The Importance of

Fleet Management

to a Company's Bottom Line

Objectives

1. Identify various components required to calculate the Total Cost of Ownership (TCO) of operating a fleet of vehicles.

2. Evaluate if self-managed fleet solutions or outsourced fleet management solutions are a better fit for your clients.

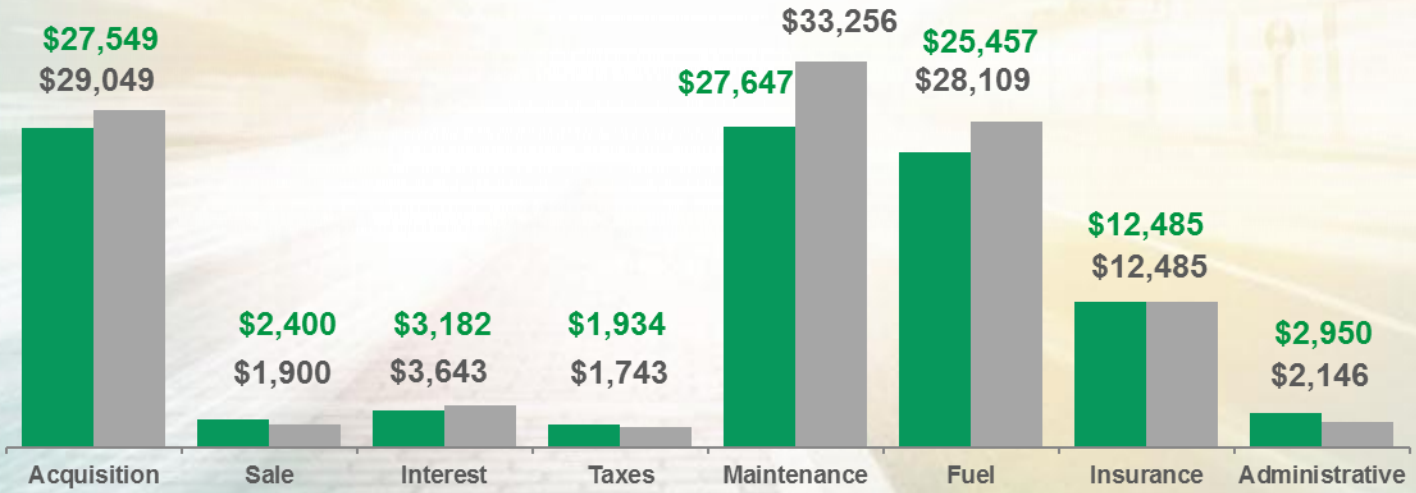
3. Identify and evaluate the financial and operational impacts of strategic fleet planning (planned timing of acquiring and selling fleet vehicles).

Total Cost of Ownership

Managed Vehicle vs. Internal Resources (Self Managed)

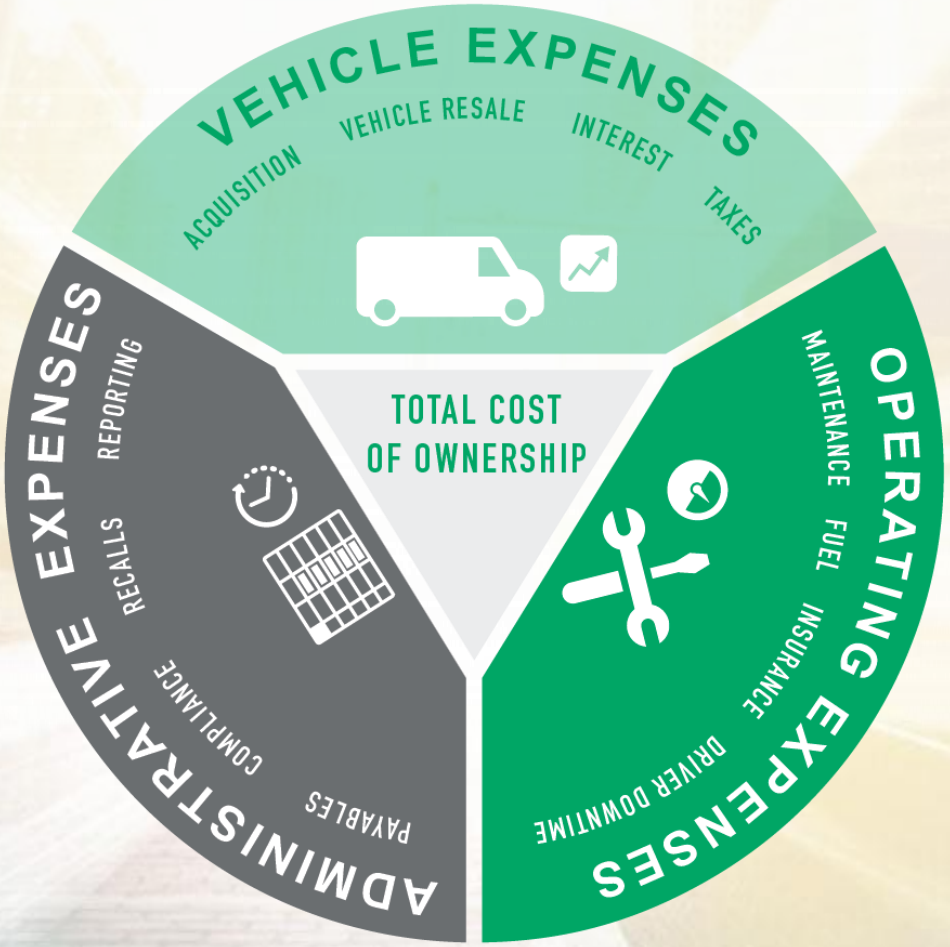
Managed Vehicle	Self Managed
$98,804	$108,582

Savings per Vehicle
$9,778



Expenses of Operating a Vehicle

Self Managed



Cost of Operating a Vehicle

Self Managed, Buy and Hold

Ford F-150
8 years
200,000 miles

Vehicle Expenses

Depreciation	
Acquisition	
Vehicle Cost	$29,049
Aftermarket Equipment	$2,000
Sale of Vehicle	
@ 8 years, 200,000 miles	$1,900
Interest	
5 year loan interest rate	4.75%
Taxes	
Sales Tax	6.00%

Cost of Operating a Vehicle

Self Managed, Buy and Hold

Ford F-150
8 years
200,000 miles

Operating Expenses

Maintenance	
Scheduled Maintenance	Provider's Recommendations
Unscheduled Repairs	Unknown
Driver Downtime	$50/ day
Fuel	
Price / Gallon	$2.65
Fuel Economy	21.50 MPG
Fuel Inflation	3.0%
Insurance	
Rate / Month	$135

