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 PARLIAMENT OF TASMANIA
 

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## REPORT OF THE STANDING COMMITTEE OF PUBLIC ACCOUNTS

### ON

# MOTOR VEHICLES ENQUIRY

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*Brought up by Mr Neilson on Thursday, 4 June 1970, and ordered by the House of Assembly to be printed*

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### REPORT

The Public Accounts Committee has the honour to report that an inquiry has been conducted on the operations of light motor vehicles by State departments and authorities.

Evidence was heard from the following persons:—Mr J. D. Patterson, Manager, Supply and Tender Department; Mr A. W. Knight, Commissioner, Mr V. N. Fitze, Motor Transport Superintendent, and Mr E. P. Taylor, Stores Superintendent, Hydro-Electric Commission; Mr A. R. Mead, Director of Agriculture; Mr L. J. Baillie, Chief Administrative Officer, Department of Health Services; Mr M. J. Jillett, Public Service Commissioner; Mr H. Payne, Assistant Commissioner for Forests; Inspector Salter and Mr R. Crane, Accountant, Police Department.

#### 1. PURCHASE AND DISPOSAL

The Manager of the Supply and Tender Department, Mr J. D. Patterson, presented in evidence the following statement describing procedures followed by his department:—

The Supply and Tender Department is responsible for the purchase and disposal of motor vehicles for government departments and institutions.

Its facilities are also used by some of the authorised organisations which receive direct financial assistance from the Government, e.g., Rural Fires Board, Artificial Breeding Board.

Purchase and disposal of vehicles is effected by one of four methods:—

- (i) Purchase and re-cycling at 25,000 miles or two years—whichever occurs first.
- (ii) Purchase and simultaneous disposal—usually for replacement vehicles.
- (iii) Purchase of vehicles only—usually for additional vehicles.
- (iv) Disposal of vehicles without purchase being involved.

### **Purchase and Re-cycling**

The Police vehicle fleet is replaced by this method.

There are two suppliers—Motors Pty Limited and Southern Motors (1955) Pty Limited.

The arrangement has been in operation for five years and has given satisfaction.

Recent price increases of motor vehicles have increased the cost of re-cycling each unit.

These increases have prompted the Supply and Tender Board to further examine the existing agreements with a view to a reduction in replacement cost.

### **Purchase and Simultaneous Disposal**

This is the most commonly used method.

The procedure is:—

Tenders are invited of the automotive trade for purchase of new and trade-in of the replacement vehicles.

At the same time the vehicles to be disposed of are advertised in the press. The 'upset' price is stated whenever possible.

Tenders from the trade and public tenders for disposal close at the same time.

The purpose of this procedure is to obtain the highest return for the vehicles to be disposed of—that is the lowest total cost of replacement.

### **Purchase Only of Vehicles**

Tenders are invited from the automotive trade.

When difficulty has been experienced in disposing of a vehicle at an acceptable price it is offered as a trade-in vehicle on these purchases irrespective of whether the department purchasing and that selling are the same.

### **Disposal Only of Vehicles**

This method is used only when that of purchase and simultaneous disposal has not been possible.

There are instances of vehicles being unavailable for disposal until a replacement is received—usually as a result of isolation.

It is necessary to use this method on those infrequent occasions when disposal of a vehicle has been difficult and the alternative of attempting to trade it on the purchase of a vehicle has been unsuccessful—see previous heading 'Purchase of Vehicles'.

### **Condition of Disposal Vehicles**

Apart from the Police Department there is no uniform replacement policy for vehicles.

The condition of disposal vehicles can vary depending on location and type of work undertaken.

### **Prices Obtained for Disposal Vehicles**

The 'Used Car Price Guide of the National Auto Market Research', as used by the trade, generally form the basis of the 'upset' price or the accepted price.

The present methods produce satisfactory returns.

All vehicles are sold 'as is where is' and from the Department's premises consequently there are no expenses of disposal.

### **Period Contract Vehicle Purchases**

The New South Wales Government Stores Department arranges purchase of vehicles by period contracts. Disposal of vehicles is by means of periodical auctions. A similar arrangement operates in South Australia.

The New South Wales contract offers substantial savings as the contract price is considerably less than the normal day to day government price.

Against these savings must be offset any sales of vehicles at below 'upset' prices. This could happen because police vehicles in New South Wales are a uniform colour.

The purchase savings in South Australia are not as substantial.

In an effort to gauge the savings that might be made in Tasmania tenders were invited for purchase on a similar basis to New South Wales and South Australia.

The amount of savings per unit was not sufficient to justify immediate implementation of the contract system.

### **Review of Procedures**

The proposed review of the agreements for re-cycling police vehicles will be widened to include further consideration of purchase of vehicles by contract and additional methods of disposal with a view to ensuring minimum price for purchases—maximum return for disposals.

