Strategic Fleet Asset Management Plan 2011 - 2016

DOCUMENT DETAILS

Document title	Strategic Fleet Asset Management Plan 2011-2016
Document ID	CO10216339
Document Version	Version 0.1/0.2
Version Date	28 February 2011
Document file name	SCSK-10/0003/001
Print date	

DOCUMENT CONTROL SHEET

Contact for Enquiries and Proposed Changes

If you have any questions regarding this document contact:

Name: David Watson

Title: Procurement Manager

Phone: 0458 994 048

DISTRIBUTION

Issue Date	Name	Title	Company

VERSION CONTROL

Version	Issue Date	Author	Nature of Amendment (Details)

1 Strategy Statement 4
2 Introduction 7
3 Goals and Objectives of Fleet Asset Management 8
4 Scope of the Plan 8
5 Purpose of the Plan 9
6 Fleet Asset Management Plan Framework 9
7 Service Levels 11
8 Demand Management 12
9 Fleet Asset Management Strategies 13
10 Disposal of Fleet Assets 16
11 General Fleet Administration 17
12 Fleet Improvement Project (FIP) 18
13 Risk Management 23
14 Financial Summary 27
15 Standards and References 30
16 Glossary 30

1 Strategy Statement

Sound Fleet Management principles are the key to financial sustainability of Aurora Energy's fleet assets. Fleet Services have an obligation to ensure that all assets are managed efficiently and effectively and that decisions regarding safety, procurement, maintenance and disposal of such assets are undertaken in an open and transparent way.

The management of fleet assets can not be done in isolation and needs to consider financial, social and environmental impacts in all decision making. Fleet Services are currently in the process of developing Fleet Policy, Guidelines and supporting Framework, which contains all information relevant to fleet activities and a draft document is available on the Volt.

The following are the key focus points of this Strategy:

Safety

We inspect and maintain all fleet assets regularly, prioritise and repair defects in accordance with manufacturer's recommendations to ensure that all relevant safety standards are met. All fleet assets are managed in compliance with Australian Design Rules including ANCAP ratings, Workplace Standards Tasmania legislation and Code of Practice.

Dedicated Fleet Asset Management Systems

Fleet asset management systems are defined as systems which support asset management processes and data analysis. The key strategy includes the implementation of a dedicated fleet system, which will provide improvements in data analysis and reporting, resulting in availability of comprehensive analysis of fleet performance.

Environmental

In delivering light and heavy vehicles and mobile plant assets, Fleet Services comply with Aurora Energy's corporate goals of managing environmental impacts and align with government's fleet selection criteria through purchases of assets, which minimise environmental impacts, comply with relevant environmental regulations and/or government directives in addition to the increased move to overall fuel efficient fleet.

Costs

The key drivers of costs to provide the Fleet Management Service consist of fixed and variable cost components over the life cycle of a fleet asset. The maintenance and capital expenditure are the major drivers required to deliver cost conscious fleet service levels in the next 5 years.

The 'Book Value' of Aurora Energy fleet assets as at the end of 2010 is $30.3 million.

The total maintenance and capital budgeted expenditure to provide the fleet services over the next 5 years is estimated at $55.5 million. This is an average of $11.1 million per annum.

All fleet operations are performed in accordance with the allocated fleet budgets.

Performance Measures

Quality

All fleet assets are and will be maintained to industry standards. Defects found or reported which are outside of service standards will be repaired immediately.

Function

The intent of Fleet Services is to ensure that an appropriate fleet network is maintained in partnership with relevant stakeholders to ensure that each asset matches the needs of the users and is of design and standard that is fit for the purpose of intended use.

Fleet attributes will be maintained at consistently safe levels and required storage will be provided for fleet equipment to ensure public safety.

Key functional objectives are:

- Develop safety conscious, cost effective management strategies for the long term
- Provide a defined level of service and monitor performance
- Effectively manage risks associated with fleet assets and possible asset failures and
- Continuous improvement in fleet asset management practices

Plans for the future 2011-2016

- Ensure that the fleet network is maintained at a safe and functional level as set out in this plan
- Identify operational efficiencies and benefits in FBT, fuel, pooling, maintenance and the ability to move with any possible increases or decreases in the size of Aurora's fleet and it's utilization
- Develop a culture of excellence in the delivery of fleet services while meeting customer's needs at the lowest sustainable cost
- Apply continuous improvement practices across the organisation
- Promote effective collaboration within and outside of the organisation

This fleet plan requires the following ongoing activities to ensure it remains effective:

- Periodic reviews to ensure that the Strategy continues to deliver the required outcomes
- Ongoing analysis of maintenance, repair and fuel costs
- Implementation of the Fleet Asset Replacement Guideline
- Review of funding levels for any additional fleet capital procurement or any upgrades relevant to safety standards
- Periodic reviews relating to replacement timing and Optimal Replacement Strategies

2 Introduction

Fleet Services team within Supply Chain Services are committed to the introduction of the Strategic Fleet Asset Management Plan 2011-2016. Fleet Services are responsible for the provision of light and heavy vehicles, mobile plant fleet assets and fleet asset management services to Aurora Energy and its subsidiaries, with Network Services division being the key customer, utilising approximately 85% of all fleet assets.

This plan is developed to identify accountabilities of the Fleet Services team and to demonstrate how the integration of all elements of the fleet asset management systems will be implemented during the next 5 year cycle.

The plan ensures a consistent approach to planning, operations, maintenance and disposal of fleet assets at all stages of their lifecycle. The plan also demonstrates responsive management of assets and services provided from the assets, compliance with regulatory requirements and effective management of risks.

