



TRS19D1298

Hon Stephen Mullighan MP
Member for Lee
Unit 1, 62 Semaphore Road
SEMAPHORE SA 5019

Treasurer
Level 8
State Administration Centre
200 Victoria Square
Adelaide SA 5000
GPO Box 2264
Adelaide SA 5001
DX 56203 Victoria Square
Tel 08 8226 1866
treasurer.dtf@sa.gov.au

lee@parliament.sa.gov.au

Stephen
Dear Mr Mullighan

APPLICATION UNDER THE FREEDOM OF INFORMATION ACT 1991

I refer to your application made under the *Freedom of Information Act 1991* (FOI Act), dated 13 May 2019.

Your application seeks access to:

"All minutes, briefings and correspondence titled 'Executive Motor Vehicle Scheme' as described on the Objective document management system, between 12 July 2018 and 13 May 2019."

The legislative prescribed timeframe to determine this application has expired and is now deemed to have refused you access to all documents relevant to your application. I refer to my letter dated 26 May 2019 where I sought additional time to make my determination.

The purpose of this letter is to advise you of my determination. An extensive search was conducted within this office. A total of 1 document was identified as answering the terms of your application.

I grant you access in part to 1 document, a copy of which is enclosed.

Document Released in Part

Document 1 is a briefing which was prepared by DTF for my consideration, in relation to the Executive Motor Vehicle Scheme.

The briefing contains a table which includes information of the schemes from other jurisdictions. This information was sourced under a confidentiality agreement between other state, territory and federal government public sector fleet managers. I therefore determine this exempt pursuant to clause 5(1)(a)(ii) to the FOI Act.

This document also contains information on a Total Remuneration Package Value which is not public knowledge and details what an Executive pays for their vehicle per annum. The majority of costs of the scheme are met by the Executive and therefore not in the public's interest to disclose.

I determine this exempt pursuant to clause 7(1)(c) to the FOI Act.

Exemptions

Clause 5 – Documents affecting inter-governmental or local governmental relations

- (1) *A document is an exempt document if it contains matter—*
- (a) *the disclosure of which—*
 - (i) *could reasonably be expected to cause damage to intergovernmental relations; or*
 - (ii) *would divulge information from a confidential intergovernmental communication; and*
 - (b) *the disclosure of which would, on balance, be contrary to the public interest.*

Clause 7 – Documents affecting business affairs concerning

- (1) *A document is an exempt document—*
- (b) *if it contains matter—*
 - (i) *consisting of information (other than trade secrets) that has a commercial value to any agency or any other person; and*
 - (ii) *the disclosure of which—*
 - (A) *could reasonably be expected to have an adverse effect on those affairs or to prejudice the future supply of such information to the Government or to an agency; and*
 - (B) *would, on balance, be contrary to the public interest; or*
 - (c) *if it contains matter—*
 - (i) *consisting of information (other than trade secrets or information referred to in paragraph (b)) concerning the business, professional, commercial or financial affairs of any agency or any other person; and*
 - (ii) *the disclosure of which—*
 - (A) *could reasonably be expected to have an adverse effect on those affairs or to prejudice the future supply of such information to the Government or to an agency; and*
 - (B) *would, on balance, be contrary to the public interest.*

Please note, in compliance with Premier and Cabinet Circular PC045 - *Disclosure Logs for Non-Personal Information Released through Freedom of Information (PC045)*, the Department of Treasury and Finance is now required to publish a log of all non-personal information released under the *Freedom of Information Act 1991*.

In accordance with this Circular, any non-personal information determined for release as part of this application, may be published on the DTF website. A copy of PC045 can be found at the following address: <https://dpc.sa.gov.au/resources-and-publications/premier-and-cabinet-circulars>. Please visit the website for further information.

As I am determining this application as Principal Officer, Section 29(6) of the Act does not provide for an internal review. If you are dissatisfied with my determination you are entitled to exercise your rights of external review with the Ombudsman.

Alternatively, you can apply to the South Australian Civil and Administrative Tribunal. If you wish to seek a review, Section 39(3) of the Act states you must do so within 30 calendar days of receiving the determination.

If you require any further information, please contact Vicky Cathro on 8226 9769.

Yours sincerely

A handwritten signature in black ink that reads "Rob Lucas". The signature is written in a cursive style with a large initial "R".

Hon Rob Lucas MLC
Principal Officer

21 September 2019

MINUTE



Government
of South Australia
Department of Treasury
and Finance

1/11/18
1028
TR51802207

MINUTES forming ENCLOSURE

File SAF18/0011

Doc No A927282

To: The Treasurer

EXECUTIVE MOTOR VEHICLE SCHEME

Timing: ROUTINE — For your approval

Recommendations/Issues: It is recommended that you:

- Approve removing the 30% subsidy for operating costs provided to Executives who access the Executive Motor Vehicle Scheme;

Approved / Not-Approved-

- Note the options available to Executives should they still wish to access a vehicle;

Noted

- Approve the preferred option, that Executives access a vehicle through Maxxia;

Approved / Not-Approved

- Note the second preferred option is to maintain the current scheme with increased vehicle selection, and full cost recovery from the Executive.