The Committee discussed in considerable detail with Mr Patterson the procedures followed in purchasing motor vehicles. It was noted that he had mentioned in his statement that 'the New South Wales Government Stores Department arranges the purchase of vehicles by period contracts', and he was asked whether the New South Wales Department is virtually the counterpart of the Supply and Tender Department in Tasmania. He explained that his department primarily attends to the requirements of State

Government departments. However, the Hydro-Electric Commission and the Transport Commission are not included in the system as both bodies operate under their own legislation. In New South Wales the State Contracts Control Board 'looks after the requirements of the State Government departments and any other Government agency. Electricity, water and other bodies can use it. It is a voluntary arrangement but, in point of fact, they do use it for items such as vehicles and other common usage items'.

Mr Patterson said that in his opinion it is generally true that prices vary indirectly with the volume of purchases and that he considered that the scale of operations in Tasmania was such that lower prices would be paid if all buying of motor vehicles by the State were handled at one point.

The Committee visited New South Wales in order to examine the methods used in that State and found that in the opinion of representatives of the Contracts Control Board lower prices did in fact result from large scale co-ordinated buying. It was stated, incidentally, that in New South Wales there are only six large distributors for the two types of motor vehicles mainly used by the State.

Apart from the Supply and Tender Department the major Tasmanian Government purchaser of motor vehicles is, of course, the Hydro-Electric Commission. The Commission acquires and disposes of its vehicles quite independently and the Committee were told that the Commission consider that their 'purchases are quite substantial and they do not see any advantage in lumping their purchases with those of the Supply and Tender Department'. In reply to a question asking for a general outline of the method used, a Hydro-Electric Commission witness said that 'in general, it does not matter very much whether we are talking about light vehicles or heavy vehicles, we look at the specifications. We look at what we have got as far as the fleet is concerned. If something with similar specifications is offered at a lower price, then we would buy it. They are not actual tenders. As a matter of fact, I feel we do a lot better by not seeking tenders because we are buying all our vehicles well under tender price at the moment. By negotiation, if you like.' The Commission was asked to present a statement setting out their considered views on the feasibility of co-ordination with the Supply and Tender Department in the matter of purchasing and disposing of motor vehicles, and in evidence the following statement was submitted:—

While it may appear that there is some advantage to be gained by consolidating the whole of Government requirements into single lots, we are of the opinion that the disadvantages of such a system are likely to outweigh the advantages.

Government orders no doubt represent a substantial proportion of the total business within the State. To concentrate these orders with a few firms rather than spread them reasonably between firms would cause considerable difficulty in the operation of business houses. To exploit the monopoly position of the Government in this way would probably cause considerable hardship.

From an administrative point of view the position would be complicated. The Hydro-Electric Commission has been established on a basis to suit its position as a trading concern where the time factor is of great importance. Delays which would inevitably arise when several parties are involved in the one transaction are likely to involve losses which could well exceed possible savings.

For the foregoing reasons the Hydro-Electric Commission does not consider that joint purchasing is desirable.

So far as disposal of motor vehicles is concerned it is considered that the release of large numbers of motor vehicles on the market at the one time could have a depressing effect on prices obtained. We feel that present methods will continue to give better results. The Commission does intend in the future to make some motor vehicles available for sale in areas other than Hobart.

In discussion with witnesses from the Commission the Committee was told that the Commission would be happy to buy at a contract price arranged by the Supply and Tender Department if they were satisfied that they would be paying a lower price—'up to date we have been able to do better than Supply and Tender'. Asked how they were in a position to know that this had been the case they replied 'No-one knows; we think we have'. Again,

QUESTION: If a suitable arrangement to both sides could be found, don't you agree that it would be a good idea to experiment in involving yourself in some activity with the Supply and Tender Department generally.

ANSWER: I dare say it would. There could be things you could try out and see whether you could do better. The difficulty is you could not prove whether you have done better or not. If you try some alternative scheme, you can only use your judgment as to whether you believe you are better off or not.

The questioner went on to comment, 'If you do not try it all you have less means of judging', and the Committee concluded that considering the very substantial amounts of money involved, the whole question of the approach to purchasing several hundreds of motor vehicles annually is rather vague in the minds of some of those involved in the activity.

While the Supply and Tender Department acquires and disposes of motor vehicles for Government departments by means of satisfactory procedures, it is left to individual departments to decide, in the light of availability of funds, when vehicles should be changed over. As a result, departments tend to keep individual units for too long at times. Expert witnesses agreed that it is uneconomic to keep vehicles for much longer than two years or a mileage of 25,000 miles. As Hydro-Electric Commission witnesses explained:—

With advancing age and mileage the annual charges decrease, due to reduced depreciation, while the direct running costs increase, due to additional maintenance.

For any period whilst the reducing depreciation costs balance out the increasing maintenance costs, the total running costs remain fairly constant. However, when the increase in maintenance charges exceeds the decrease in depreciation the total operating cost rises. Consequently to obtain minimum operating costs the vehicles should be replaced just prior to the rise in total cost.

