

A photograph of a business meeting. In the foreground, a person's hand is pointing at a tablet displaying a dashboard with various charts and graphs. The dashboard includes a large pie chart with a 96% label, a bar chart, and a line graph. In the background, another person is holding a pen over a document. A clipboard with a document titled 'BUSINESS REPORT' and 'PROFIT & LOSS' is visible on the table. The scene is lit with warm, natural light, suggesting an office environment.

Transform your fleet's total cost of ownership



***88%**
of fleet leaders
are concerned about
rising costs.

***75%**
of fleet leaders
are using or are
considering adopting
telematics.

Break boundaries with fleet cost management strategies

What steps are you taking to control your fleet's total cost of ownership (TCO)? Element Fleet Management's strategic consulting insights and connected solutions can help you to manage costs and thrive in an ever-changing fleet management landscape. With the right tools, metrics, and information, you can boost the contribution your fleet makes to your company's bottom line – and prove it. Discover current trends in fleet management costs.

As part of this guide, you will:

- Conceptualize the 3 major categories impacting fleet total cost of ownership
- Understand what you can do to influence your fleet's primary costs
- Gain insights to the latest cost trends so you can better plan for and anticipate changes

NET DEPRECIATION

Focus on the largest spend items for maximum cost reduction

For most fleets, the single biggest cost is depreciation, followed by fuel, maintenance, accidents, and incidentals, such as tolls, violations and delivery expenses.

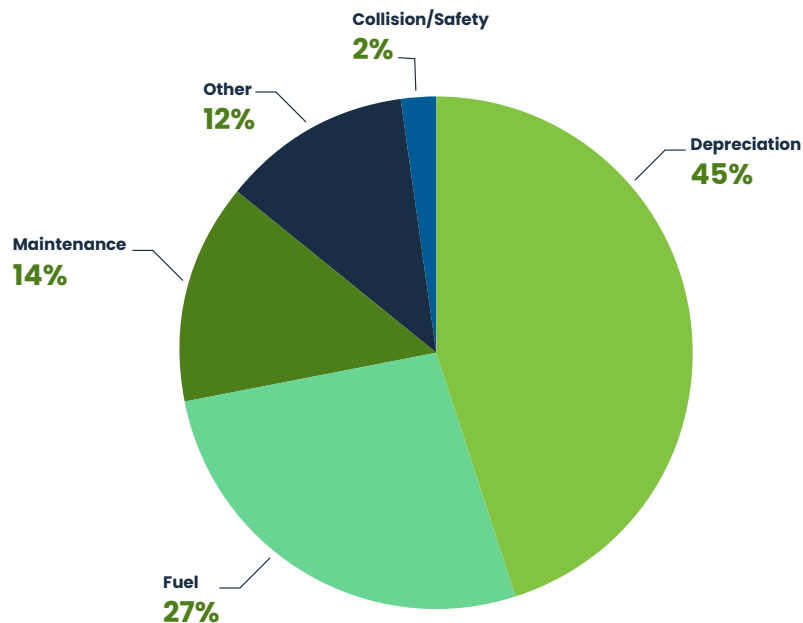


Did you know

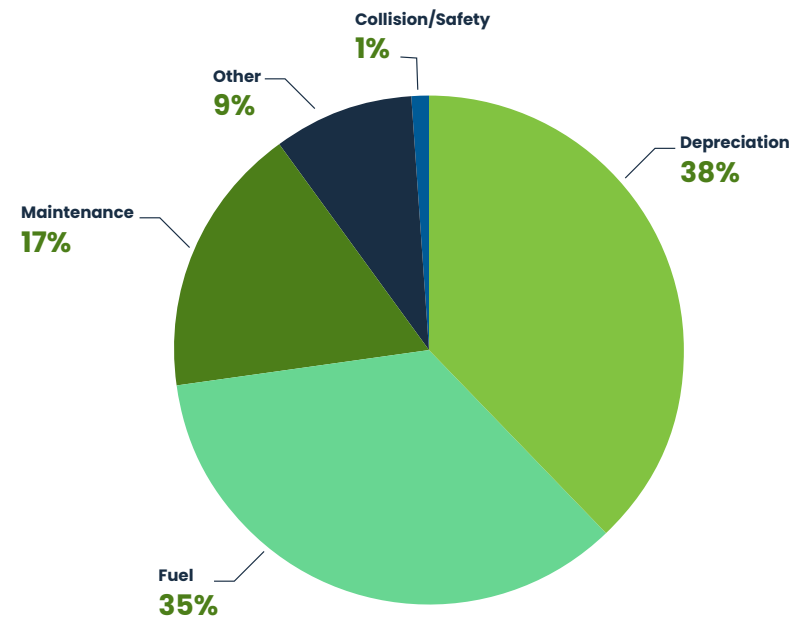
Net Depreciation, Fuel and Maintenance typically account for more than 80% of fleet spend?



