Schedule B

Custom Fleet Policy for Novated Lease Motor Vehicles

Introduction and Policy Description

Motor vehicles are available to employees of the University of Wollongong via a “Novated Lease Program”, as an alternative to a traditional company provided motor vehicle. This program allows a flexible approach to motor vehicle acquisition and provides benefits to both the employee and the company. Motor vehicles are for 100 per cent private use.

A Fully Maintained Operating Lease is available to University of Wollongong employees.

A Novated Lease requires a lease agreement between Custom Fleet and the employee. The lease payment obligation is then transferred to the University of Wollongong via a “Novation Agreement” with the consent of the financier (Custom Fleet).

The University of Wollongong will agree to make the lease payments on the employee’s behalf whilst they continue in the service of the University of Wollongong to an amount predetermined by the individual’s current levels of entitlement.

Upon leaving the service of the University of Wollongong, the payment obligation will then back to the employee.

All employees presently eligible to salary package a motor vehicle will be able to participate as long as they meet the qualifying criteria and have the concurrence of the University of Wollongong, with respect to their selected motor vehicle. In addition to reading the Policy of Custom Fleet, employees should also refer to the University’s Salary Packaging Guidelines.

The total cost of salary packaging a motor vehicle is not to exceed the Luxury Tax threshold (currently $55,134 as at 1 July, 2000) including on road costs, all relevant taxes, and any other associated costs.

This program has been designed to provide an additional level of flexibility and choice to eligible employees. It is totally optional and should be compared and reviewed on an individual basis with the other options available in the Motor Vehicle Policy.

It is important to note that an operating lease is essentially contract hire and as such Custom Fleet own the asset. Although a driver may make an offer to
purchase the motor vehicle at lease end, the motor vehicle is not 'owned' until this occurs.

You are advised to seek professional, financial advice in respect to the cost and tax effectiveness of the Novated Lease Program for your particular situation before progressing, as Custom Fleet and the University of Wollongong does not accept any responsibility in this regard.

**BENEFITS TO PROGRAM PARTICIPANTS**

In addition to the obvious benefit of freedom of choice of motor vehicle, there are many other significant benefits to the employee.

Should the total cost of the motor vehicle (lease + maintenance + fuel + registration + CTP + On Road Costs + Insurance + FBT) exceed the Company contribution, the individual may meet this excess cost from pre-tax income via salary packaging.

Leave and superannuation entitlements will still be calculated on the original base salary, not the salary packaged figure.

Drivers will be able to provide for Maintenance, Fuel and Registration from pre-tax income.

Drivers are not required to complete any paperwork associated with log books for Fringe Benefits Tax (FBT) reporting.

Minimal paperwork is required to complete the credit application because of the agreements developed with the Fleet Manager.

At the end of the lease term there are generally no costs associated in having the car transferred to the driver’s name, (as the cars registration is already in the driver’s name).

**PROGRAM MANAGER**

The University of Wollongong has retained the services of Custom Fleet to manage vehicle purchasing, Novated Lease finance and administration plus the ongoing management of the motor vehicle. An administration fee will be included in each Novated lease arrangement.

Custom Fleet will perform the following services for University of Wollongong employees and management:
• Provide expert and unbiased advice on motor vehicle selection and ensure that your motor vehicle is sourced at the best price available.

• Arrange all Lease Documentation and approvals in line with University of Wollongong requirements.

• Issue Vehicle Schedules to employees that provide the information on the particular lease program their motor vehicle is on.

• Forward itemised accounts and statistical reports to the University of Wollongong each month. Each driver will also receive a monthly report showing details of their salary package i.e Lease Rental, Fuel, FBT and Insurance payments.

WORK FLOW PROCEDURE

The procedure for the establishment of the “Novated Lease” Agreement and the leasing of motor vehicles within this approach will comprise of the following stages:

Step 1

Employees should read the Salary Packaging information provided on the University of Wollongong’s web site. Employees should then seek financial advice. If an employee decides to enter into a salary packaging agreement they should mail their application form to the Salary Packaging Officer, Personnel and Financial Services. The employee will be provided with an offer letter by the University, should they be eligible to salary package a motor vehicle under the program.

Step 2

The employee should then contact Custom Fleet, who will provide the employee with lease quotations for the required motor vehicle. The quote will take into account the number of kilometres to be travelled and will include all associated expenses during the lease term (maintenance, registration, CTP etc.). A total Salary Packaged figure can also be provided.

Having considered various vehicle options, the employee then makes a decision on their motor vehicle. A Lease Application Form will then be forwarded to the Employee on acceptance of a quote.
Step 3

The Employee should then have the agreed Vehicle Quotation signed off by the Salary Packaging Officer at the University of Wollongong to ensure it meets the requirements of the program.

