Controlling the Complex
Managing Vocational Fleets in a Global Context

WHERE THE GLOBAL FLEET COMMUNITY CONNECTS
JUNE 4-6, 2019
HILTON MIAMI DOWNTOWN
MIAMI, FL
Controlling the Complex
Managing Vocational Fleets in a Global Context

WHERE THE GLOBAL FLEET COMMUNITY CONNECTS

JUNE 4-6, 2019
HILTON MIAMI DOWNTOWN
MIAMI, FL
Controlling the Complex
Managing Vocational Fleets
in Germany

WHERE THE GLOBAL FLEET COMMUNITY CONNECTS

JUNE 4-6, 2019
HILTON MIAMI DOWNTOWN
MIAMI, FL
Managing Complexity in Germany

ARI Germany
Germany Commercial Vehicle Market

4,968,000
Vocational Fleet Market Overview

Semi-mature vocational fleet market

- High vehicle availability
- Mature supplier landscape / vendor networks
- Few FMCs can manage the whole supply chain for complex vehicles
Financing overview (Companies >100 employees)*

*2018 CVO Barometer
MARKET INSIGHT

- In Germany, 58% of all commercially registered vehicles are diesel.
“Dieselgate” – Residual Values


55.20%  54.70%  54.40%  54.10%  55.70%  55.20%  54.40%  54.10%  52.60%  53.40%  52.90%  52.40%  52.10%  52.80%

*DAT Dieselbarometer
Vehicle Upfit

North America

Germany
From Consultation to Work-ready Truck

- **Requirement definition (consultation)**
- **Specification**
- **Benchmark / Tender**
- **Final Order**
- **Upfitting process**
- **Delivery to dealer/upfitter**
- **Buildable?**
- **Order send to dealer, upfitter and other suppliers**
- **Labels /Stickers**
- **Retrofitting**
- **Wheels/Tires**
- **PDI**
- **Delivery to client**
- **Transport & Logistics**
- **Registration**

**TRACKING**
Specification and Order Process

<table>
<thead>
<tr>
<th>Cost</th>
<th>COMPLEXITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>No external data delivery</td>
<td>External data bases for vehicle data</td>
</tr>
<tr>
<td>Manual data capture</td>
<td>-High automation</td>
</tr>
<tr>
<td>Increased complexity for tracking</td>
<td></td>
</tr>
</tbody>
</table>

- >3,5 ton or Upfitting

- Time requirement

GLOBAL FLEET CONFERENCE

BROUGHT TO YOU BY automotive FLEET WORKTRUCK FLEET EUROPE GLOBAL FLEET
How to manage MRT?

Internal Fleet Management

Fleet Owner

Fleet Management Outsourcing

Fleet Owner

Service level

Consulting Expertise

Transparency

Management / Coordination

FMC

Bundled

Fleet Owner

Invoice

Black Box
TCO & Operating Issues: The Pitfalls of Closed-End Leasing

- Remarketing
- Repair & maintenance
- Damage Billing
- Early Termination
- Tacit extension
- Contract Recalculation
## TCO & Operating Issues: The Pitfalls of Closed-End Leasing

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Fixed Rate</strong>&lt;br&gt;The monthly rate on the contract is fixed at the start. It is based on an intransparent combination of amortization, Interest Risk buffers and residual Value Margins</td>
</tr>
<tr>
<td>2</td>
<td><strong>Fixed Term (Milage / duration)</strong>&lt;br&gt;The usage time and mileage has to be defined at the start of the contract. Changes can be made later on but only on the goodwill of the Lessor</td>
</tr>
<tr>
<td>3</td>
<td><strong>End of Contract Process</strong>&lt;br&gt;At the end of the contract the car is evaluated and damages on the car are charged on top</td>
</tr>
</tbody>
</table>
TCO & Operating Issues - Financing

- Market Value Vehicle
- Market Value Vehicle+Upfitting

Residual Value vs. Months

Market Value Vehicle starts higher and drops faster than Market Value Vehicle+Upfitting.
TCO & Operating Issues - Financing