The Police Department has what appears to be a very regular and satisfactory system of re-cycling, which enables them to depend upon having a first-class fleet of vehicles which can be renewed at an average cost of \$140 per unit. The Committee consider that this could serve as a model for State departments and authorities generally. Sufficient funds should be provided to allow for a changeover of all vehicles after two years or 25,000 miles. In evidence, representatives of the Police Department provided details of their re-cycling contract:—

During 1963-64, an inter-departmental committee was set up for the purpose of investigating a re-cycling contract of Police motor vehicles (other than special purpose vehicles); subsequently a report was submitted to the Government.

The proposal was approved on the basis that approximately half the total fleet would be replaced with new units in 1963-64 and half in 1964-65. From then on, units of the fleet would be re-cycled after two years service or after a mileage of 25,000.

It was considered that when the scheme was fully operative, the following advantages would accrue to the department:—

(a) The department would have a modern transport fleet in which no unit would be more than two years old.

(b) There would be a substantial annual saving in running and maintenance costs.

This method of maintaining the Police transport fleet has been in operation ever since.

For the year ending June 1963, the mileage covered by the Police fleet was 2,798,345; the running expenses associated with this mileage being \$92,248.

During the financial year 1969, the Police fleet logged a mileage of 4,666,070; the running expenses being \$120,331.

It is apparent that if this mileage had been run at pre-re-cycling costs, the running expenses for the year ended June 1969 would have been in the vicinity of \$154,000. (This is not taking into consideration any price fluctuation.)

The second result which was anticipated—that the department would have a modern transport fleet—is quite apparently achieved. The standard of Police transport in Tasmania is at least equal to any in Australia.

A condition of the re-cycling contract is that all vehicles must be returned to the satisfaction of the vendor in near perfect condition, otherwise the re-cycling price can be increased. The fact that the price has not been varied is indicative of the strict and effective inspections carried out by the officer-in-charge of transport and his staff.

It was noted above that one of the principal objections of the Hydro-Electric Commission to co-ordinated buying of motor vehicles was that 'delays which would inevitably arise when several parties are involved in the one transaction would be likely to involve losses which could well exceed possible savings'. The Committee found in discussions in New South Wales that there are no grounds for these fears. A contract price is arranged and the requisitioning authority can order direct from the supplier on the basis of this price. As it happens, there is in New South Wales a delay of three to four weeks in the supply of vehicles. However, this arises not from inefficiency but from a deliberate decision on economic grounds. A price which is lower (by about \$80) is gained by allowing manufacturers to have this much notice of requirements. Where large fleets are operated and proper planning is carried out no real difficulties should result from this delay.

The Manager of the Supply and Tender Department when asked whether he agreed that delays would result in Tasmania from expanding the scale of operations of his department replied: 'No, I do not. Provided this thing is attacked in a proper manner, I am not prepared to concede anything, or say at any stage that there are any undue delays in the Supply and Tender Department. I am not going to say that there are not any. Having regard to normal purchasing procedures, if you increase your volume of purchases over the same range there is no reason for delay'.

Another objection noted in the statement from the Hydro-Electric Commission was that 'concentrating these orders with a few firms rather than spreading them reasonably between firms would cause considerable difficulty in the operation of business houses. To exploit the monopoly position of the Government in this

way could probably cause considerable hardship'. The Committee discussed this objection in depth with the Commission's representatives and found that there was little to substantiate this objection since there is no reason to suppose that there would be any real difference in the numbers of vehicles bought or who supplied them. In New South Wales, it has already been noted, contracts are quite centralised in a few firms and similarly much the same situation exists in Tasmania. Again on the question of delays a Commission witness said that:—

The Commission has fairly standard specifications for different types of vehicles according to the use to which they are to be put. Supply and Tender do not. As far as can be gathered from discussions with Mr Patterson each Department, even individuals, want this, that, and everything else on their cars. You cannot buy a standard: you have to specify seat belts, type of engine, etc. I do not think there is such a thing as a standard car. This would be a problem. I think Mr Patterson said in discussions it almost needed a Government directive to authorise departments as to what vehicles they could and could not use.

On this question of standardisation the Manager of the Supply and Tender Department submitted the following:—

The New South Wales schedule of contracts for motor vehicles would indicate that there are no major difficulties in standardisation and that present standardisation satisfies the requirements of major vehicle users.

From discussions with the Hydro-Electric Commission some difficulties may arise in reaching acceptable standards for Tasmania.

Standardisation is a most important factor in securing the best price advantage. For that reason I have obtained the Hydro-Electric Commission vehicle standards (Holden) in an endeavour to incorporate these into the tenders currently being prepared for invitation.

General discussions with representatives of the automotive industry indicate that the best price structure would result from volume business over standard lines.

