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absolute minimum time. As this involves supervising human behaviour and attitude, proper enforcement is necessary for it can be beyond control.

The number of workers to be sent to a site will have to be reviewed to ensure that the workers and resources are fully utilised. Equipment will have to be maintained strictly and according to the schedule and standard maintenance procedures. The main principle is to ensure that the job be done economically, effectively and efficiently.

In order to be cost efficient, two strategies are being considered, that is:-

- 1) the maintenance section be fully privatised and formed as a TNB's subsidiary, or
- 2) outsourcing the maintenance work.

## **8.0 EVALUATION ON THE NEW PROPOSAL**

### **8.1 Privatising out maintenance section.**

The maintenance section will be formed as a new company and part of the TNB subsidiary. This company will be responsible for all the maintenance work for all the transmission equipment for TNB. The initial strategy will be:-

- i) The company will become a profit centre instead of just a maintenance department.
- ii) The company policy, mission and vision will be independent of from the TNB,

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iii) The initial paid up capital will be borne by the parent company.

However, the new company will need to have its own account, human resource and procurement section according to existing format,

iv) All existing employee will be absorbed into the new company,

v) The new company will have its own policy on salary scheme, remunerations, overtime and allowances,

vi) Employee are independent of the present union,

vii) The new company will be responsible in ensuring that the employee is better off when compared to the old scheme,

viii) The new company will look into minimising the old operation cost to be as low as possible.

During the initial stage, the new company will undertake all the maintenance work for high voltage equipment belonging to TNB. All the jobs completed will be billed to the parent company. The new company will give a competitive pricing for all the maintenance work. In order to minimise the operating cost, the payment of overtime, meal, mileage, hotel and outstation allowances will have to be reviewed. Thus, the new company will be implemented the following policy:-

1) The old scheme such as allowing outstation allowances for all the maintenance work for more than 25 km (one way) away will have to be invalidated. Instead only a distance of more than 40 km will be allowed for outstation claim.

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- 2) Working hours is from 8.00 a.m. to 5.00 p.m. on weekdays and from 8.00 a.m. till 1.00 p.m. on Saturday.
  - 3) An increment of about 20 % on basic salary for all staff be implemented.
  - 4) Review all types of work for maintaining all the equipment to ensure that they can be done effectively, efficiently and economically. The normal period of about 12 hours to maintain equipment will have to be reviewed. Proper enforcement and supervision will have to be implemented.
  - 5) All vehicles will have to be sent to workshops outside for repair and maintenance work instead of to the TNB workshop.
  - 6) For the rentice clearing and patrolling work, the present staff will be reduced to two instead of three. They will have to follow the contractors instead of using their own transportation for supervision work.
  - 7) A new scheme, such as profit sharing be implemented and paid as bonus annually to all the staff. The new company will decide on bonus payment independent of the parent company.
  - 8) The medical, insurance and welfare benefits for all the staff will remain the same as the old scheme.

In its effort to provide a better service, the new company will decide to do the work by itself or privatise out the work depending on the operating cost. Should the job costs cheaper if it is done by outsiders, then it is better it be

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given to outsiders to do, and the company will bill the parent company accordingly. It is necessary to create a win-win situation for both parties.

In order to give a new image to all the staff, new uniform will be provided free of charge. The new company will have its own motto, vision and mission. Its vehicles will have to be painted with a new logo and corporate colour or colours.

## **8.2 Proposal On The Maintenance Section**

The proposal on having the maintenance department operate independently and become a subsidiary of TNB should be strictly on the maintenance work. Cost comparison should be based on the following:-

- a) the salary increment for all staff should be at twenty percent.
- b) all maintenance work of 12 hours will be reduced to 8 hours.
- c) all overtime and allowance formula remain the same.
- d) outstation claim are only for work sites located more than 40 km (one way). Twenty percent of the work area are located more than this distance.
- e) the number of staff remain the same.

The proposals on the new policy for the company will save on the operating costs as follows:-

- a) reduction of operating cost on all maintenance work of more than 25 km but less than 40 km as lodging allowances is cut. Lodging allowances constitute almost fifty percent of the aggregate/entire operating cost for outstation work. Only twenty percent of the

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work area is outstation for the area of above 40 km instead of sixty five percent presently.

- b) reduction of overtime payment, can be cut out of the overtime period, which is within an eight hours period.
- c) reduction on maintenance cost for vehicles is reduced substantially as independent workshops charge lower rates when compared with the rates of the TNB workshop.

Rentice clearing and patrolling section will work efficiently as the staff are fully utilised and transportation is provided for the job by the contractors.

