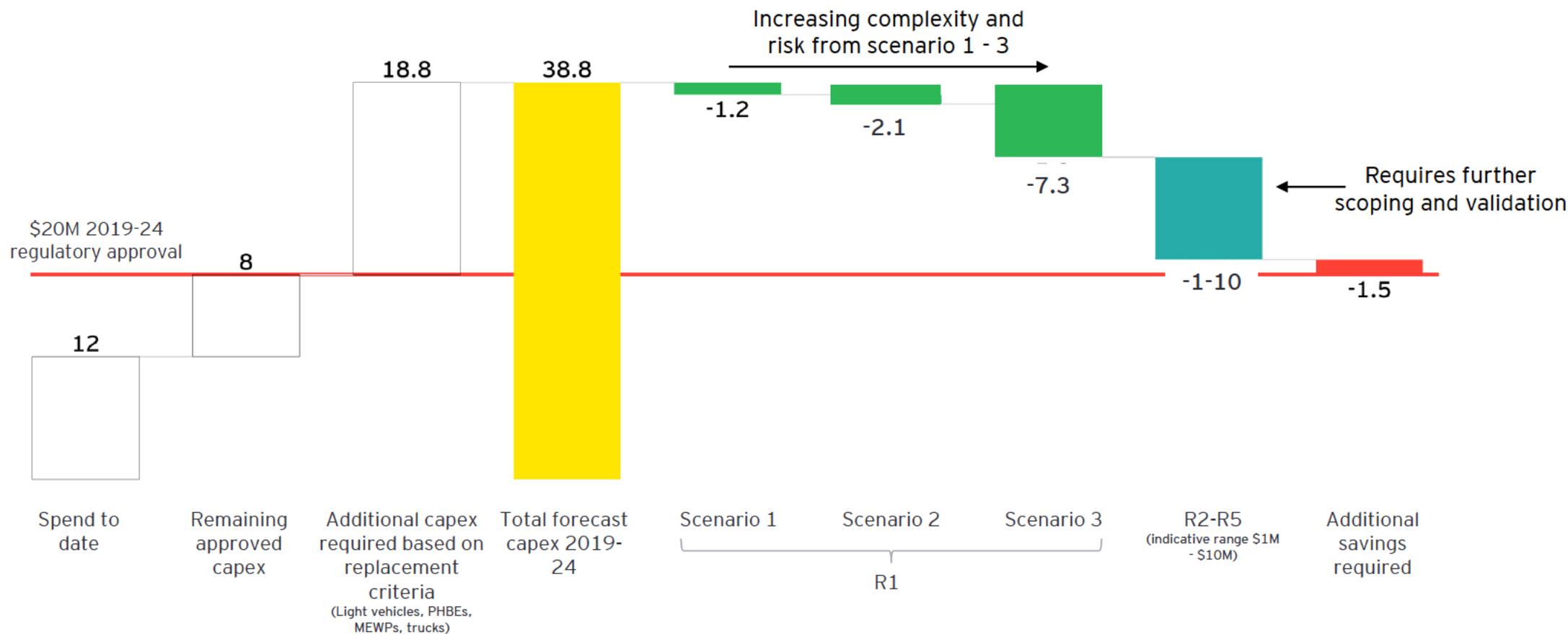
Recommendations	Potential Benefit <sup>^</sup>	Key Limitations
<p><b>R1</b></p> <p>[Redacted]</p>	<p>CAPEX \$1.2M - \$7.3M OPEX \$0.4M - \$1.6M</p>	<ul style="list-style-type: none"> <li>[Redacted]</li> <li>Allocation criteria need to be objective, clear and consistently applied.</li> </ul>
<p><b>R2</b> Investigate alternative fleet procurement strategies or transport options to replace vehicle reductions and existing fleet</p>		
<p><b>R3</b> Continue to update replacement criteria to optimise OPEX and CAPEX by aligning criteria to historic maintenance data</p>		
<p><b>R4</b> Continue vehicle standardisation initiatives to improve ability to share vehicles and optimise CAPEX and OPEX</p>		
<p><b>R5</b> Ensure that there is a link between current and upcoming initiatives to improve efficiency of works delivery and fleet</p>	<p>CAPEX and OPEX \$1M - \$10M *</p>	<ul style="list-style-type: none"> <li>Change management relating to new fleet processes and usage</li> </ul>

<sup>^</sup> Potential benefits have been estimated using historical data and key assumptions. It is recommended that further activities are undertaken to validate assumptions documented in this report prior to executing recommendations.

\* This is a high level indicative estimate only that requires further investigation to scope and quantify potential benefits.

# Improving fleet utilisation alone will not bring CAPEX costs to required levels, and will require broader changes across fleet and works delivery

In addition to the maximum \$7.3M benefits identified in R1 (based on the scenario with highest estimated benefits), \$11.5M of net benefits across R2-R5 (and any other initiatives) need to be identified to reduce CAPEX to within the approved \$20M.



# We have developed a roadmap for implementation of recommendations across three timeframes

