The biggest impact on fleet operating costs for calendar-year 2009 has been the stabilization of fuel prices. Fuel prices have declined dramatically from astronomical highs in 2008. The global economic recession has been a key factor for downward pressure on fuel prices, which caused worldwide fuel consumption to drop sharply. In addition, the deep economic recession forced many fleets to downsize, due to widespread corporate layoffs contributing to a decrease in overall fuel spend.

Although replacement tire costs are flat, the consequence of fleets keeping vehicles in service longer has caused fleets to acquire an extra set of tires, an expense they otherwise would not have incurred. Another consequence is that operating vehicles at higher mileages has caused fleet maintenance expenses to increase. One caveat is that fleet downsizing (due to staff layoffs) has allowed fleets to redistribute unassigned lower mileage units and remarket those with higher mileage. For these fleets, this resulted in a decline in high-end maintenance expenses that occur when units reach higher mileage thresholds.

These findings and others were revealed in AF’s annual operating cost survey by data provided by survey partners: Automotive Resources International (ARI), Emkay, GE Capital Fleet Services, LeasePlan USA, PHH Arval, and Wheels Inc. This year’s survey is based on analysis of actual operating costs incurred by 815,252 vehicles operated by commercial fleets and managed by these six fleet management companies.

By Mike Antich and Lauren Fletcher
Fuel Pricing Trends to Stay Flat

The impact of decreased gasoline and diesel prices for fleets in 2009, compared to 2008, has been dramatic.

“Fuel costs for the past 12 months are running $100 per vehicle, per month less than the previous 12 months,” said John Bauer, manager, fleet analytics for Wheels Inc.

Another impact has been the drop in overall fuel consumption by commercial fleets. On an annual basis, fleets are buying fewer gallons of fuel in 2009 than in 2008.

“As a measure of consumption, we track the average number of gallons purchased, per driver each month. We saw consumption rapidly decline in the fourth quarter of last year and reach a low point in February of this year. Consumption has slowly recovered from February, but remains down compared to last year,” said Sung Lee, fuel product manager for GE Capital Fleet Services. “We attribute the decline in consumption mainly to the recession. Fewer miles are being driven because of slower business activity, such as fewer sales visits, service calls, and deliveries. To a much lesser extent, the lower consumption may also be due to the conversion by some fleets to more fuel-efficient vehicles at the end of 2007 and early 2008.”

Another factor contributing to reduced fuel expense has been the result of fleet downsizing, the consequence of widespread corporate layoffs.

“Our clients averaged $3.50 per gallon in CY 2008, and YTD 2009 only $2.30 per gallon, so obviously their fuel spend is down over 30 percent. However, that’s only part of the story,” said Greg Corrigan, vice president, strategic consulting, PHH Arval. “With a down economy and many companies downsizing the number of employees, we have seen a reduction in fuel spend from fewer vehicles, but the vehicles they do still have are driving more miles. At the same time, we have successfully worked with clients to increase their average fleet mpg, so the net result has been a reduction in price, coupled with a reduction in demand, which has ‘fueled’ a significant drop in fuel spend.”

In addition to decreased demand, other factors, such as benign weather and lack of an international flashpoint crisis, also contributed to lower fuel prices in 2009.

“Fuel prices have decreased this year, partly due to the fact there have not been any catastrophic hurricanes or anything that would affect the production and transportation of fuel. But this could change due to war, acts of God, etc., which can happen at any time. Fleets need to be prepared for these cases and keep fuel on their radar, even when prices are low,” said Tony Blezien, vice president, operations for LeasePlan USA.

The shock of stratospheric fuel prices in 2008 prompted many fleets to focus on increasing overall fleet fuel economy. These efforts started bearing fruit in 2009.

“In 2008, the record-high cost of fuel had fleets searching out cost-effective solutions. In 2009, fuel costs stabilized, but the economic recession required fleets to remain cost-conscious, looking for total cost of ownership solutions, including fuel efficiency,” said Bob White, vice president of operations for ARI.

