



PRICEWATERHOUSECOOPERS
PREMIER'S GOOD GOVERNANCE AWARDS
1999/2000

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Provincial Motor Transport

PROVINCE OF KWAZULU-NATAL DEPARTMENT OF TRANSPORT
ISIFUNDAZWE SAKWAZULU-NATALI UMNYANGO WEZOKUTHUTHA
PROVINSIE KWAZULU-NATAL DEPARTEMENT VAN VERVOER

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SUBJECT: REPLACEMENT POLICY: PROVINCE-OWNED VEHICLES

1. INTRODUCTION

Fleet managers are constantly confronted with the decision of how many and when to replace vehicles in their fleet. The most important question is what the size and configuration of the fleet should be. It is of utmost importance that the Department's requirement and configuration of the fleet should match each other. It is therefore imperative to replace the current aged vehicles before purchasing the new shortage as additional vehicles on the budget will enlarge the fleet size to meet the Department's original requirement plan.

The increasing vehicle repair costs on an ageing fleet resulting from ineffective control and utilisation of the fleet necessitates implementation of an optimal economical replacement policy for the Provincial fleet. There are however, three disciplines as an industry norm under the vehicle requirement plan in any organisation, namely;

- budget
- acquisition
- disposal

The purpose of the budget is twofold, i.e. to replace old phased out vehicles and to enable the department to add new scheduled requirements. This budget is done in accordance with the predetermined financial year cycle. It is of utmost importance to ensure that the budget system in place is in conjunction with the economical vehicle replacement policy.

The vehicle acquisition procedures that are in place should be complied with and managed by effectively utilising the requirement plan.

There are two options during the acquisition phase, i.e. vehicle rebuilding as opposed to replacement in which age versus fleet configuration should be considered. In disposal of the vehicles in the fleet, the most optimal market methods should be considered.

"Putting you in the driving seat"

Financial gains should also be looked at against losses in disposing a vehicle within warranty. It is true that savings can be achieved through replacement of vehicles within the warranty period by taking advantage of discount applicable to government vehicle purchases and dispose the vehicles at open market related prices. This method of sale will guarantee the best return on the original capital investment.

2. PURPOSE

The purpose of this policy is to ensure the effective and professional management of the fleet. The implementation of the policy to reduce the astronomical costs that are incurred to repair ageing fleet that is not economical to repair. This has resulted in some vehicles being continuously sent back and forth to the merchant for repairs which hinders proper vehicle availability planning and adversely affect the work as scheduled. Another related issue of concern is the high maintenance costs incurred to repair the ageing fleet which equals or exceeds the purchase price of the vehicle.

Implementation of this policy will also ensure that vehicles indicated on the vehicle master plan for phasing out are actually phased out and not retained in the fleet as this would lead to increased maintenance costs.

3. RECOMMENDATIONS

It is therefore recommended that:

- 3.1 where the maintenance and repairs equal the purchasing price, the vehicle should be replaced.
- 3.2 currently aged vehicle should be replaced before purchasing the new shortage. Replacement of vehicle should equal disposal to avoid unnecessary expansion of the fleet.
- 3.3 the vehicle should be replaced when it is uneconomical to repair.
- 3.4 the replacement cycle should be in accordance with the budget cycle.
- 3.5 vehicles should be replaced based on the mileage travelled, i.e. the kilometers travelled using the manufacturers warranty as a criteria or the age of the vehicle (which ever comes first).
- 3.6 the vehicles should be replaced every four years.
- 3.7 the vehicles should not be placed in scrap vehicle yards as this could expose the vehicle to stripping of parts, thefts, loss of value, etc.
- 3.8 the formulae that should be applied to determine when a vehicle should be replaced is recommended as follows:
 - Where the maintenance costs exceed the acquisition costs
 - Age limit irrespective of kilometers travelled (3-4 years).
 - Kilometres limit irrespective of age;
 - (i) 150 000km (petrol fuelled vehicles)
 - (ii) 250 000km (diesel fuelled vehicles)
- 3.9 the following aspects should be considered before replacing existing vehicles:
 - Body Condition: If the vehicle was involved in an accident and has had several body repairs done within the four year period or before it has completed its recommended mileage, it is likely to rust (especially vehicles operating in the coastal area) where repairs were undertaken and therefore the vehicle should not be kept beyond the 120 000km or beyond the recommended four years.
 - Vehicles mainly driven in urban areas, provided that a full regular service and maintenance has been carried out should be replaced at 150 000km or 4 years which ever comes first. This recommendations would also be applicable to diesel fuelled vehicle (trucks).

- (a) Vehicles that are disposed of should be sold on the open market at market related prices.
- (b) Approval from Treasury should be sought to create a special account into which the revenue accruing from the sale of vehicles should be deposited.
- (c) The departments should be credited with the amount realised from the sales in order to finance their vehicle requirement need.

3.11 The disposal procedure must be strictly adhered to and control measures must be put in place.

3.12 The time frame for phasing out the current aged vehicles to allow Departments to make provision on their budget must not take more than five (5) years.

3.13 It is recommended that the policy be

- (a) approved; and
- (b) adopted and implemented within KwaZulu Natal Provincial Departments with effect from 1 November 2000.

Supported / Not Supported

Date.....18/10/00


DR K B MBANJWA
DEPUTY DIRECTOR-GENERAL: TRANSPORT

Approved / Not Approved

Date.....31/10/2000


Act. DIRECTOR-GENERAL: KWAZULU NATAL