

Regional Impact Assessment Statement

1. **TITLE:** Transport SA Plant Procurement Project

2. ISSUE:

Procurement of a new plant fleet for use by the road maintenance and construction in-house resources of Transport SA replacing plant currently hired from private sector provider All Hire Plant Pty Ltd (AH). AH has a regional presence in the Upper Spencer Gulf (USG) so the Government is keen to ensure the issue of regional employment is at the forefront of procurement activity and overall project decision-making.

3. REGION:

The area most affected by the acquisition of the new fleet is the USG and a map is attached as Appendix 'A'.

4. STAKEHOLDERS:

All the regional boards, business groups and relevant government agencies in the USG; the local, state, national and international transport plant industries.

5. CONSULTED:

- Local Regional Economic Development Boards
- Local Councils
- Common Purpose Group
- Provincial Cities Associations
- Office of the Upper Spencer Gulf, Flinders Ranges & Outback
- Office of Regional Affairs
- Transport Plant Industries
- AH Plant

6. CONSULTATION:

- Transport SA have kept AH fully informed of its intentions as they have developed throughout the decision making process. As the intent to purchase new plant became clear AH were immediately informed. In October 2003 Transport SA began negotiations with AH to establish a structured disengagement of the existing contract including the possible procurement of parts of the existing AH fleet and/or associated services, subject to acceptable commercial terms.
- The wider transport plant industry was consulted via a detailed strategic procurement plan that commenced with an Expression of Interest (EOI) advertised on 27 October 2003. The EOI articulated clearly Transport SA's intent and expectations. All documents were structured innovatively to attract and condition the supply market and were geared towards conveying the essence of Transport SA's business and operational needs, including the critical factor of USG regional capability.
- Letter/Invitation sent to all identified USG stakeholders in early August 2004 advising them Transport SA was in the process of receiving the new plant fleet

and that a significant portion of the fleet would be based and used in the USG region.

- Transport SA invited the stakeholders to attend a community forum in Port Augusta on 24th August 2004 to consult and receive feedback about the process thus far and to validate the Transport SA approach to this point in time, with a view to seeking input about the next steps and to establish further regional connections and linkages for the project.
- An information pack was prepared for attendees, including a CD - *Presentation to the communities of the Upper Spencer Gulf*. The DTEI Director of Communications facilitated the community forum with representatives from all the identified groups in attendance - except for the Port Pirie Council.
- Separate discussions took place with the Assistant Manager, Mechanical Services, Port Pirie Council (the Division deemed responsible by the Port Pirie CEO), and after a verbal briefing, it was agreed a copy of the CD would suffice for their needs.
- The CD presentation was well received by local stakeholders with multiple copies (20 plus) being requested for their own information dissemination purposes.
- Former Transport Minister, the Hon Ms Trish White, made a ministerial statement in Parliament, on May 6 2004.
- A feature newspaper article appeared in the 'Advertiser', Wednesday 18 th August 2004, highlighting the benefits of the Transport SA Plant Procurement Project. A number of television media carried the story the previous day.
- The following agencies were consulted and were supportive of, or have no objections to, the procurement of a new plant fleet;
 - Office of Regional Affairs
 - Office of Economic Development
 - SA Industrial Supplies Office
 - Department of Environment & Heritage
 - Prudential Management Group
 - State Supply Board
 - Water Land and Biodiversity Conservation
 - Department of Treasury & Finance
 - Department of Premier and Cabinet
 - Crown Law
 - Office of the Upper Spencer Gulf, Flinders Ranges and the Outback

7. SUMMARY OF IMPACTS:

7.1 Economic Factors

Transport SA is aware regional employment in the USG region is a key concern for both the Government and regional communities and initiatives have been taken with the initial contracts and before the final supply contracts are let to mitigate potential impacts.

In addition, Transport SA has initiated a structured disengagement process from the existing AH contract and the procurement of selected plant items. This will enable AH to develop its future business plans. As part of continued consultations, AH have indicated to Transport SA that their presence in the

USG region is assured for the foreseeable future irrespective of maintenance supply contract outcomes.

Detailed discussions about overall net employment impacts are still premature at this stage and cannot be determined until such time as the longer-term maintenance support contracts are let and in full operation. Feedback to date has indicated that there is a shortage of supply of appropriately skilled people to fill roles in the region. Nonetheless it can be stated that there may be new employer entrants into the marketplace.

CavPower for example, who won a large Transport SA contract valued at \$12.6 million for earthmoving, compaction & asphalt plant equipment. In discussions with Transport SA, CavPower indicated 5 new regional employment opportunities would avail as a result of winning the Transport SA supply contract. Importantly, this plant contract consolidates CavPower's already significant presence in regional areas. CavPower currently employ 112 staff in regional branches located at Olympic Dam, Moomba, Whyalla, Port Lincoln, Mt Gambier and Broken Hill and they operate an extensive apprentice scheme.

CMI Hino who successfully tendered for truck contracts valued at \$9 million will be introducing a CMI Hino Service Vehicle to the USG region as part of its warranty support arrangements. This represents a smaller component of the broader stimulus to State economic development inherent in this project.

The project directly impacts on the wider local transport, plant equipment and associated services industries. It has an estimated local content exceeding \$2 million with significant subcontract work undertaken in Adelaide and regional areas such as Mannum and Barmera. Further regional opportunities for businesses to provide attachments, accessories, commissioning, delivery and ongoing support have resulted from this project. Numerous opportunities will also avail for local and regional carriers to get involved with the delivery and transportation of machines and support products.

