

To	Darren Hayman, Manager Property, Fleet and Facilities	From	Jonathan Brown, Mobile Plant and Fleet Coordinator
Date	17 December 2014		
Subject	QCA Draft report November – Fleet IVMS cost (CFO)		

CH2MHill Comment	<p>The cost item 522712 – PA – GPS/PDA is forecast to be \$282,886 in 2014-15 and remain at this level for the remainder of the forecast period. No expenditure was reported against this item in 2013-14. Seqwater has indicated that this expenditure relates, at least partly, to the installation of remote (GPS) monitoring units in all Seqwater fleet vehicles. While it is recognised that such expenditure will assist Seqwater manage its fleet more efficiently, CH2M HILL questions the need for annual expenditure of \$282,886 for such devices, as such equipment has a typical useful life of approximately three years and there is no requirement to renew the devices on annual basis.</p> <p>CH2M HILL recommends maintaining 2014-15 expenditure as reported, and then reducing annual expenditure over the remainder of the forecast period to a third of \$282,866 to enable renewal of the mobile devices, as per Australian Tax Office guidance.</p>
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QCA Comments:

Global Positioning Systems	Seqwater proposed an annual expenditure of \$0.3 million (in real terms) from 2015-16.	Recommended reducing this to \$0.1 million per annum as these systems typically have a useful life of three years and need only be replaced on a three yearly basis.	The QCA accepts CH2M HILL's recommendation.
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Response

The purpose of the IVMS is to reduce the total fleet, operational risk and to maximise resource efficiencies. Through an IVMS, we will be able to capture essential information and create benchmarks across the fleet, enabling better business decisions based on accurate data.

It is anticipated the key areas that an IVMS will assist in achieving savings (note that these are conservative estimates) are:

- \$127,000 p.a. – reduction in fleet vehicles due to more efficient operational use
- \$143,000 p.a. – reduction in fuel and operating expenses of 5% across the entire fleet
- \$14,240 p.a. – increased resale value of disposed vehicles
- \$12,500 p.a. – improved fit for purpose specifications
- benefits difficult to quantify but may be the largest efficiency gains and savings is elimination of inefficiencies through indirect costs and staff time. It would be validly assumed these costs surmount to the largest ROI figures however, due to lack of accurate facts at this time they have been omitted from these calculations
- significant reductions in non-value add administrative tasks for Property, Fleet and Facilities.

It is recommended that the Navman Wireless IVMS be implemented at a total cost of \$669,000 for the 36 month contract. This system offers a conservative return of \$890,220

over a 36 month period and considerable WH&S benefits to mitigate vehicle/operator risk. If this conservative return is realised Seqwater will save a minimum \$221,000 in 36 months with a payback period of approximately 27 months.

Implementation of the IVMS is one very important part of a sustainable fleet strategy while improving safety for staff operating Seqwater vehicles. The system offers a step change in the way vehicles are managed while mitigating safety risk.

The system supports business objectives, implements control measures, decreases administration and improves information flow – all leading to reduced cost of fleet operations whilst at the same time adding in safety risk management.

Seqwater's fleet comprises of over 230 vehicles that travel more than 5,200,000 km's each year across South East Queensland. Consistent with our safety, financial and environmental goals, continuing the IVMS as part of the Fleet running costs is essential.

The system will manage and improve the utilisation of our fleet while assisting in meeting our compliance and reporting obligations. It will also assist us in keeping people safe. For our staff, travel is one of our highest risk activities, particularly when we consider the distances we cover, the remote areas we travel to, and the number of us that engage in travel as part of our work.

This initiative will continuously improve and benefit areas such as:

- Supporting the safety of our staff
- Accurate and timely incident investigation and reporting
- Improved maintenance scheduling, communication and reporting
- Improved community perception and reputation through vehicle use and driver behaviour
- Effective fleet utilisation and allocation to ensure whole of life organisational outcomes
- Demonstrate compliance and reporting e.g. FBT

Vehicle Information

The data collated from one vehicle can be in excess of 100,000 lines in a excel CSV file over a one month period. With the project implementation in its infancy it is difficult to quantify the true benefit of the IVMS. We are currently analysing vehicle data to look for operational efficiencies to report back to the business.

The benefits and transparency this data will provide is paramount in sustaining an operationally efficient and productive fleet.

The IVMS will be an integral component for ongoing fleet management. Post full implementation it will continue to inform decision making around effective business practices and resource use. As a result it is imperative to continue investment in the technology subsequent to the initial contract period.

Useful Life - Global Positioning Systems

The useful life of global positioning systems as determined by the Australian Taxation Office is five (5) years. The advances in GPS technology especially accuracy, customisation and improved communication is a fast growing industry. Moving to a seven (7) year model could see the units become obsolete and dated leaving its integration compromised.

Budget Provision 2014-28

The IVMS was not implemented prior to 2014-15 which is why there is no previous expenditure against this project.

The IVMS hardware is provisioned through an operating lease to buy model over a 3 year period and is a contractual obligation to 2016-17. The useful life of this technology is 5 years and after 3 years (\$290,000 p.a.) Seqwater own the hardware and move to data and software only costs (\$80,000 p.a.) for 2 years. This model recurs every 5 years as detailed below.

Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Opex	\$ 290,000.00	\$ 290,000.00	\$ 290,000.00	\$ 80,000.00	\$ 80,000.00	\$ 290,000.00	\$ 290,000.00
Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Opex	\$ 290,000.00	\$ 80,000.00	\$ 80,000.00	\$ 290,000.00	\$ 290,000.00	\$ 290,000.00	\$ 80,000.00