This plan is to be read with the following associated documents:

- CO-#10015892-Aurora Energy Procurement Policy
- CO-#10006889-Sustainable Vehicle Procurement Policy
- CO-#10102977-Fleet Framework
- CO-#10177198-Fleet Improvement Program Management Plan

The plan covers the following Fleet assets as @ 31 December 2010:

Fleet Asset category	Number of units	Average Capital Value per unit
Light Passenger vehicles	133	$30K
Light Commercial vehicles	391	$41K
Heavy vehicles	30	$90K
MEWP (Mobile Elevated Work Platform units)	69	$285K
Borer units	8	$560K
Trailers, plant etc.	227	$25K

Key stakeholders in the preparation and implementation of this plan are:

Asset Services and Maintenance	➢	Service Providers
Aurora Operations	➢	Service requirements and key end users of the assets
People Services	➢	Policies and Salary Packaging
Finance Team	➢	Long term financial plans and operational financial data
Asset Strategy	➢	Governance and Asset Management Strategies
Tasmanian community	➢	End users and service providers to the community

3 Goals and Objectives of Fleet Asset Management

Fleet Services goal in managing fleet assets is to meet the required level of service in the most effective and cost conscious way to benefit present and future stakeholders and the Tasmanian community.

Key objectives of this plan are to:

- Outline the context of Strategic Fleet Asset Management
- Apply the Fleet Framework to all Aurora Energy's fleet assets
- Effectively manage the financial investment in fleet assets and develop long term, cost effective strategies
- Ensure that all fleet asset governance is consistent with Aurora Energy's purpose and strategic objectives
- Facilitate and demonstrate effective management and implementation of whole-of-life cycle approach
- Use a set of specific and measurable goals and objectives to guide the development and implementation of strategies for management of fleet assets
- Effectively manage the risks associated with fleet assets and asset failures
- Ensure that stakeholder requirements and expectations are met through the application of appropriate service levels at the lowest sustainable cost
- Seek continuous improvement in fleet asset management practices

This plan is prepared in compliance with Aurora Energy's purpose and strategic objectives.

Aurora Energy's purpose is 'to see the Tasmanian community prosper from our efforts'

Aurora Energy Group Strategic Objective is to 'enable the business to deliver sustainable commercial returns to the Shareholders and build a strong achievement oriented, safety conscious culture driven by capable people to get the best outcomes for our stakeholders'.

4 Scope of the Plan

The Strategic Fleet Asset Management Plan covers all Aurora Energy fleet and plant assets.

5 Purpose of the Plan

The overall purpose of the Strategic Fleet Asset Management Plan is to:

- Demonstrate responsive management of fleet assets compliant with regulatory requirements
- Ensure that Aurora Energy's fleet assets are managed in a sustainable way, now and in the future
- Minimise any adverse environmental impacts associated with fleet operations
- Focus on safety and sustainability
- Maintain fleet assets to a level of service commensurate with Aurora Energy's operations
- Ensure a cost conscious approach towards acquisitions and maintenance of all fleet assets
- Manage risk-centric issues within relevant policies and guidelines

6 Fleet Asset Management Plan Framework

The key elements of the Fleet Asset Management Planning are:

1. **Service levels**
Specifies how Fleet Services will meet customer's needs at the lowest sustainable cost

2. **Future demand issues**
Outlines how future demand will impact on service delivery and how Fleet Services will meet such issues

3. **Life-cycle management**
Describes how Fleet Services will manage existing and future assets and liabilities and provide required levels of service

4. **Operational management**
Details daily operational activities relevant to fleet asset management

5. **Risk management**
Ensures that risks are managed within the guidelines described in AS/NZS4360 – Risk Management

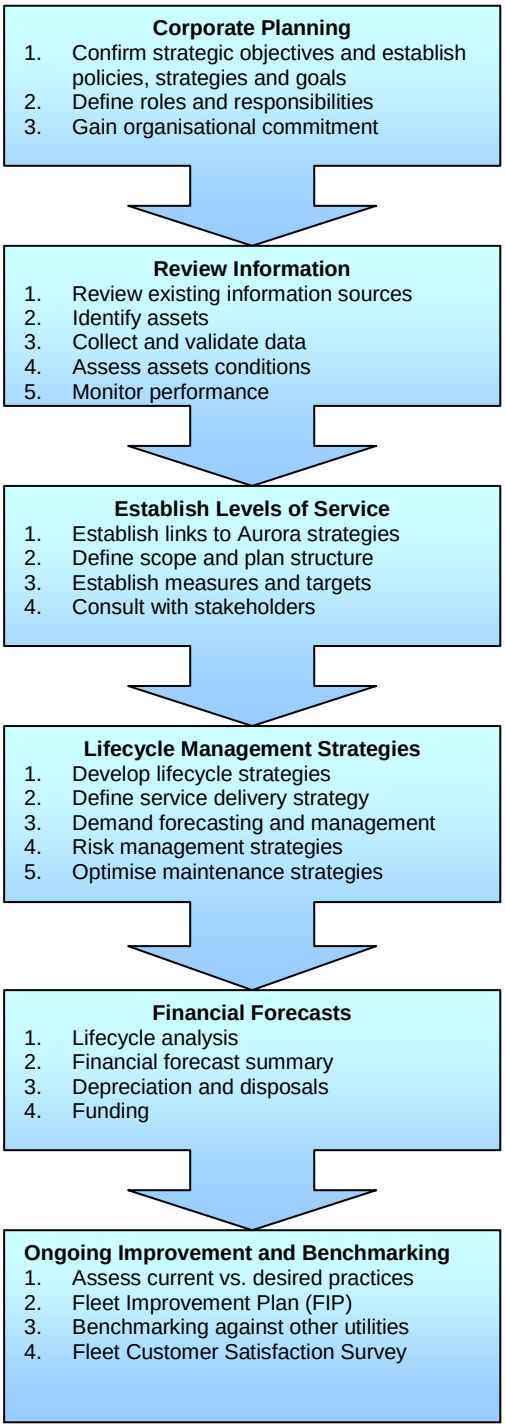
6. **Financial summary**
Describes what funds are required to deliver cost-conscious levels of service

7. **Performance measures**
How the outcomes of this plan will be monitored to ensure that the plan is meeting Aurora Energy's objectives

8. **Fleet Improvement Plan**
Constant improvement processes to ensure best practice and excellence in the delivery of fleet assets and related services

The below Roadmap outlines the approach taken in the development and implementation of the plan within Aurora Energy.

Roadmap for preparing the Strategic Fleet Asset Management Plan



This Strategic Fleet Asset Management Plan is prepared to meet legislative and organisational requirements for sustainable service delivery and long term financial planning and reporting.