Cost of Operating a Vehicle

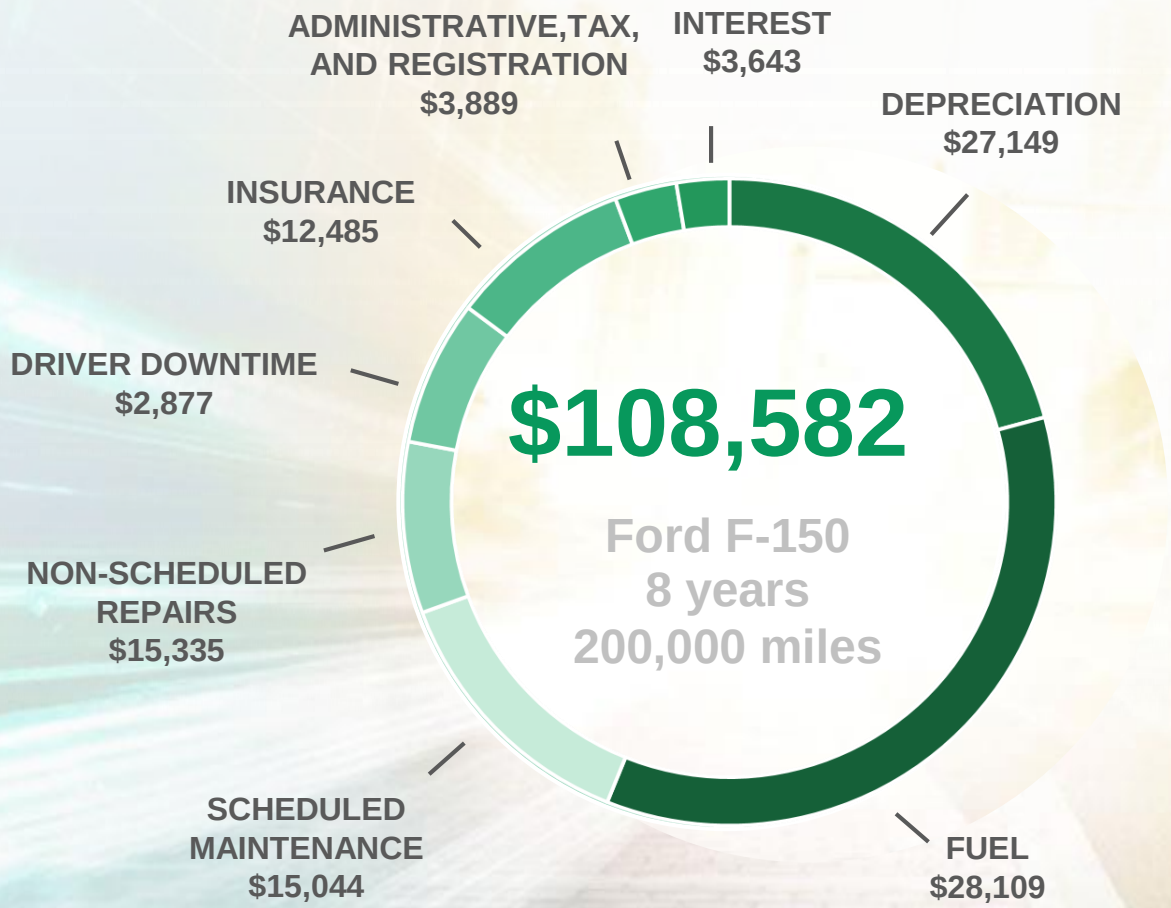
Administrative Time and Resources

- **Vehicle Logistics**
  - Determine right time to buy and sell
  - Manage the vehicle purchase process
  - Manage the aftermarket process
  - Coordinate vehicles in and out of service
  - Manage the vehicle resale process
- **License & Title Compliance**
- **Recall Management**
- **Driver Training and Safety**
- **Reporting**

Source: Indeed.com, 2017

Cost of Operating a Vehicle

Self Managed, Buy and Hold



Additional Considerations	
Income Tax Rate	35%
Cost of Capital	4.75%
Annual Inflation	2%

Source: Internal Data
Total amount is determined without consideration for Income Tax, time value of money (present value) concepts or inflation. Assumes a holding period of 8 years at 25,000 miles per year.

Cost of Operating a Vehicle

Self Managed, Buy and Hold

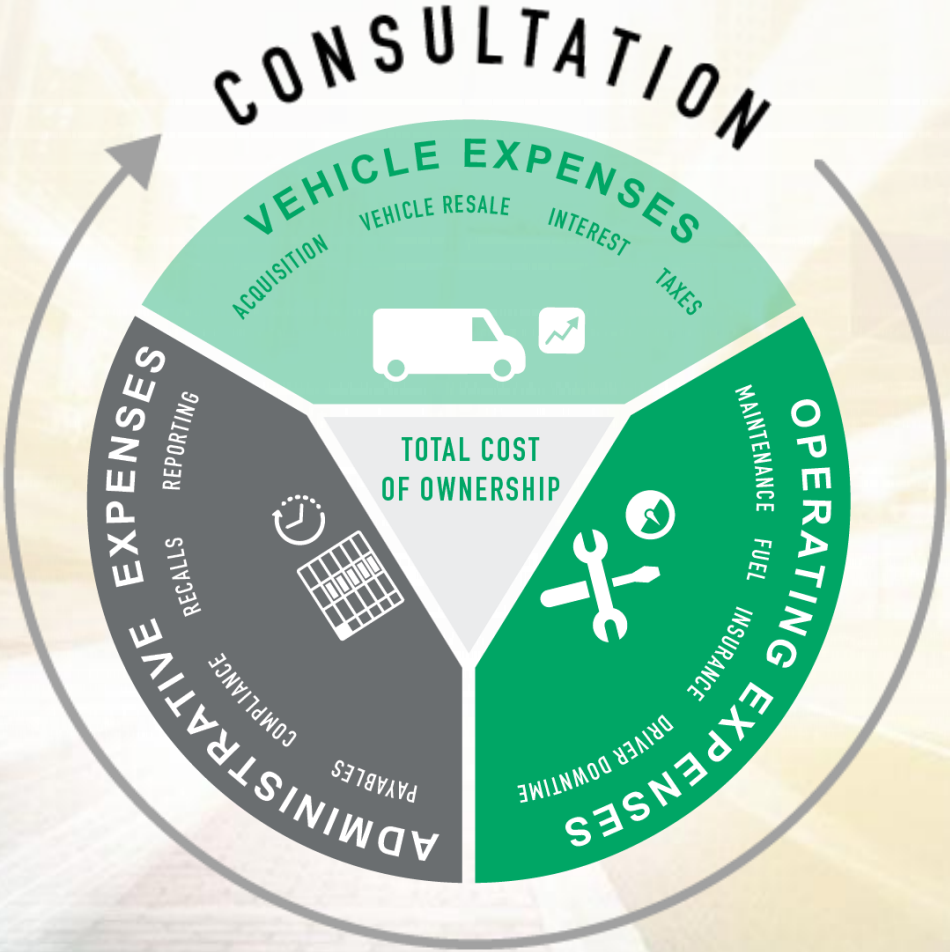
50 Vehicles
8 years
200,000 miles

$5,429,083	Total Cost
$678,635	Average Annual Spend
54¢	Cents Per Mile
$3,002,831	Present Value

Current IRS Standard Rate for Business Mileage Reimbursement is 54.5¢ per mile

Total Cost of Operating a Vehicle

Managed Fleet



Fleet Management

Having an expert opinion to evaluate industry trends and consult on business needs in order to plan ahead for the future.

Business Peaks

- Business growth, need vehicles fast.
- Don’t use capital for purchases.
- Don’t overpay because of unnecessary equipment and lack of dealer inventory.

Business Valleys

- Idle Vehicles = Idle Capital
- Don’t sell in “fire-sale” mentality, may not get a good price
- Don’t Hold unused/unneeded equipment

Analogy

Fleet Manager is Similar to a Tax Professional

Tax Professional	Fleet Manager
Tax Professionals implement proper cash flow planning techniques and ensure all proper deductions for constantly-changing tax codes are filed properly.	*A Fleet Manager designs a flexible vehicle plan to ensure the business minimizes costs and liabilities concerning one of its largest company investments – its vehicles.*

A company can operate without professional advice, but it's likely to cost more long term.

