

THE STATE OF GLOBAL FLEET MANAGEMENT

BY MIKE ANTICH



The Global Fleet Services (GFS) alliance held its fourth conference Oct. 5-8, 2011, in Brussels, Belgium. The conference focused on the commercial fleet management industry and examined global market trends on a region-by-region basis.

Founded in 1994, GFS is an alliance of fleet leasing companies serving specific regional markets. Companies that comprise GFS are:

- Automotive Resources International (North America).
- ORIX (Asia and Australia).
- Eqstra Fleet Management (Africa).
- RENTING Colombia (South America).
- Total Fleet (South America).

The following is the state of the global fleet market report, by global region, based on presentations given at the GFS Conference, and also includes additional input from global fleet management companies ALD Automotive, Wheels, and FleetPartners, who shared their insights about the global fleet market with *Automotive Fleet* after the GFS conference.

South American Fleet Market

There are 77 million registered vehicles in South America, of which 22 million are commercial vehicles. However, the number of fleet-managed vehicles represents a small percentage of the commercial fleet market.

Following is a summary of the fleet market in specific Latin American countries:

Brazil: With a population of almost 200 million people, Brazil is the largest fleet market in South America, according to Joao Andrade, sales director for Total Fleet Brazil – Localiza.

The six major fleet management companies (FMCs) in Brazil have well-developed processes to manage fleet operations. Localiza is the largest car-rental network in South America, with more than 460 locations in seven coun-

tries and a history of stable management. It is also the largest individual client of Fiat, General Motors, and Volkswagen in Brazil and operates a fleet of more than 100,000 cars.

Out of the approximately 4 million corporate vehicles in the country, more than half are located in the Southeast region of Brazil, which contains the major population centers, including Rio de Janeiro and Sao Paulo. Examples of companies operating major fleets in Brazil are Proctor & Gamble, Kraft, Merck, Honeywell, Pirelli, and Danone.

Fleet management in Brazil faces several challenges. First, Brazilian fleets have little leverage with car manufacturers and limited bargaining power. Three automotive companies control 75 percent of the Brazilian market share — VW, GM, and Fiat.

The second challenge is the geographical dispersion of fleets due to the country's size. "This is compounded by poor road conditions and poor driver education," said Andrade. "There are also issues in terms of reliability of the service-provider network and parts availability. Lastly, there is unpredictability in remarketing values, which creates high depreciation risks."

The vehicle maintenance/service-provider network is not reliable in some parts of the country, and there are widespread shortages in parts availability. Total Fleet Brazil has two employees dedicated to locating parts to minimize fleet downtime.

The current labor shortage in Brazil is impacting the quality of services from fleet service providers. In addition, there are recurring quality problems with brand-new vehicles sold in Brazil. "The poor quality of some OEMs



ANDRADE

in the market is affecting product credibility. This is compounded by a spare parts shortage," said Andrade.

Presently, the used-vehicle market is depressed and resale values are uncertain. One factor behind the uncertainty in future resale values is a trend in decreased new-car sale prices, said Andrade.

There is also market uncertainty as to whether the economic crisis in Europe may spill over into Brazil.

"Last year was a year of dynamism for the Brazilian fleet market, although the last months of 2011 showed some signs that the economic crisis initiated in Europe might herald some tougher times to come here as well," said Pascal Vitantonio, general manager for ALD Automotive Brasil.

For most of the year, indeed, the 2011 economic landscape replicated, albeit with less intensity, the favorable equation for a developing industry that had taken place in 2009 and 2010.

"In addition to many multinationals entering the Brazilian market, the economy is surfing the wave of huge investments in the oil sector and in infrastructures in the wake of international events, such as the 2014 Soccer World Cup and the 2016 Olympic Games in Rio de Janeiro," added Vitantonio.