Fleet Spend Composition



Fleet Spend Composition



Fleet spend percentages are based on 2023 year-to-date data. Other includes: Tax, Delivery Related, License, Rental Car, Violations & Tolls. Collision/Safety spend includes vehicle repair and rental costs only.

NET DEPRECIATION

Managing a fleet in both U.S. and Canada?

Here are the typical spend differences, in simple terms:



While U.S. buyers face less fees, duties and taxes compared to Canadian vehicle imports, base vehicle prices in the U.S. tend to be higher after accounting for the foreign exchange rate.



Fuel is also higher in Canada driven mostly by additional taxes. For every gallon of gas, on average Canadians pay \$1.20 (USD) in taxes vs. 50 cents (USD) in the U.S.

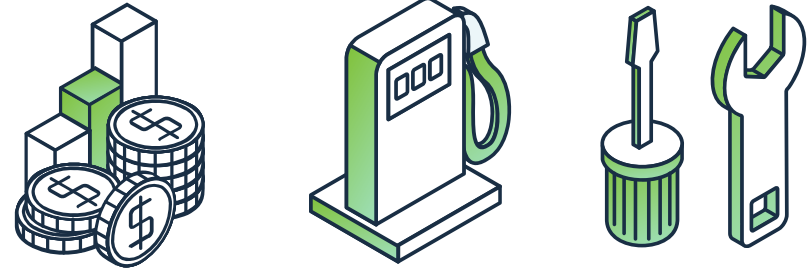


Maintenance costs per transaction tend to be higher in Canada, especially for tire purchases. Contributing factors are snow tires and related storage costs as well as in some cases, higher labor, transportation costs and tariffs.



OPTIMIZE SPEND

What can you do to influence your fleet's primary costs?



What you can't control:

Net Depreciation (Acquisition) – interest rates, inflation and OEM inventory impacting the price of vehicles

Net Depreciation (Resale) – fluctuations in vehicle supply and demand impacting the resale market

Fuel – geopolitical factors impacting the cost of oil

Maintenance – technician labor shortages and commodity price increases

What you can control:

Net Depreciation (Acquisition) – vehicle selection, vehicle utilization, financing methods, strategic relationships and negotiations with manufacturers

Net Depreciation (Resale) – fleet policies for timely vehicle replacement, and utilizing the right sales channel for resale

Fuel – fuel efficient vehicle selection, fuel fraud detection via reporting, telematics insights and safety training to influence driver behavior

Maintenance – preventative maintenance compliance, leveraging warranty coverage, routine inspections and timely replacement of vehicle

Net Depreciation (U.S. Acquisition)

Current Situation

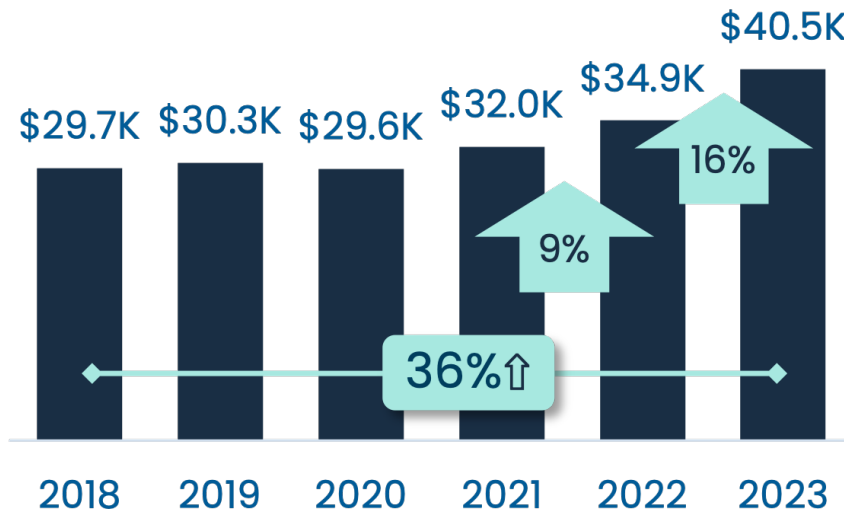
- Commodity shortages and supply chain issues are pressuring new vehicle prices and upfitting costs/time.
- Rising interest rates pose more challenges to vehicle affordability.



