KEMPSEY
Shire Council

DIRECTOR CORPORATE SERVICES REPORT

11th October 2005

DCS4 FLEET MANAGEMENT
FILE: P6-2 MPM

SUMMARY:

Reporting on Kempsey Shire Council Sedan Changeover Cost Comparisons

ΓΓΓΓΓΓ

A number of people within Council (and Councillors) have asked Fleet Management about the change-over policy of vehicles, as some believe a zero dollar change over can be achieved if replaced at 15,000k.

This document is an analysis of change-over costs, running expenses and whole of life costings for vehicles sold at 15k, 30k, 40k, 60k and 80k.

Overview

The capital replacement cost is calculated on a Holden executive at today's Government Purchase Price.

Whole of life costings are made up of operating expenses and capital replacement.

The are 27 cars within our fleet eligible for this analysis, station wagons were omitted.

The data has been taken from Local and Sydney Auction Houses and Councils own data.

For the purpose of this analysis the associated expenses with change -over have been calculated with vehicle operating expenses ie accidents, detailing, registration, change-over service etc.
By continually analysing the car market significant savings can be made to Council in regards to whole of life costings of vehicles.

Our current scheduled changeover is at 40k and after analysis it is

identified that a changeover at 80k is more financially economical for Council.

Other Councils who sell at 15k may only take into consideration capital replacement, which on many occasions would appear to be a good result, however this is not a true indication of all expenses involved with turning over vehicles.

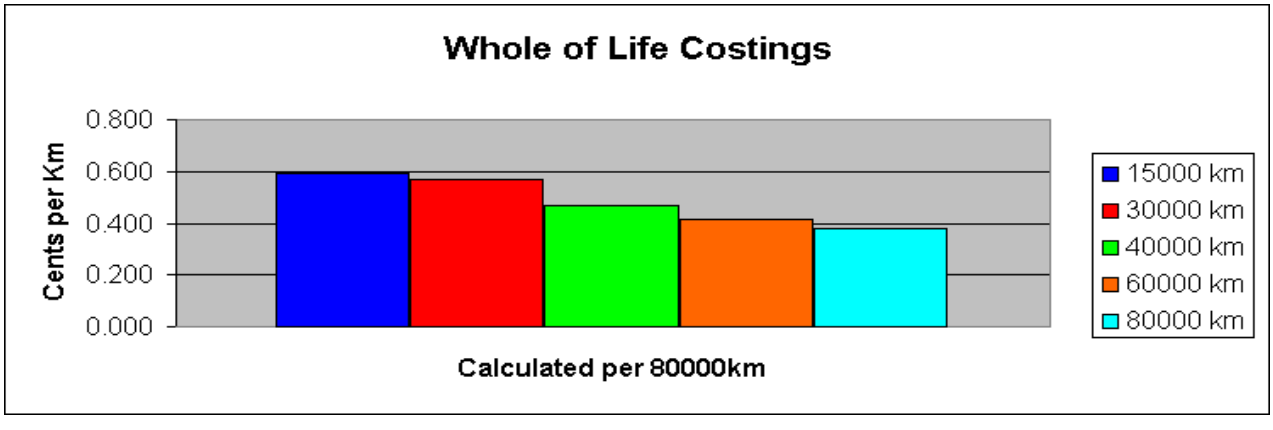
When a new model is released ie VY Holden, the old model does suffer some monetary damage at auction. We may need to look at replacing some vehicles before model changes. Holden have a model change the middle of next year.

Over the past two years the auction price for vehicles has generally dropped ie an executive sold in 2002 with 80000 would sell for $20500, the same aged car sold today would bring $17500 to $18000. This drop has occurred throughout all ages of vehicles.

Whole of Life Costs Comparisons

	15000 km	30000 km	40000 km	60000 km	80000 km
Whole of Life Costings 80000 km	$47,294	$45,457	$37,634	$33,063	$30,412
Whole of Life Costings Total Cost Cent Per Km (80000km)	$0.591	$0.568	$0.470	$0.413	$0.380
	Worst Case				Best Case

By converting to a policy of 15k from even our existing scheduled change over of 40k would add an expense of $9660 over 80k or 2.5 years per vehicle. We currently change over at various points due to financial restraints in the fleet budget but as is indicated best case is at 80k.



Operating Expense Comparison

	15000 km	30000 km	40000 km	60000 km	80000 km
Total Operating Expense	$25,189	$20,969	$20,065	$19,438	$18,775
Total Operating Expense Cent Per Km	$0.315	$0.262	$0.251	$0.243	$0.235
	Worst Case				Best Case

A policy of 80k is the most financially economical case.