"Nevertheless, the car market — whether for new or used vehicles — being extremely sensitive to the availability of personal credit showed a brutal deceleration the last four months of the year, triggered by extremely prudent financial institutions that the government and the Central Bank try to avoid repeating the 2008 crisis. Beyond the obvious impact on the used-vehicle sales that all the actors of the industry are closely monitoring, the most recent situation on the credit market has also been a strong impact on the other end of our

product lifecycle, namely funding. Developing and structuring funding capacities at competitive prices are back on top of the agenda of all the actors of the industry, and it is expected that asset-backed solutions become more frequent and cost-effective," said Vitantonio.



Argentina: This market continues to be the second largest fleet market in South America. The top three OEMs are PSA Peugeot-Citroen, General Motors, and Ford. Fleet leasing is not prominent in Argentina; it is more common for corporations to purchase fleet vehicles.

The fleet management market in Argentina is primarily comprised of rent-a-car companies. The estimated number of cars in the Argentine commercial fleet and rental market is about 8,000 units.

Corporations usually purchase their fleet vehicles, rather than leasing.



Colombia: Colombia operates approximately 3.8 million fleet vehicles. In 2011, approximately

320,000 new vehicles were sold, representing a 30-percent increase over the prior year. "There were several factors contributing to this, including lower taxes on imported vehicles, an average income increase for Colombian workers, brand and price diversity, and growing financing alternatives," said Carla Podesta, service development manager for RENTING Colombia. Most fleets in Colombia are small. "A company with 20 vehicles is considered a big fleet," said Podesta. However, there are exceptions. In 2007, RENTING Colombia signed up SABMiller, which operates a 1,500-vehicle fleet.

In 2012, Colombia will stop importing used vehicles from China. "Once used vehicles are no longer imported, it will help new-vehicle sales," said Podesta.

Key drivers for fleet sales growth are companies focusing on their core businesses. Also, free-trade agreements are forcing companies to invest in productive assets and consider leasing. There are tax benefits to company-provided vehicles.

New-vehicle prices are going down and the used-vehicle market value is difficult to predict, resulting in



PODESTA

increased depreciation risks. Poor road conditions and an insufficient number of qualified drivers also contribute to poor vehicle condition, which directly impacts depreciation.



Peru: There are approximately 1.7 million fleet vehicles in operation in Peru. In 2011, approximately 150,000 new vehicles were sold, representing a 29-percent increase over the prior year. The factors contributing to the increase were identical to those in Colombia. The fleet market is still immature and there is a lack of understanding about the fleet leasing product. Dealer and service reliability issues also exist.



Mexico: Mexico has a population of 112 million people with a diversified economy. It is the 14th largest economy in the world.

There are 34 million vehicles in operation in Mexico, of which 34 percent are commercial vehicles. "Annual new-vehicle sales have been increasing in Mexico. In 2011, 557,339 vehicles were sold, representing an 11-percent increase," said Victor Campuzano, director, sales & marketing for ARIZA, a joint venture in Mexico between ARI and the Grupo Zapata.

"Seven key FMCs operate in Mexico. They are Ariza de Mexico; General Electric; Wheels; Facileasing (purchased by BBVA); and Masterlease (purchased by Banregio Bank). Wheels is partnered with IXE, which



CAMPUZANO

was purchased by Banorte. LeasePlan and ALD are the newest entrants in the Mexican fleet market," said Campuzano.

Nissan is the top vehicle brand for commercial fleets in Mexico. "GM used to be No. 1, prior to its bankruptcy," said Campuzano.

Manufacturer fleet pricing is based on buying volume. Fleet vehicles can only be purchased through dealers and a courtesy delivery system is in place. Fleet order-to-delivery times average between four to 12 weeks.

"Most fleet leases in Mexico are open-end leases. Closed-end leases are not very popular and are typically more expensive than open-end leases. The preferred option for most medium and large corporations is purchasing; they are afraid of the interest rate risk. Typically, funding uses a floating interest rate; how-

ever, fixed rates are available tied to the Prime rate," said Campuzano.

Taxes are a major factor in fleet purchases. "There is a federal tax 'tenenica,' which is 10 percent of the original cost of the vehicle in four years. Also, license plates must be replaced every three years. There are also additional taxes levied by individual Mexican states," said Campuzano.