- Amortisation
- Market Value Vehicle
- Market Value Vehicle + Upfitting

Residual Value vs. Months
MARKET INSIGHT

- Emission discussions have strong implications for the German market
Emissions

WLTP Introduction puts pressure on supply chain

Effect of diesel discussion on residual values lower than expected

Skyrocketing numbers on tacit extensions due to long delivery times (up to 12 months)
Tacit Contract Extensions

Residual Value vs. Months

- Repayment/financing
Tacit Contract Extensions

Residual Value vs. Months

- Repayment/financing
- Overpayment
Data privacy combined with a significant owner’s liability are posing challenges for the German fleet market.
Data Privacy vs. Liability of vehicle owner
Compliance and Driver

Vehicle Safety: The Fleet manager needs to make sure that a number of mandatory checks on the car are made on time.

Driver Ability: The Fleet manager needs to make sure that all his drivers have a valid drivers license.

Driver Supervision: The Fleet manager needs to make sure that the drivers are sufficiently knowledgeable about their vehicles.
Conclusion

- Define “purpose” of fleet
- Utilization – do I need flexibility (duration/mileage)?
- Identify strong partner to help manage supply chain
- Rely on analysis for the right financing option

Best practices
Leverage all existing data
Vocational Fleet Deep Dive - UK

Jason Chamberlain
Sales & Marketing Director
ARI UK
Vocational Fleet Market Overview

1m
In construction sector

160k
In mining, water and energy

1994
2.1 million commercial vehicles

2018
4 million commercial vehicles (Vans)

0.3%
Of van registrations are for electrified vehicles

20.8%
Increase since 2017

-10.5%
Emissions on new vans since 2013

15.4%
Of all traffic is vans

Key trends

Emissions
Funding
Insight
MARKET INSIGHT

Majority of vocational fleet are in a traditional closed end lease and end of contract charges are averaging over £750 per vehicle.
Fit for Purpose

THEORY
Job
Location (ULEZ)
Desired Outcome

REVIEW
Funding
Trend analysis
TCO

ACTION
Analyse
Amend
Deliver

Key trends
Powertrain
TCO Cost
Driver shortage
More fleets are reviewing their funding method with the introduction of IFRS16 legislation and the affects to financial gearing and ratios.
Specification and Order Process

Maximise your ability to reallocate

Driver or Business

‘Sweat’ the asset for maximum return

Planned or Preventative

Control all elements of the supply chain

Sole or Multiple

Key trends
Control of supply chain
OEM support
Downtime

Control Transparency Agility
MARKET INSIGHT

New WLTP testing regulations has resulted in substantial delays to delivery of new vehicles. This has had a knock on effect on ability of fleets to ‘flex up’ to support new contracts.
MARKET INSIGHT

The ‘final mile’ for delivery fleets is introducing new innovation in smaller, smarter vehicles.
TCO and Operating Issues

Acquire
- Transparency
- Agility
- Control

Maintain
- Network resilience
- Actionable information
- Cost control and scrutiny

Dispose
- Flexibility
- Vehicle Profit
- Transparency
MARKET INSIGHT

The average cost of a day of downtime ranges from £500 to £1500 per day.
Vehicle Remarketing

Lift & Shift

Timing

Tip:
Doing less and executing well

Compliance & service excellence
In 2018, due to WLTP, auction houses reported a decline of 2.3% in ex contract hire vehicles.
Compliance and Driver
In their latest report, the DVSA confirmed they did 278,000 roadside checks to ensure vehicle & driver compliance. And will stop more.
What to Look Out For

- ULEZ
- ALTERNATIVE FUELS
- DRIVER COMPLIANCE
- VEHICLE CHOICE
Vocational Fleet
June 2019

Eqstra Fleet Management
COO - Murray Price
## Overview of Region

<table>
<thead>
<tr>
<th></th>
<th>South Africa</th>
<th>Rest of Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate</td>
<td>10.25%</td>
<td>Ranges (6.24% to 26.50%)</td>
</tr>
<tr>
<td>Inflation Rate</td>
<td>4.5%</td>
<td>Up to 180% in South Sudan</td>
</tr>
<tr>
<td>GDP Growth</td>
<td>1.4%</td>
<td>Ranges up to 64% (Libya)</td>
</tr>
<tr>
<td>Financial Markets</td>
<td>Mature</td>
<td>Wide range but mostly developing</td>
</tr>
<tr>
<td>Expertise</td>
<td>Mature</td>
<td>Wide range</td>
</tr>
<tr>
<td>Government Strength</td>
<td>Robust constitutional democracy</td>
<td>Ranges from monarchs to constitutional democracy</td>
</tr>
</tbody>
</table>
Fleet Market Overview

