

A photograph of a business meeting. In the foreground, a person's hands are visible, one holding a pen over a notebook and the other pointing at a tablet. The tablet displays a line graph. In the background, another person is pointing at a laptop screen which also shows a line graph. The desk is cluttered with various documents, including one titled 'Report Overview' with a bar chart. A coffee cup is also visible on the desk. The overall scene is a professional setting focused on data analysis and fleet management.

Optimizing your Fleet's Total Cost of Ownership



***91%**
of fleet leaders

flag controlling operating
spend among their top 3
financial priorities this year

TCO GUIDE

Cost management is essential to any business organization

The steps to effective cost management in the fleet industry sound simple but can be complex to implement. Understanding your goals and your action plan to achieve them will help you focus on exactly the kind of information you need to measure your progress. With the right tools, metrics and information, you can boost the contribution your fleet makes to your company's bottom line – and prove it.

As part of this guide, you will:

- Conceptualize the 3 major categories impacting fleet total cost of ownership
- Understand what you can do to influence your fleet's primary costs
- Gain insights to the latest cost trends so you can better plan for and anticipate changes

NET DEPRECIATION

Focus on the largest spend items for maximum cost reduction

For most fleets, the single biggest cost is depreciation, followed by fuel, maintenance, accidents, and incidentals, such as tolls, violations and delivery expenses.

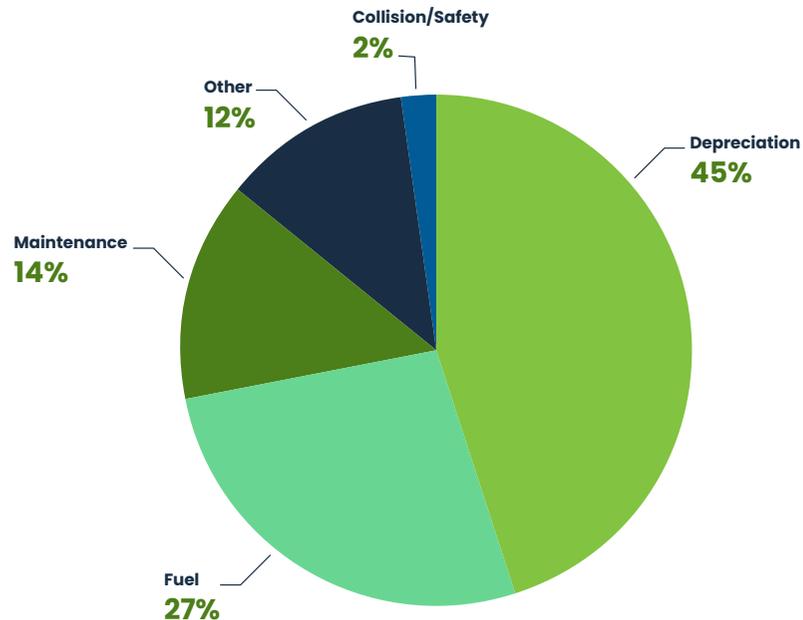


Did you know

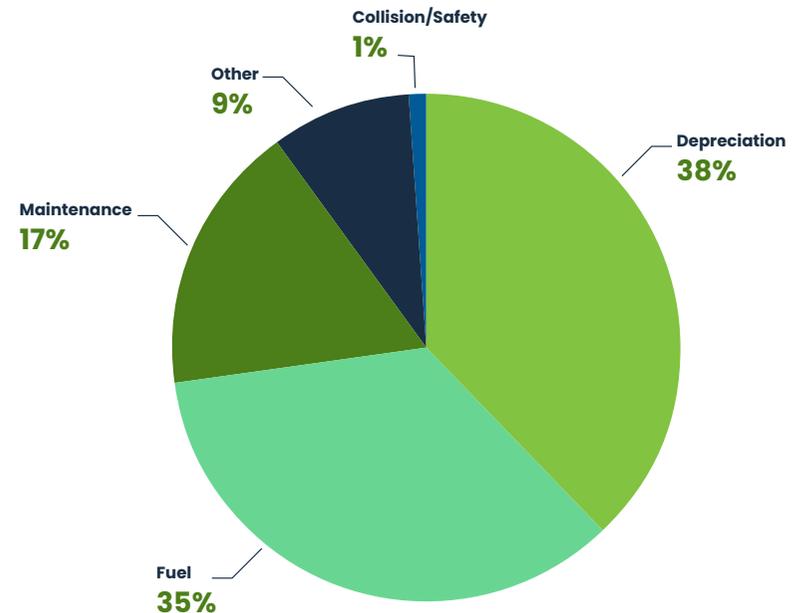
Net Depreciation, Fuel and Maintenance typically account for more than 80% of fleet spend?