At end of service, most corporations give drivers the option to buy the vehicle, regardless of the kind of acquisition. "Approximately 95 percent of fleet passenger vehicles are sold to drivers," said Campuzano.

"In 2011, total Mexican domestic car sales will still remain behind their best performance in 2007-2008, even if the Mexican automotive sector's record production level is sustained by growing exports to the U.S. By contrast, the dynamic company fleet market is therefore gaining unprecedented importance: Even if cash owned by companies in a liquid economy still remains the worst enemy for leasing, the traditional asset-driven culture is moving toward a more 'focus on core business' approach, which favors outsourcing non-core activities, such as car fleet ownership and management, even in the public sector, which has been one of the most active segments in 2011," said Thierry Merienne, general manager for ALD Mexico.

"This dynamism is increasingly leading new actors, such as banks, to develop fleet management abilities, through acquisition of existing independent lessors or through agreements with fleet managers. In this fast-development phase, which we anticipate to be a long-term trend, both open- and closed-end schemes have been growing quickly, and users are increasingly shifting their criteria for choice from cost of acquisition to a more comprehensive TCO (total cost of ownership) approach," said Merienne.

Fleet Market in Africa



South Africa is viewed as the gateway to Africa. With a population of approximately 51 million people, it has a diverse culture and 11 official languages.

"However, the country has economic challenges with an unemployment rate of 26 percent, which represents 12.6 million people," said Jacqui Carr, divisional CEO for

Eqstra, an integrated capital equipment and leasing provider with operations in South Africa and the UK.

“There are no global fleet management companies represented in South Africa. Outside FMCs typically partner with local South African companies. Among these partners are banks, private leasing and transport companies, vehicle manufacturers, dealership networks, and rental companies,” said Carr.

The preference in South Africa is vehicle purchasing, and leasing has only made single-digit penetration in the automotive market.

“The total South African vehicle park is approximately 8 million vehicles (all categories), of which only 8 percent are on full-service leasing. New-vehicle sales average about 500,000 units per year,” said Carr.



CARR

“Approximately 35 different vehicle manufacturers sell vehicles in the South African market. Those with local production facilities are BMW, Toyota, Nissan, Volkswagen, and General Motors.”

The total number of vehicles sold in South Africa is typically equal to the total sold in Sub-Saharan Africa. Every brand of vehicle, including Chinese-brand models, is sold in Africa.

“The challenge facing the South African fleet industry is a lack of effective transport infrastructure. The government is seeking to address this by investing heavily into resurfacing the railway systems. There is a widespread poor quality of roads, which increases accident risk and contributes to higher maintenance costs. There is an enormous lack of technical skills in the labor force, such as mechanical, artisans, operators, and drivers,” said Carr.

Vehicle maintenance presents a key fleet challenge in South Africa due to insufficient service infrastructure and rampant industry fraud.

Northern Africa: There are no lessors covering the whole of Africa. In the North, full-service leasing remains a marginal product, used almost exclusively by subsidiaries of international companies, which are requiring, in general, a closed-end product, similar to the one sold in Europe.

“The major difficulty is to build a quality network of suppliers to ensure the service due and get payments on time. The African market is concentrated mainly in South Africa and Morocco. ALD is also present in Egypt

and Algeria, but for the rest of the continent, existing operations are mainly local initiatives from car dealers or daily rental franchisees,” said Pascal Serres, deputy CEO for ALD International.

Sub-Saharan Africa: The fleet market in Sub-Saharan Africa faces many similar challenges, such as insufficient availability of capital, but also a limited skills employment base and risks due to political instability.

“There are numerous challenges, such as limited capital availability. Language barriers and limited skill base of the population. There are also political risks,” said Carr.

The biggest challenge in Sub-Saharan Africa is funding.

