The good news is accident repair costs did not increase appreciably in calendar-year 2008. The bad news is that due to budgetary constraints many fleets are electing to forego some accident repairs, that would have been performed in the past.

“The trend is still cost containment as repair costs have become a priority for many fleets, especially service-oriented fleet operators less concerned with vehicle appearance,” said Bob Martines, president & CEO of Corporate Claims Management (CCM). “Most fleet managers are still addressing cost, subrogation returns, and safety; however, we have found the companies that have been impacted more severely by the economic conditions have actually requested, many in writing, to ‘hold the line’ wherever possible on costs.”

The dramatic slowdown for automotive sales has created a “financial crunch” for many parts manufacturers.

“In general, we are seeing second-tier parts manufacturers struggling or going out of business,” said Pam Walinski, vice president of PHH Vehicle Accident Services. “Examples include companies that produce headlights, airbag modules, transmission cooler brackets, and various hoses on specific manufacturers’ vehicles.”

Others also cite uncertainty about the economy as having a growing influence on accident repair costs for fleets.

“The uncertainty in today’s economy is definitely a factor impacting fleet accident management costs,” said Vincent Brigidi, director of commercial operations for CEI. “The price and availability of parts, the uncertainty surrounding some of the major OEMs, and budget pressures on all fleets have made for a very trying time in our industry.”

Rising OEM parts prices have been a key concern for fleets, especially as some part prices have experienced double-digit percentage increases.

“We’ve done studies for customers showing the overall cost of replacement OEM (original equipment manufacturer) parts has risen by as much as 16 percent on some of the most popular fleet vehicles,” said Brigidi. “At the same time, total repair dollars actually spent by many customers have decreased, as many fleets decide not to repair damages they would have otherwise repaired prior to the cur-

Slow retail sales have prompted not only closure of assembly plants, but also component factories, which is delaying parts deliveries. OEMs are also hiking parts prices, with some experiencing double-digit percentage increases.
rent economic conditions. One consequence with fleets spending less, because they are doing fewer low-dollar repairs, is that the average expenditure per repair is being skewed upwards.”

Greg Neuman, supervisor, quality control for CEI, offers specific examples of OEM parts increases. “Depending on the part, we’ve seen OEM parts prices rise significantly. For example, the price of a radiator support for a Chevrolet Impala in February 2008 was $287. This February, it was $447, up almost 56 percent. Over the same period, the price of a front fender went from $249 to $334, a 34-percent increase, and an airbag control module went up 21 percent, from $231 to $280,” said Neuman.

A growing number of industry observers do not believe the current parts price increases are a temporary phenomenon. “There are reasons to be concerned that parts prices will continue to increase. Over the past few years, it had to do with higher costs of raw materials and fuel for parts delivery. Now, manufacturers are closing plants, reducing production, and consolidating distribution centers. This may lead to a shrinking supply and delays in getting parts, both of which could result in higher prices to get the repair job done,” said John Wolford, senior manager of provider network services for CEI.

Another impact of the soft economy is that repair facilities are now including ancillary costs in repair estimates, which they didn’t previously.

“A rising trend we’re seeing with our network collision centers is that shops are now passing on ancillary costs once considered the ‘cost of doing business.’ With each estimate, they are now referring to their procedure pages and material reference list to substantiate additional costs,” said Stuart Braun, supervising claims adjuster for Fleet Response. “With the changes in the economy, collision centers can’t afford to absorb these costs anymore because they need to minimize anything impacting their bottom lines.”

Another factor putting upward pressure on accident repair costs has been the increased frequency of OEM price hikes.

“Material costs go up every year, but the latest trend is the vehicle manufacturers are increasing their prices more often,” said Braun of Fleet Response. “It used to be once or twice a year we’d see parts increase. But now we’re seeing it with much more frequency. This, combined with stagnant labor rates, is making it difficult for non-national collision centers to remain competitive, make a profit, and stay in business.”

There are also concerns about how long component manufacturing plants will be closed and the impact of these closures on fleet accident repair costs.

“CCM and most of the other fleet service providers have policies and procedures in place to address cost containment. The only real impact on costs is external — parts costs and availability. If parts prices increase dramatically, that cost goes right to the client in the repair process. If parts are not available and a vehicle is not drivable, then the client must endure additional replacement rental costs while the vendor waits for parts to be available. The most recent concerns with the manufacturers facing their most severe test on survival will create havoc in the industry. Any lengthy plant closures will add enormous time delays,” said Martines of CCM.