Standardisation leads to consideration of co-ordination of purchase tenders.

The State Contracts Control Board of New South Wales arranges tenders for common usage items for State Government departments.

Certain other government agencies have the right to purchase supplies under contracts arranged by that Board.

The pre-requisites to successful operation of a similar arrangement in this State appear to be:—

- (i) Use of the Board would have to be mandatory—this State is too small for any benefits to accrue if all agencies did not use it.
- (ii) A State Contracts Control Board in this State would operate only for those commodities declared to be of common usage. These would be relatively few in number and consequently no elaborate organisation is necessary.
- (iii) The commodities envisaged initially could comprise:—
  - (a) Motor spirit—oils and greases.
  - (b) Tyres, including recapping.
  - (c) Heavy equipment.
  - (d) Batteries.
  - (e) Transport—light and heavy.
  - (f) Disposal of transport.

All other items would be obtained by government agencies under the present arrangements applying to each individual agency.

The departments/agencies to which the proposal could apply are:—

- The Supply and Tender Department.
- The Hydro-Electric Commission.
- The Transport Commission.
- The Metropolitan Transport Trust.
- The Housing Department.
- The Government Printer.

This submission appears to the Committee to be a reasonable approach to the whole question of purchasing motor vehicles for State departments and authorities. Mr Patterson has a department and a specialised staff used to the problems of orderly purchasing and would be able to regularise purchasing in a way that the Committee consider would be satisfactory and appropriate in this State. Accordingly, the Committee recommend that a mandatory procedure should be introduced whereby purchasing of all motor vehicles for State departments and authorities be centralised in the Supply and Tender Department and that as far as possible sufficient funds should be provided to ensure that the vehicles can be changed over at the most economic time.

## 2. USE

In evidence, Police Department representatives were asked how many officers of the department have a car allocated to them permanently. In reply the Committee were told that cars are not issued to individual officers. 'For instance, at Bellerive the Inspector is in charge of the vehicles and he may use the

same car all the time, but it is available for any other officer to use. This is the same at any other police station . . . the Superintendent is issued with a car. It is not a personal issue because if it is required for any other purpose it is made available'.

In contrast to this situation the Committee were struck by the frequency with which other witnesses spoke of cars being 'attached' to particular officers. This in fact seemed to be central to the thinking of many.

The Committee wish to make it clear that it is considered that few cases warrant a particular vehicle being issued on a long-term basis to a particular officer. It is necessary, motor vehicles being such an expensive requirement of government, that full use be made of each unit. This can only happen where responsibility is centralised at a single point. Vehicles when not actually in use, should be considered available for use. There seems no reason why sedans and station wagons in particular, unless especially equipped in some way, even should need to be considered the property of individual departments or authorities. The normal considerations which apply in respect to other equipment, like furniture, do not apply in this case, since motor vehicles are by definition, mobile.

The Public Service Commissioner was asked whether sufficient inquiries are made between departments when they have officers going to distant places:—

QUESTION: Let us presume that today, Health, Public Works, Agriculture and Education Departments all have someone going to Launceston for a particular purpose for one day and coming back tonight. Is there any communication between departments to save the use of a vehicle?

ANSWER: I am not aware of any co-ordination between departments.

QUESTION: Do you think a pool could be used to this advantage?

ANSWER: I wouldn't know to what extent this happens. If it happens to any extent I think the pool system could be an advantage, but I think there would be difficulties with it. People would have to leave at the same time and come back at the same time, and be confined to Launceston during the same day.

It was pointed out to Mr Jillett that there could be similar facilities provided at the destination so that it would not necessarily happen that the same car would be used for the return journey. The Committee thought this matter significant and asked the various departments to supply details of any travel from Hobart to Launceston on a particular day. As a result it was found that on Tuesday, 17 March, seventeen State employees made the trip from Hobart to Launceston in twelve vehicles (nine official and three private). It seems clear that substantial savings would be possible if there were co-ordination at some central point for common trips. Not only would there be a very worthwhile saving in running costs, but several vehicles would be released for use by other officers. The Public Service Commissioner was asked whether there are any central records where the use of all Government-owned cars on any particular day could be examined. He replied that there are no such records. The Committee recommend that there should be, as this would tend to be a more efficient conduct of the State's motor system.

The Public Service Commissioner told the Committee that the average annual mileage for Government-owned cars is 6,800 miles and for privately-owned cars used on public business, 4,300 miles. Expert witnesses were generally agreed that an economic mileage for a State-owned car is about 25,000 miles in two years, or 12,500 miles annually. Thus the average mileage of 6,800 miles is far too low. All departments and authorities were asked to supply details of the mileages actually covered by their vehicles and it was found that there are many units with mileages of under 5,000 per annum. This is not a satisfactory state of affairs. The Committee recognise that a few units will have to be used in circumstances which make low mileages unavoidable. Where this happens they should be rotated after a period to ensure that in a reasonable time (say two years) they approach the optimum mileage level. As matters stand, there are large numbers of State motor vehicles running at low annual mileages, and also large numbers of private vehicles being used on public business, and the conclusion that the Committee have come to is that savings could and should be made in both directions.