-Noted-

Hon Rob Lucas MLC
Treasurer

21/11/2018

Background

- SAFA owns and funds the government's passenger and light commercial motor vehicle fleet of 6,900 vehicles. Included in the fleet are 220 executive remuneration vehicles.
- The Executive Motor Vehicle scheme was introduced in the 1990's as a means to encourage parity with the business world.



- The federal and other state government jurisdictions around Australia offer some form of scheme to make vehicles available to Executives.
- A snapshot of the schemes from other jurisdictions is included in the table below.

| Government | Executive Motor Vehicle Scheme |
|--------------------|--------------------------------|
| Federal Government | [REDACTED] |
| New South Wales | |
| Victoria | |
| Queensland | |
| Western Australia | |
| Tasmania | |
| Northern Territory | |
| | |

- Commissioner's Determination 3.2, Appendix 2 – Use of Government Vehicles states – "Cabinet has approved the provision of private plated (i.e. black plated) government vehicles as part of a remuneration package for:
 - o chief executives;
 - o certain statutory office holders; and
 - o executives who elect to salary sacrifice for a Fleet SA supplied motor vehicle as part of their employment contract."

- o SAFA determines the Total Remuneration Package Value (TRPV) which includes:
 - o depreciation;
 - o Interest;
 - o registration;
 - o insurance;
 - o administration;
 - o estimated fuel costs;
 - o estimated maintenance costs;
 - o estimated tyre replacement costs; and
 - o Fringe Benefits Tax (FBT).
- o Depreciation and estimated maintenance costs use benchmarked data provided from third party sources such as RedBook, Glass' Guide, Pickles Auctions and LeasePlan Australia.
- o The TRPV component amount is calculated for each vehicle model available, and discounted for business use availability. The TRPV component is based and fixed on a ratio of 70% private and 30% business usage. It is expected that vehicles are made available for the Executive and staff to use during business hours, which reduces the need for other vehicles. This ratio is not open for negotiation or variation unless the Executive works part time.
- o Current TRPVs range from [REDACTED] (per annum) for a Toyota Prius C, to [REDACTED] for a Nissan Pathfinder Hybrid.
- o The TRPV component and approved Executive Remuneration Vehicle list are updated and published quarterly. Once a new vehicle has been provided to an Executive, deductions commence from the Executives salary and the annual cost is fixed for the life of the lease (normally 36 months or 60,000 kilometres, whichever occurs first).
- o The agency is responsible for the vehicle and all associated costs, including monthly lease rates, maintenance and fuel. The package value is recovered by the employing agency directly from the Executive.
- o The cost of providing the subsidised scheme on 220 vehicles is estimated at \$795,000 per annum. Costs include assumptions on usage patterns, specifically that vehicles will travel a fixed distance each year.
- o FBT is calculated using the statutory method and is charged to the Executive. The statutory method is calculated using 20% of the FBT base value of the vehicle, regardless of how the vehicle is used. FBT is charged at 100%, whereas the operating costs are charged at 70%.

Vehicles

- o The current list of Executive Vehicles is attached. The list has evolved from a South Australian made range of Holden vehicles, to a list of low emission vehicles.
- o The updated Executive list is based on vehicles that meet the low emission criteria available from current supplying vehicle manufacturers. Several new manufacturers have approached the government to be included on the list, but are yet to be approved. These include BMW, Audi, Mercedes, and Lexus.

- The Executive list differs slightly from the MP vehicle list. Differences include more base models on the Executive list, and the availability of some non low-emission Toyota 4WD vehicles on the MP list.
- The current Executive Motor Vehicle list requires all vehicles to be low emission (unless a non-standard vehicle is justified by a specific business operational need).
- Executive vehicles are normally of a higher specification and level of luxury than the government operational vehicles. Operational vehicles are generally entry level models, selected by fit for purpose application. As an example, an operational vehicle may be a Holden Commodore LT, whereas an Executive can select higher specification vehicles such as the Commodore VXR, Calais, or Tourer models. This diversity provides a wider mix of vehicles at sale, increasing the demographic of buyers at the government vehicle auction.
- There are two issues ongoing:
 - what (if any) vehicles should Executives have access to as part of their packages?; and
 - should the current 30% subsidy on operating costs be continued?

Options for the Executive Vehicle Scheme

- Maxxia offers salary packaging as part of a workplace benefits program. This Australian Tax Office approved salary packaging program allows all employees to bundle vehicle lease payments and all vehicle running costs into one convenient payroll deduction. The main benefits of salary packaging over ownership is the potential tax savings. Executives could salary sacrifice a vehicle through Maxxia, consistent with all other staff. Maxxia is the sole salary packaging provider under the South Australian Government Salary Sacrifice Arrangements.
- Using Maxxia would enable Executives to salary sacrifice any vehicle they choose without restriction. The option to use Maxxia will potentially be at a higher cost, due to higher interest rates in the contract, higher fuel and insurance costs, and higher vehicle purchase price compared to state government pricing.
- Options for the Executive Motor Vehicle Scheme include:
 - Utilising Maxxia only;
 - Retain existing vehicle list (all low emission vehicles) with no subsidy;
 - Expand the list to include any model variant of a vehicle from the full list of available government vehicles (with no subsidy); or
 - Enable Executives to select any vehicle they want with Fleet SA to source and fund the vehicles.
- Not all vehicle manufacturers provide state government discount, and some choose not to conduct business direct with government. In relation to the last option above, it is also not government's core business to potentially be purchasing one vehicle from one manufacturer. There would be no benefit to the Executive from this process. Hence giving unlimited choice would not be cost effective or practical.
- Attached is a table detailing the benefits of each option, based on the assumption that the 30% subsidy (as per below), is removed.

