



Fleet industry review - September

In association with The University of Buckingham



fleeteye is a forum for fleet operators. It provides a quick and easy way to provide feedback on the products and services used by fleet operators to run their fleet. Many of the UK's leading leasing companies are partners of fleeteye and by being part of this initiative they are showing their commitment to understanding the needs of fleet operators and implementing improvement strategies on the services they provide. (visit www.fleeteye.net)

The fleeteye industry review is based on a quarterly survey of fleet operators which measures their practices and references attitudes and opinions on a wide range of issues:-

- fleet profiles and policies
- the current economic and fleet environment
- factors influencing supplier and vehicle choice and
- Predictions about vehicle requirements and influences.

This document contains a summary of the survey and analysis of the results provided by Professor Peter N C Cooke, Professor of Automotive Management at the University of Buckingham

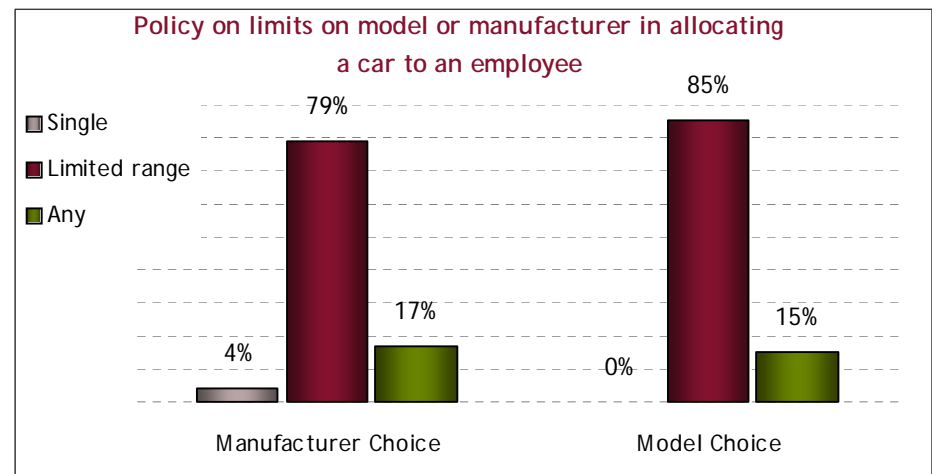
The fleeteye industry review suggests a fleet industry on the cusp of a significant change. Many of the concerns shown are running at levels which have been recognised and recorded by historic surveys, but there are issues of 'outlook' which suggest the most forward thinking players are preparing for significant changes over the next 6-12 months. While those changes may be indicated as 'six months', many of them will be driven by the rate of change of the economy - recovery from recession and the shape of that recovery.

The benefit of a survey such as the fleeteye industry review is that it provides not only a benchmark as the economy begins the long climb back from recession, but, perhaps more important, indicates how other players in a similar position are viewing the situation. 'Fleet management', whoever has responsibility for the discipline in the organisation, is a relatively isolated role in that any benchmarks will not be other departments but will be external players - some competition, other complementary organisations.

Car Allocation & Manufacturer Choice

A limited range of manufacturer and model choice would appear to be the order of the day - 79% offer 'limited range' within the 'manufacturer choice'