7 Service Levels

The current levels of service have been developed based on existing practices, policies and legislative requirements. Fleet management service levels are based on consultations with the business to ensure that business objectives are met and the design and standard of fleet assets matches the needs of end users and provides fit for purpose solution for intended use.

Understanding the importance of service levels is vital for the lifecycle management of assets. They determine what type of assets are provided, how often they are replaced, maintained and how the assets will be disposed.

Service levels define the asset performance targets in relation to quantity, quality, reliability, responsiveness, safety, capacity, environmental impacts, cost, affordability and legislative compliance.

Drivers affecting service levels

The drivers which impact service levels can be broadly broken into 4 categories:

1. Legislative requirements:

These are the objectives and standards which must be met and are based on state, federal and international bodies to ensure safety of the users and the community.

2. Startegic and Corporate objectives:

The lifecycle management of fleet assets is aligned and consistent with goals and values of Aurora Energy as defined in the Aurora Energy Group Strategy 2010-2013.

3. Customer requirements:

These are the expectations of the customers and must be balanced with the customer's requirements and available budget to procure a fleet asset.

4. Program of Works requirements:

Fleet Services will review and take under consideration all legislative and operational requirements associated with divisional Program of Works including expenditure programs and methodologies for forecasting.

8 Demand Management

Demand Management is the proactive management of work initiatives (demand) with business constraints (supply).

Demand Management strategies provide alternatives to the creation of new, or the modification of existing fleet assets in order to meet demand.

Demand Management strategies assess ways to modify customer demand so there are increased opportunities to maximise the utilisation rate of existing fleet assets reducing or deferring the need for new or modified assets.

Demand analysis is still to be undertaken by the Fleet Services team and Demand Management strategies will be developed as the analysis are undertaken. Demand analysis will be carried out in future revisions of this plan.

Growth Trends

Changes to the size and scope of Aurora Energy's fleet assets are driven by the following trends:

- Changes to work practices
- Changes to technology
- Increasing or decreasing workloads

Further assessments and analysis are required to shape future cost projections.

Changes in technology are forecast to affect the delivery of services covered by this plan in the following areas:

Technology Change	Effect on Service Delivery
Introduction of new Fleet System	Improved efficiencies in service delivery and cost reduction
Alternative Fuel and Hybrid Vehicles	No effect on service delivery but reduction in emissions

Demand Factors

There are a number of specific factors which have direct impact on the demand for fleet assets and services, some of which include:

- Increased demand for service provision
- Increased resource demand
- Aurora Energy staff growth
- Population increase

Demand Management Plan

The demand for fleet services will be managed through a combination of effective management of existing assets and the provision of new assets to meet demand and demand management. Demand management practices include non-asset solutions, short term hiring, insuring against risks and managing asset failures.

Opportunities identified to date are shown in table below. Further opportunities will be developed in future revisions of this plan.

Service activity	Demand Management Plan
Financial	Develop long term financial plan to ensure financial sustainability
Technical	Implement new fleet system to improve efficiency and provide cost effective and reliable fleet asset management
Service delivery / Program of Work	Ensure that services required and utilisation are driving demand for fleet assets and associated expenditure programs and methodology for forecasting is reviewed and taken under consideration when planning service delivery
Environmental	Include environmental impact statements within fleet policies and guidelines. Procure diesel vehicles to minimise environmental impact compliant with the Australian Government Green Guide. *All passenger vehicles must have a minimum Greenhouse rating of 5.5 / 10 *All commercial vehicles must have a minimum Greenhouse rating of 3.5 / 10 (No rating is applied to heavy fleet)
Benchmarking	Work in partnership with Aurora customers, external stakeholders and peer organisations to leverage on commercial opportunities

9 Fleet Asset Management Strategies

The Fleet Asset Strategy focuses on the economic and physical management options from the initial planning stages through to asset disposal.

The Strategy uses lifecycle management practices to develop supporting information for all decision making and to model future asset maintenance cycles, asset procurement and disposal.

In order to measure the effectiveness of this plan, the lifecycle models of fleet assets require accurate and timely data which allows management of the expected useful life, maintenance and replacement costs.

Fleet Asset Useful Life

The useful life of a fleet asset is defined as a period of time over which a depreciable asset is expected to be fully utilised, however this period can be significantly impacted by other fleet asset practices such as: condition and reliability, usage patterns, supply, environmental and safety.

Operational and Routine Maintenance

This plan outlines strategies and actions for the operation and maintenance of fleet assets.

Operational maintenance of an asset includes the investment in day to day activities of business operations. Maintenance of an asset includes the investment in an existing asset related to the ongoing upkeep to ensure that an asset meets its useful life. Fleet assets are operated and maintained so they continue to deliver their intended, fit for purpose levels of service.

The below table outlines various maintenance strategies utilised by Feet Services.

Strategy / Objective	Activity	Levels of Service
To maintain all fleet assets in a safe and operational condition	❑ Daily and weekly inspections by drivers / operators ❑ Reporting and documenting defects to Fleet Services ❑ Prioritisation of works	Assets meet operational and legislative requirements
Preventative maintenance and servicing	❑ Maintenance scheduled as per Aurora Energy specifications and manufacturer's recommendations ❑ Recording of maintenance performed, labour and materials used ❑ Register of maintenance issues updated	Assets meet operational and legislative requirements