The Role of Fleet Management

Managing and Controlling Costs

- Vehicle Financing
- Vehicle Acquisition
- Monitor and Controlling Operating Costs
  - Maintenance and Repair
  - Fuel
- Vehicle Sale
- Vehicle and Driver Safety
- Vehicle Replacement Strategy
- Administrative Time and Effort

Vehicle Finance Options

Self Funded / Cash

Finance / Loan

Lease Options

Vehicle Lease Options

Close End Lease

- *Traditional Dealer Lease Financing*
- *Risk remains with the lessor*
- *Terms of the lease are fixed*
- *Mileage restrictions*
- *Penalties:*
  - *Wear and tear*
  - *Early term*

Open End Lease

- *Optimize cash flow with flexible lease options*
- *Customer retains all rights to Equity*
- *Terms of the lease are open*
- *Risk remains with the lessee*
- *No mileage restrictions*
- *No penalties:*
  - *Wear and tear*
  - *Early term*

Open End Lease

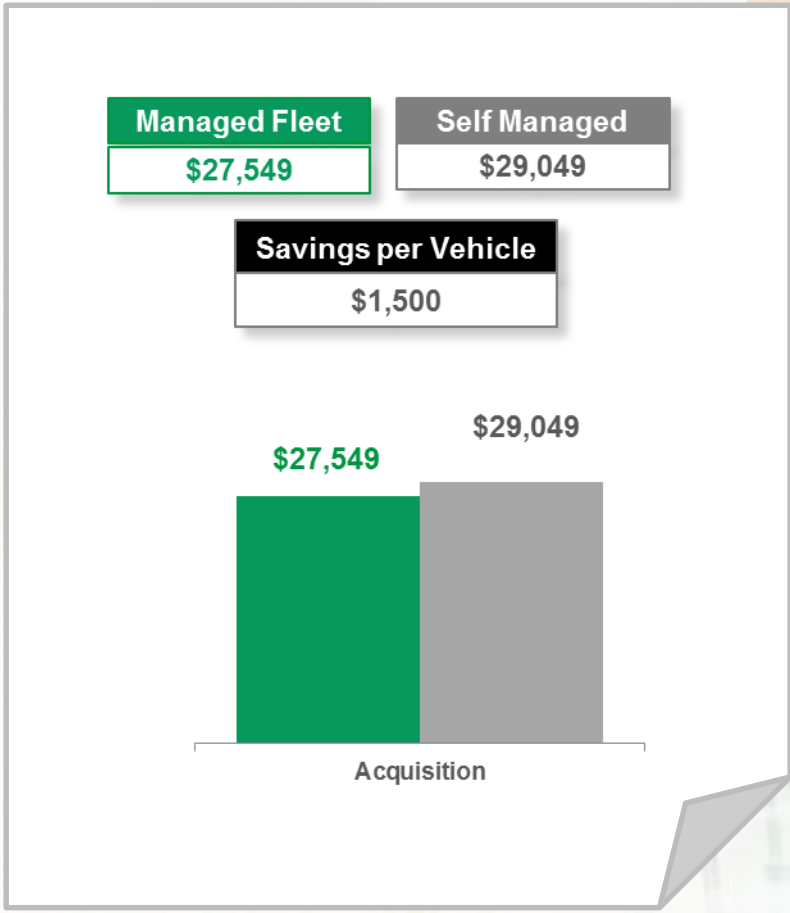
Example

Monthly Depreciation Rate, 36 Month Term	2.00%
Capitalized Cost	$20,000
Book Depreciation	$14,400
Book Value	$5,600
Selling Price	$6,600
Equity	$1,000
Actual Lessee Cost (Economic Depreciation)	$13,400

- *Equity: If vehicle sells for $5,600 the customer owes nothing; if the vehicle sells for $4,600 the customer owes $1,000.*
- *The structure of the lease offers both a flexible finance option as well as a set term that acts as a trigger to analyze the Hold vs. Replace decision.*

Vehicle Acquisition

- Vehicle Selection
- Factory Order vs. Stock
- Aftermarket Equipment Process



Vehicle Selection

52

F-150 MODEL OPTIONS
(without adding colors, interior options)

$25,000 to $40,000+
PRICE RANGE

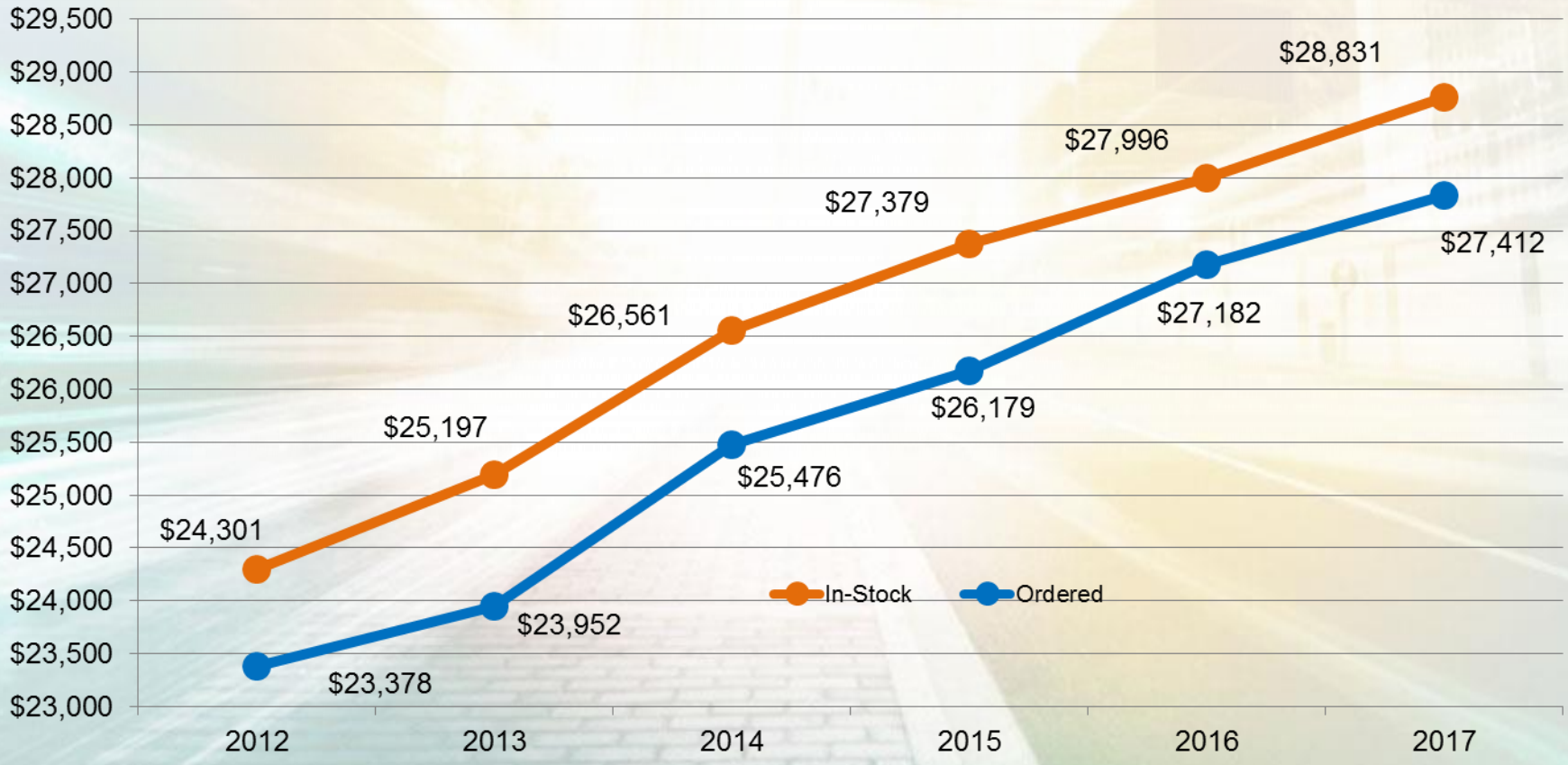
$500 to $1,000+
FOR OPTIONS

There are approximately 2,200 different series of vehicles and constantly changing incentives each year.