The completed “Application for Lease” is then forwarded to Custom Fleet for processing by the employee.

On acceptance of the Lease Application, the Employee completes a Vehicle Order Form and original Lease Documentation. Documents are to be signed by the employee and returned to Custom Fleet for approval. A motor vehicle cannot be ordered until all appropriate documentation has been received by Custom Fleet.

**NOTE:** When the employee has signed the Vehicle Order Form and forwarded this to Custom Fleet they are committed to the acquisition of the vehicle described on that form.

Step 4

After all documentation has been received (including a motor vehicle order form) and after confirmation of finance approval, Custom Fleet will order the motor vehicle. The credit worthiness of the employee applying to salary package a motor vehicle is a consideration and some employees may not qualify. This information is strictly confidential between Custom Fleet and the employee.

Step 5

As the vehicle delivery date approaches Custom Fleet will:

- Prepare Novation agreements and other relevant documentation and forward these to the employee for signing.

- On completion all documents will be forwarded to Personnel and Financial Services for signing.

Step 6

On completion and return of all documents to Custom Fleet, arrangements will be made for the vehicle to be delivered to the employee.
Step 7

Custom Fleet will then add the employee’s details to the University of Wollongong’s monthly fleet statement issued in the first week of each month.

Step 8

Employees must insure their motor vehicle with Custom Fleet.

Step 9

a) Fuel Costs

Following delivery of a Novated Lease motor vehicle the employee will be issued with a Fleet Card. Each Fleet Card is vehicle specific and also requires that the current kilometres are entered at the time of each fuel purchase.

Fuel is included as part of the monthly rental. Fuel will be reconciled on a quarterly basis on 30 June, 30 September, 31 December, and 31 March.

Charges against these cards will be met by the employee on a monthly basis. Custom Fleet will detail individual employee charges on a monthly report provided to employees.

b) Maintenance and Registration Costs

All maintenance and registration costs are included in the lease rental.

Tyres are included up to a predetermined limit.

Any accident damage items or additional non-program service will be charged against an employee’s vehicle and billed back on a monthly statement to the employee. Expenses charged against the vehicle may only be up to the current available balance of the employee’s vehicle account.

Step 10

On April 1 each year, drivers will supply Custom Fleet with kilometres for Fringe Benefits Tax (FBT) purposes so University FBT returns may be prepared.
Should a rate other than the suggested FBT rate be used, this information will also be used to reconcile employees' total motor vehicle cost. If the estimate of kilometres driven made at the time of calculating the Novation package cost is significantly higher than actual kilometres, then the employees will be charged the difference. Depending on the amount, employees will be able to pay back the difference over a period of no more than 3 months. Each case will be assessed individually by the Assistant Director of Personnel Services to determine the period of pay back. The employees’ FBT rate for Novation Total Costs will also be reviewed and adjusted to the appropriate kilometre range.

NOVATED LEASE - QUESTIONS & ANSWERS

1. Can I get the car of my choice?

The only restriction is your ability to get financing, meeting of financial institution criteria for second hand cars (if applicable) and meeting University of Wollongong Salary Packaging Guidelines.

2. Where do I get my Insurance?

Through Custom Fleet. Insurance will be maintained at $65.00 per month for motor vehicles valued at less than $40,000. The cost for more expensive motor vehicles will be negotiated at that time. Insurance will be in the employee's name. Please note, these figures are subject to change.

3. Can I salary package in pre-tax dollars?

Yes. Personnel and Financial Services will adjust your pay to reflect your salary package upon finalisation of your Novation Agreement details.

4. If I am currently on car allowance and leasing my car, is there a way to get into the Novation Agreement?

This may be possible however, you need to make arrangements with Custom Fleet.

5. Can I finance a used car?

Yes, providing the vehicle is an ex-lease vehicle from Custom Fleet.

6. What happens if I resign?
After your last day of employment, you become responsible for making all future lease payments. A phone call to Custom Fleet by the employee will confirm the next payment due date. As lease payments are made in advance, a reconciliation will be required on payments made past your termination date and adjustment made to your payout if necessary.

Documentation will be provided upon cessation of employment by Personnel and Financial Services to explain the handover process and to request completion of forms regarding insurance and final odometer reading for FBT calculation.

7. What happens if I am retrenched?

Included in your Custom fleet novated lease plan is a provision for you to be able to handback the vehicle without penalty or further cost in the event of involuntary redundancy.

8. Will there be any costs if I terminate my lease early?

Yes, all financial arrangements incur some costs if terminated early. You are advised to read the contract carefully to ensure that you are aware of the termination provisions. You should seek independent financial advice before entering into a Novated Lease agreement.

9. Can I buy the car at the end of the lease?

Yes, you can make an offer to purchase the motor vehicle, however, the price is dependent on the type of lease program. An offer can be made to Custom Fleet to purchase the vehicle at lease end.