“The global credit crunch led to a substantial reduction in capital flow to emerging markets, such as South Africa. Also, the weakness in consumer spending caused businesses to reduce capital expenditures. The global collapse of commodities resulted in contraction within the mining and construction sectors, which had a ripple effect on the entire South African economy. Since then, banks have become excessively selective in lending and the availability of funds has become a challenge. There has also been an overall increase in the cost of funding,” said Carr. “With the shortage of liquidity, companies are reluctant to tie up working capital in non-core assets.”

Local governments insist FMCs use local banks, but they often don’t have the capacity to provide sufficient funding.

One interesting development has been the emergence of fleet RFPs from Sub-Saharan countries.

“For the first time in our history, we have had requests for capability in Nigeria, Kenya, and the Democratic Republic of Congo, as well as other emerging markets. After the fall of Muammar Gaddafi, we fielded requests from three different clients who were trying to obtain vehicles for use in Libya. In these cases, the best solution is to work with the export experts at the relevant manufacturers to find out what is possible and how best to get the product safely and legally into these complicated markets,” said Bill Robinson, vice president, international for Wheels Inc.

Asian Fleet Market

A variety of market challenges affect fleets in Asia. “The market challenges in Asia are con-

servative lending and economic uncertainty. There is struggle to decrease CO₂ emissions. Driver safety continues to be a major issue for regional fleets,” said John Carter, managing director for ORIX Australia & New Zealand. “Also, there is an ongoing challenge to balance costs and driver satisfaction. There is a trend to fleet standardization due to total cost of ownership initiatives. Another offshoot is a trend to want to rightsize fleets.”



China: China surpassed the U.S. as the world’s largest new-vehicle market in 2009. Nationwide sales in

China are more than 17 million units per year, which include medium- and heavy-duty commercial vehicles.

One factor contributing to increased automotive sales is the dealer network expansion. Also, the Chinese government cut taxes on new-vehicle purchases and implemented subsidies on fuel-efficient vehicles.

“The Chinese car market is still the largest market in the world for the fourth year in a row. However, after years of double-digit growth, the market will likely grow by ‘only’ 3 percent this year. The main reasons are the tax incentives cut by the government, the slower economic growth in general, and new restrictions for new-car registrations in cities, such as Beijing, which are struggling with traffic congestion and pollution issues,” said Guillaume Bourst, business development manager for ALD in China. The joint venture company is headquartered in Shanghai, with branch offices in eight cities in China.

An emerging fleet trend in China is the use of company vehicles as an employee recruitment and sales incentive tool. Many multinationals operating in China report annual employee turnover rates as high as 25 percent, primarily due to the expanding economy and employment opportunities for properly qualified candidates with experience working with multinationals.

Another unique aspect of the Chinese fleet market is the need for driver services, in which a driver is provided with the leased vehicle. For instance, Avis China reports that 50 percent of its vehicles come with a driver. Avis China employs 2,800 people, of which 2,500 are drivers.

Emerging concerns are focused on infla-



ROBINSON

tion and the lack of liquidity due to tighter lending restrictions.

“With the rise of inflation, the central government is keeping the banking sector on a short leash and finding liquidity is becoming an increasing challenge for local and international companies. In their quest to find alternative sources of financing, leasing is being considered as an alternative by Chinese groups when it comes to funding their car fleet,” said Bourst. “In the past, with the flow of liquidity in the economy, they would have simply purchased their vehicles.”

Despite growth in the Chinese economy, all fleet leasing companies operating in China still have very small leased-vehicle portfolios relative to the size of the economy. The top fleet management companies and rental companies serving the corporate market are Dazhong, Shouqi, Avis, Hertz, and ALD. Other fleet companies, such as ORIX, are viewing China as a “green-field” opportunity. The country’s largest fleet lessor is Dazhong, which has a modest portfolio of 4,000 units. One reason, among many, for the small fleet market is that many salespeople in China rely on public transportation.

“All these trends are pushing the Chinese leasing market from a very basic offer toward a more mature business model. This rapid change will allow the fleet market to embrace the coming rise of green mobility in a country that is ready to invest heavily to create a strong and dynamic interior market for new energy vehicles. The objective of China is to create national leaders in this field that would then be in position to export this expertise and technology to address the global market,” said Bourst.