However, fleets are cautioned not to be lulled into complacency by current low fuel prices.

“Although fuel prices are down from last year, fleet managers remain very focused on controlling fuel costs. At $2.50
per gallon, we estimate fuel accounts for 37 percent of a typical fleet’s operating cost and remains the single largest variable expense. Also, gasoline prices are up more than 50 percent since the end of 2008, and fuel prices will likely continue their upward trend if the global economy begins to recover in the fourth quarter and next year. Therefore, fleets continue to look for opportunities to switch from six- to four-cylinder vehicles and control driver behavior. In addition, fuel economy remains an important factor in the new-vehicle selection process,” said Lee of GE Capital Fleet Services.

The sharp increase in fuel prices was also a key contributor to the rapid decline in value for light-duty trucks, vans, and large SUVs in the whole markets in 2008, noted Dave Nagy, SVP fleet assets at Emkay.

“This caused significant additional depreciation pressure to fleet operating costs. As fuel prices subsided, the wholesale markets bounced back, and the truck and SUV markets are up 15-25 percent compared to this time last year,” said Nagy.

Several key areas fleets are looking at to reduce fuel spend are vehicle selection, routing, and idling reduction initiatives.

“First and foremost, it starts with using the minimally acceptable vehicle from a power and capacity standpoint. Fleets are also rethinking routing for service vehicle applications, idling for service vehicle and trucking applications, and driver behavior in general,” said Corrigan of PHH Arval.

White of ARI also stresses the importance of proper vehicle selection.

“We are applying the lessons learned from high fuel costs and the economic recession to recommend more fuel-efficient engines and models. Fleets are now more willing to accept the recommendations than prior to the 2008 fuel spikes. There are still huge fuel savings to be achieved for those willing to make a change,” said White.

**Forecast of Fuel Prices and Impact on Fleets in 2009-2010**

Forecasting fuel prices is difficult due to pricing volatility and its sensitivity to external variables. However, the consensus is that low fuel prices are a temporary phenomenon. The wild card as to how long fuel prices will stay low is contingent on the strength of the global economic recovery.

“The consensus view seems to be the global recession is bottoming out, so the forecast of fuel prices next year really depends on your expectations for the slope of recovery for the global economy,” said Lee of GE Capital Fleet Services. “Similar to the equity markets, fuel prices over the first six months of the year increased significantly in anticipation of economic recovery. But over the past couple of months, fuel prices have leveled off as hopes for rapid recovery waned. It is reasonable to expect fuel prices will experience modest growth, but not excessive growth as seen in late 2007 and through the first half of 2008. The gasoline and diesel price forecasts for 2010 by the Department of Energy seem to be consistent with that view,” added Lee.

The forecast for the short-term shows that fuel prices will remain relatively stable with a moderate upward trend, according to Jim Tangney, VP vehicle acquisitions at Emkay. “However, forecasting can be difficult due to potential external factors throughout global economies and demand for fuel as we see economies recover,” noted Tangney.

The long-term forecast of fuel prices, however, is that they will trend upward.

“Over the longer term, there are other trends and dynamics that favor an upward bias in fuel prices,” said Lee. “There is a growing middle class in China and India, and therefore the fuel consumption by those countries is expected to increase significantly. There continues to be concerns about the political instability in oil-producing nations. In addition, the U.S. still has not addressed the limited capacity associated with its aging refineries.”

This consensus is shared by other fleet management companies.

“The cost of fuel is entirely linked to when global economic recovery truly takes hold. Most economists have speculated that may not happen until well into 2010, so we may end up seeing a repeat of this year, in terms of the price at the pump,” said Corrigan of PHH Arval.

Lower fuel prices have also helped offset some of the increased fleet expenses in 2009.

“Fuel prices dropped close to $1 per gallon from over a year ago and have really helped offset the high expenses fleets experienced last year,” said Tangney of Emkay. “Fuel consumption has fallen due to several factors: economic conditions that caused employee layoffs and fewer vehicles in fleet, improved awareness by salespeople to control travel expenses, and improved focus on integrating more fuel-efficient vehicles into fleet.”