Total Vehicles 12 580 050

April 2019 Sales 48 365
(estimated 19% medium and heavy commercial)

120 000 Leased/Rented Vehicles

Dealer Sales 31 945
Rental Fleets 2 392
Corporate Fleets 1 509
Government 956
Export Sales 11 571

All figures as at end April 2019
African Fleet Market Overview

Number of vehicles (Thousands)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>12,580</td>
</tr>
<tr>
<td>Egypt</td>
<td>6,907</td>
</tr>
<tr>
<td>Algeria</td>
<td>6,817</td>
</tr>
<tr>
<td>Nigeria</td>
<td>4,212</td>
</tr>
<tr>
<td>Morocco</td>
<td>4,166</td>
</tr>
<tr>
<td>Libya</td>
<td>3,194</td>
</tr>
<tr>
<td>Congo</td>
<td>2,082</td>
</tr>
<tr>
<td>Kenya</td>
<td>1,712</td>
</tr>
<tr>
<td>Tunisia</td>
<td>1,579</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>1,079</td>
</tr>
</tbody>
</table>

Total vehicles Per Country - 2018
Vocational Fleet Market Overview

Main Industries

- Manufacturing
- Mining
- Agriculture
- Construction
- Logistics
Market Insight

Subdued South African and African economies, on the back of lower commodity demand, infrastructure constraints and political uncertainty.
## Common OEM’s in-market

**By Haulage**

### Stop-Start Haul
1.5 - 3.5 ton
- Volkswagen
- Mercedes-Benz
- Hyundai
- Toyota
- KIA

### Short Haul
3.5 – 8 ton
- Volkswagen
- Mercedes-Benz
- Hino
- Isuzu Trucks

### Medium Haul
8 – 12 ton
- Mercedes-Benz
- Hino
- Isuzu Trucks
- UD Trucks

### Long Haul
12 – 30 ton
- Mercedes-Benz
- Volvo
- UD Trucks
- Scania
- MAN

### Special Haul
12 – 30 ton
- IVECO
- UD Trucks
- MAN
- FAW
- Powerstar
- Hino
Fit for Purpose

Understanding the task of vehicle selection

Loading requirements
Volume, Weight & Application

Ability to perform
Enough power and grade-ability

Economic Efficiency
Maintenance CPK & Fuel Consumption

Road Traffic Act
Compliance COF
Fit for Purpose

Fit for purpose primarily driven by 4 criteria

Front Axle Rating
Maximum allowable load on the front axle and turning circle ratings.

Rear Axle Rating
Maximum allowable load on the rear axle for specific tyre configurations and ratings.

V Rating
Maximum allowable loading on each axle and frame, accounting for road traffic legislation.

D/T Rating
Maximum permissible drawing vehicle mass. Takes into account engine power, number of drive axles and the manufacturer rating.
Specification and Order Process

1. **Consultation**
   - End user, manufacturer and builder
   - New or Existing Specification?

2. **Usage Parameters**
   - On/Off Road
   - Stop/Start

3. **Fit for Purpose**
   - And budget

4. **Safety, Governance, Risk Mitigation**
   - Dependent on application

The process is dependent on the application and budget.
What is transpiring?

Vocational fleets are evolving and this evolution presents its own challenges.

Multipurpose
Demand increasing for multiple loading capabilities

Temperature Controlled
Replacement van bodies or curtain sides

Driver Comfort and Safety
Optional items becoming standard, theft prevention and protection from looting

Homologation and compliance
Slow regulatory environment and increased downtime

In-house research team
Scarce resources and IP lead to increased operating costs

Budget constraints
Fit for purpose compromised
Market Insight

Usage parameters on vocational fleets continue to increase given market uncertainty and high cost of replacement from exchange rate pressure.
Vehicle Up-fit

- Needs analyses, Pricing benchmark
- Affects to payload
- In-build inspections
- Longevity / Reduced Maintenance
- Centralised Procurement team
- Deliver & monitor for application