### 3. PRIVATE CAR MILEAGE ALLOWANCES

The Committee received information in reply to a questionnaire on the amount of car mileage allowance paid by the various departments and authorities. In the financial year 1968-69 the Forestry Department had eighty-nine officers who were paid such allowances. The total mileage involved was 549,606 and the cost was \$56,996. A representative of the Forestry Commission was called to give evidence on these figures. The Committee were told that:—

In the absence of any pre-determined policy about the transport of officers of the Public Service, the Commission has decided its own policy based on the following considerations:—

- (1) Departmental practice in the Service varies from transport almost wholly by privately-owned vehicles (Department of Agriculture) to transport entirely in official vehicles (Housing Department). The Commission, in its own interests as well as those of the staff, has allowed officers to choose their own mode of travel.
- (2) The advantages to the Commission of hiring transport instead of buying it are as follows:—
  - (a) Loan funds are conserved for productive forest development.
  - (b) Administration is cheaper.
  - (c) The temptation is removed of unauthorised use of official vehicles.
  - (d) Garages do not have to be provided.
  - (e) Officers who live in more remote country districts need to own a car for private use which they might not be able to afford without official assistance. Any factor which tends to reconcile a forest officer to his less favourable living conditions is an advantage.

The Committee sought an analysis of the car mileage figures noted above and the following table was presented:—

#### FORESTRY COMMISSION

*Operation and Costs of Privately-owned Motor Vehicles Used for Official Purposes During Period from 1 October 1968 to 30 September 1969*

<i>Mileage</i>	<i>Number of Units</i>	<i>Total Mileage</i>	<i>Average Mileage</i>	<i>Total Cost</i>	<i>Average Cost per Unit</i>	<i>Average Cost per Mile</i>
3,000 ....	9	15,383	1,709	\$ 1,753.70	\$ 194.86	c 11.40
3,001-5,000 ....	24	97,259	4,052	11,313.87	471.41	11.63
5,001-6,500 ....	26	149,740	5,759	16,695.20	642.12	11.15
6,501-8,000 ....	15	109,022	7,268	11,251.57	750.10	10.32
8,000+ ....	15	150,197	10,013	14,051.30	936.75	9.36
<b>TOTALS</b> ....	89	521,601	....	\$55,065.64	....	....
<b>AVERAGES</b> ..	....	....	5,861	....	\$618.72	10.56

The Commission advised that the highest mileage done by any privately-owned vehicle on public business was 11,995 miles and, asked whether a State-owned car doing 11,995 miles would not be a better proposition economically, the representative replied that he did not think that it would.

When the Committee visited New South Wales for discussions with representatives of the Contracts Control Board we were told that both the Maritime Services Board and the Electricity Commission had found mileage allowances for private vehicles very uneconomical. The New South Wales Electricity Commission has discontinued these payments while the Maritime Services Board pays at a rate of the order of 6 cents per mile.

The Department of Agriculture advised that 361 officers in the financial year 1968-69 were paid allowances for the use of their private vehicles at a cost of \$180,795 for 1,737,502 miles. In evidence, the Director of Agriculture stated his Department's policy as follows:—

Supplying 361 departmental travelling officers with official vehicles would involve the department in considerable expenditure for the purchase of the required fleet of vehicles necessary to put these travelling officers on the road, particularly as co-ordination of travel is nigh on impossible with the varied commitments they are required to meet. It would involve the department in providing extensive garage space at Head Office and all decentralised offices; it would have to provide maintenance crews at each centre and would accordingly increase clerical work for keeping records of mileage, etc.

The Director supplied the following analysis:—

**SUMMARY—DEPARTMENT OF AGRICULTURE**  
Private Car Mileages and Allowances 1968-69

<i>Group</i>	<i>Number in Group</i>	<i>Average Mileage per Officer in Group</i>	<i>Average Payment per Officer in Group</i>
1 ....	11	14,518	\$ 1,254
2 ....	70	8,558	831
3 ....	70	6,136	652
4 ....	70	4,479	505
5 ....	70	2,632	298
6 ....	70	743	81
	361		

It will be seen from this table that there were eleven officers who covered an average mileage of 14,518. Details of these eleven are as follows:—