### **8.3 Recommendation On The Renumeration And Salary Scheme**

It is recommended that, for the initial stage, the maintenance cost should be billed to the parent company at the present rate. The staff salary will remain unchanged. As suggested earlier, the annual bonus payment is based on the profit sharing. It is recommended that the saving of twenty - five percent of the total operating be paid as annual bonus payment to all the staff. The period for the routine maintenance work will be specified strictly for them to follow and no overtime is allowed. The regulation that disallow all the staff to become union members will be enforced. The new company will be responsible for ensuring that the welfare of the staff will be taken care of.

### **8.4 Cost Estimate Under This Scenario**

Comparisons will be made on the cost saving on the salaries and allowances for the Substations, Overhead Lines and Transportation. The following example is the maintenance expenditure for the year 1996.

**Substation.**

Looking at **Appendix 2**, the total salaries and allowances for Substation was RM 4,551,000.00. It is estimated that fifty percent goes to salary and overtime and another fifty percent goes to allowances and lodgings. As shown in Table 1 below:-

**Table 1 - Comparison OF Actual And Estimated Expenditure For Substation, Overhead Line And Transportation For FY '96.**

Category	1996 Actual Expenditure <u>in RM '000</u>	1996 Estimated Expenditure <u>in RM '000</u>	Saving  <u>in RM '000</u>
<b><u>Substation</u></b>			
Salaries & Overtime	RM 2,275.5	RM 1,517.8	RM 757.8
Allowances & Lodging	RM 2,275.5	RM 705.4	RM 1,570.1
Sub Total	RM 4,551	RM 2,223.2	RM 2,327.8
With 20 % increment in salaries.	-	<b>RM 2,526.8</b>	<b>RM 2,024.2</b>
<b><u>Overhead Lines</u></b>			
Salaries & Overtime	RM 1,090.5	RM 727.0	RM 363.5
Allowances & Lodging	RM 1,090.5	RM 338.1	RM 752.4
Sub Total	RM 2,181	RM 1,065.1	RM 1,115.9
With 20 % increment in salaries.	-	<b>RM 1,210.5</b>	<b>RM 970.5</b>
<b>TOTAL</b>	<b>RM 6,732</b>	<b>RM 3,737.3</b>	<b>RM 2,994.7</b>

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On salaries and overtime, thirty three percent went to paying the overtime for work that is above 12 hours. On allowances and lodgings, sixty five percent went to outstation claims. Should the department be privatised whereby reducing the maintenance work from 12 hours to 8 hours and allowing outstation claim eligibility of places over 40 km, the reduction on salaries and overtime will be estimated at about thirty-three percent and outstation allowances and lodgings at about sixty-nine percent. Only twenty percent of the work area is located over 40 km under the new scheme. Estimated expenditure is shown in **Table 1**.

With the new scheme, and the proposed new salary increment of twenty percent, the total amount on substation expenditure will be RM 2,526,800.00. resulting in a saving of RM 2,024,200.00.

#### **Overhead Line**

Looking at **Appendix 2**, the total salaries and allowances for Overhead Line was RM 2,181,000.00 which constitutes eleven percent of the total spending. Of this amount, it is estimated that fifty percent goes to salaries and overtime, and the other fifty percent goes to allowances and lodgings as shown in **Table 1** above.

On salaries and overtime, thirty three percent went to paying the overtime for work that is over 12 hours. On allowances and lodging sixty five percent went to outstation claims. Should the department be privatised, whereby reducing the maintenance work from 12 hours to 8 hours and

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allowing outstation claim eligibility for places over 40 km, the reduction on salaries and overtime will be estimated at about thirty-three percent and outstation allowances and lodging at about sixty-nine percent. Estimated expenditure is shown in **Table 1**.

With the new scheme, and the proposed new salary increment of twenty percent, the total amount on overhead line expenditure will be RM 1,210,500.00. resulting in a saving of RM 970,500.00.

The total saving for the substation and overhead line is RM 2,994,700.00. The amount of operating cost saving should be about the same for the FY '92 to FY '95 as the percentage of salary and allowances is about the same.

If this saving remains constant, the Present Value (PV) of future saving is estimated at RM 29.94 million, assuming the cost of capital at 10 %.

$$PV \text{ (saving)} = c/r = RM \text{ 2.994m}/.10 = RM \text{ 29.92 million.}$$

However, if the growth rate of saving is 2 %, then  $PV = c/(r-g)$

$$= RM \text{ 2.994m}/(.10-.02) = RM \text{ 2.994m}/0.08$$

$$= RM \text{ 37.43 million}$$

### **Transportation**

Other operating cost saving would be on transportation, whereby all the vehicles are sent to independent workshops which result in a