EXPANDED DIGITAL EDITION

A BOBIT PUBLICATION | WWW.AUTOMOTIVE-FLEET.COM | JANUARY 2012 VOL. 51, NO. 1

automotive FLEET®

ET AND LEASING MANAGEMENT MAGAZINE

2012 STATE OF THE GLOBAL FLEET INDUSTRY

EUROPE • ASIA • AUSTRALIA • SOUTH AMERICA • AFRICA

BONUS SPECIAL REPORT:

ACCIDENT MANAGEMENT TRENDS: AUSTRALIA

MIKE ANTICH

GLOBAL FLEET MANAGEMENT:

There are More Similarities Than You Think

I'VE BEEN COVERING THE FLEET MANAGEMENT INDUSTRY for the past 25 years. Over this period, my travels have allowed to me to witness fleet management practices not only in North America, but elsewhere in the world. At first blush, there are dramatic differences from the U.S. fleet market. For instance, about half of the fleet vehicles operated in Asia are two-wheelers, particularly in India, Indonesia, Philippines, and Taiwan. Similarly, the European fleet market, which is the world's largest fleet market, is tremendously complex, comprised of 26 countries with differing regulations, tax schemes, and OEM preferences, with fleet vehicles tied to employment contracts.

Yet, despite these differences, there are also many similarities. Many of the challenges facing U.S. fleet managers are identical to the challenges facing their counterparts managing fleets elsewhere in the world. Universal challenges include vehicle downsizing, fleet rightsizing, cost containment, sustainability initiatives, sole sourcing, fleet standardization, compliance with governmental regulations and taxation, and the entry of non-traditional OEM nameplates (such as Korean models) into the fleet market, etc. The following are examples of fleet trends that extend beyond the U.S. and are offshoots of much larger global trends.

● **Procurement/Acquisition Trends:** The global financial crisis of 2008-2009 and the current European sovereign debt crisis have caused companies across the globe to become more cautious about capital expenditures. Universally, cost containment is the No. 1 priority facing fleet managers around the world. In all global regions, the most common cost containment strategy has been to extend vehicle replacement cycling. Sound familiar?

As with U.S. fleets, many companies around the world have expanded the criteria a vehicle must meet before it is added to the fleet, such as meeting specific fuel economy goals, CO_2 emission levels, or government accident ratings.

● **Vehicle & Engine Downsizing Trends:** The ongoing fleet trend in the U.S. to downsize to smaller displacement engines is also occurring in Australia and Europe. This involves not only vehicle class size and engine displacement, but also rightsizing the overall fleet size. Higher fuel prices/taxes have increased operating expenses. This is prompting fleets around the world to spec smaller displacement engines. In addition, improved engine technology now allows downsizing to a smaller engine without impacting the fleet application. Another factor contributing to this trend is corporate sustainability initiatives, which encourages the placement of smaller displacement engines on selectors.

● **Higher Fuel Prices/Volatility:** Another universal fleet challenge is coping with the high cost of fuel prices. Although the global recession put downward pressure on fuel prices, the current economic recovery is increasing demand and concurrent geopolitical uncertainty is causing fuel prices to ratchet upward. There is also pressure on governments to increase fuel taxes to generate revenues to offset budget deficits. (This is mitigated in some markets, such as the Middle East, Mexico, and Venezuela, where fuel prices are heavily subsidized and controlled by the government.)

● **Taxation, Legislative & Regulatory Issues:** There is an ongoing trend to further increase the taxation of European and South American fleet vehicles, which are already heavily taxed. Already there are a multitude of taxes on European fleet vehicles, such as a value-added tax, vehicle excise duty tax, company car tax (benefit-in-kind), and other country-specific taxes. The latest is a CO_2 tax started in the UK, which other European nations are starting to emulate. In South America, there are ever-changing, complex sets of rules and regulations on vehicle taxation. Around the world, there is an escalation in the taxation of fleet assets. Corporate fleets are an easy target to generate tax revenue and almost every government needs additional revenue to counter budgetary shortfalls. I believe this a harbinger of things to come for U.S. fleets, which have relatively low taxation levels compared to other global regions.

● **Sustainability/Green Fleet Initiatives:** Fleet sustainability initiatives remain strong in First World countries. There has been a proliferation of corporate initiatives to reduce greenhouse gas (GHG) emissions, with European Union (EU) fleets in the vanguard. EU environmental regulations are migrating from CO_2 reductions to reductions in aggregated emissions, which include not only CO_2, but also NOx and particulates. Despite the high cost, many companies, in all global regions, remain fully committed to achieving self-imposed sustainability targets, especially multinational corporations. There are an increasing number of global fleets establishing emissions baselines and developing selectors to select the right vehicles to reduce this baseline each succeeding year. In 2005, the average EU fleet vehicle emitted 160 grams of CO_2 per kilometer. In 2010, it was 131 grams per kilometer, a dramatic improvement and a testament to the success of EU fleet sustainability initiatives. Increasingly, multinational companies are adopting global sustainability programs, which are migrating to the U.S. fleet market.

In the final analysis, fleet management, at its fundamental level, has more similarities than differences, regardless of global market. Oftentimes, fleet best practices emerge from outside the U.S., which is good reason for you to familiarize yourself with what's occurring in other global fleet markets.

Let me know what you think. AF

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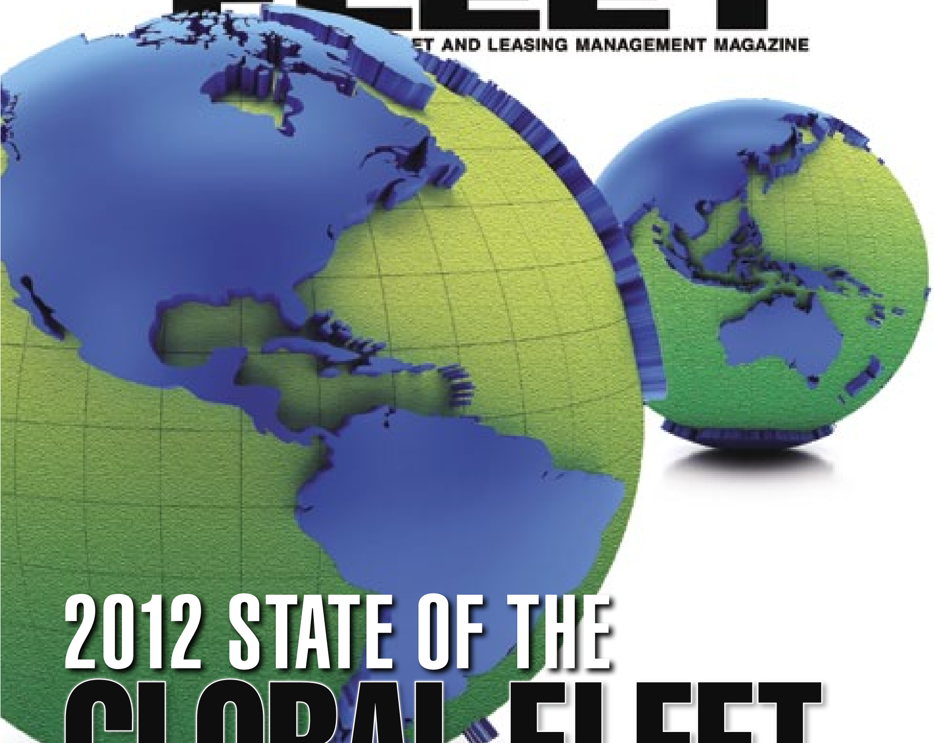