The near-term forecast for 2010 is that fuel prices will remain relatively stable with a modest upward tick in pricing.

“The average cost of fuel is forecasted for 2010 at $2.79 per gallon, including taxes, across the country. Since the average for 2009 was $2.46 per gallon, the difference is minimal and so is the impact,” said Blezien of LeasePlan USA.

Another indicator for 2010 fuel pricing can be found in the futures market.

“Traders buying futures contracts in

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**2009 OPERATING COSTS - INTERMEDIATE CARS**

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gasoline suggest prices will gradually rise over the next several months and reach levels 20 cents per gallon higher than current levels by the summer of 2010 before dropping in September and October of 2010,” said Bauer of Wheels Inc.

This supposition is reinforced by forecasts from the Energy Information Administration (EIA).

“ARI closely monitors all published reports and trends from the EIA, which predicts the price of fuel may drop slightly over the next few months and then rise slightly after the first of the year. At this time, they expect prices to hover below the $3 range,” said White.

**Impact of 2010 Diesel Emission Standards on the Cost of Diesel**

One unknown variable to the cost of diesel will be the impact of the 2010 diesel emission standards.

“Ultra low sulfur diesel (ULSD) has a lot of issues related to its final cost and many geographic influences that can also elevate the price per gallon in any given area of the country,” said Blezien of LeasePlan USA. “The phase-in of the U.S. Environmental Protection Agency’s (EPA) sulfur standards for diesel fuels has the potential to continue to influence diesel fuel prices.”

Futures contracts for diesel fuel suggest price increases similar to those for gasoline.

“It will be a few years before reaction to the new standards has an impact. The added cost of new emission controls, as well as additional maintenance required, will increase the mileage required to achieve fuel savings to offset the additional cost,” said Bauer of Wheels Inc.

The logistics of delivery of ULSD to retail service stations is cited as a possible factor that could influence future pricing.

“Most ULSD travels through pipelines on the way to bulk terminals for final transfer by tanker truck to retail stations,” said Blezien of LeasePlan USA. “Other diesel fuels and petroleum products with a higher sulfur content in the pipeline, storage, and local distribution systems might contaminate ULSD (jet fuel, for example, can have 3,000 particles per million of sulfur). If contaminated, it may not be possible to correct a ULSD fuel batch by blending with additional low-sulfur product, and contaminated batches have to be returned to a refinery for reprocessing, a difficult and expensive problem.”

Others believe the impact of the 2010 diesel emission standards will be negligible. “At this time, there is no indication the new standards will have an effect on the cost of diesel fuel,” said White of ARI.

However, the new diesel emission standards will increase fleet acquisition costs since 2010-compliant diesel engines will be more expensive than predecessor models. “Toward the end of 2009 and into 2010, the increased cost of 2010 emission engines will start to impact fleets. Costs are averaging $6,000-$9,000. What’s more, factors such as urea injection (SCR) systems and advanced EGR systems will play a large role in increased fleet costs for years to come,” added White.

Tangney of Emkay also believes the new diesel emission standards will have a moderate effect on the cost of diesel fuel, but will substantially increase the cost of new vehicles.

“The slow economy, high cost, and relative unknown issues surrounding the new diesel exhaust fluid will delay decision making on new-vehicle acquisitions until a better understanding of the product is available,” said Tangney.

**Motor Oil Costs to Remain Stable**

The cost to change motor oil has remained relatively stable in 2009 compared to 2008.

“The cost of an oil change has stayed status quo. Some national account partners have actually decreased their price because they recognize the hard times many customers are going through,” said Dave Jankiewicz, director, maintenance and repair management for LeasePlan USA.

However, other fees are impacting the cost to change motor oil.

“The lower prices per barrel did not necessarily translate to overall lower fleet oil change prices as repair facilities’ disposal fees and overhead contributed to moderate cost increases in 2009. Several large national service providers implemented 2009 cost increases and mid-2009 adjusted oil change prices slightly downward,” said Eric Strom, maintenance and safety product manager for GE Capital Fleet Services.