**SUMMARY—DEPARTMENT OF AGRICULTURE**

PRIVATE CAR MILEAGES AND ALLOWANCES 1968-69

*Group 1—Mileages and Payments of the Eleven Who Received the Highest Payments*

<i>Name of Officer</i>	<i>Position Held</i>	<i>Mileage for Year</i>	<i>Payment for Year</i>
B. B. Wells ....	Veterinary Officer	23,248	\$ 1,867.36
D. A. Lambourne ....	Veterinary Officer	17,912	1,493.84
J. Cerny ....	Veterinary Officer	17,421	1,459.47
T. J. McManus ....	Veterinary Officer	16,665	1,406.55
D. G. Day ....	Veterinary Officer	13,190	1,164.30
L. B. Lovell ....	Stock Inspector	12,887	1,142.11
I. C. Wardlaw ....	Stock Inspector	12,553	1,118.74
J. F. Thompson ....	District Horticultural Officer	12,370	1,105.91
W. M. Greenhill ....	District Agricultural Officer	11,543	1,018.62
G.W. Blackwell ....	Vermin Inspector	10,986	1,009.02
R. E. Brocksopp ....	Piggery Officer	10,922	1,004.54

The Committee would point out that one officer received payment of \$1,867.36 for a period of twelve months whereas, on the other hand, depreciation for a Police Department vehicle covering a similar mileage would be about \$140.

The Department of Health Services paid 171 officers \$44,070.53 for the 408,300 miles covered in 1968-69. Evidence was given by the Chief Administrative Officer, Mr L. J. Baillie to the effect that the department had been conscious for some time, of the need to reduce expenditure on mileage allowances. In 1966-67 the expenditure was \$50,047; 1967-68, \$47,584; 1968-69, \$43,933; and the expenditure to 31 December 1969, \$22,293. He said that the question of the use of private vehicles as against the use of Government vehicles had been the subject of discussion between the department and the Treasury on several occasions. Mr Baillie said:—



There are difficulties in providing a pool of vehicles for the use of all Government departments or for the use of a specific department. Some that come readily to mind are garaging, servicing and supervision of vehicles.

The department has twenty-five vehicles, of which 5 sedans, 2 station sedans and 2 utilities are garaged at headquarters. This number is the maximum which can be garaged in the Government garage provided. Even so, garage accommodation is taxed to the utmost. One vehicle for the use of the Director-General is garaged at his residence.

I consider that other than eliminating private vehicle mileage almost entirely and providing sufficient vehicles to cover all requirements, the present situation where there are a number of official vehicles provided again mainly for Child Health Sisters (12), and the use of private vehicles used in a judicious manner, is the most effective.

It was mentioned that one officer of the Department of Health Services who receives a car mileage allowance was transferred temporarily to a centre where a State-owned car was available but the officer 'was not asked to use this car because at the time of her appointment she was asked to buy a car and she could not have kept up her payments had she used the departmental car'.

Mr Baillie said that he considered that unless an officer travels more than 10,000 miles in his private vehicle per year it is not an economic proposition for a Government vehicle to be placed at his disposal. The Committee have this statement on the one hand and the Public Service Commissioner's on the other, that the average annual mileage for State-owned vehicles is 6,800. This point was taken up with witnesses from the Hydro-Electric Commission who appeared to have given a lot of thought to this matter. Mr Fitze, the Motor Transport Superintendent, said that at 4,000 miles a year it is more economical for us to supply a car than to pay 11.8 cents a mile'. Mr Fitze said that he considered that 'anyone doing over 2,000 miles a year would be better supplied with a vehicle'. It is recommended that a thorough analysis be made of these conflicting points of view and a firm decision taken as to the policy to be adopted.

Details of the payments to Health Services Department officers in the year 1968-69 are as follows:—

<i>Group</i>	<i>Mileage</i>	<i>Payments</i>	<i>Average Mileage</i>	<i>Average Payment</i>
1 .. .. .	72,214	\$ 7,448.84	8,024	\$ 828.00
2 .. .. .	228,810	24,497.16	4,487	480.00
3 .. .. .	84,838	9,467.10	1,663	186.00
4 .. .. .	23,019	2,519.48	443	48.00

(Group 1 consists of the nine who received the highest payments in 1968-69, groups 2, 3, and 4 each consist of the fifty-four persons who receive the next highest payments.) The department supplied details of the nine officers concerned in group 1 in the following table:—

	<i>Name of Officer</i>	<i>Mileage for Year</i>	<i>Payment for Year</i>
1 .. .. .	K. O. Thomas	11,735	\$ 1,061.46
2 .. .. .	T. A. Newell	9,666	916.62
3 .. .. .	D. L. Lansdell	7,157	829.56
4 .. .. .	A. F. Morgan	8,092	806.43
5 .. .. .	E. M. Crawford	7,359	787.39
6 .. .. .	K. C. Turner	7,443	769.70
7 .. .. .	H. T. D'Alton	7,030	769.09
8 .. .. .	M. E. Bodys	6,596	757.54
9 .. .. .	W. V. Younger	7,136	751.05
		72,214	\$7,448.84

Average Mileage: 8,024

Average Payment: \$828.00

Again, it is considered that these figures speak for themselves. Mr Baillie, who appeared on behalf of the Department of Health Services explained that one consideration in favour of having officers use private vehicles is that garaging space being limited, it is necessary for officers to take cars home. He was opposed to this: In relation to one of the officers who is listed in group 1 he said:—

On lots of occasions he has to transport non-Public Service people. This applies not only to Mr Thomas, but other National Fitness officers who use their cars quite extensively. In Table 3 the average payment to National Fitness officers is shown as \$480. The only higher ones are the Health Inspectors. There could be a sports meeting somewhere, and the National Fitness officers take some of the competitors.