■ 2012 REPORT

2012 STATE OF THE GLOBAL FLEET INDUSTRY

EUROPE · ASIA · AUSTRALIA · SOUTH AMERICA · AFRICA

Cost-containment pressures, utilization management, vehicle downsizing, maximizing fuel efficiency, and complying with sustainability mandates are some of the trends impacting commercial fleets on a worldwide basis.

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 management 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.

ANDRADE

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 countries 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. "Fleets don't have huge bargaining power," said Andrade.

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.

Another challenge in the Brazilian fleet market is the financial stability of service providers. This includes concerns about the reliability and reach of the services network. Many service providers have difficulty with the ability to integrate with global level systems to access fleet information. "When doing fleet business in Brazil, it is important to talk with clients and get referrals to check the service provider's track record. If possible, visit selected providers to get a better understanding of their basic business processes," said Andrade.

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 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.

(L - R) Carla Podesta, service development manager for RENTING Colombia; Victor Campuzano, director, sales & marketing for ARIZA; and Joao Andrade, sales director for Total Fleet Brazil - Localiza discuss the Latin American fleet market during the GFS Conference.

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.

There are many positive aspects to the Brazilian national economy, such as an overall growth of about 4 percent (against 7.5 percent in 2010), which is sustained by wider and easier access to credit for an increasing share of the population.

"The country's automotive market, as a whole, is strong with several newcomers or emerging leaders (Chinese and Korean carmakers, and a revitalized presence from Renault/Nissan) challenging the dominant position of the historical Big Four (Fiat, VW, GM, and Ford)," said Vitantonio. In addition, the Big Four are actively engaged in significant revamping of their respective fleets.

Companies from all sectors of activity are continuing to invest in renovating and growing their corporate fleets. "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.

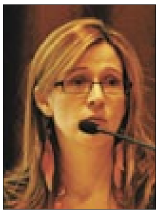
"Another concern for the fleet management companies is the ever-changing and increasingly complex set of rules and regulations, whether on vehicle taxation, licensing drivers and car owners, or car safety equipment, which tends to elevate the break-even point and increase legal and reputation risks," 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. One alternative to the use of company-provided vehicles are taxis, which, for a long time, have been viewed as a substitute product due to their relatively inexpensive cost.

Colombia: In 2011, approximately 320,000 new vehicles were sold, which represented a 30-percent increase over the prior year. "There were several factors contributing to this, which included 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.



PODESTA

There are approximately 3.8 million fleet vehicles in operation in Colombia and most fleets 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.

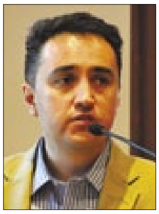
Key drivers for fleet sales growth are companies focusing on their core businesses. Also, free-trade agreements are forcing companies to invest in productive assets and consider leasing. There are tax benefits to company-provided vehicles.

New-vehicle prices are going down and the used-vehicle market value is difficult to predict, resulting in 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 in Peru is still immature and there is a lack of understanding about the fleet leasing product. In addition, there are dealer and service reliability issues in Peru.

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, there were 557,339 vehicles sold, which represented an 11-percent increase," said Victor Campuzano, director, sales & marketing for ARIZA, a joint venture in Mexico between ARI and the Groupo Zapata.



CAMPUZANO

"There are seven key FMCs operating 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 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 delivering 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. The reason is that corporations operating in Mexico are afraid of the interest rate risk. Typically, funding uses a floating interest rate; however, 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.

Fuel in Mexico is controlled by the government. There is limited coverage by fuel management companies and these typically include only pre-paid options. "Not all fuel stations accept credit cards," 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 the outsourcing of 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-end 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. Approximately 26 percent of the population lives on less than $1.25 per day," said Jacqui Carr, divisional CEO for Eqstra, an integrated capital equipment and leasing provider with operations in South Africa and the UK.

CARR

"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. Out of a population of 51 million, this represents approximately one vehicle for every 6.5 people. New-vehicle sales average about 500,000 units per year," said Carr. "There are approximately 35 different vehicle manufacturers selling 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 challenges facing the South African fleet industry is a lack of effective transport infrastructure. The government is seeking to address this by investing heavily into resurrecting the railway systems. There is a widespread poor quality of roads, which increases the risk of accidents and contributes to higher maintenance costs. There is an enormous lack of technical skills in the labor force, such as mechanics, artisans, operators, and drivers," said Carr.

Vehicle maintenance presents a key fleet challenge in South Africa because the service infrastructure is insufficient and fraud is rampant in the vehicle maintenance industry.

"There is widespread bad driver behavior. Also, there is a large amount of non-roadworthy vehicles on the roads. The government is seeking to remedy this by the introduction of the demerit point system in 2011/2012. South Africa experiences approximately 800,000 accidents on its roads annually. Approximately 15,000 people die in road accidents every year. An average of 22 people are disabled per day in traffic accidents. South Africa is rated as the third worst country in the world on the basis of accidents per capita. Driver behavior is the single largest cause of accidents on South African roads," said Carr.

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 to doing business in this area," 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."

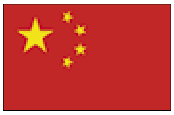
Local governments insist fleet management companies use local banks, but these banks often don't have the capacity to provide sufficient funding.

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 Gadhafi, 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 conservative lending and economic uncertainty. There is struggle to decrease CO_2 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 and 2010. 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 expansion of the dealer network. 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 cut made by the government in the tax incentives, the slower growth of the economy in general, and new restrictions for new-car registrations in cities, such as Beijing, which are struggling with traffic congestions 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.

"The restriction on new-car registration can actually be turned into an opportunity for the leasing companies, as most of the consumers will not be allowed to register a new car under their own name. They would therefore push their company to lease cars for them and this could be a significant breakthrough into the ownership mindset of the Chinese drivers," explained Bourst.

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.

"If China remains a country that foreign companies invest in heavily, these companies are also taking a closer look at how the money is spent. With the emerging trend to provide cars for the sales team or to the local managers, the fleet sizes are growing and the fleet costs are being studied more carefully. U.S. or European headquarters are asking for more transparency and pushing their local colleagues to opt for a reliable and reputable leasing company," said Bourst.

