

VICTORIA

Victorian
Auditor-General

Audit summary
of
Vehicle Fleet
Management

Tabled in Parliament
25 November 2009

Audit summary

Introduction

Vehicle fleets are a significant component of the cost of service delivery in state and local governments. It is estimated that each sector is spending around \$100 million a year to run their fleets.

This audit sought to establish whether state and local government non-executive passenger fleets are operationally justified and well managed. To do this, we reviewed how fleet sizes are justified, whether agencies are managing life-cycle costs, and whether they are actively reducing the environmental impact of their fleets.

For a vehicle fleet size and mix to be justified, the number and type of vehicles in an agency's fleet should reflect operational requirements. Too many or too few fleet vehicles can create excessive costs.

The cost of running a vehicle fleet goes beyond the purchase price. It includes insurance, registration and other life-cycle costs, such as fuel, maintenance, car parking, accident repair and possibly refurbishment. To manage these costs, agencies should monitor and report on vehicle usage and costs, and use the information to improve the running of the fleet accordingly.

Vehicle fleets also account for a large part of an agency's energy consumption and carbon emissions. In 2005, the Commonwealth Government created a new industry target to reduce the average carbon (CO²) emissions for all new light vehicles to 222g CO²/km by 2010. Vehicles that can be leased by state government departments are limited to Australian-made manufacturers, with the exception of one overseas hybrid vehicle. Until recently, none of the approved Australian-made vehicles met the Commonwealth Government carbon emissions standard. Councils are not bound by the requirements of the Standard Motor Vehicle Policy (SMVP) and can therefore select from a wider range of fleet vehicles. Nonetheless, all agencies can reduce vehicle emissions in various ways and can measure the success of these initiatives by tracking the fleet's total carbon emissions over time.

Five agencies were examined:

- State Government Vehicle Pool (SGVP) – Department of Treasury and Finance
- Department of Education and Early Childhood Development (DEECD)
- Moonee Valley City Council
- Mornington Peninsula Shire Council
- Warrnambool City Council.

Overall conclusion

There is little assurance that fleets are operationally justified, raising questions about the cost-effectiveness of these resources in service delivery.

Strategic management and oversight of fleets is missing. Evidence of this is a lack of management data on agency fleet use and costs, and a lack of any systematic review of fleet size and mix against need.

Three agencies had undertaken their own reviews of fleet operations, yet had not acted to address the findings of these reviews, which further reinforces this conclusion.

Key findings

Fleet performance management systems

None of the five agencies were able to provide comprehensive data relating to the life-cycle costs of their fleets or on patterns of usage.

None had a comprehensive suite of relevant performance indicators with appropriate targets against which to assess the cost-effectiveness of their fleet management, or to use, with the exception of the SGVP, in making decisions about fleet size and mix. Similarly, none had performance management systems to monitor compliance with fleet policies.

Fleet size and mix

With the exception of the SGVP, none of the agencies could demonstrate how their fleet size and mix aligned with their business needs. There was no evidence that agencies regularly reviewed their operational requirements to confirm that the type and number of vehicles met specific business needs.

Councils provide vehicles as part of salary packages to attract and retain both executive and non-executive qualified employees. This arrangement differs from the state government, where non-executive employees use novated leasing to own and privately fund vehicles through their salary. Consequently, it is difficult to differentiate and compare council employees' salary costs and fleet costs. Furthermore, many of these vehicles were not being used substantially for business use, and were therefore not operationally justified. Our benchmarking of two councils confirmed business percentages around 50 per cent or lower, meaning that half the costs incurred on these vehicles did not contribute to service delivery.

Managing life-cycle costs

Four out of the five agencies were not monitoring and reporting on all their fleet costs. Agency fleet data across all five was limited and lacked detail. While all agencies were managing the timely and efficient disposal of fleet vehicles, only one agency was effectively managing the timely and efficient maintenance of its fleet. None could demonstrate, where applicable, that they monitored compliance with vehicle use or fuel policies.

Environmental impact

Only one of the five agencies' fleets was primarily 'green'. While all agencies had initiatives to reduce the environmental impact of their fleets, two agencies did not have targets to reduce their carbon emissions or were reporting or tracking their reduction.

None of the five agencies were using ethanol-blended fuels. The reasons provided for not using it indicate that ethanol use in other state and local government agencies is also likely to be low.

Recommendations

Number	Recommendation	Page
1.	Agencies with substantial fleets should: <ul style="list-style-type: none"> implement fleet performance management systems that report data on fleet use and mix, significant components of life-cycle costs, and the extent of compliance with vehicle policies review fleet size and mix against operational needs at least every three years or when there is a significant change to the activities or service delivery models. 	14
2.	Agencies should offer novated leases for salary-packaged vehicles that do not have a predominant business use.	14
3.	Agencies without quantity and time targets for reducing the number of high carbon-emitting 6-cylinder and petrol vehicles in their fleets should establish these, and monitor and report progress against them.	29
4.	Agencies should require staff to confirm there are no practical alternatives to using a vehicle, as part of the approval process.	29