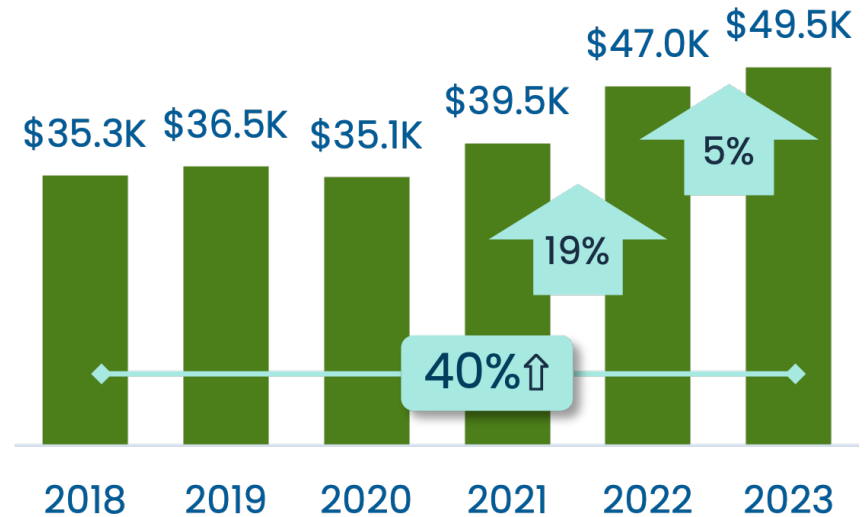
Vehicle Cost



US Factory Order



US Stock



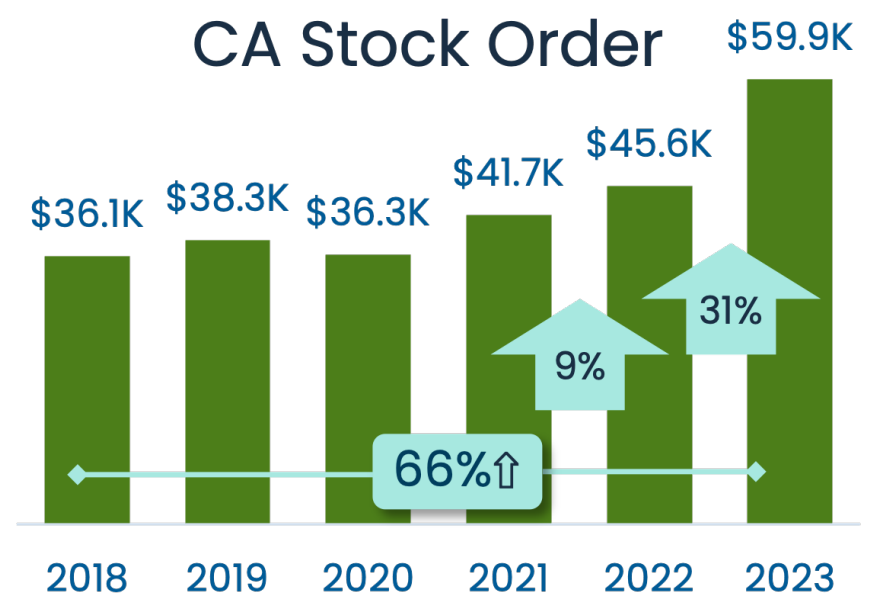
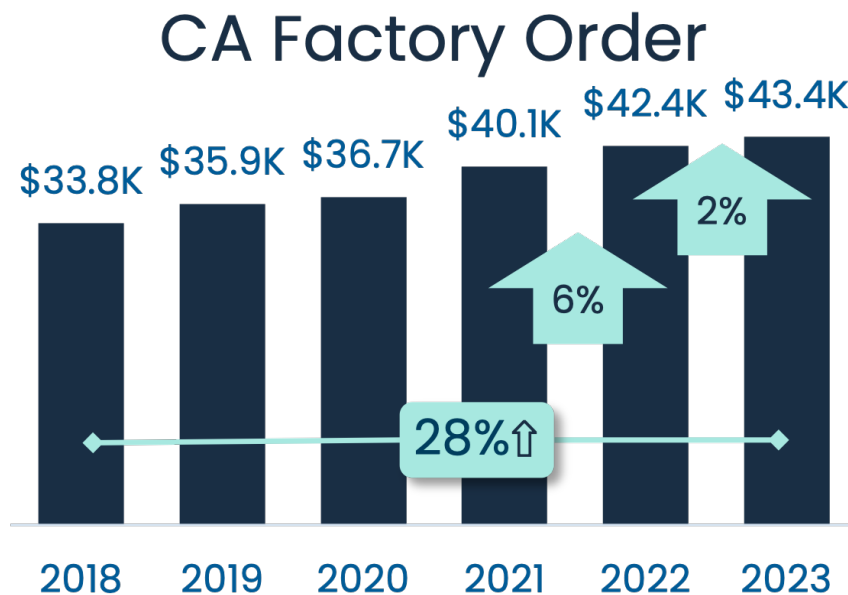
Notes: Data is for leased assets only and model year specific. Avg prices are in local currency USD (US) and CAD (CA).