Emerging concerns are focused on inflation 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."

Some view the decrease in liquidity as positively affecting the fleet leasing industry in China.

"The lack of liquidity, the growth of the company fleet, and the centralized management of fleets will also lead to more concentration in the car leasing sector where access to funding and the network coverage in the country will become the key success factors," said Bourst.

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 Fortune Auto Leasing & Renting. Other fleet management 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 a position to export this expertise and technology to address the global market," said Bourst.

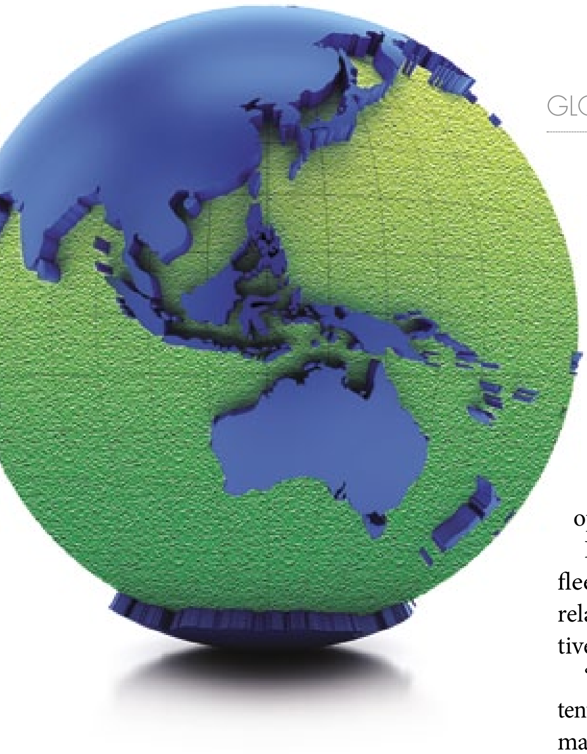
China is a very complex market in which to do business. "Every province has its own laws," said Carter.

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."

One of the key challenges in India is inflation. "Inflation is running at 10 percent in India," said Carter, who recently took over responsibility for all ORIX fleet activities in India. "Fuel has experienced a 7- to 8-percent increase in price. Food inflation is even higher, running at 30 percent."

Some economists predict that by



2020, India will become the fourth largest car market in the world.


CARTER

"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, volumes came down over the prior year. There has been a 50-percent growth in the luxury segment (Audi, BMW, and Mercedes-Benz), 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.

There are 28 states in India. "A truck has to register in every province," said Carter.

"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.

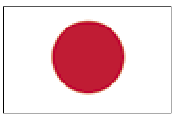
"The Indian car leasing market is about 15 years old, with nearly 10 players operating in the market," said Karmakar. However, there is much room for the fleet leasing market to grow in India in relation to the overall size of the automotive market.

"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 fleet market in India is similar to that found in 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.

"The perk segment today occupies the major part of the corporate fleet market, where the company primarily facilitates a structure whereby an employee can take a car and save tax as the cost outflow for the car comes from the employee's pre-tax salary," said Karmakar. "The tool-for-trade segment is a comparatively newer and smaller segment, but provides a strong opportunity for growth, especially for leasing companies. In India, for most companies, the field staff is still reliant on their own methods of transport, such as public transportation or personal vehicles, including two-wheelers and cars."



Japan: The size of a typical Japanese fleet averages 200 units. However, there is also a grouping of commercial fleets operating thousands of vehicles. Fleet lessors serving the Japanese fleet management market include ORIX, GE Capital, and Sumitomo Mitsui Auto Service.

There is a strong push for vehicle electrification in Japan. "Within 10 years, 500,000 cars will be electric," predicted Carter of ORIX. "The government is investing in the infrastructure."

Delivery fleets represent the largest segment of the commercial fleet market. Japanese cultural norms emphasize the sale of fresh food, which requires a steady replenishment of stores throughout the day by fleets of delivery vehicles operating in major urban areas.

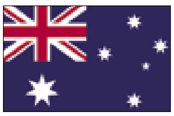
Philippines: For many multinational companies, the Philippines is the second largest fleet market in Asia after Japan. One reason is the nation is an archipelago of more than 7,000 islands, requiring vehicle concentrations confined to individual islands.

The fleet leasing market is dominated by local lessors. With the exception of ORIX, most of the major global fleet management companies do not have a presence in the Philippines. This is due to the ownership requirements placed on international businesses by the government. The average size of fleets in the Philippines is under 50 units.

Indonesia: Some fleets in Indonesia are very large, with 3,000-4,000 vehicles, operated by international tobacco companies with huge growing operations in the country.

"ORIX identified Indonesia as a growing market many years ago, due to the growth in international investment," said Carter. "ORIX has seen continued growth and development in the auto lease product in Indonesia due to the demands from multinational companies. Indonesia is a lot better place to deal with since the change in government. The problem is infrastructure."

Fleet Markets in Australia and New Zealand



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, CO_2 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 CO_2 emission 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." However, telematics is extremely well received in Japan, according to Carter.

An ongoing fleet trend in Australia is engine 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 CO_2 emissions. Six-cylinder tool-of-the-trade vehicles are now limited to fleet buyers who have a 'towing' requirement."

Sole-sourcing from a single OEM supplier is another ongoing trend among Australian fleets.

"With the incentives offered by all manufacturers to fleet buyers, in particular the huge incentives for 'conquest' business, it makes commercial sense to standardize to one manufacturer," said Georgiou.

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.

"The Korean auto manufacturers are very aggressive with fleet incentives and are making inroads in the fleet market," said Georgiou. "The Korean impact on the Australian fleet market in the past few years with higher quality controls, extended warranty, as well as robust fleet incentives, has changed the whole look of the Australian and New Zealand fleet market."

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.

GEORGIOU

The entry of these new OEMs into the fleet market, along with dramatic market share shifts, has complicated the Australian fleet marketplace.

Another recent OEM entry in the Australian fleet market is Great Wall, a Chinese OEM; however, fleet market reaction has been lukewarm. "Great Wall has only a two-star safety rating in Australia," said Georgiou. "The Chinese-produced Great Wall cars will take a few more years to gain acceptance."

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

Another type of lease in Australia is the novated lease, where the employee chooses 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.

(A novated lease product was recently introduced in India by ORIX.)

"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 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.

TREVASKUS

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

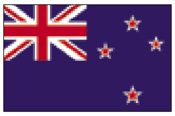
Some fleets are turning to technological solutions to be in compliance with FBT liability on personal leases.

"GPS and GSM technology are now playing a growing part in collecting mileage data and then collating the output to submit as part of an annual tax return that optimizes the FBT cost for employers," said Trevaskus. "This same technology is being linked to the provision of safety-related data. The new Federal Work Health Safety Bill will come into effect at the end of January 2012, which is stimulating a lot of discussion around how employers can meet their obligations under this new legislation."