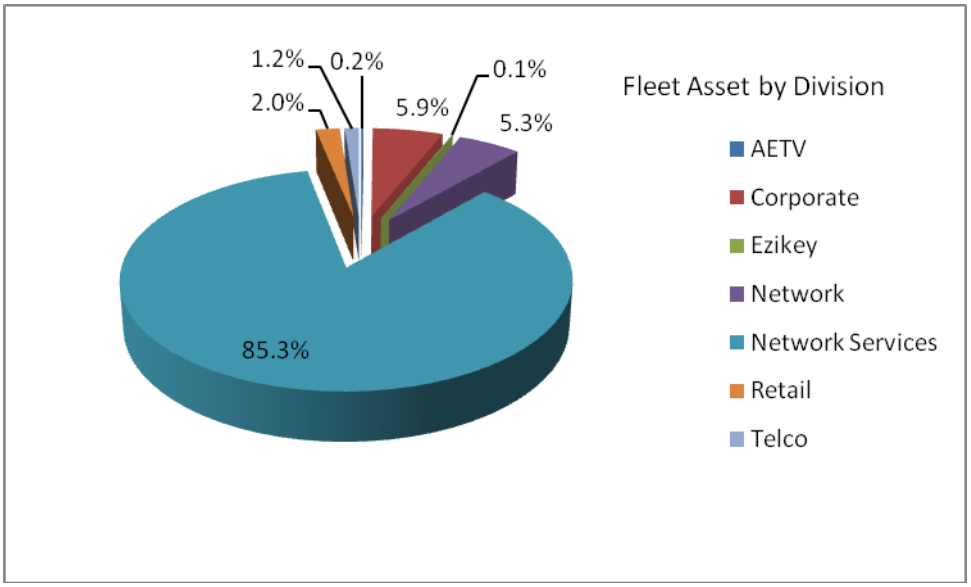
The table below identifies the useful life of an Aurora Fleet asset and is based on the Aurora Energy Optimal Replacement Cycle Program.

Vehicle Group No.	Asset Service Life Class	Age Based Criteria	KM Based Criteria	Replacement Decision Guide
01	Passenger - Small		150,000	KM subject to Asset Condition
02	Passenger - Medium		150,000	KM subject to Asset Condition
03	Passenger - Large		150,000	KM subject to Asset Condition
04	Executive Special Vehicle	2	N/A	Not used
05	Station Wagon – Medium		150,000	KM subject to Asset Condition
06	Station Wagon – Large		150,000	KM subject to Asset Condition
07	Station Wagon – 4WD Small		140,000	KM subject to Asset Condition
08	Executive Special Vehicle	3/4	N/A	
13	2WD Light Commercial Utility		140,000	KM subject to Asset Condition
15	Van		140,000	KM subject to Asset Condition
16	4WD Light Commercial Utility 1 Tonne		140,000	KM subject to Asset Condition
20	Bus		140,000	KM subject to Asset Condition
22	Hard Tops – 4WD LWB		140,000	KM subject to Asset Condition
23	Truck – 4WD GVM 5000kg	10	200,000	Age / KM subject to Asset Condition
30	Truck – Flat Tray GVM up to 8000kg	10	200,000	Age / KM subject to Asset Condition

34	Truck – Tipper GVM up to 15,000kg	10	200,000	Age / KM subject to Asset Condition
*41	Truck – with mounted Pole Hole Borer Erector (PHBE), GVM up to 22,500kg	10	200,000	Age / KM subject to Asset Condition
42	Truck – Flat Tray for Crane, GVM up to 15,000kg	10	300,000	Age / KM subject to Asset Condition
43	Truck – 5 Yard Tipper, GVM up to 15,000kg	10	300,000	Age / KM subject to Asset Condition
44	Truck – with Winch, GVM up to 15,000kg	10	300,000	Age / KM subject to Asset Condition
45	Truck – Flat Tray 4WD for Crane/Winch, GVM up to 15,000kg	10	300,000	Age / KM subject to Asset Condition
46	Truck – 5 Yard Tipper 4WD, GVM up to 15,000kg	10	300,000	Age / KM subject to Asset Condition
*60	Truck – 4x2 for MEWP, GVM up to 8500kg	10	300,000	Age / KM subject to Asset Condition
*61	Truck – 4x2 for MEWP, GVM 15,000kg	10	N/A	Age subject to Asset Condition
*62	Truck – 4x4 for MEWP, GVM up to 15,000kg	10	N/A	Age subject to Asset Condition
*63	Truck – 6x4 for MEWP, GVM 22,500kg	10	N/A	Age subject to Asset Condition
*65	Mobile Elevating Work Platform (MEWP), 10.5m, fitted with a purpose built tray	10	N/A	Age subject to Asset Condition
*66	Mobile Elevating Work Platform (MEWP), up to 14m, fitted with a purpose built tray	10	N/A	Age subject to Asset Condition
*67	Mobile Elevating Work Platform (MEWP), 19m, fitted with a purpose built tray	10	N/A	Age subject to Asset Condition
*69	Mobile Elevating Work Platform (MEWP), 19m, for Live Line	10	N/A	Age subject to Asset Condition
71	Crane – truck mounted	10	N/A	Age subject to Asset Condition
*72	Pole Hole Borer Erector (PHBE), truck mounted	10	N/A	Age subject to Asset Condition
73	Compressor – truck mounted	10	N/A	Age subject to Asset Condition
74	Rewind Frame – Winch truck mounted Hydraulically operated rewind frame, winches of 4-15t capacity, rewind frame, single and triple	20	N/A	Age subject to Asset Condition
80	Special Vehicles/Other Plant	15	N/A	Age subject to Asset Condition
94	Trailer – light, box trailers	15	N/A	Age subject to Asset Condition
95	Trailer – heavy multi pole trailers, cable recover trailers	15	N/A	Age subject to Asset Condition
97	Construction Equipment – plant, forklift trucks	15	N/A	Age subject to Asset Condition

*Fleet Services reserve the right to replace items outside of standard replacement cycles to meet budgetary constraints and regulatory requirements.

As of 31st December 2010, Aurora Energy's fleet and plant assets numbered 950 to the value of approximately $30.3 million.



10 Disposal of Fleet Assets

Disposal of a fleet asset includes the decommissioning of an asset. Assets are typically disposed due to end of useful life cycle, at a time most efficient to replace for the whole of life cycle cost or when an asset is no longer required.

All Aurora vehicles are disposed in conjunction with the relevant contract agreement, with the exception of executive salary package vehicles.

The method of disposal is consistent with the relevant Aurora disposal contracts, Aurora's Fleet Disposal Policy and contract disposal authorities. The method of disposal must achieve the highest possible return to Aurora after consideration of market conditions and terms of prevailing contracts.

Disposal methods

The following methods of vehicle disposal are consistent with Aurora's policy for disposal of fleet assets.