Removal of Subsidy

- There are approximately 1,300 Executives employed in government and only 220 Executives utilising the scheme. The majority of costs of the scheme are met by the Executive, with 30% of operating costs met by government, which equates to approximately \$3,600 per Executive vehicle per annum.
- It is proposed that the 30% subsidy for operating costs provided to Executives who access the Executive Motor Vehicle Scheme be removed. This will save the government \$795,000 per annum. These savings will be used towards the Department of Treasury and Finance savings target.
- It is noted that removing the subsidy may slightly increase other costs to the extent that there is a need for additional long term hire vehicles, short term hire vehicles, taxis or other modes of transport, that the Executive vehicle is currently being made available to other staff to use. Any minor additional cost would be met by the agencies.

Implementation

- Any change to the current arrangements, lists or subsidy will occur for new vehicles, with existing leases honoured until their expiry. That is, Executives existing vehicle contracts will be honoured and changes will take effect at the next vehicle turnover. This will give all Executives a minimum of six months notice.

Recommendation

It is recommended that you:

- Approve removing the 30% subsidy for operating costs provided to Executives who access the Executive Motor Vehicle Scheme;
- Note the options available to Executives should they still wish to access a vehicle;
- Approve the preferred option, that Executives (consistent with other staff) access a vehicle through Maxxia; and
- Note the second preferred option is to maintain the current scheme with increased vehicle selection to the full list of available government vehicles, and full cost recovery from the Executive.



David Reynolds
CHIEF EXECUTIVE

31/10/2018

| | |
|------------------|--------------------------|
| Contact Officer: | Glenn Gaisford |
| Telephone: | 49880 |
| Email address: | glenn.gaisford@sa.gov.au |

Attachment
Current list of Executive Vehicles and costs

| Vehicle Scheme | Benefits | Detractors |
|------------------------------|--|--|
| Maxxia salary packaging | <p>Unrestricted choice of vehicle</p> <p>No restriction on who can drive the vehicle</p> <p>No administration cost to government</p> <p>May reduce car parking liability for government</p> | <p>Increased cost for same vehicle</p> <p>Agencies will need other modes of transport to replace the business use of the Executive vehicle during office hours</p> <p>Will not address agreements where vehicles are written into Executive contracts.</p> <p>Removes all prestige Executive vehicles from auction mix</p> <p>Maxxia option is available now, and 220 Executives elect a government vehicle.</p> <p>Possible minor reduction in governments bargaining power for volume discounts from manufacturers.</p> <p>No employee incentive</p> |
| Existing scheme (no subsidy) | <p>Reduced cost to Executives (compared to Maxxia)</p> <p>Vehicles available for business use during office hours which reduces the need for other modes of transport</p> <p>Controls in place on who is allowed to use the vehicle</p> <p>Government controls the type of vehicles available, and can lead by example</p> <p>Centralised reporting on vehicle use, services due, and safety recall management</p> <p>Synergies with Judicial Remuneration scheme</p> <p>Provision of a parking space for business use</p> <p>Improved mix of vehicles at government auction.</p> <p>Vehicle written into some enterprise bargaining agreements such as emergency services</p> | <p>Restrictions on who can drive the vehicle</p> <p>Limited choice of vehicles</p> <p>Only certain passenger and SUV low emission vehicles available</p> <p>Increased administration</p> <p>Increase cost (██████ pa) to Executive</p> <p>Disparity with Judicial Remuneration Scheme</p> <p>Harder to place restrictive conditions on vehicle use and availability if Executive paying 100%</p> <p>No emission target or requirement to lead by example</p> |

| Vehicle Scheme | Benefits | Detractors |
|---|--|--|
| Existing scheme (no subsidy) with expanded list | <i>In addition to the benefits under the existing scheme</i> | <i>In addition to the detractors of the existing scheme</i> |
| | Greater choice of vehicles | Executive fleet may grow, imposing increased costs to agencies |
| | Includes light commercial such as dual cab utes and 4WD | Greater administrative effort of calculating a diverse range of total remuneration package values |
| | | Reduces the percentage of low emission vehicles in the fleet |
| | | |
| Existing scheme (no subsidy) with choice of any vehicle | <i>In addition to the benefits under the existing scheme</i> | <i>In addition to the detractors of the existing scheme</i> |
| | Maximises choice of vehicles | Higher administrative costs |
| | | Unlikely to receive fleet discount on some vehicles due to low number of purchases from some manufacturers |