Fleet Market in India



The Indian economy has been experiencing dramatic growth. “But, what is impressive is that 95 percent of the growth in India is due to internal growth,” said Carter. “It is almost all internal growth.”

Some economists predict that by 2020, India will become the world’s fourth largest car market.

“The Indian car market, which was growing at 20-30 percent in previous years, has experienced a year of relatively flat growth. In fact, between June and October 2011, vol-

umes came down over the prior year. There has been a 50-percent growth in the luxury segment (Audi, BMW, and Mercedes), but, compared to China, volumes are not significant in this category. The main reasons for the slowdown in growth are high interest rates, high inflation, and a sharp rise in fuel prices. In particular, there has been a shift toward a preference for diesel cars, which still benefit from a greater degree of government subsidy. Next year is also expected to remain flat in terms of market growth,” said Suvajit Karmakar, country head - sales & marketing for ALD Automotive in India.

“India has complex regulations with regard to vehicle pricing, taxes, registration, and usage, and rules differ in each of its 28 states and seven union territories. In each state, there are different VAT (value-added tax) rates and rules applicable, and there are complexities in the formalities required for registration, transfer, and sale of cars. Unlike Europe, leased vehicles must be registered in the name of the lessee (as the lessee has physical possession of the vehicle during the lease term) whereas the legal ownership continues to be with the lessor. Furthermore, a car registered in one state must ideally be used and sold in the same state to avoid double taxation and other complexities,” said Karmakar.

“The Indian car leasing market is about 15 years old, with nearly 10 players operating in the market. While global majors, such as LeasePlan, ALD Automotive, and Arval offer the full-service operating lease product, ORIX predominately offers finance lease and companies such as GE, Realigare, Kotak Mahindra, Tata Capital, and L&T Finance offer only finance lease products,” said Karmakar.

However, there is much room for the fleet leasing market to grow in India in relation to the overall size of the automotive market.

“The car leasing market is, to a large extent, not proportional to the growth of the car market in the retail sector. Also, the corporate fleet market has not grown to the same extent as the retail market,” said Karmakar.

The composition of the Indian fleet market is similar to other regions, such as Europe and Australia.

“The corporate car market in India can be

broadly divided into two segments; first, where the car is provided as a perk or as a tax-saving device and second, where the car is a requirement for staff to carry out their duties efficiently (tool for trade),” said Karmakar.

Australian Fleet Market



One key component of the Australian fleet market is tool-of-the-trade vehicles, known elsewhere in the world as utility vehicles.

“The key focus of fleet managers in Australia and New Zealand is total cost of ownership, CO₂ reduction, and compliance with government-mandated occupational, health, and safety regulations,” said George Georgiou, general manager, fleet for ORIX Australia.

The 2011 calendar-year witnessed greater emphasis by Australian fleets on lifecycle costs. “The biggest challenge in the Australian market is the total cost of ownership, which is now viewed as the No.1 challenge compared to being ranked No. 6 the year before,” said Georgiou.

One recent trend in the Australian fleet market is silent leasebacks. Companies will sell their vehicles to companies such as ORIX and then lease them back from ORIX. “This is becoming more popular,” said Georgiou.

In addition, driver safety has become a greater concern to Australian fleet managers and is now viewed as their second-highest challenge. “ORIX has implemented a driver training program with ExxonMobil in Australia,” said Georgiou.

The most dramatic change during the past year in the Australian fleet market has been the decline in concern about meeting CO₂ emissions reductions. “In 2010, Australian fleet managers ranked this their No. 2 concern; however, in 2011 it dropped to No. 7,” said Georgiou.

Telematics use within fleets has not been well received in Australia. “ORIX tried to introduce telematics in Australia, but it went nowhere due to price and privacy issues,” said Carter. “There was huge pushback.”

An ongoing fleet trend in Australia is downsizing from V-8 to six- or four-cylinder engines.