The forecast is for motor oil prices to parallel those of future fuel prices.

“Oil costs will most likely track with gasoline and diesel costs. Since oil is a very small percentage of fleet costs, and more manufacturers are extending maintenance intervals or using oil life monitors, a small increase in the price of oil will have little or no impact on fleets,” said Bauer.

In addition, the use of synthetic oils allow fleets to extend oil drain intervals. “Many new vehicles are utilizing synthetic oils in their transmissions and axles. While this extends the service period, the cost to service these vehicles is substantially more. Maintenance schedules for newer vehicles must be closely monitored because replacing synthetic fluids at non-synthetic intervals could
quickly raise a fleet’s maintenance costs,” said White of ARI.

One new trend, at least for corporate fleets, has been the use of recycled oil, a relatively common practice among public sector fleets.

“We’re seeing more of a trend towards utilizing recycled oil and oil filters at the national account vendors. Using recycled oil and oil filters is inherently slightly more expensive, impacting the overall oil change cost. Basically, drivers are paying to be green,” said Blezien of LeasePlan USA.

Forecast of Motor Oil Cost for 2009-2010

Motor oil costs in 2010 are predicted to remain comparable to today’s prices.

“Oil change price increases in 2010 will be moderate as OEM-recommended intervals for oil changes have remained constant, but some OEM recommended oils, such as synthetic and semi-synthetic, will continue to drive costs up from standard five-quart conventional oil change advertisements. These special oils and larger crankcase capacities for some vehicle models add $10-$15 per oil change,” said Strom of GE Capital Fleet Services.

Others, likewise, do not see price hikes on the horizon with national account vendors.

“The cost of an oil change should stay the same at the national account vendors and independent facilities,” said Blezien of LeasePlan USA.

Tire Costs Remain Stable

The cost of replacement tires has remained stable compared to last year.

“Tire pricing has improved with the easing of petroleum costs as an input to production and with the drop in OEM production and demand overall,” said Corrigan of PHH Arval.

However, there is a lag time in tire prices to reflect declines in crude oil prices, the primary ingredient in manufacturing tires.

“Tires are up about 10 percent over 2008 costs. As is typical, it takes longer for a decrease in oil prices to affect products whose price increases quickly when the price of oil increases,” said Bauer of Wheels Inc.

A primary factor contributing to keeping replacement tire costs flat is the economic downturn. “Because of economic conditions, many fleets have not replaced as many units as in the past. The resultant increase in the average age of fleet units has led to more fleet tires being replaced towards the end of the typical lifecycle. Since the units are now being kept in service, replacement tires have added to the fleet expense,” said White of ARI.

Other factors include increased availability of unique tire sizes and an intensified competitive environment for tire OEMs.

“We are seeing increased tire company competition and inventories as once unique tire sizes have become more commonplace. The timing for selecting lower mileage house-brand tires is critical if fleets are extending the life of their vehicles, as an extra set of tires may be needed,” said Strom of GE Capital Fleet Services.

Pricing Trends for Replacement Tires in 2010

Replacement tire pricing is forecast to remain flat.

“Depending on the segment, tire prices have remained flat or somewhat decreased on a per-unit basis,” said White of ARI.

National account vendors are expected to hold prices on replacement tires, even though raw material prices may increase.

“Tire pricing increased as the production and some raw material costs have risen on passenger and light-truck tires. Fortunately, tire price increases to fleets have been less than the announced retail market increases. Tire costs increased for many fleets as their vehicles’ lifecycles were extended,” said Strom of GE Capital Fleet Services.

A key factor that will influence overall cost of tires for fleets is the decision to keep vehicles in service longer, which often creates the additional expense of a new set of tires.

