

PREM12D02727



Hon Jay Weatherill MP
Premier of South Australia

Mr John Chapman
Chief Executive Officer
Motor Trade Association of South Australia Inc
GPO Box 2204
ADELAIDE SA 5000

Dear Mr Chapman *John*

Thank you for your letter of 14 June 2012 about South Australian Government Salary Sacrifice Arrangements (SAGSSA).

A procurement process to provide salary sacrifice arrangements was conducted by the Department of the Premier and Cabinet, assisted by the Departments of Health and Ageing, and Treasury and Finance. It included an open market call from 13 October until 16 November 2011 and interested parties were invited to attend an industry briefing on 19 October 2011.

Potential respondents were advised, amongst other matters, *"that SAGSSA may employ a panel of up to three service providers, or an alternative model, including, but not limited to, a single service provider"* and the proposed contract would be for six years with biennial reviews. I am advised that it is not unusual for salary sacrifice arrangements to be conducted through a single provider, for example, the Australian Taxation Office has a single salary sacrifice service provider for its employees.

Maxxia, which has a South Australian office with 23 local employees and is an existing provider, was selected as the SAGSSA service provider from 1 July 2012.

Approximately 27,000 employees currently access the SA Government Salary Sacrifice Arrangements and as at 29 June 2012, I am advised that there were 2,694 employees who had a novated vehicle lease.

As part of the procurement process, potential respondents were advised of the novated vehicle lease requirements, which for example, included: to actively pursue best value for the employee in the establishment and administration of novated leases; and ensure the employee is provided with, and is seen to be provided, genuine choice in the selection of vehicles and leasing arrangements.

Under the novated vehicle lease arrangements from 1 July 2012, Maxxia is required to offer each employee the choice of at least three financiers, two of which must be at arm's length from Maxxia or the McMillan Shakespeare Group of Companies (Maxxia's parent).

In addition, each employee retains the individual right to nominate a financier of their choice and can also opt for a self-managed lease where the employee may undertake all of the activities necessary to establish their lease including sourcing the vehicle, insurance and finance.

There remains a requirement to use the South Australian Government mandated/Australian Taxation Office compliant Deed of Novation, which Maxxia will provide to South Australian public sector employees on request. Whether it is a self-managed arrangement or a lease fully managed by Maxxia, Maxxia is required to administer it.

I am advised that these requirements build in protections for the end users.

Should you require any further information, please contact Mr Patrick Monteagle, SAGSSA Principal Contract Manager on telephone 8226 2670.

Thank you for writing to me about this matter.

Yours sincerely



Jay Weatherill
PREMIER

3/8/2012