Vehicle Acquisition

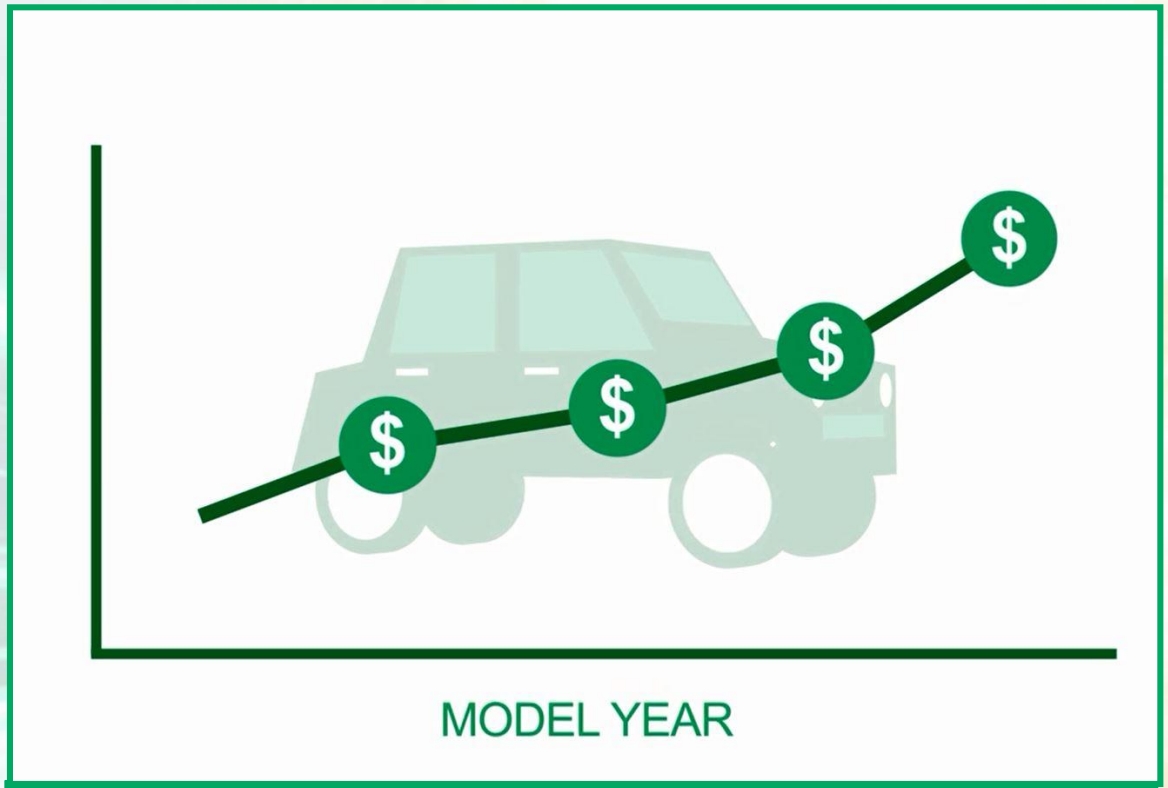
Factory Order vs. Stock

Average Savings of $1,000+ per vehicle



Vehicle Acquisition

Planning Ahead



Manufacturer prices can increase up to 4x within the same model year

Companies save thousands of dollars by:

- **Proactive Replacement Plan**
- **Incentive Strategies**
- **Ordering Early in Model Year**

Vehicle Acquisition

Aftermarket Process

- **Manage logistics**
- **Timing: quotes take anywhere from a week to months depending on the inventory and complexity of the order**
- **Cash gets tied up in assets with no off-setting revenue**
- **High probability of mistakes during ordering process**

Outsourcing Fleet Management

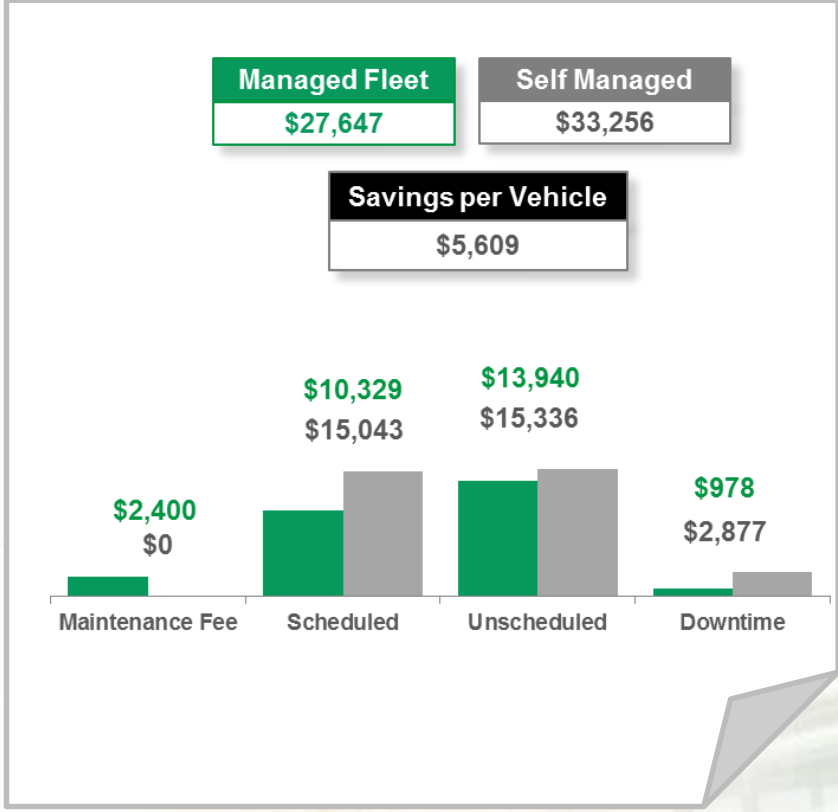
Questions to Ask

- How many vehicles does the company need to operate?
- Is an additional source of capital important to the business?
- Have all vehicle manufacturers and class options been evaluated specific to the organization's needs?
- Is the business equipped to analyze the new products that enter the market (i.e., Hybrids, compressed natural gas, electric, etc.)?

Think of an existing client with a fleet of vehicles and ask these questions.

Maintenance & Repairs

- Scheduled Maintenance
- Unscheduled Repairs
- Driver Downtime



Scheduled Maintenance, Wear & Tear

½ Ton Truck, 200,000 Miles

Service	Count	Cost	Total
Oil Change	40	$35	$1,400
Tire Rotation	20	$25	$500
Air Filter	13	$35	$455
Wiper Blades	13	$50	$650
Fuel Filter	8	$80	$640
Brake Sets	6	$470	$2,820
Tires	6	$700	$4,200

An outsourced Maintenance Management Program provides technical assistance to evaluate proper service intervals.