In addition, TSA has given assurance that it will employ an extra 4 people in the outback crews and one extra position in Port Augusta as a direct result of this project.

7.2 Social Factors

This project ensures continued safe access by freight, local, mining, pastoral and tourist traffic by ensuring access to TSA of business critical plant requirements. It also maintains social equity, particularly for those living in remote areas as the contracts have been let with a view to ensuring improved outback road maintenance efficiency and effectiveness, maintaining regional employment opportunities and enabling improved relationships between industry, State and Local Governments and those at the coalface of Transport SA operational activities in the USG region.

7.3 Environmental Factors

This project ensures State ownership of the plant fleet will allow Transport SA to demonstrate industry best practice environmental sustainability in plant operation activities to assist South Australia to green its government operations. The plant TSA is purchasing represents the latest standard in engine technology with most of the plant complying with the recently

introduced USA Tier 2/Euro 3 certification standards. Accordingly significant emission reductions will be achieved and the level of pollutants arising from longer life lubricants and coolants will also be reduced. In addition, the modern plant will also meet latest noise emission standards lessening the noise at worksite and impacts on neighbouring community.

8. SOLUTIONS:

- A strategic procurement and consultation process that promotes the medium to long-term benefits to the USG communities that will be derived from the improved sustainability of the wider transport industry as a result of this project.
- Seeking to leverage through procurement activity regional employment and economic development beneficial outcomes.
- Redeploy some of the savings from the reduction in plant hire costs to employ extra workers in Transport SA's outback gangs and in its Port Augusta Office.
- Initiate a structured disengagement process from the existing contract and the procurement of selected plant items from AH.

9. COORDINATION:

Key personnel from Transport SA will continue to confer with CavPower and CMI Hino vis-à-vis USG regional employment and economic development issues. Key personnel from the Office of the Upper Spencer Gulf, Flinders Ranges & Outback, Local Regional Economic Development Boards, Local Councils, Common Purpose Group and the Provincial Cities Associations were made aware of the broader benefits and linkages inherent in this project at the community information forum. It was agreed that wider promulgation of the projects benefits and continued relationship building around mutual connections and the potential for leveraging of future business be coordinated through the Transport SA Northern and Western Office in Port Augusta.

The finalisation of the ongoing servicing/ support contracts will be cognisant of the logistics of a majority of maintenance work emanating out of the USG region and the letting of contracts will reflect the criticality of local presence.

On a local level, Transport SA will have an extra staffer to handle plant fleet management issues and enhance relationships with suppliers.

10. PREFERRED OPTION:

Throughout the process Transport SA has fully explored a range of options. However, a delicate balance between meeting projected savings targets, respecting commercial-in-confidence requirements and sensitively disengaging from the existing contract arrangements combined to ensure Transport SA unilaterally developed the preferred option that best met concerns about regional employment dislocation.

Importantly though, before progressing to the most critical stage of the project, namely the letting of maintenance supply contracts, Transport SA conducted its local USG community forum to seek acceptance of the preferred option outlined below.

The positive feedback at the forum validated this approach.

OPTION 10.1:

A strategic procurement and consultation process that promotes the medium to long-term benefits from the improved sustainability of the wider transport plant industry as a result of this project.

Benefits

- Elevates the status of regional economic development and employment in tendering processes.
- The structured disengagement process enables AH time to position itself for the future.
- Competitive forces may generate a more sustainable and viable transport plant industry in SA and in the USG region in particular.

Risks

- Transition not managed well in outer years.

Discussion:

An extensively coordinated business case was prepared across numerous Government agencies (including Treasury, The State Supply Board, Office of Regional Affairs to name but a few) and it showed that State ownership of new road maintenance and construction plant fleet represents greater economic efficiency and projected savings of \$6 million per annum.

However the lack of internal capacity eg specialised equipment and technology, appropriate people and management, to maintain a new plant fleet in-house ensured that the use of private sector service providers for the maintenance and servicing of all plant would continue to generate business activity for small to medium businesses, particularly in the USG.

By procuring new plant strategically it was envisaged that considerably broader regional benefits would result than would have otherwise been the case – for example, the major contracts awarded to CavPower and CMI Hino involve high local content, including significant subcontract work in manufacturing with considerable labour hours in the manufacture, build up and delivery of plant to meet TSA's specification. As anticipated throughout the strategic procurement process, market interest in the project was significant and competitive forces combined to create a dispersal of regional businesses in the USG supporting TSA operational needs. However, the number of mechanical workshops, the geographic spread/locations, the private provider (or mix of private providers), the net effect on employment etc, in the whole of the USG region, can not be determined until such time as the procurement processes have run their due course.

Thus Transport SA considered the consultation forum with key stakeholders in the USG as a critical milestone enabling the progression towards the finalisation of the longer-term maintenance contracts. Through the act of establishing further regional connections and linkages for the project and for the future maintenance contracts, stakeholders were able to endorse the work of Transport SA thus far.

Furthermore, many stakeholders expressed a willingness to assist with transition arrangements and to ensure the region capitalises on what is generally viewed as a positive development for the wider transport plant industry.

Transport SA's redeployment of part of the savings from the reduction in plant hire costs to employ four extra workers in TSA's outback gangs and one extra worker in its Port Augusta Office to handle plant fleet management issues, was also well received by local stakeholders.

The local community feedback indicated a high level of approval re recognition of regional employment concerns, the medium to longer- term strategic procurement process undertaken and the wherewithal shown to local business needs. In summary, general support was shown for the preferred option.

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