Australian fleets are also adopting GPS technology as part of their driver safety and risk management programs.

(L to R) John Offord, project manager at Shell UK, and Rob Hill, director, global sales and consultation for ARI, discuss the challenges posed by managing a global fleet operation.

"The call for more comprehensive driver safety and risk management programs has increased since the new legislation was announced in July, and, again, technology is seen as potentially playing a bigger role in tracking vehicle usage than it has in the past," said Trevaskus.



New Zealand: New Zealand is a small fleet market due to its terrain and small population.

"New Zealand is a mature market with more than 90 percent of businesses classified as small medium enterprises," said Dennis Kelly, managing director New Zealand for Fleet Partners.

The economic downturn in 2008-2009 has had a dramatic impact on New Zealand fleet operations.

"Due to the effect of the global recession, we have seen a more focused approach to cost savings and fleet management – moving the responsibility of managing and reporting on fleet efficiencies out of the everyday business and placing it in the hands of the lease provider," said Kelly. "The need for lease businesses to extend leases and ease any cost increases to their customers during the recession extended the replacement cycle, reducing the volume a dealer might have expected to sell. This has led to mistrust in the market."

However, the low cost of funds makes ownership a more viable and affordable option for some businesses.

"Changes to the vehicle mix in fleets are a result of a lot of businesses downsizing both their fleet size and fleet makeup to provide a more efficient fit for purpose outcome," said Kelly.

The disruption to the supply of new vehicles from Japan, following the March 2011 earthquake and tsunami, has eased.

"The reduced pool of used cars has, however, increased buying competition among car dealers. Further upward pressure will come on used-car prices when the final phase of the exhaust emission rules for used-car imports comes into force on Jan. 1, 2012," said Kelly. "The change will effectively limit the age of imported used cars. Consequently, many middle-income households will struggle to afford the higher price of used imports.

The forecast for the New Zealand used-vehicle market is optimistic.

"The outlook for three-year-old ex-lease car prices remains good," added Kelly. "The reduced supply of older, used imports as a result of legislation changes will boost demand for cars further up the price scale. Furthermore, in three years' time, the unemployment rate is expected to have fallen to around 5.5 percent, giving households more ability and willingness to take on debt."

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, CO_2 reduction has become a key driver in fleet acquisitions. Based on ALD Automotive data, in 2010, the average fleet vehicle emitted 131 grams of CO_2 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)."

SERRES

The second trend that will impact European fleets will be environmental and regulatory constraints. "There will be a migration from CO_2 reductions to reductions in aggregated emissions, which will include not only CO_2, but also NOx and particulates," said Serres.

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, vehicle excise duty tax, CO_2 tax, company car tax (benefit-in-kind), and other country-specific taxes," said Rob Hill, director, global sales and consultation for ARI.

HILL

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

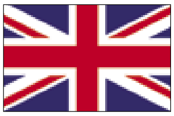
"Fleet decision-making is becoming more and more international. We have seen a more centralized approach to the fleet on the customer side. This is, in part, due to continuing trends in globalization and, therefore, a more central role for global procurement," said Stéphane Renie, sales & business development 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."

RENIE

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.



"In 2011, a fourth major player in the European market emerged with the acquisition of ING Car Lease by Alphabet," said Serres. "Because of the tensions in the banking and financial sector, access to funding is and will remain an issue, especially for smaller players. This is why some local companies are receding or exiting the market, in countries such as Spain and the United Kingdom. Overall, this trend to fewer and more international players is expected to continue."

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 (total cost of ownership) 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 enhancing 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."

ACCIDENT MANAGEMENT

TRENDS IN THE AUSTRALIAN FLEET MARKET

While a leading cause of accidents for Australian fleet drivers, rear-end collisions happen much less frequently than for U.S. fleet drivers.

PHOTO: ©ISTOCKPHOTO.COM/BLADE_KOSTAS

Fleet management organizations in Australia are the leading suppliers of accident management services. They are adding mitigation services to their portfolios.

The accident management industry in Australia is driven by self-insured fleets and those fleets that opted to have a foot in both camps with insurance coverage, which comes into play once an excess is breached. In both cases, accident management is an important requirement as, increasingly, individual fleets prefer to outsource the required administration support.

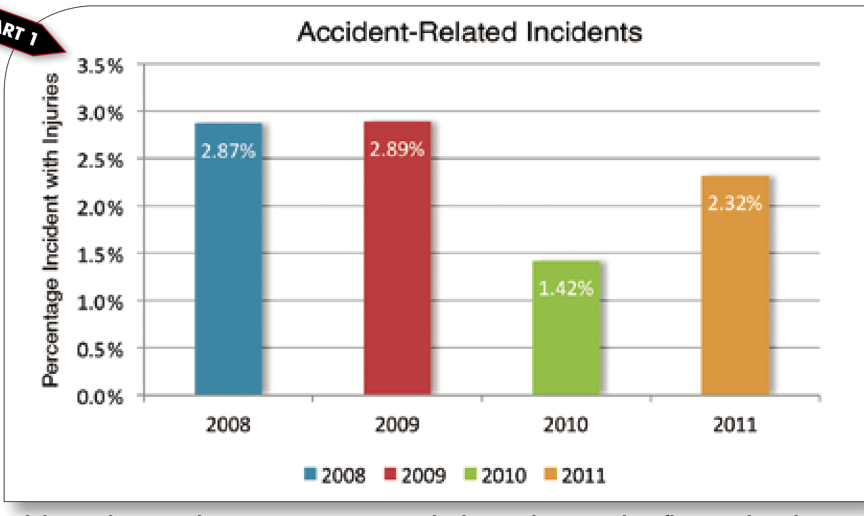
The provision of such services is contested between insurance companies sup-

AT A GLANCE

In Australia, accident management is driven by self-insured fleets, which are managed by fleet management organizations. While Australian fleets operate under similar conditions, they differ from U.S. fleets when it comes to accident management in several key ways:

- Most Australian accidents occur as a result of personal use as opposed to on the job.
- The most common major accident occurs while driving in reverse as opposed to being parked/standing still.
- Tuesday is one of the most common days of a week for an accident to occur, as opposed to Saturday in the U.S.

CHART 1



SOURCE: THE INNOVATION GROUP

While accidents involving injuries continue to be low in the Australian fleet market, they are again rising after dropping in 2010.

porting accident management in conjunction with their usual services, and the fleet management organizations that provide such services as part of their management services.