Net Depreciation (Canada Acquisition)

Current Situation

- Allocation challenges remained for MY2023 and have moved into MY2024.
- Commodity shortages and supply chain issues are pressuring new vehicle prices and upfitting costs/time.
- Rising interest rates pose more challenges to vehicle affordability.

Vehicle Cost



Notes: Data is for leased assets only and model year specific. Avg prices are in local currency USD (US) and CAD (CA).

Net Depreciation (Acquisition)

Outlook

- Allocations are slowly improving with increased OEM (Original Equipment Manufacturer) inventory levels but there is a long way to go to reach pre-pandemic levels.
- Major OEMs indicating that overall incentives to remain mostly flat from MY23 to MY24 on client agreements.
- Larger than normal vehicle price increases remain especially in some product classes, but road towards normalization has gradually begun, though pricing is not coming down as quickly as expected.

Recommendation



1. Work closely with your OEM representatives for vehicle allocation.



2. Start model year planning early, be flexible and diversify OEMs where possible to meet your fleet needs.

Net Depreciation (Resale)

Current Situation

- Prices have come down – there's a softening in the market. Values have decreased relative to the spring and even more so compared to last year.



Year over year average resale price increases



Average Resale Price Increases

	2020 to 2021	2020 to 2022	2020 to 2023
Cars	20%	41%	38%
CUV/SUV	21%	37%	28%
Pickups	26%	24%	15%
Vans	20%	48%	29%



Year over year average resale price increases



Average Resale Price Increases

	2020 to 2021	2020 to 2022	2020 to 2023
Cars	21%	63%	56%
CUV/SUV	27%	60%	49%
Pickups	48%	59%	46%
Vans	24%	56%	40%

Net Depreciation (Resale)

Outlook

- We're getting back to a more typical depreciation schedule – with an uptick in values in the springtime and a decline in the summer months.
- Indication of the ability to order new vehicles improving.

Recommendation



1. If considering vehicle replacement, do it now before values drop even further.



2. Work with your FMC to determine which assets should be sold and which assets are worth holding on to for a possible better price.