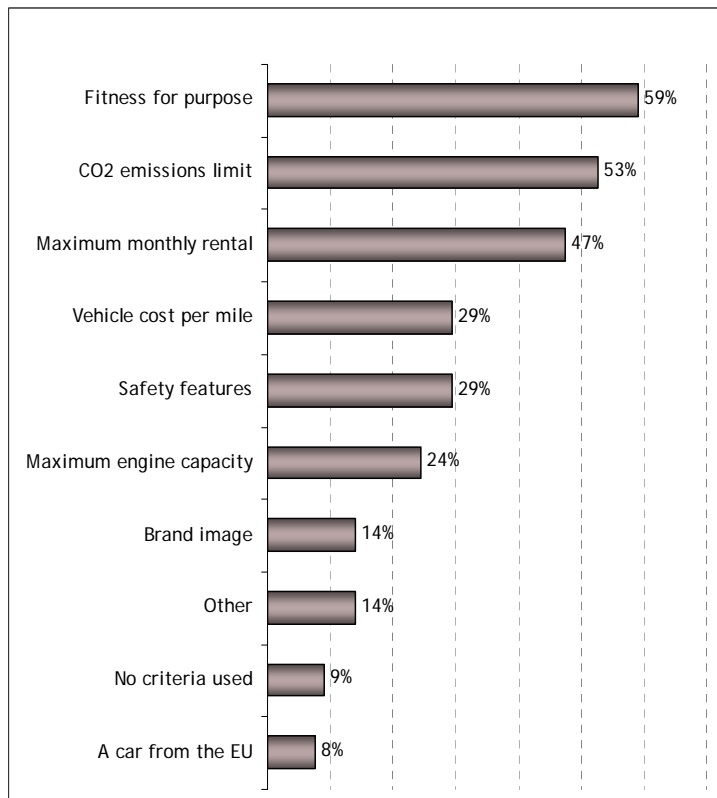
band while 85% offer 'limited range' within model choice. While the fleet industry has historically offered car users a wide range of products, the benefits of managed choice have come to the fore, especially in a period of recession when issues such as residual values and best value for money are high on the agenda.





Criteria for Employee's Vehicle Choice

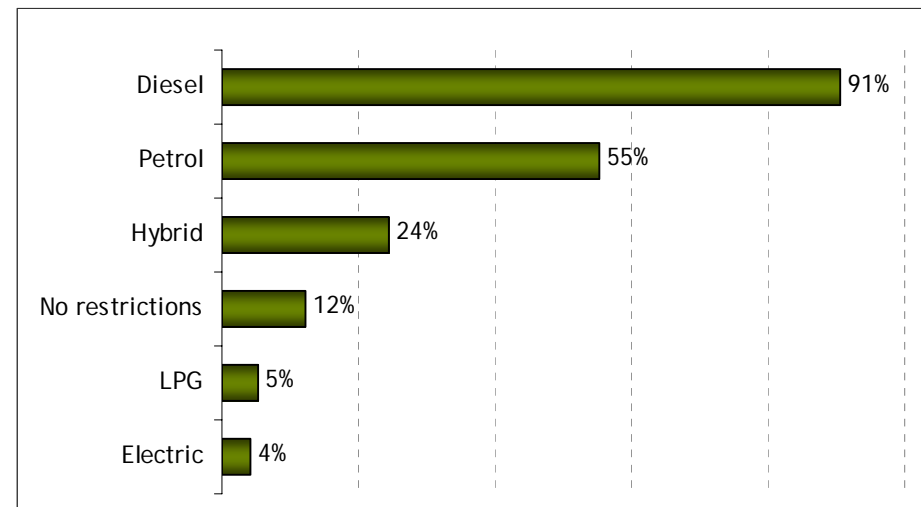
The top three issues have changed in recent years. While 'fitness for purpose' - 59% has traditionally been at or near the top of the list, as has 'maximum monthly rental' - 47% - 'CO2 emissions limit' - 53% - is a recent climber; a decade ago it was a low priority issue with all but environmentally conscious fleets. Changes in tax rules and other government initiatives may well push this to the top of the list in the forthcoming years. On a historic basis, the 8% 'A car from the EU' is interesting; twenty-five years ago there were still fleets specifying 'British' and 'No Japanese products'.



Fuel Types

The growth of diesel is well reflected in the responses - 91% of fleets have diesel while hybrids are at present on 24%. The diesel status is an interesting challenge; relatively recently conventional wisdom has seen the move to diesel, but fleet operators are still advised to do their sums carefully and ensure their economics are right taking account of capital cost, residual values, and fuel cost differentials - and setting all of that against predicted life cycle mileage.

Hybrids, at this stage 24% of respondents claim to have them, are again an interesting economic conundrum, but may also have a high profile image which might well be built into the acquisition decision. The most relevant implication is perhaps the spread of fuel types being utilised by fleets - is this the start of migration away from conventional hydrocarbons - with all of the strategic implications?