Unscheduled Repairs

½ Ton Truck, 200,000 Miles

Component	Cost
Electrical	$370
Cooling System	$500
Braking	$520
Steering / Suspension	$620
Fuel System	$710
Transmission Replacement	$3,800
Engine Replacement	$6,000

The Unknown

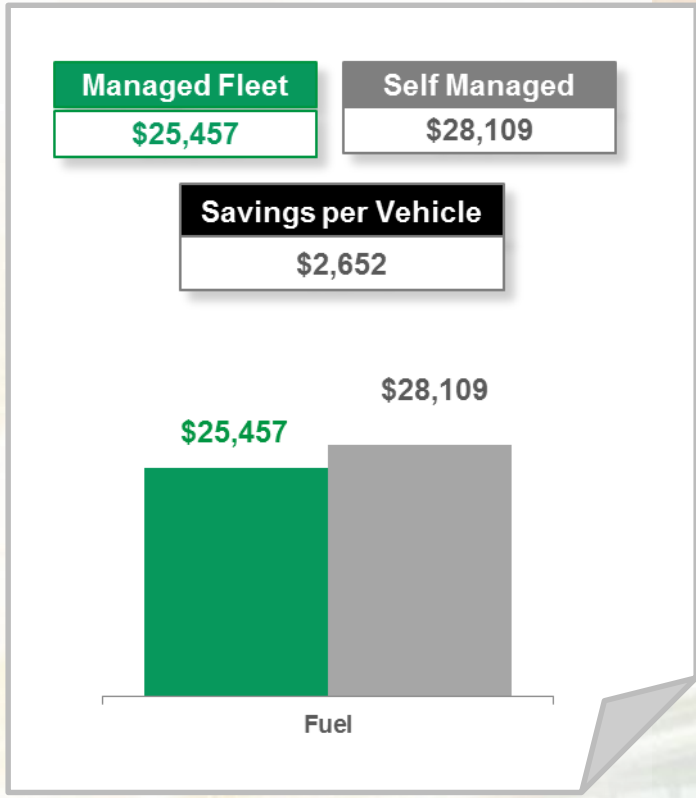
A Managed Maintenance Program will identify appropriate repairs, available manufacturer assistance and/or warranties and negotiate pricing.

Managed Maintenance

Program Benefits

Fuel

Program Benefits



Fuel is often the most expensive operational costs associated to owning a fleet.

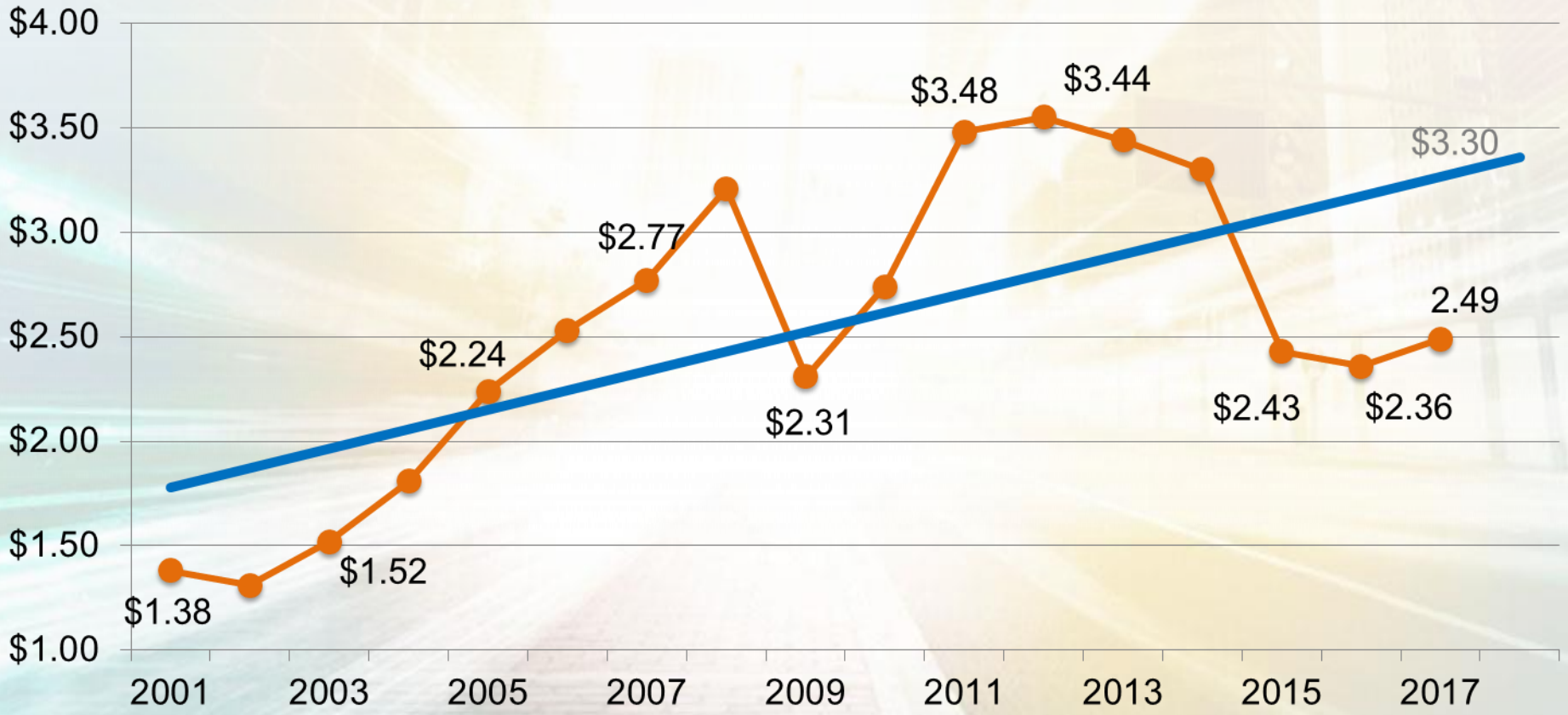
- Program Rebates
- Tracking & Reporting
- Security & Purchase Controls
- Convenience

$33,872
per vehicle

Fuel Prices

Average Unleaded Fuel PPG 2001-2017

Average Annual Price Increase of 4%

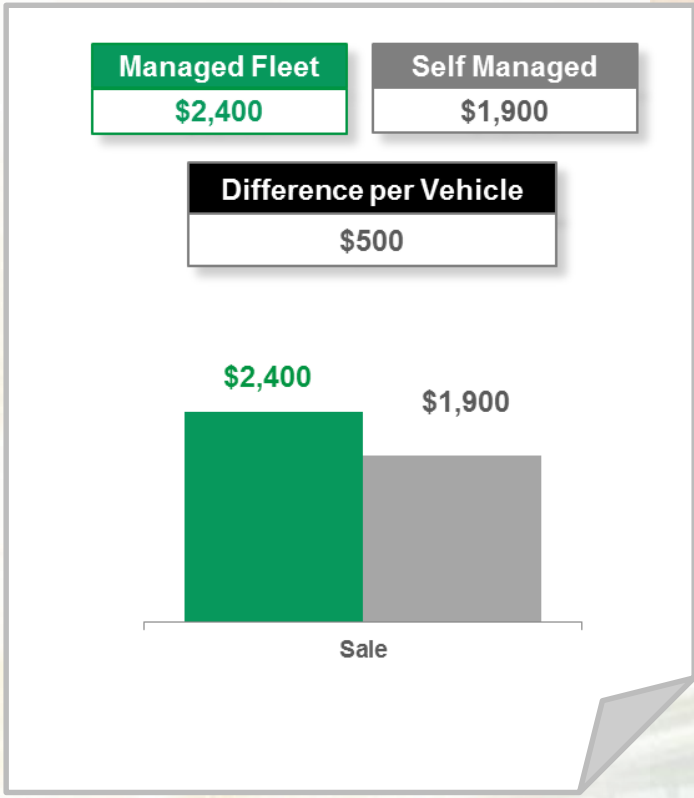


Source: U.S Energy Information Administration

Vehicle Sale

Maximum Value with Easy Selling Process

- Industry experts will plan and coordinate the best time to sell.
- Optimal exposure through multiple resale channels.
- Minimal staff time.
- Equity is maximized.