“Six-cylinder cars are rapidly disappearing in Australia,” said Georgiou. “The reason is because of the fleet focus on cost reduction and CO₂ emissions. Six-cylinder tool-of-the-



CARTER

trade vehicles are now limited to fleet buyers who have a towing requirement.”

Auto manufacturers operating in Australia are seeking to stimulate fleet sales by offering incentives to large fleet customers. Korean OEMs, in particular, are very aggressive in trying to expand fleet market share through the use of robust fleet incentives.

Korean OEMs, along with Subaru and Volkswagen, have been experiencing dramatic increases in fleet market share in Australia over the past two years. “Traditional players, such as Ford, Holden, Toyota, and Mitsubishi have lost huge market share to the Koreans, Subaru, and VW. Honda and Mazda are also planning to enter the Australian fleet market in the near future,” said Georgiou.

New OEMs, along with dramatic market share shifts, have complicated the Australian fleet marketplace.

The primary fleet lease in Australia is an operating lease with services, known in the U.S. as a closed-end lease.

Australia also has a novated lease, which allows an employee to choose a vehicle and lease option, either an operating or finance lease. The employer assumes all lease obligations and pays the lease rentals (and maintenance if included) to the lessor. Monthly lease rentals are deducted from the employee’s gross salary, which may lead to lower income tax and higher net salary. If the employee leaves the company, responsibility to make lease rental payments reverts to the employee.

“Novated leases now have a wider base of customers,” said Georgiou. “Employers traditionally only offered this product to their middle to senior managers. Now, the trend is to include all staff. Some employers are using novated leases as an employee recruitment tool.”

In 2011, Veolia signed up with ORIX for its novated lease program. Veolia has 2,000 employees in Australia.

“The Australian motor vehicle market is a car park of more than 15.2 million vehicles, of which 6.2 million are less than seven years old. More than 3.1 million of these vehicles are operated as ‘business’ vehicles and 16 percent (509,000 units) are provided by the Australian fleet management industry — 70 percent of these vehicles are funded and 30 percent are managed,” said Adam Trevaskus, managing



TREVASKUS

director, corporate for FleetPartners. “The level of total new-vehicle registrations remains steady at 1-million units per annum and is not anticipated to grow in 2012 due to economic uncertainty and consumer sentiment being influenced by the patchwork nature of the Australian economy.”

The used-vehicle market in Australia has been very strong during the past 18 months; however, it has recently started to see some softening. Key remarketing channels in Australia are auctions, wholesale tender, retail yards, and novated lease remarketing.

“In 2010, there was a 4-percent decline in vehicles under operating leases with no services. But, there was a 2-percent increase in 2010 of services offered with vehicles on operating leases. Similarly, there was a 12-percent increase in fleet-managed only services. The biggest growth in the past year has been a 32-percent jump in finance leases. Novated leases have remained static,” said Georgiou.

Last year, the March 2011 earthquake and subsequent tsunami resulted in a major disruption of the Japanese automotive industry, which had a ripple effect impacting Australian fleet operations.

“There was a disruption to the supply chain as a result of the Japanese tsunami right up until September, with delays for components affecting availability across a broad range of manufacturers. This resulted in many lease contracts being extended beyond their original terms and policies to be reviewed in light of supply,” said Trevaskus.

Other changes impacting the Australian fleet market are tax-related.

“Changes to the fringe benefit tax (FBT) regime, which occurred in May 2011, have seen the multiple tax levels being reduced to just one flat rate aimed at reducing the number of drivers trying to hit the higher mileage thresholds to reduce their FBT liability on personal leases,” said Trevaskus. “This has created a lot of activity from employers looking to reduce the impact of the change on their tool-of-the-trade vehicles where the employer is liable to pay the FBT cost on corporate leases. The net effect of having one flat rate will mean most tool-of-the-trade cars will see an increase in their FBT cost and many employers are choosing to adopt a method of calculating



SERRES

FBT that will see them change car policies to reduce their operating cost and subsequently their tax bill.”