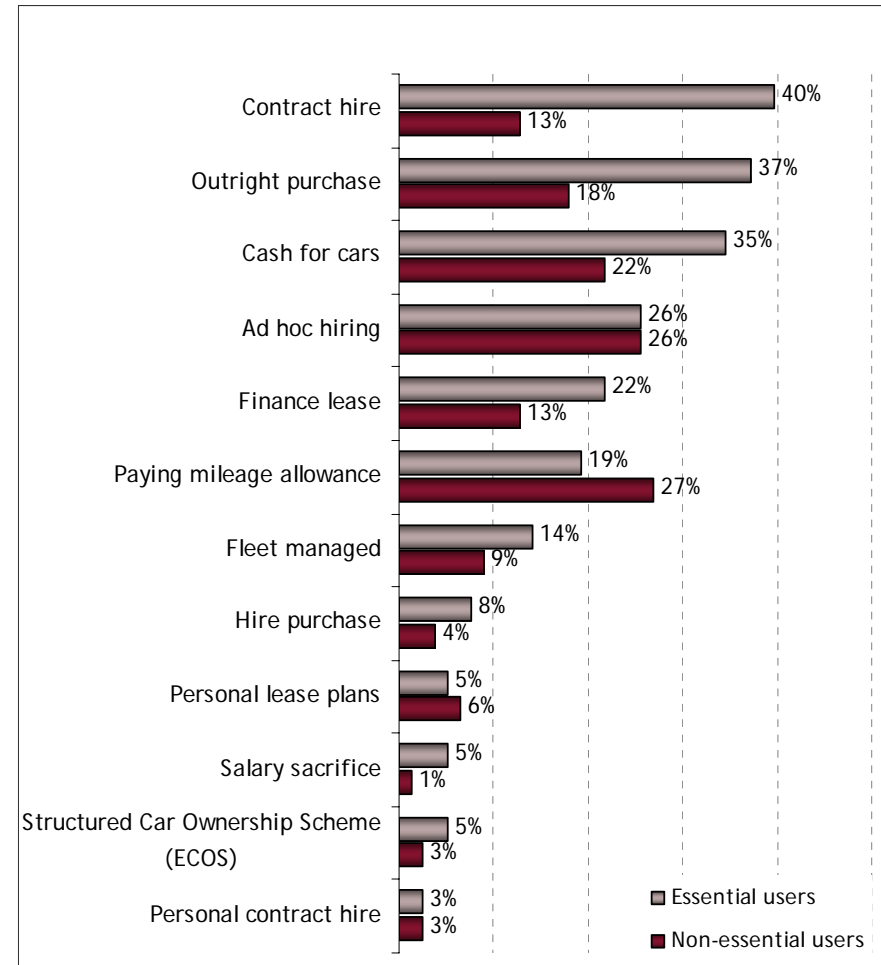
Vehicle Acquisition Methods

The 'hire or buy' decision is no longer that simple....many may wish for the past! 'Contract hire' is the most widely mentioned method of essential user provision, at 40% respondents, with only 13% respondents mentioning it for no essential users. This is an interesting sophistication which has crept into the market with operators looking more carefully at the total provision package.

'Outright purchase' is the second most widely mentioned approach to essential user provision at 37% but only 18% of non essential users. 'Cash for cars' on the other hand is the third most popular reported method of providing non essential users with cars - 22% - while it was mentioned a surprising 35% with regard to essential users. The management issues of cash for car need careful monitoring. 'Mileage allowance' at 27% and 'ad hoc hiring' at 26% are the most popular methods of providing non essential cars.

Acquisition methods could well be in for a significant shake-up as the economy emerges from recession - but that may feature in the next review.

The mention of a dozen different methods of acquisition is perhaps an indication of the dynamic state of vehicle acquisition.