Start

OEM model introduction and discontinued dates
Extensive OEM supply chain and model ranges available
Market Insight

Steel price increases, power cuts (load shedding) and import planning affect build budget and delivery times.
Diesel quality in South Africa and sub-Saharan Africa is an issue with 500ppm diesel prevalent

Limited vehicle availability due to diesel quality

Diesel dumping of vehicles in light of international bans on diesel
Fuel accounts for approximately 47% of total fleet running costs in South Africa, with high risk of theft and fraud.
TCO and Operating issues

- Fraud and Theft
- Rising Fuel Prices
- Roads & Infrastructure
- Road Tolls
- Temperature Control
- Driver Behaviour
TCO and Operating issues

- Diesel Quality (500 ppm)
- In-house maintenance centers
- Quality Spec of vehicles
- Application management
- Correct loading protocol followed
- Reduce, Re-use & Recycle
TCO – Tyre Management

- Lack of credible data – tracking of individual tyre assets
- Attitude towards tyre management
- Inadequate knowledge, skills and resources
- Incorrect purchasing decision
- Inadequate tyre maintenance - pressure and rotation
- Regular wheel alignment and balancing
A large commercial vehicle will spend more on tyres over its lifecycle that the capital cost and maintenance of the vehicle combined.
Telematics

Full service solutions widely available including driver cams, fatigue monitoring, breathalyzing, keyless start

Well developed portable network

130+ providers in South Africa

Mature analytics – evolution from tachometer

Telematics based behavioural insurance products prevalent
Vehicle Maintenance

Main source of support is the OEM dealer network. Mobile/onsite servicing and after hour servicing is in great demand

In-house maintenance centres not attractive due to capital outlay, return on investment and management challenges

Specialised departments required for specialised fleets – scarce resources at increased operating costs

Small/Medium enterprise development is driven by government business – Capital intensive and high risk with low reward for big corporates
Vehicle Remarketing

Vehicle disposal should be thought of at the beginning during the procurement phase. Market conditions and perceptions drive the appetite for vehicles in the future and installing safeguards such as seat covers can aid in the vehicle remarketing.

Using materials with recycling or re-use in mind during upfit aids in resale.

Regular fleet inspections during the lifecycle combined with a rigid maintenance regime aid residual value protection.

Driver incentive programs prove lower operating costs and long term benefits to the condition of a vehicle.
Signs of increased leasing due to the deployment of capital for alternative business purposes but uncertainties exist due to IFRS16
Compliance and Driver

Driver Licence Checking

Driver Risk Assessments

Supportive Fleet Policy

Technology – Driver monitoring on fatigue, lane assist, drive time

Driver Training – green band driving and driver behaviour modification programs

Driver scorecards and incentives
Vocational fleets require helpers to off load product

- South-African
- Sub-Saharan Africa
- Other
Compliance and Driver

AARTO & Legislation
- COF certification
- Annual Licencing
- PDP required

Daily operations
- Pre and Post trip inspection
- Driver Training

Taxes
- Tolling/Road
- Cross border
- Fuel
- CO2
What to Look Out For?

Fuel alternatives (CNG conversions) and electric vehicles

Partner for vehicle selection and TCO analysis

Competitive market and increase in leased vehicles to free up capital

Carbon Emissions Tax & penalties
Controlling the Complex
Managing Vocational Fleets in Mexico

WHERE THE GLOBAL FLEET COMMUNITY CONNECTS

JUNE 4-6, 2019
HILTON MIAMI DOWNTOWN
MIAMI, FL
Strategies to Optimize Lifecycle TCO in Mexico

Víctor Campuzano
Director, Sales & Marketing
Ariza de México
Vocational Fleet Market Overview

Motor Vehicles Registered in Circulation Jan-March 2019

- Passenger V.: 73%
- Passenger Buses: 1%
- Light and Duty trucks: 26%

43.5 Million Registered vehicles

Trucks segment has registered a 6% average growth in the last 10 years.