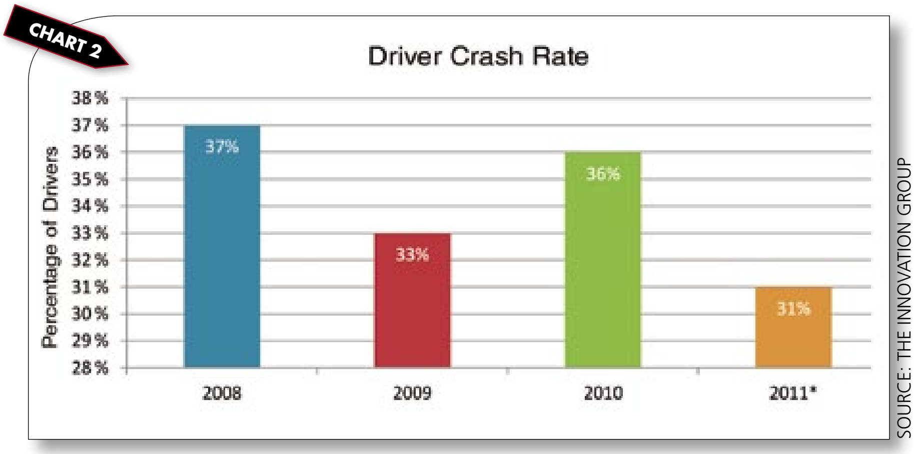
"The major Australian insurance players, such as Lumley and Zurich, generally have an accident management service in support of their underwriting business where their client has a high excess/deductible," said Group Executive - Fleet Services Tony Robinson of the Innovation Group, a specialist global provider of software and outsourcing solutions to insurers and the associated fleet, automotive, and property sectors. "Other insurance players are also starting to add this service to their portfolio to help them gain a competitive advantage and offset underwriting costs."

The major providers of accident management services are the major fleet management organizations (FMOs) who bundle this arrangement into their management services. While a few manage the service in-house, the bulk of these FMOs outsource the administration to one of the three major independent suppliers of accident management services, the largest of whom is Innovation Group, which supports six of the major FMOs in Australia. Increasingly, these independent providers are also adding mitigation services to their offering to provide a balanced service to FMOs' customers that not only manages their accidents, but works to reduce them.

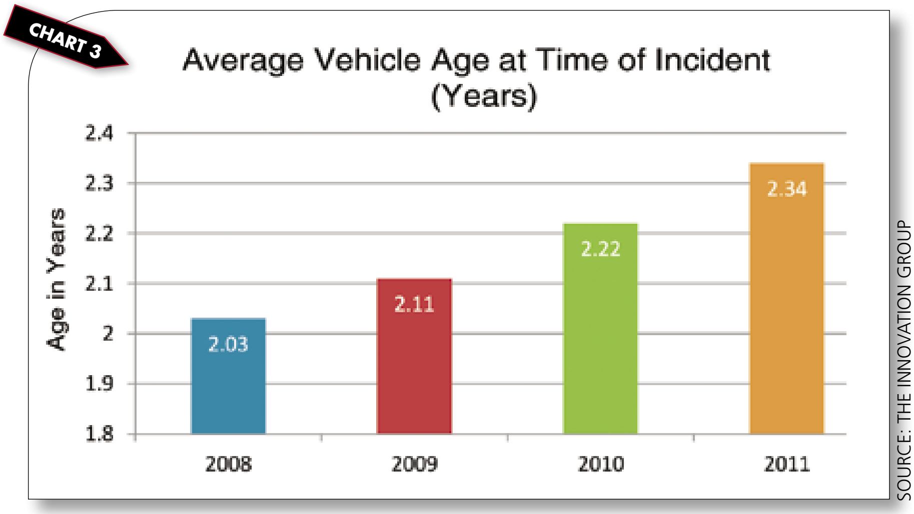
Due to the competitive nature of the repair market, repairers have banded together to provide a cut-down version of accident management to fleets in their immediate vicinity, but they struggle to support national arrangements through shortcomings in areas of administration and system support.

Australian Market Fleet Trends

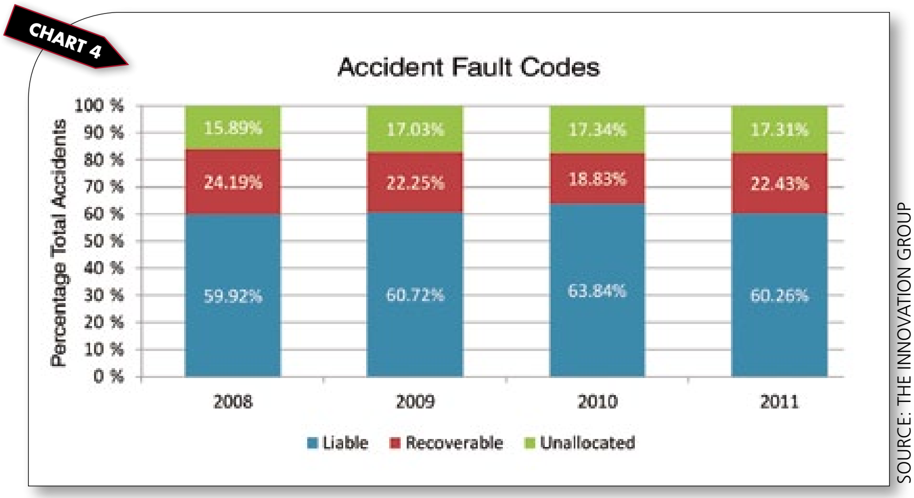
While the crash rate for Australian fleet drivers has dropped steeply from 36 percent in 2010 to 31 percent in 2011(**Chart 2**), the injury rate saw an uptick from 2010 after it dropped nearly 1.5 percent, now standing at 2.32 percent (**Chart 1**). The



Crash rates remain volatile in the Australian fleet market, dropping to a four-year low in 2011. *Estimated percentage for 2011.



Undoubtedly a sign of the times with fleets around the world holding onto their vehicles longer, the average age of a vehicle at the time of an incident has steadily increased since 2008.



While driver at-fault accidents have remained relatively flat since 2008, the number is trending downwards after spiking in 2010. While at-fault accidents are going down, total loss and injury statistics point to increasingly severe accidents.