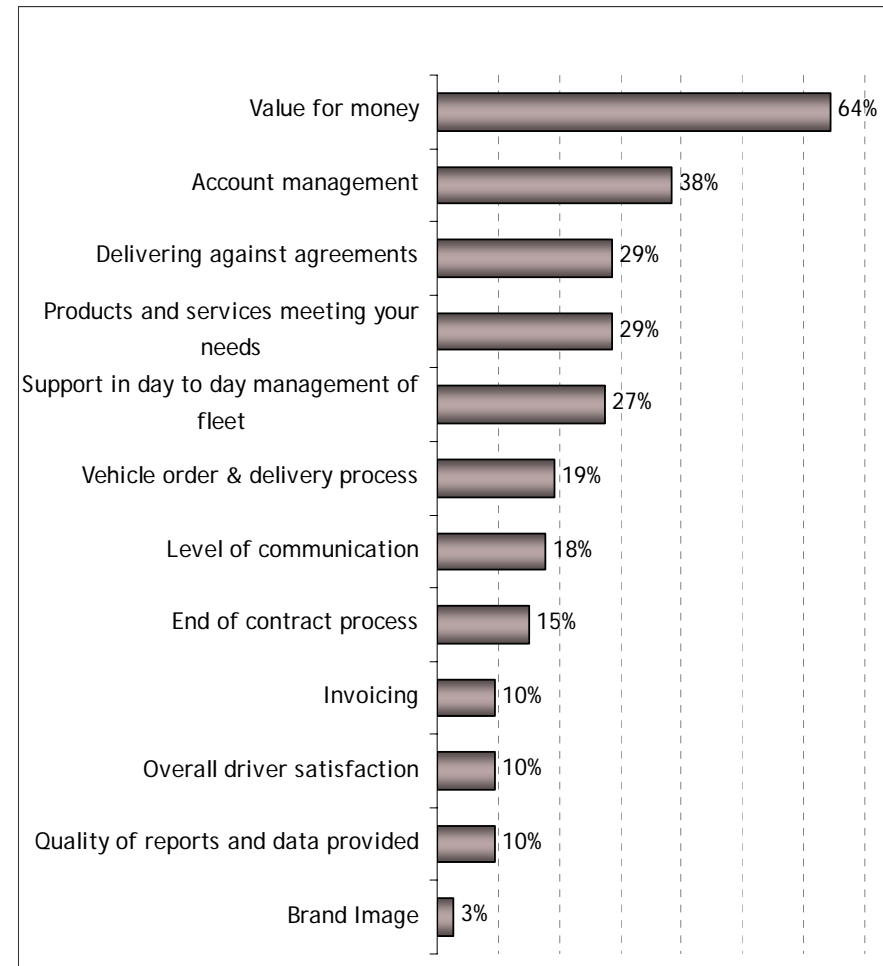




Criteria for Choice of Leasing Provider

As might be expected, the most important attribute is 'value for money' at 64% of respondents; this represents a subtle change in recent years away from 'lowest cost'. Maybe fleet operators realise that 'lowest price' does not necessarily represent what the fleet operator wants, but is looking for a package offering value.

'Accounts management' at 38% respondents would suggest a growing relationship; a strategic alliance is being seen as important among respondents. 'Matching your needs' and 'support in day to day management' are 29% and 27% respectively again support this growing role of 'true outsourcing' in terms of buying in a service which can be better provided by an external specialist.