*Estimated data

Vocational Fleet Market Overview

Annual Light Truck Sales by Category

<table>
<thead>
<tr>
<th>Year</th>
<th>Pick up Sales</th>
<th>Pickup Share 2019</th>
<th>Vans Sales</th>
<th>Van Share 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>57,576</td>
<td>34%</td>
<td>6,616</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>178,600</td>
<td>17%</td>
<td>19,887</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>194,343</td>
<td>12%</td>
<td>18,340</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>206,166</td>
<td>11%</td>
<td>15,691</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>175,633</td>
<td>9%</td>
<td>12,738</td>
<td></td>
</tr>
</tbody>
</table>

Vocational Fleet Market Overview

Annual Truck Sales by Category

- **Two-axle truck C-2**: 90,038 - 18%
- **Three-axle truck C-3**: 78,844 – 16%
- **Two-axle tractor truck T-2**: 3,149 – 1%
- **Three-axle tractor truck T-3**: 322,979 – 65%
- **Other**: 1,047 - 0.2%
## Vocational Fleet Market Overview

### Sales Commercial Vehicles in 2018

<table>
<thead>
<tr>
<th>Segment</th>
<th>Units</th>
<th>Clients</th>
<th>%</th>
<th>Vehicles</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truck Man (individuals) 1 to 5</td>
<td>123,073</td>
<td>81</td>
<td>231,956</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>25,189</td>
<td>17</td>
<td>290,265</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>3,183</td>
<td>2</td>
<td>161,520</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Big</td>
<td>1,042</td>
<td>1</td>
<td>299,115</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>152,487</td>
<td>100</td>
<td>982,856</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
Vocational Fleet Market Overview

Historical data for the average on gasoline

4.25 USD Per gallon
Vocational Fleet Market Overview

Historical data for the average on diesel

4.25 USD Per gallon
Vocational Fleet Market Overview

Historical data for the **Interest Rate**

**Float Rate**

**Fixed Rate**
Historical data for the Exchange Rate

Vocational Fleet Market Overview
Vocational Fleet Market Overview

So, Considering these 3 factors....

There is a huge challenge for companies to optimize the TCO and downtime by using an appropriate life cycle, technology and experts in the fleet management industry.
Fit for Purpose

1. Understand....
   - The business
   - The type of use
   - Market conditions

2. Choose right specs by
   - Involving the entire team
   - Talk with experts
   - Perform TCO analysis

3. Don’t forget....
   - Keep it simple
   - Once the specifications are defined make sure they are standardized
Specification and Order Process

Best practices for an immature market

- Ask for help to a Fleet Management Company
- Perform TCO analysis
- Include in the Fleet performance description
  - Fuel
  - Mileage
  - Type of road
  - Type of cargo transported
- Involve experts in "specs"
- Negotiation in conjunction between client and Fleet Management Company
- Check availability and delivery times
- Double check on the vendor network
Vehicle Upfit

- Lack of a well Upfit Network. Make sure to choose the appropriate
- After the Upfit is done, who is going to perform the maintenance?
- Don’t forget to include Preventive maintenance on upfit.
TCO and Operating Issues

**Maintenance**
- TCO Promised vs Real
- **Restricted** supplier network and Quality of repairs
- Preference for **in-house** maintenance
- **Reluctant** to change their own shops vs hiring Fleet Management Companies

**Fleet Renewal**
- Tendency to keep vehicles in service for a long period
- Companies objective → **KEEP** the vehicle at the end
- Auctions company available but in an infancy stage
- Lack of data to measure the impact of having an old fleet
# Vehicle Disposition

## Average Trucks Life Cycle

<table>
<thead>
<tr>
<th>Period</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970 to 1979</td>
<td>9%</td>
</tr>
<tr>
<td>1980 to 1989</td>
<td>13%</td>
</tr>
<tr>
<td>1990 to 1999</td>
<td>18%</td>
</tr>
<tr>
<td>2000 to 2009</td>
<td>33%</td>
</tr>
<tr>
<td>2010 to 2019</td>
<td>27%</td>
</tr>
</tbody>
</table>

60% of trucks have an average of 17 years.
Compliance and Driver

The SCT sets the standards for Compliance

- Immature market compared vs US.
- Strongest regulations every year in the heavy trucks mainly
- Focused on CO2 emissions and weight

In Mexico, the government agency in charge of regulating everything related to transportation is the Secretary of Communications and Transport SCT by its acronym in Spanish.
What to Look Out For