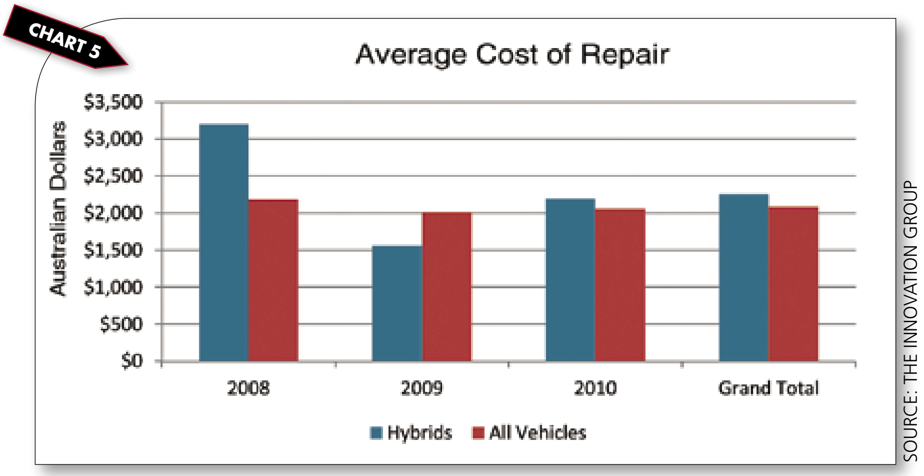
cause of the spike was due not to poor driving habits, but by the wrath of Mother Nature. According to the Innovation Group, a spate of severe hail storms was responsible for the uptick in crash-related incidents.

On the man-made side of crash statistics, the most telling one for losses may be how old the vehicle was at the time of the incident (**Chart 3**). Undoubtedly a sign of the economic times with fleets holding on to vehicles longer than in the past, the average vehicle age involved in incidents has increased steadily each year since 2008 — when the global economic crisis first began. In 2008, the average age of a vehicle involved in an incident was just over two years. It is now just over 2.25 years.

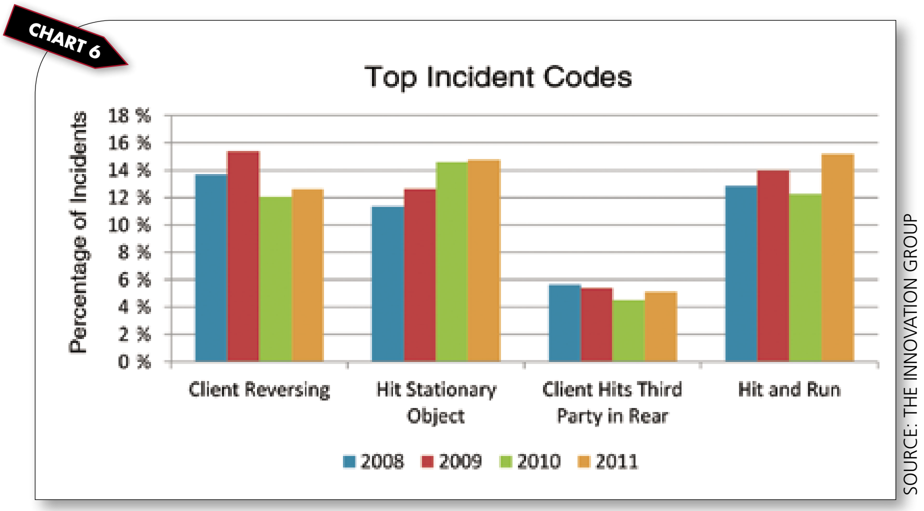
Driver at-fault crashes fell almost 3.5 percent from 2010 to 60.26 percent in 2011 (**Chart 4**). The recoverable rate increased by 3.6 percent to 22.43 percent in 2011 from 18.83 percent in 2010. This number increased to 28 percent in 2008 — the year of the crash rate dip — and decreased to 26 percent in 2009. The unallocated designation has remained fairly steady at 26 percent, 24 percent, and 25 percent for 2007, 2008, and 2009 respectively.

While sustainable vehicle technology has been much sought after by fleets around the world, the Australian accident reports indicate that maintaining these vehicles may be a bit more costly than some early reports have indicated (**Chart 5**). In 2008, repairing a hybrid over all other types of vehicles cost, on average, a third more at AUS$3,205 compared to AUS$2,180. This rate nose-dived in 2009 to AUS$1,567 for hybrids compared to AUS$2,016 for all other vehicles to bounce back and overtake the non-hybrid segment at AUS$2,192.

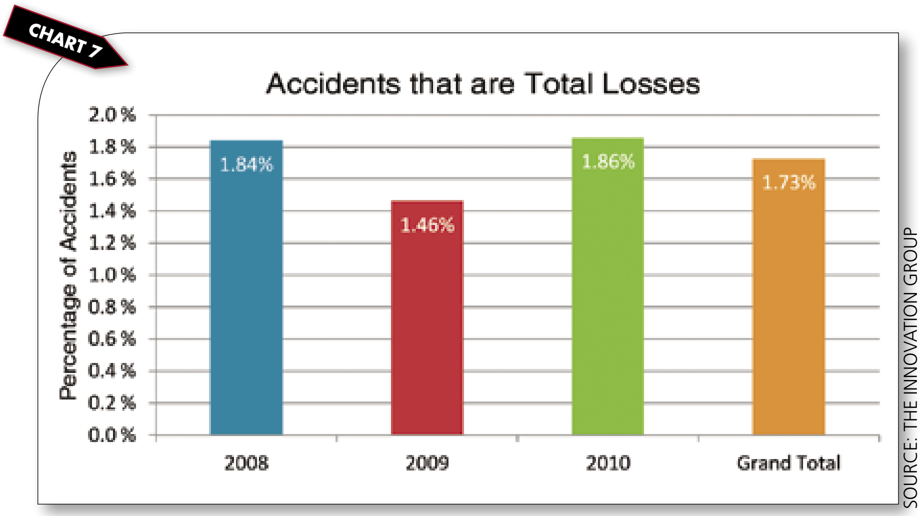
The most common "major" incidents identified by the Innovation Group were a driver crashing while traveling in reverse, hitting a stationary object, a fleet driver rear-ending another vehicle, and hit-and-run accidents (which is referred to in the U.S. as being "hit while parked"). Client reversing has had an overall decrease since 2008 when it was the most common major incident at 13.68 percent (**Chart 6**). It spiked up in 2009 to 15.39 percent be-



While sustainable technologies are becoming more common in fleets across the world, as the Australian statistics show, hybrids can be more expensive to maintain compared to more traditional models.



Hit-and-run accidents and hitting a stationary object are the top causes of major incidents for Australian fleet drivers. Significantly, rear-end collisions caused by fleet drivers are quite low compared to the other incidents.



Total losses for Australian fleets have edged down after a near 0.5 percent uptick in 2010.

INNOVATION GROUP AUSTRALIA

The experts in Fleet Accident Management and Risk Mitigation

Accident Management

A point of contact for drivers 24 hours, 7 days a week managing over 40,000 claims per year. Claims are taken over the phone, no paper & automatic notifications to key stakeholders. After claim lodgement all action is taken to ensure the vehicle is back on the road as soon as possible.

Claims Management

On-site recovery and settlement department solely dedicated to dealing with all claims that involve a third party. Our industry trained and experienced staff ensure all third party claims are handled in the best financial interests of our clients. Our recovery rates based on closed recoverable claims over the past three years are between 90% - 95%.