1. Public Auction

- Vehicles must be disposed of by public auction
- Auctions must be advertised and open to the public

2. Executive Vehicle Purchases

- Executive employees can purchase their vehicle from Aurora Energy at the market price
- The price is determined by obtaining three official quotations from the original dealer of purchase, the contracted disposal authority and through a legitimate and independent online Australian Vehicle Valuation website

3. Write-Offs

- The official Vehicle Write-Off Assessment has certified that the vehicle repairs exceed the value of the vehicle
- Vehicle is disposed through Public Auction (Method 1)

Summary of Disposal Costs

The below table represents known disposal fleet assets and associated costs and revenues.

Asset group / type	Method of disposal	Approximate residual value
Light Passenger vehicles	Auction / Manager's purchase	40-50%
Light Commercial vehicles	Auction	40-50%
Heavy vehicles	Auction	20-30%
MEWP (Mobile Elevated Work Platform units)	Auction	10-20%
Borer units	Auction	10-20%
Trailers, plant etc.	Auction	10-20%

It is estimated that the disposal of Aurora Fleet and Plant assets generates approximately $1.5 million per annum.

11 General Fleet Administration

Vehicle Registration

When registering Aurora Energy vehicles, Fleet Services ensures compliance to all statutory & regulatory requirements including:

- Tasmanian Transport Authority DIER (Department of Infrastructure, Energy and Resources)
- Workplace Health & Safety Act (1995) & Regulations (1998) Tasmania
- Motor Accident Insurance Board (MAIB) of Tasmania
- Certificate of Inspections
- Registration with the Division of Workplace Health and Safety

For registration purposes, Aurora Energy's vehicle assets are registered under one common expiry date. There are eight unique Aurora Energy customer registration numbers for eight different locations, which are recognised as Aurora Energy's garaging addresses.

Fuel Supply Services

In delivering of fuel supply services, Fleet Services access the Government State Purchasing Agreement with the Tasmania Government (Treasury) contract P450.

Aurora Energy reserves the right to consider alternative fuel supply arrangements to ensure continuity of supply including access to alternate fuel suppliers across the state where fuel access is restricted.

Infringements

When managing traffic infringements (includes Local, State & Commonwealth authorities), Fleet Services comply with all directions stated on the relevant authority notices, including compliance with Section 43G of the Traffic Act (1925) of Statutory Declaration Requirements.

Roadside Service

As part of Aurora Energy's Maintenance Contract, an Emergency Breakdown Service is available for all Aurora Energy's vehicles.

12 Fleet Improvement Project (FIP)

The Fleet Improvement Project (FIP) was established with the purpose to review and outline how asset management processes, information systems, data and knowledge can be improved based on the weaknesses identified through analysis of current processes.

The identified improvement projects and timeframes will be reviewed on regular basis.

Introduction

This initial Fleet Asset Management Plan has a clear objective of identifying and documenting Aurora Energy's existing fleet asset management processes.

The improvement projects have been prioritised according to the urgency and importance.

The activities have been identified as follows:

'Urgency' – how quickly the improvement is required eg. will it prevent other improvements from taking place

'Importance' – the impact of an improvement in moving towards more sustainable management of fleet assets

Fleet Asset Management process improvements

Fleet asset management processes are defined as operational processes, analysis and evaluation techniques required to support effective lifecycle asset management. This includes the following asset management functions:

- Knowledge of fleet assets
- Levels of service
- Condition assessments
- Lifecycle planning
- Asset operations and maintenance
- Asset disposals
- Performance monitoring
- Quality Assurance
- Risk management
- Review and audit processes
- Continuous improvement and benchmarking

The below tables outline identified improvements in the following areas:

- Process improvements
- Information system improvements
- Data and knowledge improvements
- Utilisation improvements

Process Improvements

Process improvements	Urgency	Importance	Timeframe
Knowledge of assets: ❑ Maintain detailed data of all fleet assets ❑ Update asset allocations	Medium	Medium	Ongoing
Levels of service: ❑ Develop a process to review and improve levels of service including customer consultations and surveys	Medium	Medium	2010-2011
Lifecycle planning: ❑ Develop a Fleet sustainability model	Low	Medium	Ongoing
Asset operations and maintenance: ❑ Improved defect/fault reporting	Medium	Medium	Ongoing
Asset disposals: ❑ Monitor disposal values ❑ Monitor and decrease the time taken from decommission of an asset through to disposal	Low	Medium	Ongoing
QA / continuous improvement: ❑ Review work procedures and include in Aurora's Quality Systems	Low	Medium	Ongoing

Information Systems Improvements

Fleet asset management information systems are defined as systems which support asset management processes and data analysis.

This includes the following asset management reporting:

1. Asset Registers
2. Fuel and Odometer reports
3. Maintenance and crash/incident reports
4. Fleet Capital Review Team (CRT) reports
5. Fleet FBT (Fringe Benefit Tax) reports
6. Diesel Fuel rebates reports
7. Sustainability Emissions reports
8. Driver reports (on request)
9. Acquisition and disposal reports

The following applications are currently used by Fleet Services:

1. Financial - Navision
2. Safety - IRIS (Incident Reporting and Information System)
3. Issues Management - Fleet Services email account, Fleet page on the Volt and Issues Register
4. Asset Management - Navision
5. Operational Management - Microsoft Office Excel Suite (FleetWatch)
6. Vehicle Procurement - ProcureGate Requesting System on the Volt
7. Fleet Management System - FleetWatch

A new Fleet System has been endorsed and will meet above requirements. Further development is continuing to meet other operational requirements.

Information Systems improvements	Urgency	Importance	Timeframe
Asset Registers: ❑ Maintained and updated	Medium	Medium	Ongoing
Maintenance management systems: ❑ Current and updated	High	High	Ongoing
Risk management systems: ❑ Standard operating procedures ❑ Incident reporting	High	High	Ongoing

Data and Knowledge improvements

Fleet asset management data and knowledge is defined as relevant, accessible and reliable enough to produce outputs required for effective asset management.

This includes the following asset management functions:

1. Asset identification
2. Asset attributes
3. Condition
4. Cost and maintenance historical data
5. Lifecycle costing
6. Valuation
7. Benchmark data (if applicable)

There are identified issues with the current fleet asset management data, knowledge and lack of reporting. Manual records in the form of numerous spreadsheets are maintained by fleet staff resulting in incomplete and at times incorrect data. The outcome of issues related to incomplete data means that financial forecasts and whole of life statistical data relevant to whole of life costings may be based on limited amount of information.