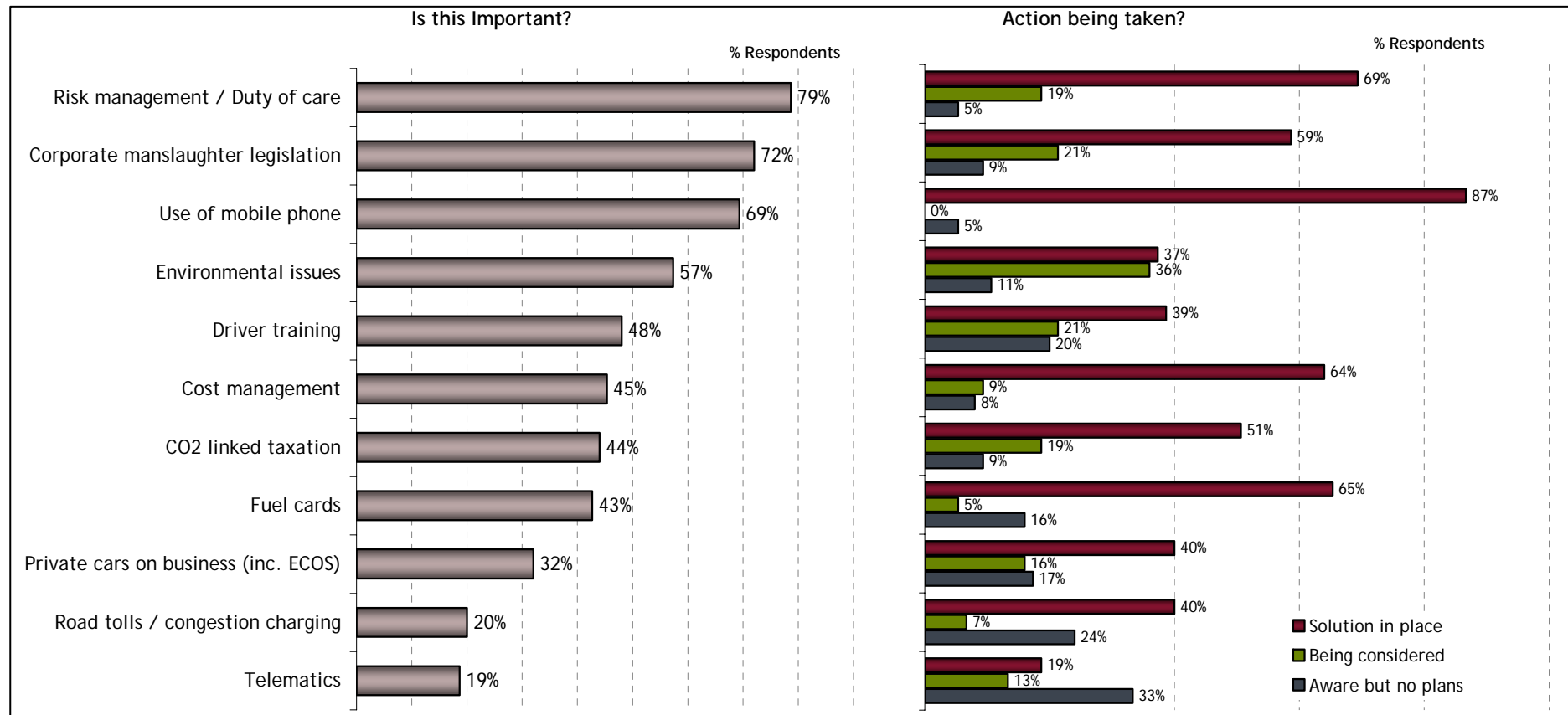


Transport & Fleet Issues

The relative importance of a variety of issues are reviewed and the most reported, in terms of 'importance' and 'solution in place' would appear to be duty of care and risk management. The 'being considered' column at 19% respondents would suggest further tightening might well be expected among some leading fleet operators.

'Corporate manslaughter legislation' is rated as 'important' by 72% respondents while 59% consider they have a solution already in place and

21% are working on solutions. 'Environmental issues' are rated as important by 57% respondents but only 37% reckon they have a solution in place while a similar percentage are working on the issue. Indeed it shows as the issue attracting the most 'work in progress'. 'Driver training' - judging by the P&T press one of the most pressing concerns of the time, is rated as important by 48% respondents with 39% having a solution in place but 21% working on their responses. Mobile phones, if the responses are to be believed, have been cracked as a fleet problem.