Fleet Risk Reporting

Annual reviews containing fleet performance statistics, including incident rates, common incident types and recovery rates as well as identifying trends and suggesting preventative measures. These reports, when combined with Innovation Group's claims management suite and FleetProtect system, gives clients the tools to meet objectives and improve incident rates.

Duty of Care Strategy

Occupational Health & Safety (OH&S) laws are becoming more and more stringent in all States of Australia whereby a motor vehicle is now deemed a 'place of work'. With this in mind, Innovation Group can help organisations implement risk management strategies that ensure driver safety.

Driver Risk Management

A solution designed to objectively identify and target at risk drivers. FleetProtect is a system that provides instantaneous feedback to drivers and managers. This program creates a warning profile that can alert key stakeholders to potential high risk drivers.

Driver Education & Training

Two service offerings that will improve the safety of your drivers as well as reduce the overall time and cost burden of managing the impact of a collision. Both our face to face and online products are designed to motivate permanent behavioural change.

www.au.innovation-group.com

What some of our customers have said:

"Before we fully implemented the risk program last year, our accident rate was 12.69 accidents per millions miles driven. Way over our target of 6.0. We managed to lower our accident rate to 3.9 - a remarkable achievement and I think in no small way, thanks to the program we now have in place. Thank you for your part in this fabulous result and we hope we can sustain this level".

"We have partnered with Innovation Group on numerous projects and in all instances our experience has been extremely positive. The team at Innovation Group are held in high regard, providing valuable information, support and the utmost in professional service."

innovation group

For more details, please contact:
Danielle Davidson
Business Development Manager
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fore falling to 12.06 percent in 2010. Client reversing and hitting stationary object incidents typically occur in parking lots, according to the Innovation Group. Though the rate has increased a bit over 0.5 percent to 12.64 percent, incidents involved with reversing have been overtaken by hit-and-run incidents and hitting stationary objects as the first and second causes respectively. Hit-and-run incidents accounted for 15.21 percent of reported fleet accidents, and hitting a stationary object accounted for 14.78 percent in 2011. Both rates were up from 2010, though hit and runs have the unenviable distinction of increasing the most of every identifiable incident by almost 3 percent. Historically, fleet drivers have rarely caused rear-end collisions, holding at an average of 5.17 percent since 2008.

The bad news for the insurance and fleet industries is that the number of vehicles deemed a "total loss" edged up 0.40 percent in 2010 to 1.86 percent after dropping 0.38 percent in 2009 from 1.84 percent (**Chart 7**).

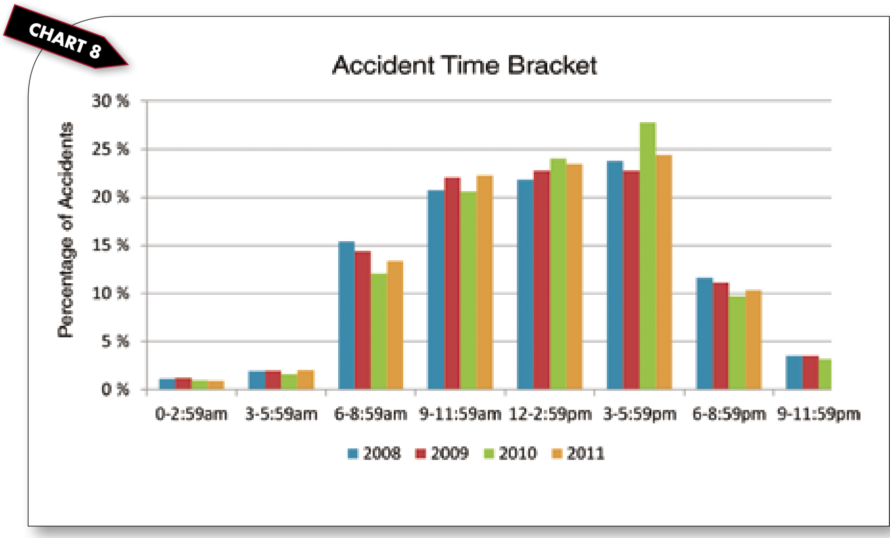
This U.S. market fared better compared to seeing a 0.52 percent decrease in 2010 after experiencing a 2.5-percent increase in 2009.

Compare And Contrast

The U.S. and Australian markets have some similarities — in climate, road conditions, vehicle sizes, and usage — that make examining their differences telling.

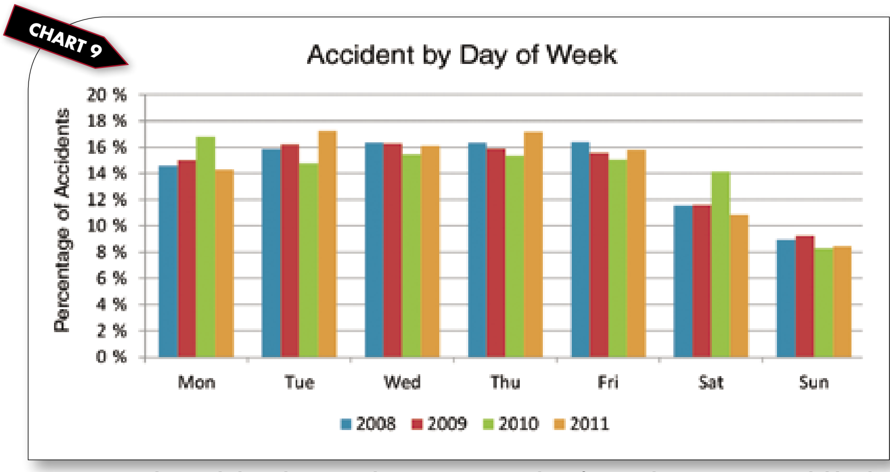
On the comparable side, between 2008 and 2011 the most common fleet driver accident of any type in Australia was "hit and run" (i.e., being hit while parked by a third-party) just as it was for U.S. fleet drivers. However, in the U.S. it is more common for a fleet driver to cause a rear-end collision (13 percent of accidents in 2011), while, in Australia, accidents involving collisions with a third-party were quite rare.

Like the U.S. fleet market, Australian drivers experienced most accidents between 3 p.m. and 6 p.m. (**Chart 8**). Not unexpectedly, Australian drivers had their least number of incidents between midnight and 3 a.m.



SOURCE: THE INNOVATION GROUP

Australian fleets experience most of their accidents from 3 p.m. to 6 p.m., a distinction it shares with its U.S. cousins.



SOURCE: THE INNOVATION GROUP

In 2011, Tuesday and Thursday were the most common days for accidents to occur, and, like the U.S. market, Sunday was relatively incident free. While Saturday is also comparatively safe, in 2010, it was the second most commmon day for an incident.