Outsourcing Fleet Management

Questions to Ask

- **Does someone with automotive experience approve all company vehicle maintenance and repair expenditures?**
- **What mileage intervals are all vehicles being serviced?**
- **Are maintenance expenses tracked on a vehicle-by-vehicle basis?**
- **Is vehicle downtime a significant detriment to the business?**
- **Is it difficult to dispose of vehicles during a business downturn?**
- **Does the company own any idle vehicles?**

Think of an existing client with a fleet of vehicles and ask these questions.

Cost of Operating a Vehicle

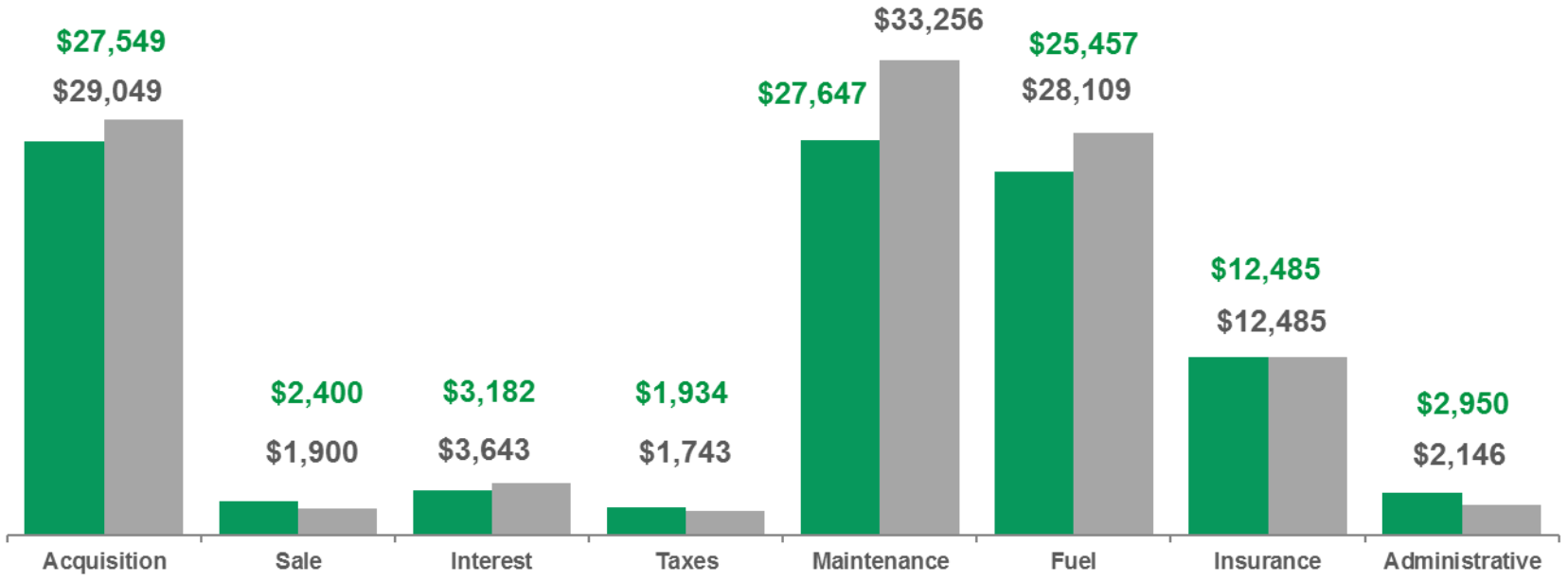
Self Managed Program vs. Managed Fleet Program

Ford F-150
8 years
200,000 miles

Managed Fleet	Self Managed
$98,804	$108,582

Savings per Vehicle
$9,778

Managed Fleet Considerations	
Interest Rate	4.45%
Administrative Fee	$25 per Month
Managed Maintenance Fee	$25 per Month
Other End of Term Fees	$300



Cost of Operating a Vehicle

Self Managed Program vs. Managed Fleet Program

50 Vehicles
8 years
200,000 miles

Total Cost Savings
$488,885

Self Managed Program	
Total Cost	$5,429,083
Average Annual Spend	$678,635
Cents Per Mile	54¢
Present Value	$3,002,831

Managed Fleet Program	
Total Cost	$4,940,198
Average Annual Spend	$617,525
Cents Per Mile	49¢
Present Value	$2,718,248

Current IRS Standard Rate for Business Mileage Reimbursement is 54.5¢ per mile

The Decision to Replace

Value of a Replacement Strategy

The Lease Term acts as a "trigger" and can be used to implement a Replacement Strategy establishing a predetermined period of time.

Analyze the *Objective and Subjective* components of the Replacement decision and ask:

What if we drive a new vehicle 4 more years rather than drive the existing vehicle 4 more years?

What if there is a major unscheduled repair?

What if new car prices increase?