10. What happens if I go on maternity leave?

Employees who go on maternity leave or extended leave without pay will be treated as a terminated employee for the purpose of a “Novated Agreement”. Upon resuming work, and returning to active payroll, the employee may be included back into the Novation scheme.

11. Can I increase or decrease my kilometre allowance?
You may adjust your kilometre allowance and hence alter your lease commitment accordingly. Changes should be restricted to annually or at the time of your salary review by sending a written request to the Salary Packaging Officer, Personnel and Financial Services at the University of Wollongong, who will notify Custom Fleet of the alteration, who in turn will advise you of the new monthly lease rental.

If you have severely underestimated your kilometre allowance and you wish to increase your allowance other than as above, you may make a special request, in writing, to the Salary Packaging Officer, Personnel and Financial Services at the University of Wollongong.

12. Reconciliation?

Custom Fleet will provide all employees salary packaging a motor vehicle with a monthly report. Each individual should also maintain a record of their expenses and kilometres travelled to enable personal reconciliation against pay slips. At the end of the Lease period, or should you leave the company prior to this, a reconciliation will be made on your account. Any credit balance on your account will be paid to the University of Wollongong for distribution to you on an after tax basis. Any shortfall will be deducted from your final salary payment and passed on to the program manager.

13. What happens to my FBT liability if:

a) I over estimated my annual anticipated mileage?

If you have over estimated your annual usage, you owe money to the company. Therefore, you have to reimburse the company over a maximum of a three month period. Personnel and Financial Services will re-do your calculation for next year’s costing based on the accrued mileage or the suggested rate as preferred.

b) I under estimate my annual anticipated mileage?

Your anticipated annual mileage will be reconciled with the FBT taxation returns every year. If you have under estimated your annual usage, that means you are owed some money. Therefore, the University of Wollongong will pay you a one time payment less tax. Personnel and Financial Services will re-do your calculation in next year’s costing based on the accrued mileage or the suggested rate as preferred.

14. How is the FBT rate calculated?
This is calculated by applying a taxable statutory fraction (mileage factor) towards the capital purchase price by taking into consideration the anticipated annual kilometres to be driven. Details are as follows:

**Statutory Fraction**

<table>
<thead>
<tr>
<th>Total Kilometres Driven Per Annum</th>
<th>% of Purchase Price (Taxable Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 15,000 kms</td>
<td>26%</td>
</tr>
<tr>
<td>15,001 to 25,000 kms</td>
<td>20%</td>
</tr>
<tr>
<td>25,001 to 40,000 kms</td>
<td>11%</td>
</tr>
<tr>
<td>More than 40,000 kms</td>
<td>7%</td>
</tr>
</tbody>
</table>

First of all, a “Taxable Value” must be determined by multiplying the Capital Purchase Price by the appropriate Statutory Fraction and then by 2.129189. Once the “Taxable Value” is known, simply multiply the “Taxable Value” by the current FBT rate (48.5%) which becomes the FBT Cost.

Should you select an FBT rate other than the suggested rate for your position, Personnel and Financial Services may require justification for FBT reconciliation purposes and an annual individual reconciliation will be performed. If the suggested rate is used then no individual FBT reconciliation is required at year end as the suggested rate is as for company assigned vehicles and based on Taxation Department guidelines.

**15. How are Maintenance and Registration costs handled?**

Maintenance and re-registration are components of the fully maintained program.

Maintenance includes any expense items that are incurred in keeping the car roadworthy. They include:

*Service costs
*Registration and CTP
*Replacement of worn parts (including batteries and tyres)
*Repairs except those relating to accident damage or driver neglect or abuse
*Tyres (up to a pre-determined limit)
EXCLUDED from maintenance costs are capital items such as car alarms, car hi-fi, towbars, roof racks and any other post sale accessories. Vehicle Cleaning expenses are likewise not included.

16. How are Fuel Expenses handled?

Following delivery of an employee’s Novated Lease motor vehicle, the employee will be issued with a Fleet card by Custom Fleet.

Each Fleet card is vehicle specific and requires the motor vehicle’s current kilometres be entered at the time of each fuel purchase.

Fuel charged against the card will be met by yourself, by way of your salary package.

17. What about traffic or parking infringement notices?

All traffic and parking infringement notices are the responsibility of the employee including those incurred by spouses, children or other drivers of the motor vehicle.

18. Can I make any alterations to my motor vehicle?

At no point is any employee to add any accessory or accessories, or modify the motor vehicle in any way without first liaising with Custom Fleet. This includes any modifications to a motor vehicle for disabled employees.

POLICY CHANGES:

As and when policy conditions are changed they will be advised to Custom Fleet vehicle drivers.