Pan-European Fleet Market

The European fleet market is very complex, comprised of 26 countries with differing regulations, tax schemes, and OEM preferences. Most European company vehicle contracts are tied to employment contracts. Germany is the largest European fleet market.

“In 2010, there were 26 million fleet vehicles in operation in Europe,” said Pascal Serres, deputy CEO of ALD International. “In terms of annual sales, in 2010, there were 4.57 million corporate registrations, which represented 30.8 percent of the total 14.84 million units sold that year across Europe, which includes passenger cars and light commercial vehicles.”

Currently, there are three main trends in European fleet management: sustainability, downsizing, and outsourcing.

In the past several years, CO₂ reduction has become a key driver in fleet acquisitions. Based on ALD Automotive data, in 2010, the average fleet vehicle emitted 131 grams of CO₂. This compares to 160 grams in 2005. Some countries are structuring their tax regime to favor green vehicles. For instance, in Denmark, there is no tax on EVs.

Downsizing is another general fleet trend occurring across Europe. This involves not only fleet size, but also vehicle size and engine displacement.

Most leases in Europe are an operating lease (known in the U.S. as a closed-end lease), with the lessor assuming the residual risk.

According to Serres, there will be three key drivers influencing the European fleet market in the future.

The first trend is the concept of mobility. “This involves all aspects of mobility ranging from fleet vehicles, travel management, conference calls, and short-distance mobility,” said Serres. “I predict the new KPI (key performance indicator) will be TCM (total cost of mobility).”

The second trend that will impact European fleets will be environmental and regulatory constraints. “There will be a migration from CO₂ reductions to reductions in aggregated emissions, which will include not only CO₂, but also NOx and particulates,” said Serres.



HILL

The third fleet trend cited by Serres will be the impact of new technologies on fleet management. "Telematics will allow closer driver management and lower the cost of mobility management," said Serres. He also foresees electric vehicles playing a major role in European fleets before 2015.

An additional trend in the European market is increased taxation of fleets. "This occurs in the form of a value-added tax (VAT), vehicle excise duty tax, CO₂ tax, company car tax (benefit-in-kind), and other country-specific taxes," said Rob Hill, manager, global sales and consultation for ARI.

Another trend is the "internationalization" of European fleets in terms of fleet policies.

"Fleet decision-making is becoming more and more international. We have seen a more centralized approach to the fleet on the customer side. This is, in part, due to continuing trends in globalization and, therefore, a



RENIE

more central role for global procurement," said Stéphane Renie, sales & business development director for ALD International. "These trends were accelerated and accentuated by the first financial crisis of 2008-2009, which placed a greater emphasis on cost saving. As a consequence, going out for tender is more and more common practice, even on small- to medium-sized fleets. The geographical scope of these bids now tends to go beyond Western Europe and would typically include Central and Eastern Europe, and also emerging markets, such as Turkey, North Africa, etc."

The full-service leasing market is still growing faster than the corporate market as a whole. "First, the full-service leasing solution is totally in line with social and business trends (use rather than own, focus on core business and optimal use of scarce cash resources)," said Renie. "Second, the share of leasing within mature markets, such as France, is still growing, primarily thanks to small and medium businesses, which previously used to buy their cars outright."

According to Renie, the European fleet management market benefits from strong growth areas such as "new" Europe and Russia.

Market consolidation in the fleet leasing industry is still ongoing in Europe.

Another trend in the European fleet market is extended service lives of commercial vehicles.

"In the recent year, contract duration has been extended, fleet policies have been downsized, and carbon emissions have driven car selection in company car policies. As a consequence, TCO has been substantially improved," said Serres. "However, the improvement tends now to be offset by external costs and substantial increases in daily rental, tire costs, and fuel. For the future, we believe that additional cost savings will come from enhanc-

ing driver behavior. This will help to control insurance costs and unexpected repairs. The first priority for market leaders is to further expand outsourcing and develop tools for a direct driver management. This will require important technological investments and contribute to favor market leaders." ^{AF}

For an expanded version of this article, go to www.automotive-fleet.com.