1. Culture
2. Communication
3. Immature market
4. Experts
Gracias!
Thanks!
Controlling the Complex
Managing Vocational Fleets in a Global Context

WHERE THE GLOBAL FLEET COMMUNITY CONNECTS

JUNE 4-6, 2019
Hilton Miami Downtown
MIAMI, FL
Vocational Fleet Deep Dive

Kevin Quinn
Vice President
North America Fleet Management
ARI
### Vocational Fleet Market Overview

**USA Market Size**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Leased</th>
<th>Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>781,500</td>
<td>1,782,700</td>
</tr>
<tr>
<td>Government</td>
<td>51,000</td>
<td>1,847,000</td>
</tr>
<tr>
<td>Rental</td>
<td>496,000</td>
<td></td>
</tr>
</tbody>
</table>
Vocational Fleet Market Overview

Light truck vehicle registrations

306,697

CANADA
Vocational Fleet Market Overview

Highly developed vocational fleet market

- High vehicle availability
- Extensive dealer and support network
- Extensive upfit options and remarketing channels
Fit for Purpose – Comprehensive Process

New specification or an adjustment to an existing one

Conduct site visits to understand business & use case

USE CASE?

On or off road?

Mileage?

Weight analysis/center of gravity, payload, carrying, towing?

Operating environment?
Fit for Purpose – Engaging Stakeholders

- Eventual user group?
- Real-world use cases
- Include corporate/finance to balance field asks vs. budget
Fit for Purpose – Develop Specification

1. Price it out
2. Receive approval
3. Build & deliver initial vehicle
4. Conduct pilot inspection
   - Review & determine if vehicle meets requirements
   - Adjust accordingly or commit to ordering based on pilot
   - Catalogue specification for future use
   - Virtual pilot review (photos/videos)
Fit for Purpose – Potential Pitfalls

- Gas vs. Diesel Analysis
- Non-standardization
  - Fewer specifications
  - Minimize options
- Over-built or under-built vehicles
MARKET INSIGHT

While vocational assets have longer lifecycles, some fleets are using historically high resale values and lower interest costs to renew the fleet.
Roaring North American economy has led to shortages of some larger trucks, longer lead times, and earlier build out dates.
Vehicle Upfit – Best Practices & Innovations

Centralized scheduling of upfit
- Using multiple locations based on build schedule
- Better adherence to capital budget

Volume pricing on major components
- Annual negotiations on parts like ladders and lifts

Custom pooling
- Retain pool vehicles at upfit location
- Reduces significant rentals costs
# Vehicle Upfit

<table>
<thead>
<tr>
<th></th>
<th>Definition</th>
<th>Benefits</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ship Thru</strong></td>
<td>OE manages shipping from factory to major, designated upfit and to eventual client location</td>
<td>▪ Consistent quality and negotiated pricing</td>
<td>▪ Longest time frame</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Lowest transportation costs</td>
<td>▪ Time vs. money</td>
</tr>
<tr>
<td><strong>Drop Ship</strong></td>
<td>Vehicle/chassis delivered directly to major, designated upfit locations</td>
<td>Quicker</td>
<td>Additional responsibilities:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Final delivery</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ PDI</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Licensing</td>
</tr>
</tbody>
</table>
MARKET INSIGHT

Recent lifting of 15% steel and 10% aluminum tariffs within North American is good news for fleets.
TCO and Operating Issues – Maintenance

Specialized asset required specialized knowledge

FMC role growing due to loss of institutional knowledge

Combination of national accounts and highly specialized network
TCO and Operating Issues – **Best Practices**

- Develop preferred vendor network
- Leverage volumes at preferred facilities
- Measure quality & downtime

**Tires**
- Major expense for large assets
- Leverage national negotiated pricing
- In-house facilities: focus on core or enterprise specific assets
TCO and Operating Issues

Telematics

Early Adopters
- High ROI

Use Cases
- Safety
- Idling
- Location
- ELD

Pitfalls
- Data Monitoring
- Inaction
Vehicle Disposition & Remarketing

Specialized sales channels to manage specific asset types and markets

Drivers/location remove & transfer tools

Major, high value components scheduled for removal & re-install

Auction agreements include de-identification

Best practices  
Equipment removal strategy
MARKET INSIGHT

Strong North American economy has driven demand for both new and used assets, leading to historically high resale values.
Compliance & Driver Management