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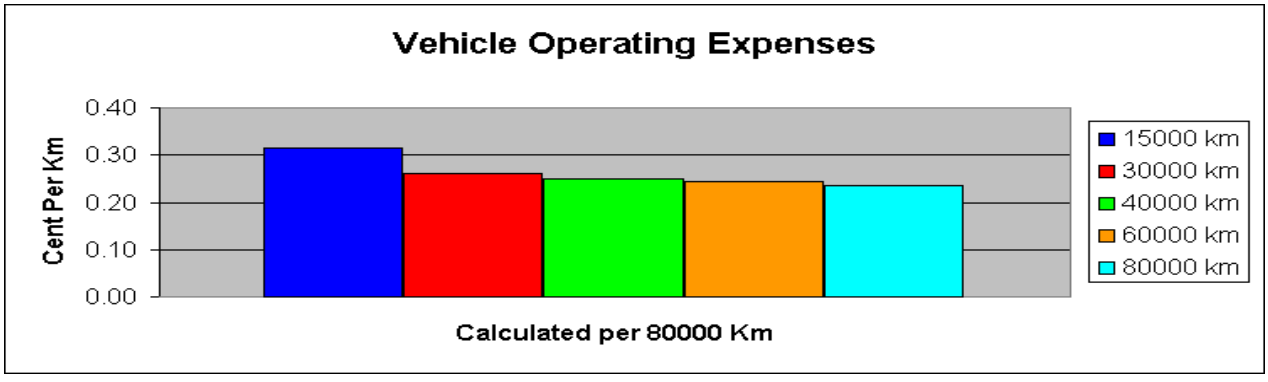
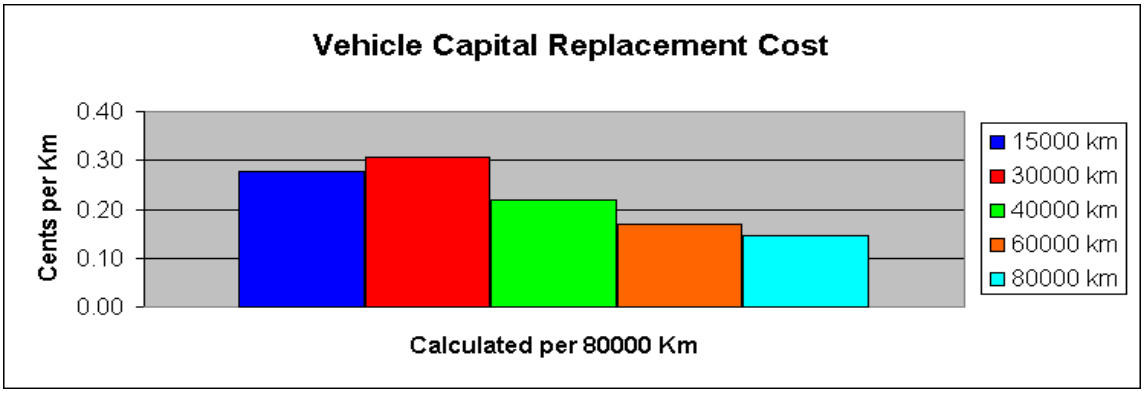
The worst case is 15k due to change-over costs. The difference would represent an increase of $6414 over 80k or 2.5 years.



Captial Cost Comparison					
	15000 km	30000 km	40000 km	60000 km	80000 km
Capital Cost (Actual Average)	$22,104	$24,488	$17,569	$13,625	$11,637
Capital Cost Cent Per Km	$0.276	$0.306	$0.220	$0.170	$0.145
		Worst Case			Best Case

The best case scenario is 80k which shows a changeover cost of $11,637.
The worst case is at 30k, this could be attributed to the age of the vehicle/km on vehicle or low demand for 30k vehicles.



REPORT IMPLICATIONS:

- ***Environmental***

Nil

- ***Social***

Nil

- ***Economic (Financial)***

Nil

- ***Policy or Statutory***

There are no policy or statutory implications arising from this report.

- ***Director's Review***

A former Plant Committee recommendation (of 7th March 2003), adopted by Council was that "the Director Business Enterprise utilise variable disposal methods in an endeavour to achieve the best overall results for Council."

As circumstances within the vehicle industry are volatile it is important that Council adopts a flexible approach.

At the current time the changeover of sedans at 80,000km would be in the best interests of Council.

RECOMMENDATION:

That the replacement of Council's vehicle fleet be determined by Council's Director Corporate Services, taking into account whole of life cost comparisons and the overall best interests of Council.

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G B Snape
DIRECTOR CORPORATE SERVICES