“ARI has learned of fleet budgets cut up to 20-30 percent in some cases. When this happens, fleet managers may decide to keep vehicles in service longer. This decision increases operating costs due to additional sets of tires being purchased over the life of the vehicle. Increased tire sizes and performance requirements on both cars and trucks are impacting tire costs as well,” said White of ARI.

Another factor is the availability of tires, especially for all-new models.

“One factor that impacts fleets is the availability of replacement tires when new vehicles are introduced with a tire size not commonly available. Snow tires can also be a challenge,” said Bauer of Wheels Inc.

Cost containment initiatives by fleets is making it more difficult for drivers to acquire more expensive snow tires.

“We have also seen a notable policy shift as many fleets are moving away from authorizing snow tires to help reduce costs and adopt a less ‘driver preference’ replacement tire policy,” said Strom.

Emkay reports that less expensive house-brand tires are requested more frequently by fleet managers.

“Fleet managers are also looking at tire rotation schedules more closely,” said Steve Guertler, VP of fleet services at Emkay. “Properly maintaining tires by more frequent rotation
and air pressure extends tread life has become a big discussion point between fleet managers and drivers.”

New, larger low-profile tires available on sedans as original equipment today tends to wear more quickly and needs replacement between 20,000 and 30,000 miles as opposed to previous models, where tires tended to last 40,000-50,000 miles, added Guertler.

**Forecast of Tire Costs and Impact on Fleets in 2009-2010**

One factor that will influence future tire costs is the vehicle specified by fleets.

“With tire sizes increasing and replacement intervals decreasing, fleets must give careful consideration to tire selection when choosing replacement vehicles. With fewer options from manufacturers to ‘downsize’ a tire, fleets will find tire expenses on the rise through the 2009-2010 model years. Differences from one size to another on the same vehicle could net a 30- to 40-percent difference in replacement costs,” said White of ARI.

Another factor will be the future cost of oil. “Tire prices will follow oil and steel price trends. The overall impact will not be significant since tires are less than 5 percent of total fleet costs,” said Bauer of Wheels Inc.

Strom foresees a continuation of moderate tire cost increases in 2010. “Wheel diameter increases, which have dramatically impacted tire costs in the past five years, may reach a plateau with the expected smaller fleet vehicles required to meet government fuel mileage requirements,” said Strom.

Fleet managers are pre-evaluating vehicles as selector choices like never before, noted Guertler from Emkay.

“Prior to placing vehicles on selectors, fleet managers are choosing models with less expensive tire sizes to mitigate future tire replacement costs,” added Guertler. “They are also scrutinizing vehicle PM schedules and warranty coverage to mitigate future maintenance and repair costs.”

A new factor was the recent decision by the Obama Administration to add a tariff to tires manufactured in China.

“LeasePlan had many discussions with the major tire manufacturers regarding the 35-percent tax increase for tires made in China that the Obama Administration implemented recently. Some tire manufacturers may pass these additional taxes onto the customer and the fleet management companies. In 2011, tire manufacturers are expecting a 25-percent increase and a 15-percent increase in 2012,” said Blezien of LeasePlan USA.

However, as in past years, one of the biggest factors contributing to tire price increases has been an ongoing trend by vehicle OEMs to specify larger diameter tires.

“Where we see the biggest increase to the cost of tires is still from the manufacturers continuing to increase the size of original tires on newer model vehicles, eventually leading to higher replacement costs,” said Jankiewicz of LeasePlan USA.

“In essence, the larger the tire, the more material it takes to make the tire; thus, the more it costs. The rapid reduction of 14- and 15-inch tires continues. But even the popular 16-inch tires are on the decline, with 18-inch tires growing to be the new norm. We do not see this trend slowing down anytime soon.”

Jankiewicz says both trends will force tire costs higher in 2010. “With these increases, the breadth of tires is also expanding exponentially, and tire manufacturers are not going to be able to carry every size in all of their tire lines. In the past, you could always seem to find a house-brand tire for less on just about all sizes, but now you may find a particular tire is only produced in the manufacturer’s name-brand line. This trend has already started,” he concluded.