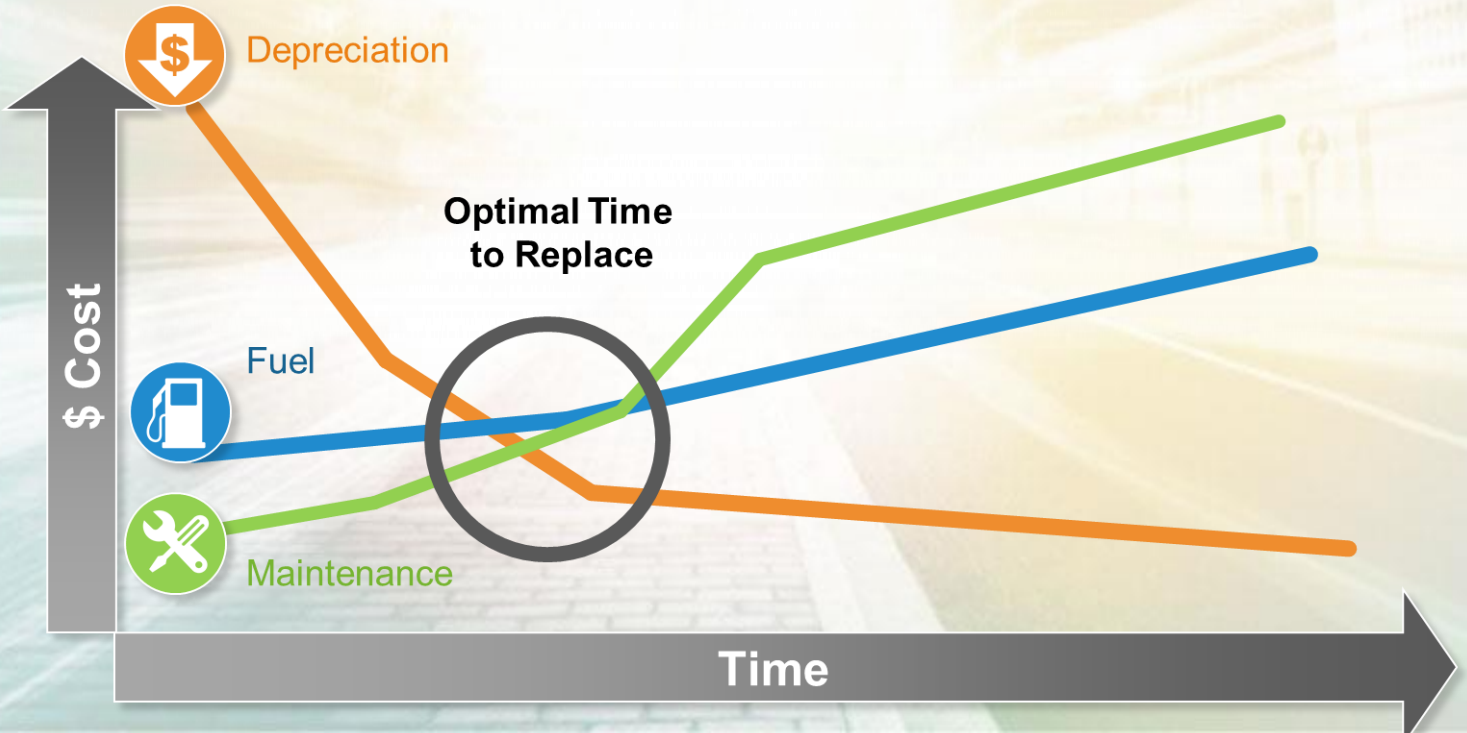
What if used car prices decrease?

What if fuel prices rise greater than the inflation rate?

Optimal Time to Replace

Recommending the Best Economic Decision

- Does it make economic sense to replace at a specific point in time based on the Objective and Subjective facts as we know them today
- Decision to replace is a combination of managing inherent risk of ongoing operating expenses
- Need to consolidate and track all vehicle costs to determine the optimal time to replace



The Decision to Replace

Manage and Mitigate Risk of Unknown Expenses

Objective:
What We Know

- *Cost of a new vehicle*
- *Value of the existing vehicle*
- *Scheduled maintenance*

Subjective:
What We Anticipate Will Happen

- *New car prices*
- *Used car market*
- *Non-scheduled repairs*
- *Fuel prices*
- *Fuel economy*

Fuel Economy

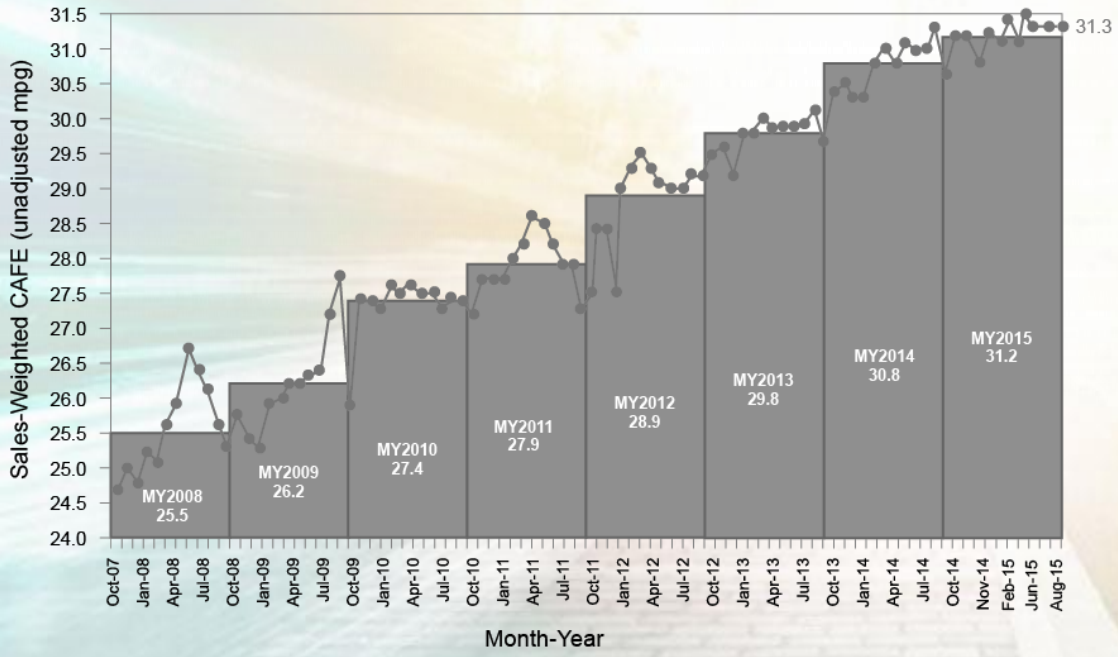
Corporate Average Fuel Economy

- **Requires Manufacturers to improve fuel economy between 3.5% and 5% every year through 2025**
- **Buyer preferences for SUVs and trucks are making it hard for automakers to hit the 54.5 MPG CAFE requirements by 2025.**

Since 2007 MPG is up

26%

for all vehicles



CAFE Requirements
2017 thru 2025

Passenger Cars
Average from 34.1 to 54.5

Light Trucks*
Minimum average of 30.2 MPG

CAFE Requirements
thru 2016

Passenger Cars
33.3 to 37.8 (4.5 MPG)

Light Trucks*
25.4 to 28.8 (3.4 MPG)

Source: Michael Sivak and Brandon Schoettle
University of Michigan Transportation Research Institute, http://www.umich.edu/~umtriswt/EDI_sales-weighted-CAFE.html

Fuel Miles per Gallon

Newer Efficient Models vs Older Less Efficient Models

Assuming an Avg. PPG of $2.50 and 3% inflation increase per year
Assuming Annual mileage of 25K per Year

