

# Fleet Purchase and Funding Roll Forward

## Recommendations

That the Board:

- i. Approve expenditure of up to NZ\$2 million (GST exclusive) on Auckland Transport Fleet Vehicles in FY 2014 - this being the purchase of up to 80 vehicles at an average per unit cost of \$25k each, to occur between April and June 2014.
- ii. Approve the reallocation of funding from the 2015 year in to 2014 and from **(passage redacted)** this being an internal transfer between AT Business Units and years.

## Executive summary

AT is in the process of replacing its Fleet through Toyota New Zealand which has been transacted through the All of Government (AOG) procurement initiative run by Ministry of Business, Innovation, and Employment (MBIE). AT inherited an aging vehicle fleet from the reorganisation in November 2010 and did not commence its refreshment program until July 2013.

To date, 70 of a total Fleet of 172 vehicles have been replaced and it is proposed to accelerate the purchase to an optimised level which is anticipated to be a final fleet of between 140 and 160 vehicles.

The fleet vehicle capital for the 2014 financial year has been committed. However, the replacement of **(passage redacted)**, originally planned for FY 2014 with a budget of \$2m, is likely to occur<sup>1</sup> in the 2015 financial year - the timeframe where AT intended to replace most of its remaining Fleet. Accordingly Board approval is sought for a reallocation of funding between Business Units and years. The net effect of this proposed substitution on AT's Capex profile for FY 2014 and FY 2015 years is zero; with only a minor difference in depreciation due to differing assumed life for vehicles compared with **(passage redacted)**. The purchase of new vehicles will however result in a reduction in Opex costs with maintenance costs being approximately \$800 per vehicle per year lower than those being replaced (approximately \$60,000 per annum).

## Strategic context

AT's revised Draft Vehicle Policy states a life of four years or 80,000 kms for passenger vehicles and five years or 100,000 kms for light commercial vehicles (whichever comes first) with a minimum ANCAP (safety) rating of 4 stars. This policy being adopted in conjunction with advice from an externally engaged fleet specialist and is in accordance with good practice.

Currently 80 AT vehicles are, or soon will be outside policy and hence the proposed purchase will largely address this, while a separate stream of work to re-deploy newer under-utilised vehicles to where the business needs them, will happen concurrently.

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<sup>1</sup> A technology assessment will be the subject of a Board paper in April and subject to approval will then need to proceed to tender

## Background

A number of initiatives have been undertaken within the Fleet category over the last year including:

- The engagement of a Fleet specialist to assess AT's legacy fleet, meet with internal stakeholders to determine future requirements, and advise on procurement options, manufacturer and models;
- AT's participation in the AOG procurement initiative and appointment of Toyota NZ under this construct with a related service plan on all new vehicles;
- The implementation of Smartrak as AT's fleet management system including GPS functionality, Maintenance, and Booking system;
- A refresh of all Fleet policies and procedures;
- A recommendation to commence a pilot shuttle service across central AT locations – this being justified on the basis of a significant reduction in general pool vehicles.

As a result of GPS functionality in Smartrak, clarity over utilisation patterns has identified the need to change behaviour, specifically:

- Eliminate existing dedicated pools where not justified;
- Remove dedicated position vehicles (in conjunction with HR) where the position description no longer justifies the use of a vehicle.

The result of these being that the vehicles are released to the general pool whereby access is facilitated to those that require them and over time the general pool size and composition is optimised. The net effect is approximately 15-25 less vehicles required despite an increase in total FTE's and operational demands.

In communicating the above initiatives an improved culture of ensuring that the AT's Fleet asset is monitored, managed and used effectively is supported.

## Issues and options

There are no significant issues arising from this recommendation. The selection of Toyota and predominately sub compacts (Yaris and Corolla) will minimise cost (Capital and Opex) while raising the safety standards given their ANCAP safety rating.

## Next steps

- 1) Approval granted to purchase the vehicles and funding reallocated as detailed above;
- 2) Identification of next tranche of vehicles to replace;
- 3) Place order with Toyota NZ to purchase new vehicles for an amount not exceeding NZ\$2 million (GST exclusive).

## Document ownership

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