High compliance environment

Strong enterprise-wide culture of safety

Higher than market average level of unionization

Challenge and opportunity.
Driver misuse can mitigate all over effective fleet management strategies.
Compliance & Driver Management

- DOT at over 10K LB GVW: Daily pre-trip inspections
- CVOR (Canada): 4500 KG GVW
- CDL (commercial drivers license): 26k GVW
- Hours of Service: 11 hour rule
- IFTA: Fuel tax agreement based miles driven in each tax jurisdiction
Compliance & Driver Management

Technology
Telematics
In-Cab cameras
DOT App
Controlling the Complex
Managing Vocational Fleets in a Global Context

WHERE THE GLOBAL FLEET COMMUNITY CONNECTS

JUNE 4-6, 2019
HILTON MIAMI DOWNTOWN
MIAMI, FL
Panel Discussion
Managing Vocational Fleets in Canada and the USA
Controlling the Complex
Australia, New Zealand, and India

WHERE THE GLOBAL FLEET COMMUNITY CONNECTS
JUNE 4-6, 2019
HILTON MIAMI DOWNTOWN
MIAMI, FL
Vocational Fleet Deep Dive

Australia
New Zealand
India

Scott Thorpe
General Manager, Fleet Business Development of ORIX Australia Corporation Limited
APAC Fleet Market Overview

$1,237.4
Heavy Commercial

$958.0
Light Commercial

$607.4
Passenger

Source: KBV Research - Asia Pacific Fleet Management Market Analysis (2018 - 2025) - May 2019
APAC Fleet Maturity

- Emerging: Rest of Asia Pacific
- Growth: China, South Korea, Singapore, Malaysia, India, Indonesia
- Mature: Australia, New Zealand, Japan

Source: KBV Research - Asia Pacific Fleet Management Market Analysis (2018 - 2025) - May 2019
Market Overview

### Australia
- **1.15m** New vehicles sales in 2018
- **27%** Reduction in passenger vehicles sales since 2015
- **$3.97** Current USD cost of a gallon of diesel
- **0.2%** EV new vehicle sales

### New Zealand
- **161k** New vehicles registered in 2018
- **0.4%** Reduction in passenger vehicles in 2018
- **$5.72** Current USD cost of a gallon of diesel
- **20%** EV target by 2021. But low emissions is the new language.

### India
- **24m** New vehicles sales in 2017
- **<7%** CAGR in passenger car sales between FY13-18
- **$3.70** Current USD cost of a gallon of diesel
- **81%** Of the total vehicle market are motorcycles / scooters

Source: VFACTS 2018
Vehicle Sales Profile

1. Australian Vehicle Sales
   - SUV: 43%
   - Passenger: 33%
   - Heavy Commercial: 3%
   - Light Commercial: 21%

2. Indian Vehicle Sales
   - Passenger: 17%
   - Light Commercial: 22%
   - Heavy Commercial: 4%
   - Commercial: 3%
   - Three wheeler: 3%
   - Two wheelers: 81%

3. NZ Vehicle Sales
   - SUV/medium vehicles: 57%
   - Light Commercial: 22%
   - Passenger: 17%
   - Heavy Commercial: 4%
   - Three wheeler: 3%
   - Two wheelers: 81%
Highest Selling Vehicle

**US**
Ford F SERIES

**Australia**
Toyota Hilux

**New Zealand**
Ford Ranger

**India**
Hero Splendor
Vehicle Sales - Australia

Light Commercial

1. Toyota Hilux
2. Ford Ranger
3. Mitsubishi Triton
4. Isuzu Ute D-Max
5. Holden Colorado

Light Truck

1. Isuzu N-Series (LD)
2. Hino (LD)
3. Fuso Canter (LD)
4. Iveco C/C (LD)
5. Mercedes-Benz Sprinter
Vehicle Sales - NZ

Light Commercial

1. Ford Ranger
2. Toyota Hilux
3. Mitsubishi Triton
4. Holden Colorado
5. Nissan Navara

Light Truck

1. FIAT
2. ISUZU
3. FUSO
4. Mercedes Benz
5. Hino

Source: 2018 ABS Statistics, VFACTS 2018
Vehicle Sales - India

**Light Commercial**

- TOP
- Isuzu Ute D-max
- Mahindra
- LCV
- Tata
- Ashok Leyland

**Mini Truck**

- TOP
- Tata
- Mahindra
- Maruti Suzuki
- Force Motors
- Piaggio
Specification and Order Process – Market Challenges