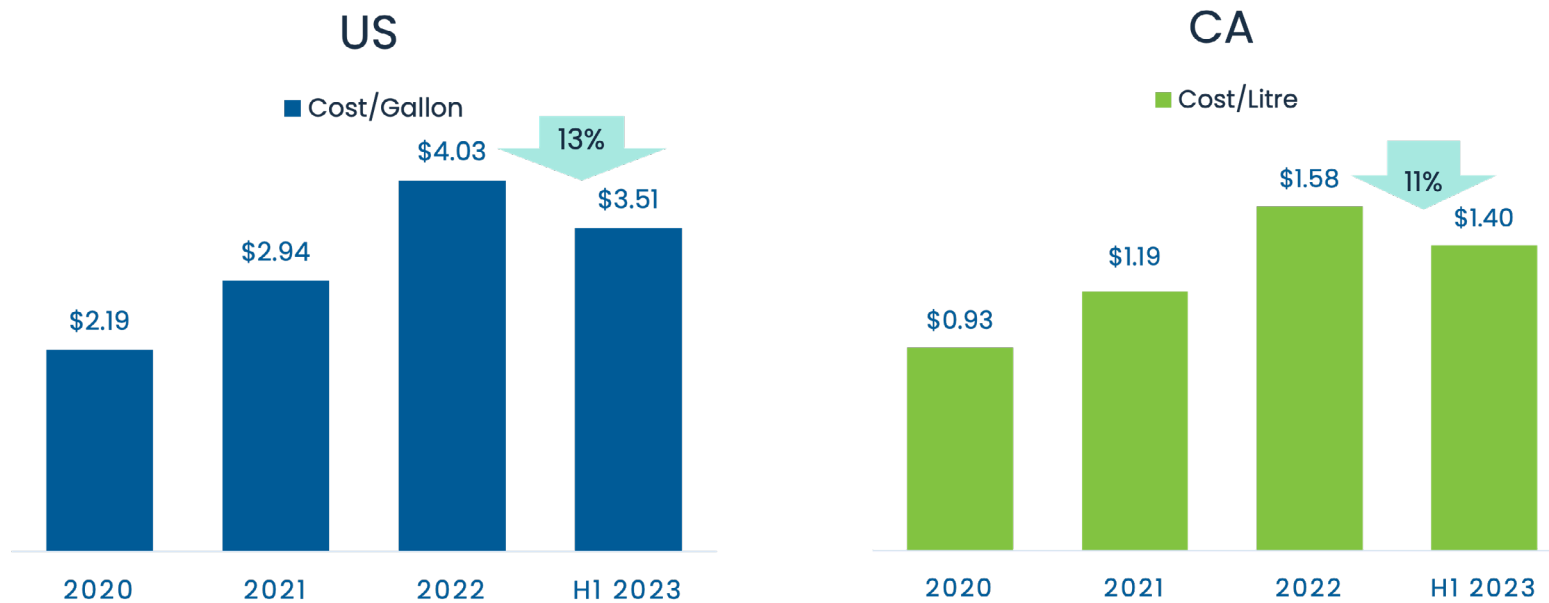
Fuel

Current Situation

- Fuel prices in both Canada and the U.S. have steadily risen throughout the year.
- Even with very tight oil supplies, headlines are now over concerns of lower oil demand in China, which have contributed to the recent the sell-off in oil and fuel markets.



Year over year fuel price increases



Local Currency/Local Unit of Measure (UOM)

Fuel

Outlook

- Prices are predicted to continue to rise before they drop later in Q4.
- EIA predicts 2024 prices to be lower than 2023.
- Greater adoption of EVs and alternative fuel vehicles.

Recommendation



1. When prices drop, fill up.



2. Promote eco-driving tips – limit idling, harsh braking, harsh cornering and hard acceleration to lower fuel consumption.