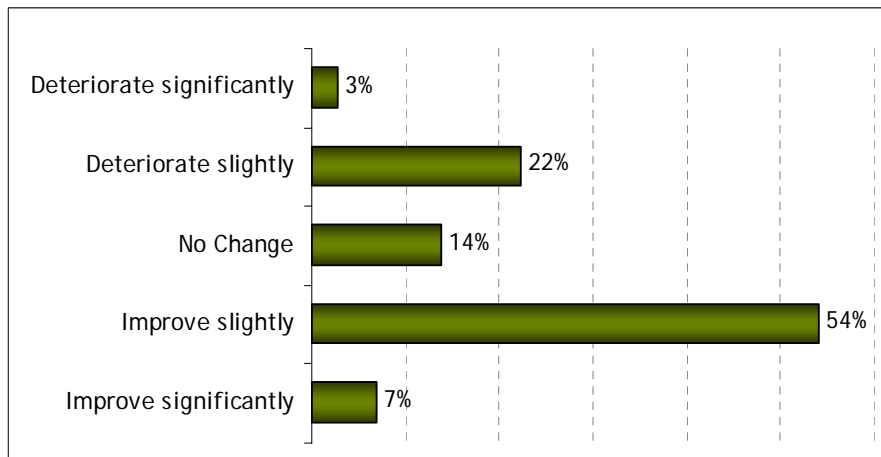




Fleet Outlook

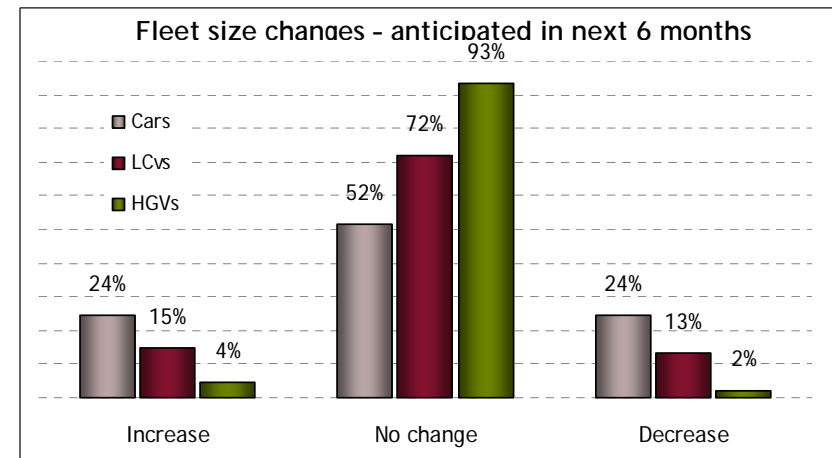
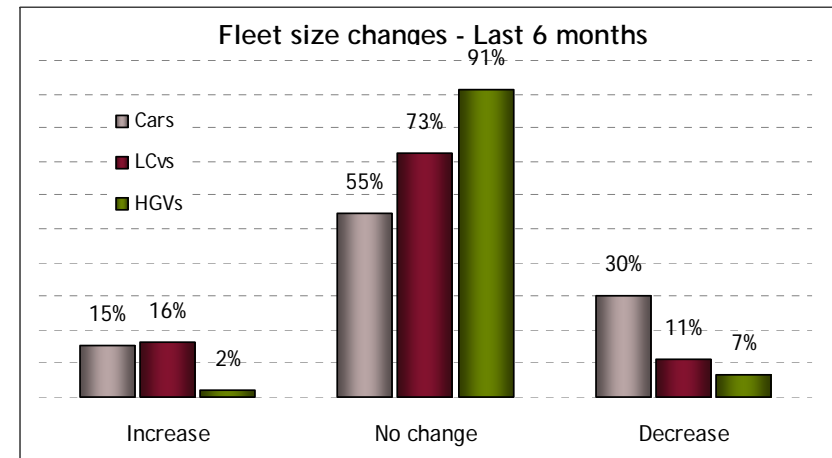
Perhaps one of the most difficult issues to survey as there are so many factors to be taken into consideration.

The survey suggests a majority in support of the economy improving, but even there, there is a significant minority who are pessimistic to a greater or lesser degree. The interpretation might be that the industry has bottomed out - but recovery is not yet assured - and timing is still open to debate.



The size of car fleets are pretty evenly balanced between 'increasing' and 'decreasing', +24% vs -29% over the next year although this does show an improvement over the last six months. Again, a suggestion that we are on the cusp of change.

The interpretation might be that 'fleets are reorganising' and the real shape of the future has not yet been finally determined. In terms of LCVs, the recovery might be claimed to have arrived already but the differences between 'increase' and 'decrease' would suggest any recovery is certainly not yet assured or robust.





