
SUBMISSION TO: Works
AGENDA REFERENCE: 11.1.2
SUBJECT: Plant Replacement - Grader
LOCATION/ADDRESS: Shire of Jerramungup
NAME OF APPLICANT: N/A
FILE REFERENCE: 12.11.3
AUTHOR: Graham Edwards
DISCLOSURE OF ANY INTEREST: Nil
DATE OF REPORT: 8 March 2009

SUMMARY

The purpose of this report is to consider the replacing of two (2) graders with one (1) as proposed in the 2008/2009 Adopted Annual Budget.

ATTACHMENT

Nil

BACKGROUND

The Shire of Jerramungup currently has three (3) graders as described below.

Fleet N°	Grader	Purchased	Hour Meter
PG1	Cat 120H	October 1998	13256
PG2	Volvo G710	April 2002	7150
PG3	Cat 120H	February 2000	12050

The Group Operation history since 2001/02 is summarised below.

Year	Recorded Hours	Operation and Depreciation Costs		
		Total	Hourly Rate	Recovered
2001/02	1,884	\$112,517	\$59.72	\$96,058
2002/03	2,955	\$79,714	\$26.98	\$114,794
2003/04	3,020	\$128,701	\$42.62	\$104,948
2004/05	1,542	\$119,501	\$77.50	\$56,952
2005/06	3,313	\$175,304	\$52.91	\$166,358
2006/07	2,826	\$190,455	\$67.38	\$190,476
2007/08	1,690	\$180,822	\$106.96	\$111,430
2008/09 ytd	2,451	\$134,959	\$55.06	\$155,331

CONSULTATION

Employees have been consulted extensively regarding plant requirements, with opinions inconclusive.

COMMENT

A decision to reducing the grader fleet from three (3) to two (2) machines or otherwise is a complex issue requiring careful deliberation. It is however appropriate that practices are reviewed with considerations including that:

1. Rates in the table above are:
 - a. Distorted through both the under and over recording of hours worked.
 - b. Not inclusive of all costs associated with operation of the graders for comparison with contractors. Other costs include labour and overheads plus associated costs such as transport vehicles estimated at \$55,000 since 1 July 2007) and depot operation.
 - c. Reliable in terms of total expenditure and cost recovery against the Works Programme

2. For a comparison between Shire and contract operation consider that:

- a. Contract

The all inclusive cost of a contract grader, as indicated by the current tender 01/09 is approximately \$150 hourly.

- b. Shire

Hour meters indicate that over the life of the existing graders average annual use is 3,655 hours.

Based upon that annual average, use since 1 July 2007 might be estimated at 6,105 hours. It is known however that:

- During that period, there has been an unprecedented Works Programme with the workforce understaffed and employee hours at extraordinary levels. There has also been significant use of contractors and Shire plant has been underutilised.
- Employees will lose on average between two (2) and three (3) hours daily to travelling, plant maintenance, placing signs and rest breaks. Plant operation time is also lost to wet weather and breakdown.
- Shire grader use since 1 July 2007 is probably between 5,000 and 5,500 hours.

- Employees assigned principally to grader operation have worked a total of 12,498 hours during that period. The ratio of grader use to employee hours is therefore estimated at between 45 and 50%.
 - A number of employees regularly work rostered days off and in excess of 2,500 hours annually. Allowing for the loss of two (2) hours daily plus breakdown and wet weather approximately 500 hours minimum of plant operation time will be lost annually.
- The maximum achievable grader to employee ratio for the Shire of Jerramungup is approximately 80%. Achieving a ratio above 70% would be commendable.
- The Deputy Chief Executive Officer has invested significant effort into reviewing plant operation rates recently and current recovery rates are regarded as reliable.
 - With additional costs included the Shire of Jerramungup rate for grader operation is approximately \$105 hourly.

Consider further that:

1. A valid assessment cannot be made by only comparing hourly rates. Regardless of Shire or contract operation, rates will appear competitive when productivity is low or replacement value (depreciation) is excluded.
 2. Contractors have been engaged to provide skills which are currently unavailable internally. There is hesitation in the workforce about developing those skills.
 3. The general frequency of grading roads in the Shire of Jerramungup is high with operators advising distances of approximately 15 km in a day, indicating that service levels are also high.
 4. The Shire of Jerramungup has 1072 km of unsealed and 98 km of sealed road. At an average of 1km per hour, the grading of roads throughout the Shire an average of three (3) times annually requires approximately 3,300 grader hours.
- In terms of maintenance and based upon current employee hours this could be achieved by two (2) graders with a grader to employee ratio of 65%.
5. When conditions are satisfactory, the use of a multi tyred roller can improve the service standard and reduce the grading required. The Shire of Jerramungup purchased a new multi tyred roller in July 2007, which is under utilised.
 6. The emphasis on grading and preference by operators for working alone has contributed to the neglect of other aspects of road maintenance.
 7. Some employees have expressed an interest in working an eight (8) day fortnight being nominally a 12 hour days during the summer months and 10 hours during winter.

This is an option which could be pursued to maximise plant usage.

8. The Local Government (Functions and General) Regulations provide for assistance to former employees under certain circumstances as detailed below in Statutory Requirements.

In summary the author:

1. Is circumspect about reducing the number of graders however employee skills must be developed and workplace culture alter, to justify the retention of three (3) units.
2. Recommends consultation with adjoining Shires to assess the combined grader capability and potential for increased efficiency.
3. Recommends the calling of tenders for the supply of one (1) grader with the trade or outright purchase of two (2) graders.

This option provides residents, including employees with the opportunity to submit an offer.

4. Recommends that the final decision is made following the evaluation of tenders.

STATUTORY REQUIREMENTS

The Local Government Act 1995, section 2.7 states that the Council:

“Oversees the allocation of the local government’s finances and resources”.

STRATEGIC IMPLICATIONS

There is an association with each of the Key Focus Areas contained in the Shire of Jerramungup Strategic Plan 2009 – 2014.

Key Focus Areas

1. *Ongoing Social, Economic and Financial Viability.*

The Shire of Jerramungup will continue to grow and prosper whilst maintaining its identity and sense of place by establishing partnerships with neighbouring Councils to achieve service delivery efficiencies.

2. *Service Delivery and the Environment.*

The Shire of Jerramungup will deliver a range of excellent community services whilst minimising our impact on the environment by ensuring that the service delivery process is supported by appropriately skilled, qualified and enthusiastic staff members.

3. *Building and Road Infrastructure.*

The Shire of Jerramungup will provide the community with quality road and building infrastructure by:

- a. *Ensuring that our built infrastructure is well utilised and maintained.*
- b. *Adopting whole of life asset management principles.*
- c. *Keeping abreast of new technology and industry best practice.*

FINANCIAL IMPLICATIONS

The 2008 /2009 Adopted Budget includes an allocation of \$430,000 for the purchase of a grader with income of \$160,000 from trades being a nett changeover of \$270,000.

POLICY IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

RECOMMENDATION

That:

1. Consultation takes place with adjoining Shires to assess the combined grader capacity and potential for increased efficiency.
2. Tenders are called for the supply of one (1) grader with the option of trade or outright purchase of two (2) graders.
3. The final decision follows the evaluation of tenders.

OC030903 Moved Cr Iffla Seconded Cr Bailey

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3. *The final decision follows the evaluation of tenders.*

Carried 6/0