TRIP PURPOSE	2008	2009	2010	Total
Driving from work	1.37%	0.04%	0.00%	0.43%
Driving to work	1.44%	0.06%	0.00%	0.45%
No journey, damage while parked	1.39%	0.15%	0.00%	0.46%
Recreational	5.64%	0.50%	0.00%	1.86%
Work-related (business hours)	3.92%	0.11%	0.00%	1.22%
N/A	86.24%	99.14%	0.00%	95.57%

SOURCE: THE INNOVATION GROUP

Unlike U.S. fleet drivers, the majority of reported incidents occur when Australian drivers are using their vehicles for personal use — an indication of a more liberal personal-use culture than in the U.S. However, the proportion of personal to work-related accidents is lower than the U.S. While the statistics are indicative of the cultural differences between the countries, they probably don't tell the whole story, since Australian fleet drivers could opt out of answering the Innovation Group's question about trip purpose — by 2010, 100 percent of drivers had opted out of answering this question — pointing to Australia's strong tradition of privacy.

For Australian fleets, Tuesday and Thursday were the most common days for a crash to occur in 2011 (**Chart 9**). In the U.S., Saturday was the most common day for a crash (possibly a result of personal use). For both Australian and U.S. fleet drivers, Sunday had the least number of accidents. Following Tuesday and Thursday, the most common days for accidents for Australian fleet drivers were Wednesday and Friday respectively. Overall, these rates have remained relatively flat with the occasional spike. For instance, Monday and Saturday both experienced spikes in occurrences during 2010 to fall to their more historic levels. Tuesday and Thursday both experienced spikes in 2011 when they became the top days for incidents.

While the differences between the U.S. and Australian fleets can be chalked up to environmental and cultural factors, the differences are relatively minor when looking at the big picture, except in one key area: what the driver was doing when the incident occurred.

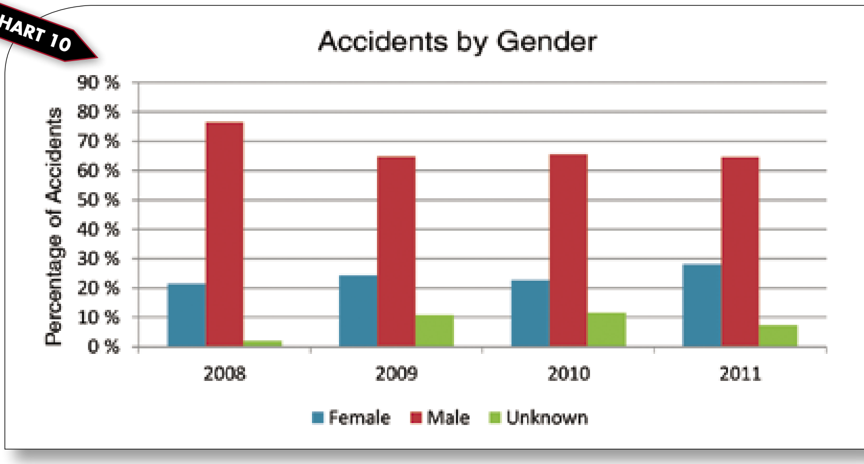
Cultural Difference

In 2008, 41 percent of Australian fleet drivers who were involved in an incident did so when they were driving a company vehicle for personal use. On-the-job incidents only accounted for 28 percent of incidents in 2008 (**Trip Purpose**).

In the U.S., these proportions are significantly different with incidents occurring while on business accounting for 67 percent of accidents according to 2011 statistics from PHH Arval. Accidents occurring while driving a vehicle for personal use account for only 20 percent of incidents.

This difference may reflect a stark cultural difference between the two countries — the attitude toward personal use. Increasingly, U.S. companies are limiting personal use to the driver (if at all) as a way to protect fleet assets. The countries are also significantly different when it comes to incidents occurring while driving to and from work. In the U.S., it's about 7 percent, while it was just 2 percent in Australia. The Australian statistics may not tell the entire story, since drivers are allowed to opt out of this question when reporting accidents.

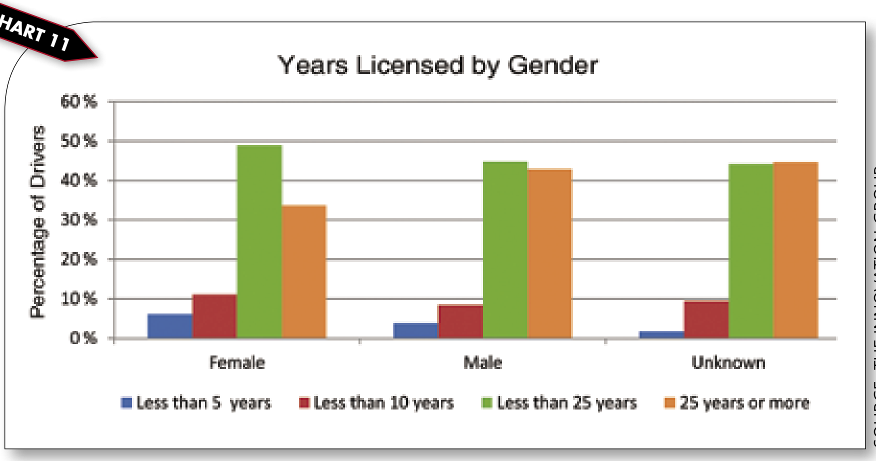
CHART 10



SOURCE: THE INNOVATION GROUP

Australian male drivers are overwhelmingly responsible for fleet-related incidents. However, while men's accident rates have remained relatively flat, incidents involving women have been increasing since 2008.

CHART 11



SOURCE: THE INNOVATION GROUP

While driver at-fault accidents have remained relatively flat since 2008, the number is trending downwards after spiking in 2010. While at-fault accidents are going down, total loss and injury statistics point to increasingly severe accidents.

A Question Of Demographics

There is one area in which Australian and U.S. fleet drivers are identical. In both countries, the largest number of incidents occur in the same demographic sub-categories. The age group with the largest number of incidents is the 36- to 45-year-old driver. Those with the least is the under 25-year-old driver and the over 55-year-old driver (**Chart 11**).

The Australian demographic data, however, adds an additional detail, breaking the numbers down across gender lines (**Chart 10**). The Innovation Group also tracked incidents by gender, showing that, while women are significantly safer than men, they have been slowly catching up.

Since dropping from a high of 76.52 percent in 2008, the rate of incidents for men have stabilized at about 65 percent. Women have seen a fair amount of fluctuation from a low of 21.44 percent in 2008 to a high in 2011 of 28.05 percent.

There is no question that Australian fleets need uniquely Australian answers to their accident management needs.

Differences in the culture, driving conditions, and common causes of accidents point to specific changes that these fleets need to make to mitigate risk.

The bottom line is that the number of players ensures it is a very competitive market. AF

Data for this story was provided by the Innovation Group, a specialist global provider of software and outsourcing solutions to insurers and the associated fleet, automotive, and property sectors. www.innovation-group.com