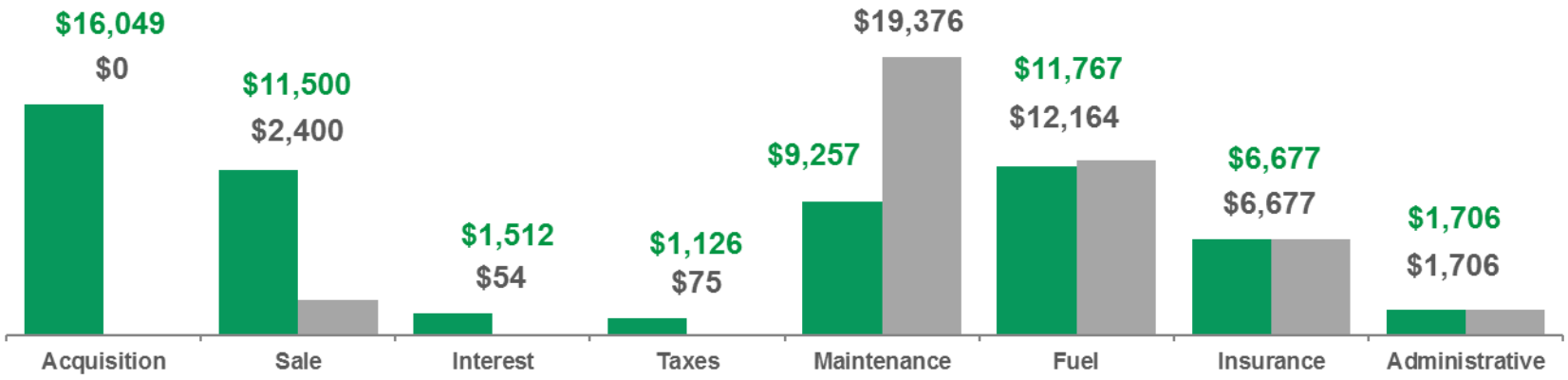
Replacement Analysis

New Vehicle 4 Years vs. Existing Vehicle 4 More Years

New Vehicle	Existing Vehicle
$36,593	$37,652

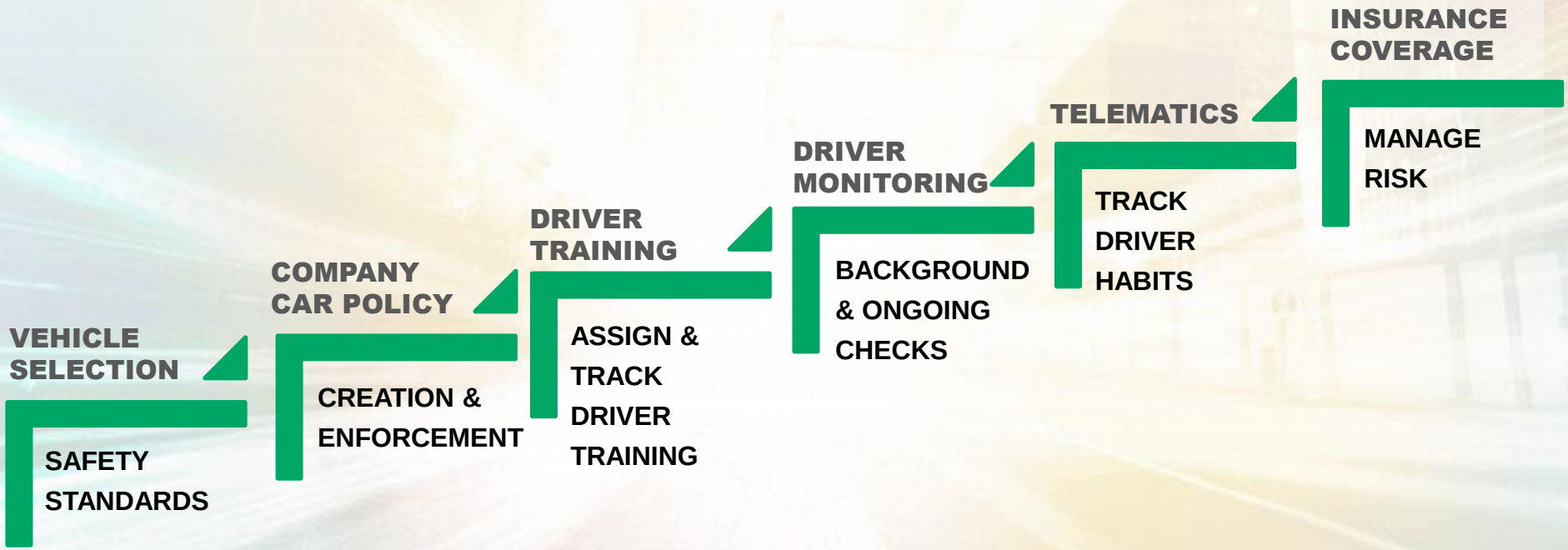
Savings per Vehicle
$1,059

Ford F-150
4 Years
100,000 miles



Safety

Professional Programs



Administrative

Benefits of a Managed Fleet Solution

- **Vehicle Logistics**
  - Determine right time to buy and sell
  - Manage the vehicle purchase process
  - Manage the aftermarket process
  - Coordinate vehicles in and out of service
  - Manage the vehicle resale process
- **License & Title Compliance**
- **Recall Management**
- **Driver Training and Safety**
- **Reporting**

National Avg. Salary
for a full-time
Fleet Manager:
$58,207

Source: Indeed.com, 2017

Outsourcing Fleet Management

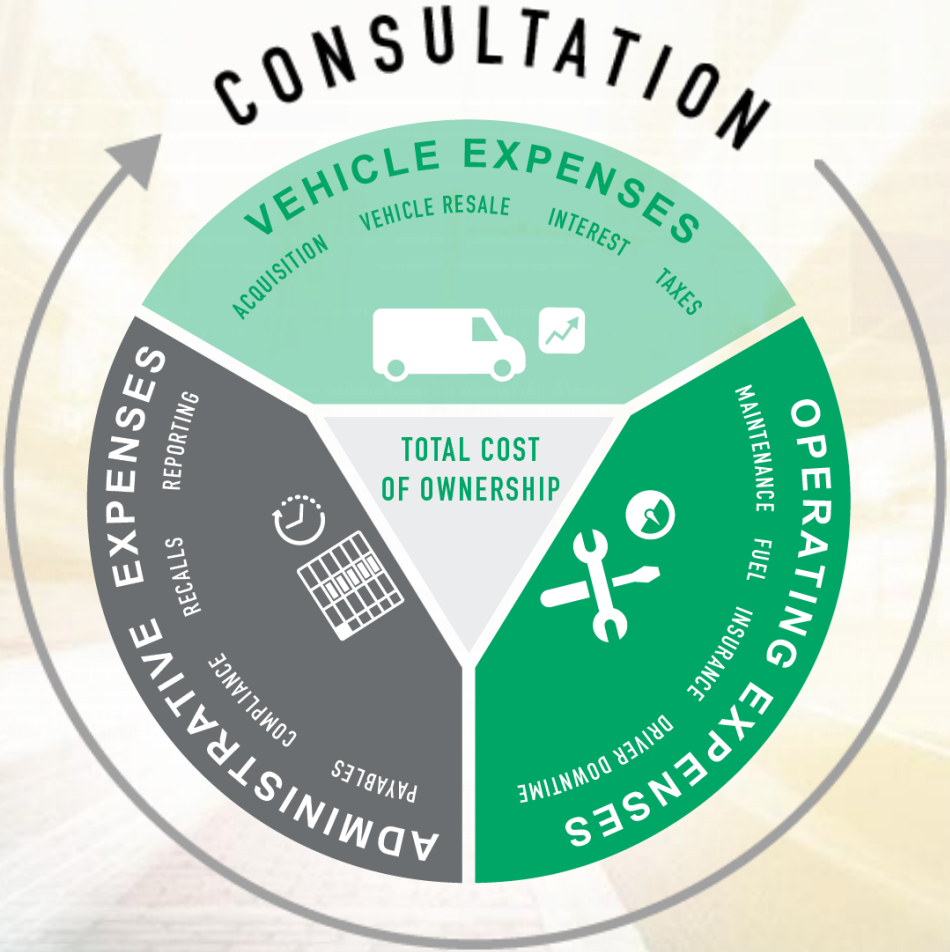
Questions to Ask

- **What is the total annual spend for Total Cost of Ownership?**
- **Is there a strategy in place if fuel prices rise significantly or used car prices drop drastically?**
- **Are there any plans or expectations specific to driver safety?**
- **Is the administrative time and effort being spent to manage the fleet an appropriate use of business resources?**

Think of an existing client with a fleet of vehicles and ask these questions.

Total Cost of Operating a Vehicle

Benefits of a Managed Fleet Solution



Questions?

Thank you.