The improvements identified and prioritised below will improve the quality of Aurora Energy's fleet asset data and knowledge until the implementation of the new fleet system takes place in July 2011.

Data and knowledge improvements	Urgency	Importance	Timeframe
Cost and maintenance history data ❑ Maintained and updated	Medium	Medium	Ongoing

Utilisation improvements

Utilisation improvements	Urgency	Importance	Timeframe
Lifecycle costing ❑ Improved data collection to assist in lifecycle cost reduction	Medium	Medium	Ongoing

Fleet Management Utilities benchmarking group

Aurora is a member of the utilities benchmarking group, which consists of a number of energy industry organisations such as:

SP AusNet
Country Energy
Energy Australia
Ergon Energy
Powerco/Citypower
Jemena
Energex

The aim of the group is to share information and knowledge to aid in identifying ongoing improvements.

Some benefits realised to date include:

- Sharing of information required for standardisation of fleet policies and guidelines
- Aurora survey of replacement cycles conducted against 4 other utilities
- Industry comparisons of whole of life requirements
- Identification of efficiencies relating to Maintenance Management
- Aurora Survey of Lease versus Own and impacts of leasing
- Operational asset management safety issues
- Identification of combined strategic opportunities such as Supply Contract for Heavy Truck supplies and specifications
- Improved asset management strategies including the Fleet Asset Management Survey

Fleet Survey

Fleet Services will provide relevant levels of customer service and ensure that all fleet customers are informed of any operational issues or events, which may impact on their business operations.
In delivering fleet assets and services, Fleet Services develop and maintain relationships with all customers and stakeholders.

An internal customer survey was conducted by Fleet Services in July 2010 and the results are listed below.

To assist Fleet Services in delivering effective customer relationships aligned to Key Performance Indicators (KPIs), an annual Customer Survey was developed to establish appropriate and measurable SMART goals and to assist in implementing of fleet strategies and innovative improvements.

The purpose of the survey was to ensure that customer-centric requirements are adhered to and to ensure that excellence in customer service is implemented within best work practice guidelines.

Situation – As part of continuous improvement and to provide a customer centric focus, Fleet Services will survey Aurora fleet customers on annual basis.

Purpose – To ensure that Fleet Services meet customer expectations in the way we deliver our products and services and to ensure that any recommended improvements or changes are taken into consideration during the fleet improvement planning process and beyond.

Participants – the survey targeted a number of fleet users who were able to provide constructive feedback on the following segments:

- Safety and Sustainability
- Driver Behaviour and the Community
- Fleet Administration Services (eg. registration renewal, fuel cards, reporting, etc)
- Fleet Maintenance Providers
- Fleet Fuel Providers

- Fleet Procurement
- Fit for Purpose feedback
- Fleet Replacement
- Disposals

Outcome – the survey results determined that Fleet Services are meeting customer requirements with overall 72% average satisfaction rate.

Acknowledging Needs - 17% Satisfied
Settling into new Fuel Provider - 37% Satisfied
Aware of the Master Fault & Sign-Off Sheet - 66% Not Aware

The following sections were highlighted for review and require improvement:

1. Communication
2. Reporting
3. Additional Information Services (eg. car detailers, diesel vehicle information, general news etc)
4. Maintenance Provider related issues
5. Fuel outlet related issues

Resources/Time – the survey forms a part of a benchmark, which Fleet Services will work towards improving through ongoing implementation of relevant fleet asset management strategies.

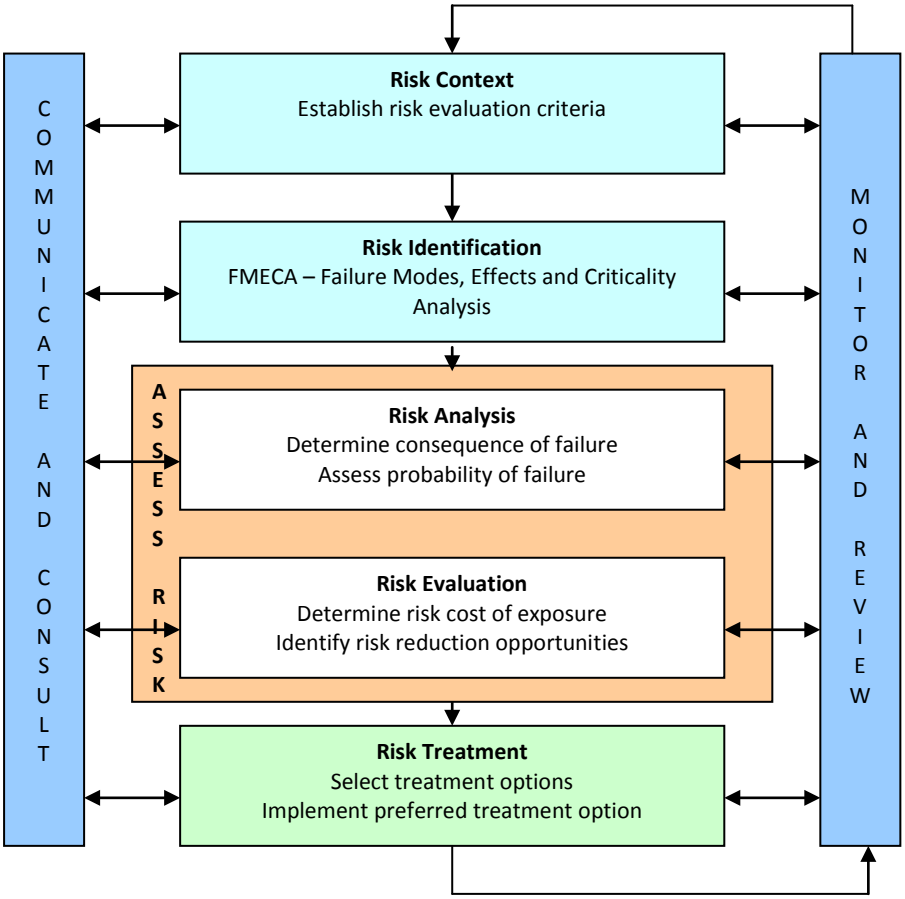
13 Risk Management

Fleet Services acknowledge that risk management is an integral part of sound asset management practices. Whilst it is not possible to have a totally risk free environment, it is possible to manage risks effectively by anticipating, reducing, transferring or accepting risks.