The ongoing OEM trend to increase vehicle electronics content and onboard high-tech components is adding to accident costs and repair complexity.

“Advances in the automotive industry, which provide a greater focus on safety (i.e., airbags, traction control, etc.), and the increase in hybrid vehicles tend to drive up repair costs and repair time. Repair complexities and parts have had an impact on costs, too,” said Walinski of PHH Vehicle Accident Services. “Environmental issues have also driven prices up. For instance, material costs are rising due to the expanded requirement for water-borne paint solvents. The hybrid vehicle population is also increasing, along with the cost of both labor and parts to repair these unique and technologically advanced cars.”

Year-Over-Year Comparison

For the most part, fleet accident repair costs remained flat for calendar-year 2008.

“The costs of accident repairs have not moved dramatically in either direc-
tion from 2007 figures. We surveyed approximately 30 accounts and found 58 percent actually experienced decreases in costs from 2008 compared to 2007,” said Martines of CCM. “While I believe we can take some credit for containing costs, I also believe due to the economic climate, many clients focused more on repair costs than in the past. A concentrated joint effort by our team and clients has helped reduce the costs.”

Others report seeing a small uptick in repair costs, primarily due to increased repair costs, primarily due to increased repair costs than in the past. A concentration of technological advancements and systems installed in vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.

Cost Reduction Strategies
One byproduct to the recent wave of corporate staff reductions has been the increased availability of surplus vehicles.

“One money-saving practice we’re seeing more of is the use of surplus fleet vehicles to substitute for a damaged vehicle. As companies have reduced their fleet sizes, they have more surplus vehicles to increase safety and fuel economy. In addition, we have seen a slight increase in clients choosing to repair more vehicles, rather than replacing, to extend the service life,” said Walinski of PHH Vehicle Accident Services.
proactive fleet safety programs.

“The most obvious proactive trend in fleet and risk management is safety management. The emphasis on accident avoidance and containing liability exposure, as well as keeping drivers safe, is more prevalent today than in the past few years. Many senior managers have finally embraced the concept of the true cost of an accident and the residual damages. They realize how much additional income is required to offset the true costs, therefore, if they could avoid the accident entirely, their financial bottom line will (or has) improve dramatically,” added Martines.

Walinski said proactive management of accident costs is the key to reducing costs.

“For instance, in the area of subrogation, companies are successfully recovering for diminished value. In cases where diminished value is applicable, PHH recovers about 40 percent of those respective claims. In our experience, we have more success with some states than others, but in states where we have been successful, the average recovery for diminished value is about $375,” said Walinski.

“Another area where proactive management helps companies reduce costs is in rental vehicles while the damaged vehicle is being repaired. It requires an excellent process and focus, both on the repair process and on the minimization of rental days.”

Some fleet services providers report seeing an increased use of telematics by fleets to decrease preventable accidents.

“For our service customers, telematics is a developing trend, and the ability to incorporate data provided by telematics could be a critical feature of any risk management solution in the near future. For our sales fleets, the management of the authorization process and ongoing performance of the authorized household members of the employees (spouses, domestic partners, etc.) is a developing trend,” said Brigidi of CEI.

Walinski also cited the use of telematics by fleets as a risk management tool.

“Fleets have become more focused on driver safety over the past few years. Specifically, they’re very interested in preventing accidents and identifying high-risk drivers. Our clients who use telematics have found the technology has a positive impact on enabling them to achieve this goal, as it can virtually eliminate speeding and other types of inappropriate driver behaviors when policies are enforced,” said Walinski.

There is also a fleet trend toward greater accountability of company drivers.

“Companies are managing driver performance more aggressively. For instance, there’s more focus on drivers with MVR violations or accidents, especially on drivers with multiple occurrences. Several clients have also instituted financial penalties, charging drivers for avoidable accidents as reinforcement for defensive driving,” said Martines.

Another fleet trend is to quantify repair savings in a way that is auditable. “Customers are now looking to quantify the dollars saved and to understand exactly how the savings were generated,” said Brigidi of CEI.

The highest percentage of accidents within sales fleets are drivers with one to five years on the job (46.29 percent).

Sales          Service                      Sales          Service
Less than 1 year 12.51% 28.69%        Over 5 years 35.81% 41.20%
1-5 year 35.5% 46.29%        Over 5 years 35.81% 41.20%

The average authorized amount for accident repairs has increased steadily from 2006-2008.