The Committee agree that Mr Baillie has a point but feel that where proper control is exercised the public are soon reassured that misuse of State-owned motor vehicles does not occur. It is important that uniform rules and practices apply in every department in the matter of after hours use of motor vehicles. Log books such as those in use in the Police Department should be kept for all Government vehicles and should be subject to inspection by approved officers at any time.

Recent Public Service policy in respect to the matter of payment of car mileage allowances appears to be largely based on a memorandum submitted by the Public Service Commissioner to the Honourable the Chief Secretary on 4 April 1968. This is quoted in full:—

### Government-owned Car Pool v. Private Car Running

Following the discussion we had recently concerning your colleague the Minister for Health's statement that it would, on the basis of his department's car costs, be more economical for the Government to operate its own car pool rather than paying mileage allowances to public servants authorised to use their own cars on official business, the following observations are made. These observations are based on cost figures supplied from departments for the mileage year ended 30 September 1967.

1. Three departments within the Service, namely the Departments of Agriculture, Forestry and Public Works incurred 61% of the total mileage run by privately-owned cars authorised to use their cars for official business and upon which mileage allowances are paid. These departments, as you are aware, are reasonably decentralised and all undertake major field activities. In addition these three departments operate 60% of the total of Government-owned cars and maintain exacting cost records from which the following observations have been made.
2. I will compare the cost of private car running as reflected by the authorised mileage allowances paid on a cost per mile basis against the cost of Government-owned cars as reflected by the following cost factors—'running' costs, depreciation, and interest and sinking fund charges on the capital cost of a car. 'Running' costs of Government-owned cars cover fuel, tyres, service and repair, insurance (third party and comprehensive) and registration and the cost per mile given below represents an average of the abovementioned three departments. Depreciation has similarly been averaged for the three departments from the actual audited figures. Interest and sinking fund charges representing the cost to the Treasury of the loan to purchase the vehicle, has been calculated at the State Rate of Interest (5%) on the cost to the Government of a Holden car for 4,300 miles. This mileage was the average travelled by private cars during the mileage year ended 30 September 1967. These costs may be summarised as follows:—

Running costs	5.03
Depreciation	2.76
Interest and Sinking Fund	1.86
<b>TOTAL COST</b>	<b>9.65 cents per mile</b>

3. The average cost per mile of private car running for the same period amounted to 10.1087 cents per mile for 1,288 cars. The total cost for the year for these cars was \$522,702. The existing differential therefore amounts to .5187 cents per mile. However, if private running was replaced by a Government-owned car pool system, it would only need an increase in mileage run by Government-owned cars of 5.4% to effect this differential and hence equal private running costs. In this connection it is emphasised that no payments are made to private car owners for mileage incurred between their residences and departmental offices or headquarters. However, if a policy of replacing privately-owned cars with Government cars were adopted, a considerable amount of this type of running would have to be paid for as obviously it would not be possible for the Government to provide garages for all such cars. It would only require an average annual mileage of 232 (being 5.4% of 4,300 miles) to cancel out the fractional saving of .5187 cents per mile. It might be appropriate to point out that the average annual mileage of cars used on Government business is as follows:—

Privately-owned cars	4,300 miles
Government-owned cars	6,800 miles

4. As previously mentioned, the total cost of private car running amounts to \$522,702 for 1,288 cars. It is clear from paragraphs 2 and 3 no savings would be effected by replacing privately-owned cars with Government cars or at best, only fractional savings could be achieved. In these circumstances, a very large fleet of cars would have to be purchased if any appreciable inroads into the total cost of \$522,702 were to be made if it is considered that the fractional savings referred to could in fact be made. Also the capital outlay would be substantial. If half of the privately-owned cars were replaced, the cost would be in excess of \$1,000,000 for the cars alone. In addition, it would be necessary to provide some garaging and workshop facilities involving further substantial capital outlay which would in turn result in added cost of running particularly when regard is had for the cost of the necessary mechanical and supervisory staff to ensure adequate control and regular inspections and maintenance.