The overall objectives of a formal risk management approach are to:

- Document the processes by which Fleet Services will manage risks associated with fleet assets so they can be identified and evaluated in a consistent manner
- Identify operational and organisational risks at broad level
- Allocate responsibility for managing risks to specific team members to improve accountability
- Prioritise the risks to identify the highest level priorities in the short to medium term

A comprehensive process of risk identification is yet to be conducted. When the process is complete, Fleet Services will adopt a systematic and holistic approach to managing risks based on the process outlined in AS/NZS 4360:2004 as illustrated in the figure below.



Risk Management Plan

Fleet Services as part of the Risk Management review identified a number of risk sources for Aurora Energy and these risk sources are:

1. Business practices
2. Economic conditions
3. Environmental management
4. Financial operations
5. Natural hazards and disasters
6. OHS related risks
7. Corporate indemnity
8. Property loss
9. Public liability
10. Statutory compliance

The risk assessment process identifies credible risks, the likelihood of the risks occurring and the consequences should the risk eventuate.

Critical risks, being those assessed as 'Extreme" require immediate corrective actions and risks assessed as 'High' require prioritised corrective actions.

The below table represents 'Critical Risks' and proposed Risk Mitigation Plans.

Asset at Risk	Description of Risk	Risk Rating	Risk Mitigation Plan
Any fleet asset	Physical injury to employees, the public or the asset itself	M	Safety Management Plan implementation with a Service Provider to mitigate an asset failure, move to manufacturer's inspection and service schedules for MEWP and Line Borers, safety inspections and user training
Any fleet asset	Excessive downtime for repairs effecting productivity and causing an increase in financial impact to whole of life costs	M	Proactive maintenance, inspections, optimal changeover time, change in the use of an asset, user training and education, communications between Fleet Services and the users
Any fleet asset	Inadequate or unsuitable fleet asset	L	Consultations with relevant stakeholders to ensure provision of fit for purpose fleet assets which match user requirements in design and standard of intended use.

The risk rating evaluates the risk and develops a risk treatment plan for risks regarded as unacceptable.

This is still in progress and in early stages of development. Future versions of this plan will identify more specific strategies for risk mitigation.

Preventative measures relating to Risk Management

Routine Maintenance Plan

Routine maintenance is the regular ongoing work, which is necessary to maintain assets in operational and safe condition.

Aurora Energy has a Contract for the provision of maintenance and repairs - contract number C/000395.

Maintenance Plan

Maintenance is divided into 3 categories: Reactive, Planned and Cyclic.

Reactive maintenance is unplanned repair work carried out in response to service requests and/or management or supervisory directions.

Planned maintenance is repair work which is identified and managed by Fleet Services. Planned maintenance activities include: inspections, assessments of asset condition against failure or breakdown history, prioritising, scheduling, actioning the work and reporting with a view to improved service delivery.

Cyclic maintenance consists of replacement of higher value components or sub-components of an asset and is undertaken on a regular cycle.

Standards and specifications

Maintenance work is carried out in accordance with the following standards and specifications.

- All vehicles are provided with fuel cards and odometer readings must be provided to the service station attendant
- Periodic servicing of vehicles is performed in accordance with Aurora Energy specifications, manufacturer's recommendations or lease agreement specifications for a specific vehicle (where applicable)
- All vehicles are fitted with standard safety equipment and Vehicle Information Packs

- Crashes and incidents must be reported immediately and any damage, malfunction or incorrect operation of equipment must also be reported in first instance

Any deferred maintenance (if applicable), eg. work which is identified for maintenance but without allocated funds will be documented and included in the risk assessment process.

14 Financial Summary

This section of the plan contains financial requirements resulting from information provided in the previous sections of the Strategy.

The financial projections will be improved and included in future versions of this plan as further analysis and information become available.

Sustainability of Service delivery

The below is a summary of operational and capital expenditure forecasts 2011-2016

1. OPEX and CAPEX expenditure (over the 5 year financial planning cycle)

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Total
OPEX						
Fuel	$3,709,000	$3,816,000	$3,911,000	$4,005,000	$4,101,000	$19,542,000
Maintenance	$2,390,000	$2,183,000	$1,929,000	$1,723,000	$1,743,000	$ 9,968,000
CAPEX	$9,984,505	$9,525,547	$9,439,362	$7,890,400	$8,500,000	$45,339,814
Total	**$16,083,505**	**$15,524,547**	**$15,279,362**	**$13,618,400**	**$14,344,000**	**$74,849,814**

Funding

Aurora is funded by borrowings from the Tasmania Public Finance Commission. These borrowings can be either fixed rate or floating rate and are borrowed with the aim of producing the lowest cost of funds within certain risk parameters. The interest cost is allocated to each division based on their share of the total debt as per agreed methodology.

Internal Lease

Aurora Energy purchase all fleet assets through the CAPEX program. Fleet Services operate on full cost recovery basis.

All operational vehicles are charged out on monthly basis. The hire rates do not include fuel.
Each vehicle has an allocation or job number assigned to it and the numbers are reviewed annually by the finance group and are updated with vehicle movements as required.

Depreciation

Depreciation rates are based on the useful life of each vehicle purchased as per AASB 116 Property Plant and Equipment and Aurora Energy's Fixed Asset Manual. The rates used are to be applied to the original capital purchase as well as additional vehicle fit-ups during the life of the vehicle. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life and posted to profit and loss.

On average, heavy vehicle fleet depreciates at around 4-8% per annum and light vehicle fleet at approximately 17% per annum.

The depreciation rate is determined by the Finance Group and is run on annual basis.

Insurance

Aurora Energy is a self-insured business entity and as such, it is self-funded with repairs and replacement of its fleet assets, which include crash/incident damage repair/replacement and third party repairs. Aurora Energy hold a third party policy for damage greater than $2,500.00.

Crash/Incident Repair Expenditure
Crash/incident repair damage is charged out to the relevant divisional allocation numbers.
Aurora Energy annual repair expenditure is approximately $300,000.