3. Leverage telematics for route plans and to prevent fuel fraud and misuse.



4. Ensure that the right vehicle is being used for right application.

Maintenance

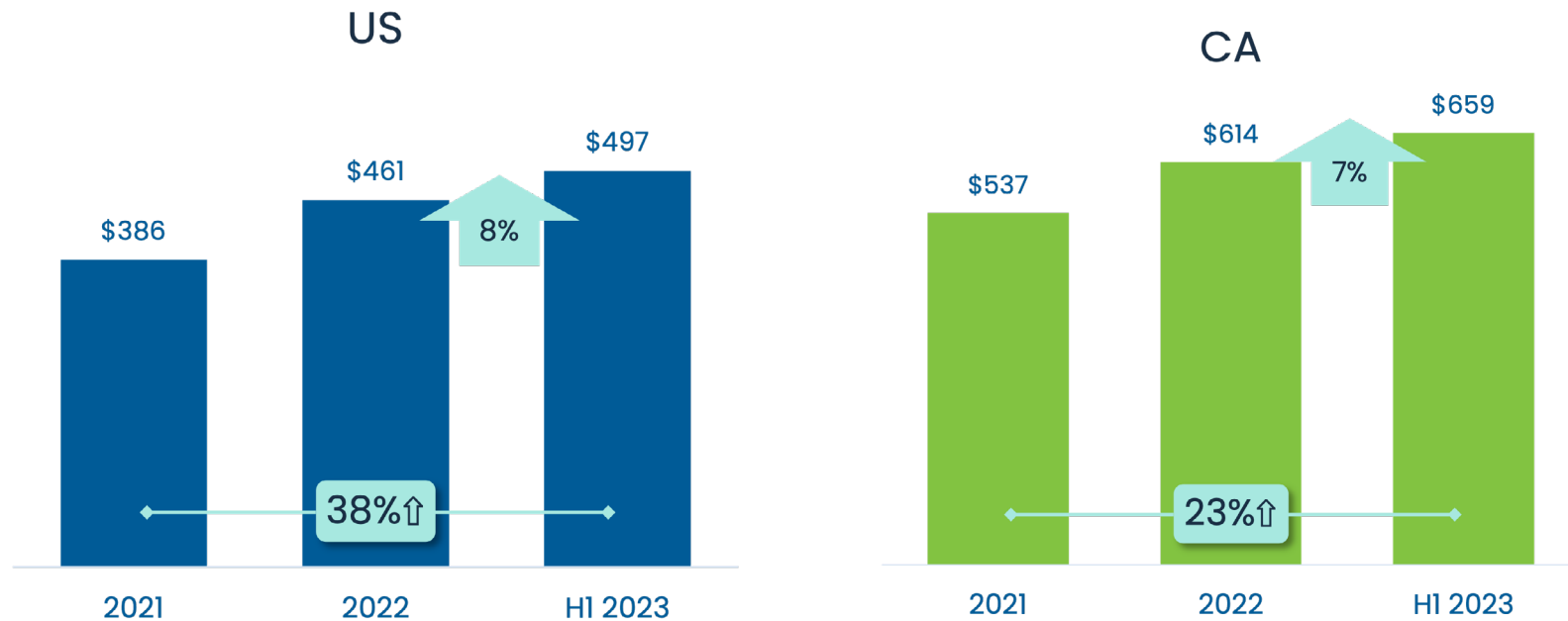
Current Situation

- Part costs, hourly rates, labor shortage, all increasing total maintenance cost for vehicles (inclusive of downtime).
- Preventative maintenance (PM) will be key for maintaining a TCO that is best in class.
 - PM is key for having a safe & reliable vehicle.
 - PM needs to be done at the correct interval. Not all vendors can complete the current service that is required by the OEM.



Maintenance (Avg Cost per Transaction)

Cost uptick in 2023 continues, driven by inflation and labor shortages



Local Currency/Local Unit of Measure (UOM)

Maintenance – U.S.



2020 to 2021:

2021 to 2022:

2022 to 2023:



Oil Change



9%



8%



10%



Tire Costs



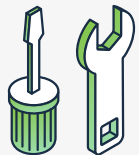
9%



9%



6%



Repair Costs



7%



19%



8%

Maintenance – Canada



2020 to 2021:

2021 to 2022:

2022 to 2023:



Oil Change

↑ 7%

↑ 8%

↑ 8%

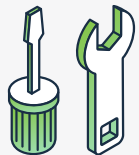


Tire Costs

↑ 2%

↑ 13%

↑ 11%



Repair Costs

↑ 9%

↑ 14%

↑ 7%

Maintenance

Outlook

- Monitoring EV data for optimal TCO will be crucial as vehicles age.
- Limited technicians, supply chain shortages, and specialized parts will add complexity in maintenance costs.
- Longer lead times at dealership repairs will contribute to increased downtime and costs, making it important to choose the right repair vendor.

Recommendation



1. Use in-network facilities to keep TCO down by eliminating fees and unnecessary or unsuitable repairs.



2. Keep detailed, specific and accurate documentation of preventative maintenance and repairs to manage warranty situations.



3. Use proper recommended parts and services to minimize downtime and repeated repairs in the long-run.



**To learn more, visit us at elementfleet.com
or contact your local representative**