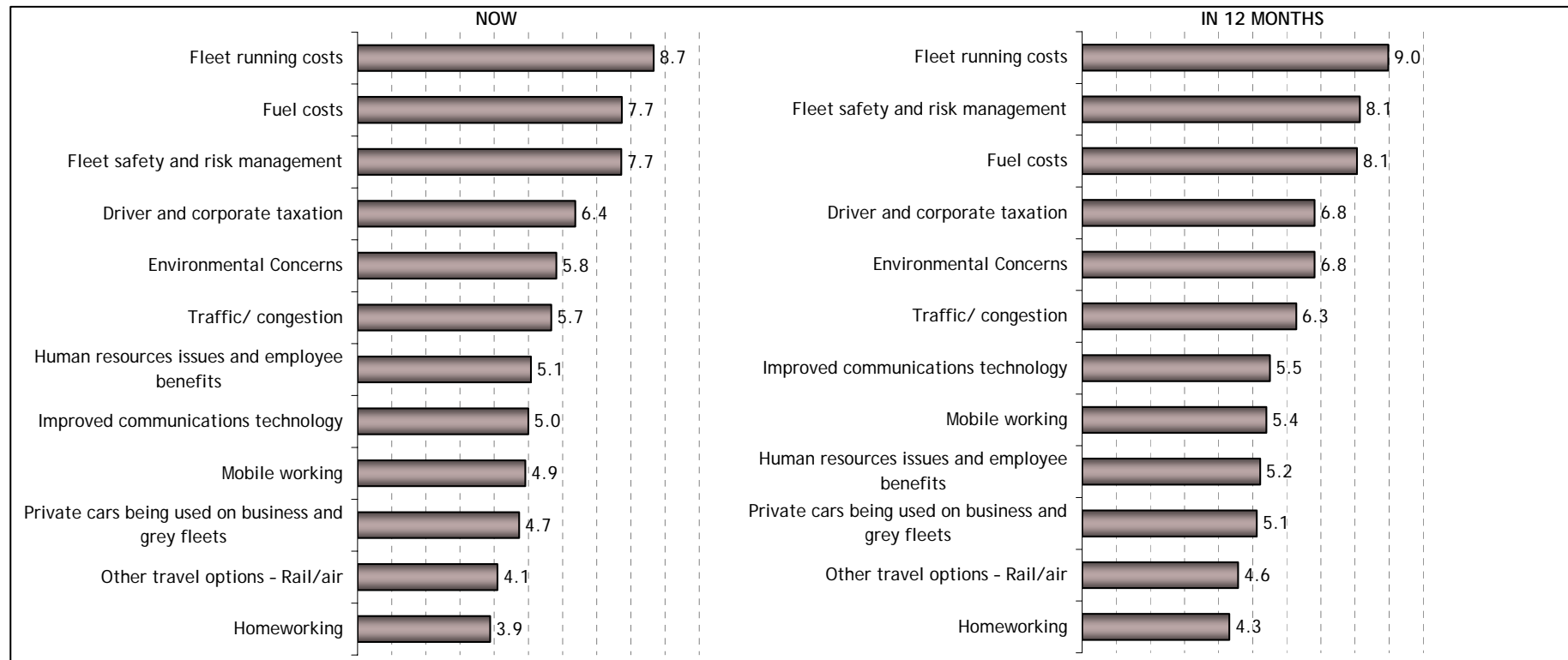
Issues Influencing Fleet Outlook

The 'now' and 'in 12 months' table provides a fascinating snapshot of the fleet user industry and continue to reinforce the idea that the industry is ready to move forward. The two charts show, without exception, the dozen issues highlighted are all expected to take on a greater significance in twelve months than they do today. Typically the averages move by 0.3-0.4 on the scale of 10.

The top three items, 'fleet running costs' fuel costs' and 'fleet safety' are some way ahead of the other issues. It will be interesting to watch if, given government's planned increases in fuel prices, if fuel cost does not rise to the top of the list.

The lower group of issues of concern - communications technology, mobile working, HR issues, grey fleets, travel options and home working - might be described as strategic developments of fleet and fleet management but their rate of increase in terms of importance is slightly higher than among the top items. Once again, it would appear that we are looking at a significantly changing balance in terms of importance of the various issues associated with fleet management.

Surely this is a strong endorsement of the importance of a benchmarking and measuring one's own operations against a peer group - whether direct competition or a broader peer group.





Some Initial Conclusions

The fleeteye industry review suggests, as noted previously, that the fleet industry is at or close to a point ready for change. While the fleet industry is the servant of the organisation, it will be important that the fleet has the flexibility to be able to adapt and adjust according to emerging business needs and does not slow down the emergence of industry from recession.

Professor Peter N C Cooke

Professor of Automotive Management

University of Buckingham

September 2009