**Upward Trend in Maintenance and Repair Costs**

Maintenance and repair costs for fleets in 2009 did increase compared to 2008, primarily due to vehicles kept in service for longer periods.

“Extending vehicle replacement life led to increased maintenance costs for many fleets in 2009. The majority of fleet managers are not surprised by the 2009 operating cost consequences,” said Alyssa Dwyer, strategic consultant for GE Capital Fleet Services.

Corrigan of PHH Arval makes a similar observation. “We are seeing total maintenance spend rising in many cases, as a result of many fleets deferring replacement last year, and more vehicles operating outside their warranty period.”

Fleet downsizing has contributed to a decline in high-end maintenance expenses.

“Due to the sluggish economy, we continue to see clients keep vehicles longer than in the past. With many fleets experiencing large pools of excess fleet vehicles due to downsizing, companies are choosing not to repair vehicles with large ticket repairs. Instead, they are rotating in one of their surplus units and disposing or ‘sitting’ on the other unit. So, whereas the maintenance dollars have not dropped off, large repair dollars have definitely dropped, such as engines, transmissions, etc. In some cases, it has dropped 15-20 percent,” said Jankiewicz of LeasePlan USA.

However, the net result of extended replacement cycling has been higher maintenance expenses.

“After increases in the years leading up to 2009, maintenance and repair costs remained somewhat flat in 2009.
The economic situation and temporary shutdowns at Detroit manufacturers led to some fleets holding off on replacement vehicles. Those fleets saw repair costs increase as mileage increased,” said Bauer of Wheels Inc.

Increased product quality has offset some of the maintenance expense of keeping vehicles in service for longer periods.

“Generally, maintenance and repair costs have marginally decreased among all fleet segments. There are two main factors for the decrease. The current economic environment and better product quality have forced dealers and independent shops to be more aggressive to retain business and keep their bays productive. The resulting lower cost of services and increased warranty coverage has caused a slight decrease in repair and maintenance costs to the benefit of fleet users,” said White of ARI.

Another factor influencing maintenance expenses in 2009 was the price of parts.

“A major consideration has been parts availability, most notably for brand new models. The manufacturer bankruptcies and business downturns have had deleterious effects on the entire supply chain, and as a result, parts availability has been an issue in some cases,” said Corrigan of PHH Arval.

Bauer of Wheels cites the same factor. “Due to the economics affecting manufacturers and their suppliers, we saw an increased amount of spot shortages of parts from the OEM suppliers during this year, which resulted in repair delays, increased downtime, and higher rental costs for the fleet customers.”

Another issue has been rising labor rates. “We expect repair facility labor rates to increase, although the actual average hourly wage of a parts store or tire store employee has been flat through 2009. This indicates that other business cost factors influence the end price to repair facilities’ fleet customers,” said Strom of GE Capital Fleet Services.

Increased sophistication of vehicles is also contributing to higher maintenance expenses. “What was once advanced technology features, such as traction control, all-wheel drive, and stability control, are now standard on base-model vehicles. This increase in advanced standard features requires special training and equipment to diagnose and repair, which has sparked a rise in labor rates and parts costs. This trend will continue into 2010,” said White of ARI. “With these technology advancements, fleets will need warranties to play a larger role than they have in the past. With most of these advancements covered under the powertrain warranty, it is important for fleets to select a vehicle with extended coverage that meets vehicle replacement parameters.”

Some fleets are adopting telematics solutions to reduce repair expenses.

“Some fleets have leveraged telematics to reduce major repair incidents by taking corrective action prior to vehicle failure. The telematics box sends diagnostic trouble code messages, which alerts a driver that something is wrong with the vehicle. By proactively taking the vehicle to a repair shop for diagnosis and repair, fleets have prevented issues from escalating and becoming catastrophic,” said Dwyer of GE Capital Fleet Services.

Others likewise cite increased use of telematics to mitigate future operating expenses.