- Offshore Manufacturing
- Fragmented Supply Chain
- Technical Knowledge
Increased regulatory requirements
Fit for purpose model
Focus on expenses and Data IVMS
Awareness (contract & flexible)
Optimal utilisation

The past

Over spec’d vehicles
Just add it attitude
One to one decisions
Limited visibility
Under utilised vehicles

Today

Increased regulatory requirements
Fit for purpose model
Focus on expenses and Data IVMS
Awareness (contract & flexible)
Optimal utilisation
Fit for Purpose – Business Balance

- **Drivers**
  - Drivers requests with custom built fit outs
  - Driver hiring, training and retention

- **Human Resources**

- **Finance**
  - Controlling cost efficiencies
  - Focused on meeting budgets

- **Procurement**

- **OH&S**
  - Priority is to maintain a safe and compliant workforce
  - Focused on injury prevention

**OPTIMAL CONFIGURATION** that meets all objectives
Fit for Purpose – Business Balance

- Drivers
  - Requests with custom built fit outs
  - Driver hiring, training and retention

- Human Resources

- OH&S
  - Priority is to maintain a safe and compliant workforce
  - Focused on injury prevention

- Finance
  - Controlling cost efficiencies
  - Focused on meeting budgets

- Procurement

Optimal Configuration
that meets all objectives
Fit for Purpose

Fit outs

TOP 5

1. Ute Canopy with Draws
2. Van Racking and Shelving
3. High Mount Lights and Beacons
4. Custom Bodies
5. Refrigeration, Cranes and Lifters
Accessory Fitment - Challenges

- Major suppliers for fit outs
- Fragmented process between OEM, Dealer and Suppliers
- Customer disconnect
- Lack of KPIs and SLAs
Accessory Fitment – Outlook

- Supply chain alignment connected through technology
- Better understanding of key roles and responsibilities
- Greater transparency for all parties
- Stronger partnerships with suppliers
TCO and Operating issues

Emerging Markets
- Financing: Purchase or Finance Lease
- Services: Low Maturity
- Management: Internal
- Telematics: Adhoc
- Mobility – Shared and Pooled: Low Integration
- Cost vs Fit for purpose: Transactional Decision Making

Mature Markets
- Operating Lease or Finance Lease
- Third Party or BPO
- Subject Matter Expert
- Best Practice
- Integrated
- Strategic Decision Making
TCO and Operating Issues

No Flexibility

- Specific Use v Standardisation
- Optimal Life Cycle
- Manufacturer Alignment
- Market Fragmentation
- Regional Support

Transparency

- Sensitivity Analysis
- Lease v Ownership
- Availability – Lead Times
- Hidden Cost – Rental/ Up Time
- Alignment of 5-year Plan
TCO and Operating issues - *Maintenance*

- Suppliers with limited expertise
- Non-preferred suppliers can bring increased risk
- Lack of technology to support collaboration
TCO and Operating issues – **Best practice**

- **Supplier Alignment**
- **Approved repair network**
- **Subject matter experts**
- **Visibility**
TCO and Operating issues - Telematics

- Fragmented market
- Adoption is low
- User Case
- Data overload
- Privacy concerns
Compliance and Driver

HVNL

Changes to Chain of Responsibility

- Shared accountability of each party
- Proactively managing risks
- Installing safety systems to reduce risks
What to Look For

- Maintain strong partnerships in your region
- Integrated Supply Chain
- Single source of the truth – Data amalgamation
- Invest in new technologies
- Understand the Hidden Costs
Controlling the Complex
Managing Vocational Fleets in a Global Context

WHERE THE GLOBAL FLEET COMMUNITY CONNECTS

JUNE 4-6, 2019
HILTON MIAMI DOWNTOWN
MIAMI, FL