

Briefing Note - Tyre Spend

1. Outline

- 1.1. Spend on tyres is significantly above the 18/19 allocated budget and significantly higher than the total 17/18 spend (on which the 2018/19 budget was based). As such Ubico has undertaken a full review of tyre spend to explore and provide an explanation for the elevated spending.

To that end, key avenues of investigation have been:

- Detailed examination of spend and contract meetings with DTM
- Review of reasons for tyre replacements
- Benchmark comparisons against other contracts

2. Background

- 2.1. Tewkesbury replaced its entire waste and recycling fleet for a service change in April 2017.
- 2.2. In 2018, as part of Ubico's consolidation of its existing contracts, Ubico appointed DTM to provide its tyre replacement and disposal service.
- 2.3. The contract with DTM was secured through an approved public sector procurement framework that had been subject to the normal due diligence and process to be compliant with OJEU.
- 2.4. The contract provides a number of provisions for DTM relating to:
- response times,
 - performance
 - inspection regimes
 - ability to inspect tyres when required.
- 2.5. DTM act as a broker sub-contracting tyre replacements to local tyre suppliers to fit and replace tyres across Ubico's operation.
- 2.6. The Ubico policy states that tyres should be replaced when they reach a tread of 3mm. This is above the legal minimum but is enforced to ensure that our operation is safe and that we remain compliant with our Operator Licence.
- 2.7. Following August of 2018, Ubico under took a series of measures to promote and make sure that our drivers were appropriately inspecting their vehicles and reporting any defects. This was part of a wider programme of continuous improvements in our fleet operations.
- 2.8. Tewkesbury and Cheltenham vehicles are currently experiencing higher levels of damage due to the fact that some of the vehicles are tipping on landfill where the likelihood of suffering a puncture is higher. This situation is compounded by the

current maintenance and access to the landfill site which is considered poor in quality.

3. Findings

Wear

- 3.1. The tyre contractor has advised Ubico that it should be expected that tyres can start to become worn and require replacement from approximately 20,000miles onwards. However, this is purely a guide and considerable variables will impact this figure. For example, the terrain/road condition, driving style, route and location of the tyres on the vehicle all have an impact on the longevity and wear.
- 3.2. On average, vehicles in Tewkesbury will complete on average 65 miles per day. Based on the estimate of 20,000miles as a tipping point beyond which tyres will start to need to be replaced. On this estimate TBC vehicles would pass this milestone in 14 months (assuming the tyre is not damaged before then). Therefore, as TBC vehicles were all new in April 2017, it is expected that tyres would start to be replaced as a result of wear from May/June 2018 onwards. At this point costs would be incurred for both wear and damage. However, due to the variables stated above, it is likely that replacement due to wear would occur over a period of many months with tyres wearing at different rates.
- 3.3. The elevated levels of replacements due to wear in 2018/19, (with 55% of tyres replaced citing wear as the reason) would indicate that a significant proportion of the elevated spend in 2018/19 is due to an increasing number of tyres reaching the end of their operational life. It is also reasonable to assume that replacements due to wear will now continue in future years of operation.

Benchmarked spend

- 3.4. Through investigating other contract spend, TBC tyre charges are at a similar level to both Cheltenham vehicles and Stroud vehicles based on fleet sizes.
- 3.5. Cheltenham has seen an increase in tyre charges this year as the notional tipping point of 14 months was reached in December/January on their new fleet vehicles. West Oxfordshire Vehicles have a lower cost but have newer vehicles (replaced in October 2017) and budgets for next year have been increased in preparedness for the tipping point as seen on Tewkesbury and Cheltenham vehicles this year.
- 3.6. Different sub-contractors and fitters are used to supply Ubico contracts. If tyres were being changed un-necessarily in TBC, it would be expected that spend would be significantly higher than comparable contracts. However, this is not the case and thus reduces the likelihood that contractors are not following appropriate policies and changing tyres when they don't need to.

Compliance

- 3.7. As stated above, the Ubico policy is to change a tyre once it reached 3mm. The tread depth of tyres is recorded when a tyre is changed but 45% of tyres being changed are as a result of damage and this could result in the tread depth being higher than 3mm when changed.
- 3.8. In 2018 Ubico undertook a sustained effort to improve driver and crew vigilance with regard to compliance and all drivers in the company received briefings to ensure that all vehicles were appropriately inspected daily and that defects were accurately logged. Additional gate checks were also implemented to check the quality of the vehicle inspections carried out.
- 3.9. While it is difficult to judge whether this has had any significant impact in spend, it is reasonable to assume that additional vigilance has contributed to higher spend, especially if many tyres on the TBC vehicles were close or on the 3mm tread depth.

Damage

- 3.10. While damage to tyres remains elevated due to driving to landfill, it is expected that the mobilisation of Javelin Park and the use of waste transfer stations should result in a reduction in damage to tyres following the commissioning of the EfW plant. However, any reduction in tyre damage may be absorbed by increase in wear due to increased motorway travel.
- 3.11. Ubico's introduction of driving assessors may also help to reduce tyre damage and wear further by improving the skill level of drivers to reduce incidents of mounting kerbs when manoeuvring and improving driving style overall.