The Public Service Commissioner, Mr Jillett, was questioned on this memorandum. He was asked whether the calculations of costs per mile were realistic, based on 4,300 miles annually. It was pointed out that there are many State and privately-owned cars covering far greater mileages than this. He agreed that the figures would not be applicable over the whole range of mileages but said that:—

. . . one can only take an average situation. So far as those travelling big mileages are concerned I would suggest perhaps the argument I advanced in my report is strengthened because the maintenance costs would be higher in most of those instances for the reasons, first of all, they are doing more miles, but more particularly, because in the main they would be officers of the Agricultural Department travelling over country or second-class roads in the areas they are serving.

QUESTION: To take the extreme case, that of Mr Wells, a veterinary officer who was paid \$1,867 for one year, I can't see on that basis that you could possibly see that sort of cost with a trade-in vehicle after two years. In the next three cases there are two paid almost \$1,500 and one \$1,400 in a year, so in two years if that average is kept up you have a payment in mileage of \$3,000.

ANSWER: This is so, but on the other hand if my estimate of the cost of running Government-owned cars is accurate, and I claim it is accurate because it is based on actual experience, then you're going to spend almost as much in mileage at the cost of 9.65 cents per mile plus an addition for extra maintenance.

QUESTION: But your 9.65 cents is based on a figure of 4,300 miles. I presume that is an average figure?

ANSWER: That is the average mileage run by people having mileage allowance for private cars.

QUESTION: You can't possibly base a financial appraisal of a vehicle which travels 23,000 miles in a year on an average of 4,300 miles. Am I wrong?

ANSWER: I agree with you, but I reiterate what I said, that if those cars to which you are referring were Government-owned then I suggest the cost per mile would be higher for the reasons I have given.

On the basis of evidence given by other witnesses the Committee are satisfied that where vehicles are changed over after about two years no significant increase in depreciation would result from running on country roads. Country running, tending to be over fairly long distances, would in the main result in less engine wear. It will be seen from Mr Jillett's memorandum that depreciation of 2.76 cents and interest and sinking fund 1.86 cents together comprise a large proportion of his average cost of 9.65 cents per mile. If it is assumed that these figures were accurate for the period under review, it can be taken that the total costs per mile for larger, and what the Committee consider to be more realistic mileages for State-owned vehicles would have been 7.95 cents per mile for 6,800 miles, 7.34 cents per mile for 8,600 miles and 6.57 cents per mile for 12,900 miles. These figures are based on an annual depreciation figure of \$118.68. The Committee feel that it is unlikely that the figures are understated because of the evidence of Police Department witnesses that annual depreciation under the re-cycling system is \$70 per annum. As the Public Service Commissioner mentioned in his statement the cost to the State for the use of private motor vehicles was 10.11 cents per mile. A total of 1,288 cars were involved and the total cost was more than \$500,000. The conclusion seems inevitable that this is another area which requires close investigation.

It is obvious that payment of car mileage allowances for use of private vehicles on official business can never be eliminated entirely. However the Committee believe, on the evidence, that it is uneconomic for private vehicles to be used any more than is absolutely necessary. The potential exists for the depreciation and interest and sinking fund factors in costs per mile for State-owned vehicles to be reduced to insignificant proportions. Much has been achieved already in this direction in the Police Department, where it has been realised that close control of a motor fleet is essential in the light of the economics involved. With purchasing on a large enough scale it is possible that further savings of many thousands of dollars annually could be achieved by arranging contracts on a similar basis to that applying in New South Wales where, as has been mentioned above, some \$80 per unit is saved by giving suppliers adequate notice of requirements.

### SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

1. The Supply and Tender Department should be made responsible for arranging contracts for the supply and disposal of all motor vehicles, motor spirits, tyres and batteries for State departments and authorities. Use of the department should be mandatory in these areas. (See pages 2, 3 and 5.)
2. Efforts should be made by the Supply and Tender Department to arrange contracts on the basis of substantial discounts for reasonable notice of requirements. (See pages 4 and 11.)
3. Sufficient funds should be provided to ensure that in general all light vehicles be changed over at the most economic time (namely after two years or 25,000 miles). (See page 4.)
4. The average annual mileage of State-owned light motor vehicles of 6,800 miles is far too low. Full use should be made of each unit, where necessary by rotation. Accordingly, particular vehicles should not be issued on a long-term basis to particular officers. (See pages 5 and 6.)
5. Central records should be kept showing day-to-day movements of vehicles owned by Government departments and instrumentalities. (See page 6.)

6. Co-ordination of transport arrangements for officers on common trips should occur at a central point. (See page 6.)

7. After-hours use of motor vehicles should be governed by uniform rules and practices. Log books should be regularly inspected. (See page 10.)

8. The economics involved in the choice between having officers use State or privately-owned vehicles should be examined thoroughly since current policy in the various departments and authorities is based on widely differing assessments. (See pages 8 to 11.)

9. The use of private motor vehicles for substantial mileages on official business is uneconomical, and should be reduced drastically. (See pages 6 to 11.)

W. A. NEILSON, Chairman

Public Works Committee Room,  
House of Assembly, Hobart,  
2 June 1970.