“Leveraging telematics technology via route optimization solutions can be an effective operating cost control tool to significantly reduce miles driven. Through reassigning and resequencing vehicle routes, a telematics solution can reduce distance traveled by an average of 30-40 percent,” said Dwyer of GE Capital Fleet Services. “Reducing miles driven has been proven to lower fuel, maintenance, and tire operating costs. Per vehicle, this can yield an annual savings of $3,500 to $4,500 in gasoline costs at $2.85 per gallon.”

A telematics solution can help reduce fuel consumption and carbon emissions by limiting after-hours use of vehicles, speeding, and idling time.

“Combined, these services can save about $540 per vehicle each year at $2.85 per gallon and approximately 1.7 metric tons of carbon emissions,” said Dwyer of GE Capital Fleet Services.

**Forecast of Maintenance & Repair Costs for 2010**

The key factor that will influence future maintenance costs is the national economy.

“The economy will keep a lid on the cost of labor and replacement parts,” said Corrigan of PHH Arval.

Bauer of Wheels foresees maintenance and repair pricing staying within historical norms. “We expect the cost to be essentially on track with 2008-2009.”

Most agree that labor rates will increase in 2010.

“I believe labor rates and shop supply costs will continue to increase, but in these economic times, it is hard to predict just how high they will go. It will also be interesting to see how fleets start to rebound, if and when their business turns around. Some fleets have already started to put money back into units that were ‘parked’ a few months ago because they did not want to spend the dollars to fix them. In the same way...”

**2009 OPERATING COST - SPORT/UTILITY VEHICLES**

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**Table 6**

The chart shows 2009 operating costs for sport/utility vehicles by total units and mileage categories.
it is hard to predict costs in this economy, it is also very difficult to predict exactly what these fleets will do and when they will do it,” said Jankiewicz of LeasePlan USA.

Another factor in the 2010 calendar-year will be parts availability, especially if OEMs have extended plant shutdowns similar to what occurred this year.

“Parts availability for repairs will continue to be an issue due to fewer OEM dealers, part suppliers, and just-in-time parts delivery business models. The travel time of fleet drivers will increase as a result of fewer OEM dealerships and brand consolidation,” said Dwyer of GE Capital Fleet Services.

Trends in Warranty Recovery
All fleet management companies report OEMs tightened warranty recovery in 2009 compared to 2008.

“With GM, Ford, and Chrysler, as well as other manufacturers, there has been a decline in policy, goodwill, and after-warranty assistance due to the downturn of the economy. On the other hand, ARI is seeing fewer claims for powertrain components due to the extended warranties GM, Ford, and Chrysler have offered over the past two years,” said White of ARI.

Post warranty claims are being scrutinized by more OEMs. “We’re seeing reductions from previous years based on vehicle mileage and similar repairs being denied or reduced monetary coverage offered,” said Guertler from Emkay.

However, extended vehicle replacement cycles may make post-warranty, good-will repairs a moot point.

“Post-warranty recoveries are down significantly in 2009 as expected, due to OEMs’ restricted policy authorization processes and company delays in replacing vehicles. Aging vehicles means fewer repairs qualify for post-warranty adjustment considerations,” said Strom of GE Capital Fleet Services.

The biggest impact on warranty recovery during 2009 has been the aging of fleets. “We have always collected less on high-mileage vehicles,” said Bauer of Wheels Inc.

“From 2008 to 2009, as predicted, we continued to see some of the manufacturers restricting the funds available for post-warranty consideration. We are also seeing this trend continue and predict it will continue throughout the 2010 model-year and beyond, thus decreasing the amount per claim we will be able to recoup on behalf of our clients,” said Jankiewicz of LeasePlan USA. “We also expect the manufacturers with extended warranties to start to decrease the overall amount of post-warranty claims; repairs will be covered under warranty, and post-warranty claims will not have to be filed. As a result of moving to these extended warranties, the manufacturers are going to be scrutinizing vehicle maintenance history before they cover a repair under warranty. Now, more than ever, if you don’t follow the maintenance schedule suggested by the manufacturer, the warranty claim can be denied.”