Crash/Incident Replacement Expenditure
Where crash/incident damage repair costs exceed the book value of the vehicle this will be deemed to be a write-off of asset.

Key assumptions made in Financial Forecasts

The below listed key assumptions were made in preparation of operational and capital expenditure forecasts.

Key assumptions

1. Current fleet replacement forecast is based on replacement of existing fleet assets

2. Current fleet activities are based on current service levels, fleet size and composition and economical climate

The accuracy and confidence behind the data used for the financial forecasts may be improved in the future revisions of this plan by:

1. Undertaking regular inspections and evaluation of fleet asset's conditions and utilisation

2. Undertake analysis of fleet asset growth and incorporate into future revisions of this plan

3. Improved information on maintenance, usage and operating expenditure through implementation of the new fleet system

4. Improved accuracy on the average useful lives of fleet assets and remaining lives of fleet asset groups are currently based on local knowledge, experience and limited historical information

5. Periodical reviews of changes in the required levels of service and service standards from those identified in this plan

15 Standards and References

All fleet management and associated activities are governed by the following standards:

- Fleet Management Policies
- Fleet Framework
- Service levels
- Manufacturer's recommendations and specifications
- Aurora Energy's Group Strategy 2011-2015
- IPWEA (Institute of Public Works Engineering Australia) - Plant and Vehicle Management Manual 2008 v1.2
- DVC 2006 Asset Investment Guidelines Glossary, Local Government Melbourne Victoria

16 Glossary

Annual service cost
An estimate of the cost that would be tendered, per annum, if tenders were called for the supply of a service to a performance specification for a fixed term. The Annual Service Cost includes operating, maintenance, depreciation, finance / opportunity and disposal costs, less revenue.

Asset class
Grouping of assets of a similar nature and use in an entity's operations.

Asset condition assessment
The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Asset management
The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

Assets
Future economic benefits controlled by the entity as a result of past transactions or other past events.
Property, plant and equipment including infrastructure and other assets (such as furniture and fittings) with benefits expected to last more than 12 months.

Average annual asset consumption
The amount of an asset base consumed during a year. This may be calculated by dividing the Depreciable Amount (DA) by the Useful Life and totalled for each and every asset OR by dividing the Fair Value (Depreciated Replacement Cost) by the Remaining Life and totalled for each and every asset in an asset category or class.

Capital expenditure
Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and / or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital funding
Funding to pay for capital expenditure.

Capital renewal expenditure
Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.

Component
An individual part of an asset which contributes to the composition of the whole and can be separated from or attached to an asset or a system.

Cost of an asset
The amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction, plus any costs necessary to place the asset into service. This includes one-off design and project management costs.

Current replacement cost
The cost the entity would incur to acquire the asset on the reporting date. The cost is measured by reference to the lowest cost at which the gross future economic benefits could be obtained in the normal course of business or the minimum it would cost, to replace the existing asset with a technologically modern equivalent new asset (not a second hand one) with the same economic benefits (gross service potential) allowing for any differences in the quantity and quality of output and in operating costs.

Cyclic maintenance
Replacement of higher value components / sub-components of assets that is undertaken on a regular cycle. This work generally falls below the capital / maintenance threshold and needs to be identified in a specific maintenance budget allocation.

Depreciable amount
The cost of an asset, or other amount substituted for its cost, less its residual value.

Depreciated replacement cost
The current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Depreciation
The systematic allocation of the depreciable amount (service potential) of an asset over its useful life.

Expenditure
The spending of money on goods and services. Expenditure includes recurrent and capital.

Level of service
The defined service quality for a particular service against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost.

Life cycle cost
The life cycle cost is average cost to provide the service over the longest asset life cycle. It comprises of annual maintenance and asset consumption expense, represented by depreciation expense. The life cycle cost does not indicate the funds required to provide the service in a particular year.

Life Cycle Expenditure
The life cycle expenditure is the actual or planned annual maintenance and capital renewal expenditure incurred in providing the service in a particular year. Life cycle expenditure may be compared to life cycle cost to give an initial indicator of life cycle sustainability.

Maintenance and renewal gap
Difference between estimated budgets and projected expenditures for maintenance and renewal of assets, totalled over a defined time (eg 5, 10 and 15 years).

Maintenance and renewal sustainability index
Ratio of estimated budget to projected expenditure for maintenance and renewal of assets over a defined time (eg 5, 10 and 15 years).

Maintenance expenditure
Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.

Operating expenditure
Recurrent expenditure, which is continuously required excluding maintenance and depreciation, eg power, fuel, staff, plant equipment, on-costs and overheads.

Planned Maintenance
Repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure / breakdown criteria / experience, prioritising scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

Rate of annual asset consumption
A measure of average annual consumption of assets expressed as a percentage of the depreciable amount. Depreciation may be used for annual asset consumption.

Rate of annual asset renewal
A measure of the rate at which assets are being renewed per annum expressed as a percentage of depreciable amount.

Rate of annual asset upgrade
A measure of the rate at which assets are being upgraded and expanded per annum expressed as a percentage of depreciable amount.

Reactive maintenance
Unplanned repair work carried out in response to service requests and management / supervisory directions.

Recoverable amount
The higher of an asset's fair value less costs to sell and its value in use.

Recurrent expenditure
Relatively small (immaterial) expenditure or that which has benefits expected to last less than 12 months. Recurrent expenditure includes operating and maintenance expenditure.

Recurrent funding
Funding to pay for recurrent expenditure.

Remaining life
The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining life is economic life.

Renewal
See 'Capital renewal expenditure' definition.

Residual value
The net amount which an entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

Risk management
The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.

Strategic Management Plan
Documents Fleet Service's objectives for a specified period (5 yrs), the principle activities to achieve the objectives, the means by which that will be carried out, estimated income and expenditure, measures to assess performance.

Useful life
Either:
(a) the period over which an asset is expected to be available for use by an entity, or
(b) the number of production or similar units expected to be obtained from the asset by the entity.
It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by Aurora Energy.

Value in use
The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. It is deemed to be depreciated replacement cost for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate new cash flows, where if deprived of the asset its future economic benefits would be replaced.