Fleet Spend Composition



Fleet Spend Composition



Fleet spend percentages are based on data over the last 12 months. Average fuel prices over the last 12 months were \$1.32/L (CAD) in Canada and \$3.42/g (USD) in the US (as of June 13, 2022). Other includes: Tax, Delivery Related, License, Rental Car, Violations & Tolls. Collision/Safety spend includes vehicle repair and rental costs only.

NET DEPRECIATION

Managing a fleet in both U.S. and Canada?

Here are the typical spend differences, in simple terms:



While U.S. buyers face less fees, duties and taxes compared to Canadian vehicle imports, base vehicle prices in the U.S. tend to be higher after accounting for the foreign exchange rate.



Fuel is also higher in Canada driven mostly by additional taxes. For every gallon of gas, on average Canadians pay \$1.20 (USD) in taxes vs. 50 cents (USD) in the U.S.

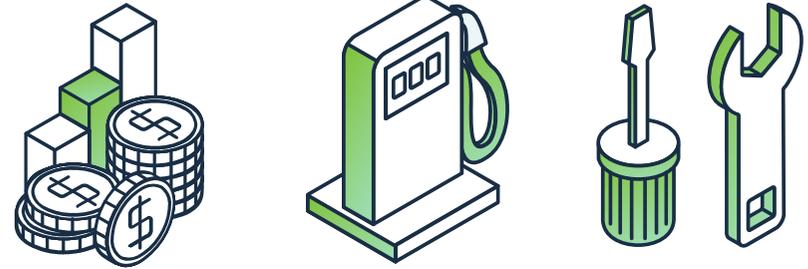


Maintenance costs per transaction tend to be higher in Canada, especially for tire purchases. Contributing factors are snow tires and related storage costs as well as in some cases, higher labor, transportation costs and tariffs.



OPTIMIZE SPEND

What can you do to influence your fleet's primary costs?



What you can't control:

Net Depreciation (Acquisition) – interest rates, inflation and material shortages impacting the price of vehicles

Net Depreciation (Resale) – fluctuations in vehicle supply and demand impacting the resale market

Fuel – geopolitical factors impacting and the cost of oil

Maintenance – maintenance technician labor shortages or the price of vehicle parts

What you can control:

Net Depreciation (Acquisition) – vehicle selection, financing methods, strategic relationships and negotiations with manufacturers

Net Depreciation (Resale) – fleet policies to enable timely vehicle replacement, decisions on when to sell to get the most out of each vehicle

Fuel – fuel efficient vehicle selection, fuel fraud detection via reporting, telematics insights and safety training to influence driver behavior

Maintenance – preventative maintenance compliance, routine inspections, taking advantage of warranty coverage

Net Depreciation (U.S. Acquisition)

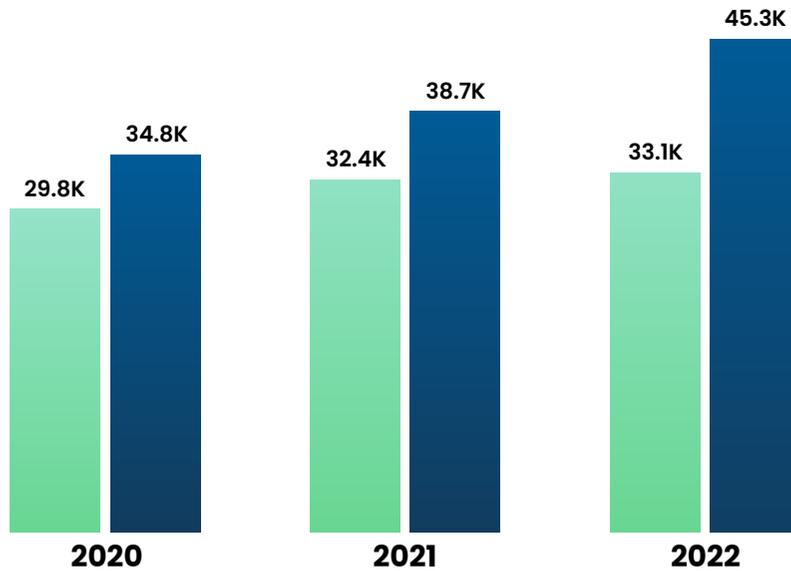
Recommend: Place orders early, build a contingency plan and stay in contact with your OEM representative.

Businesses are relying more on dealer stock orders due to supply chain constraints. These are typically more expensive than factory-direct orders. OEM concessions have declined and continue trending downward for model year 2023. We anticipate larger than normal vehicle price increases and upfitting costs in model year 2023.



New vehicle capital costs by model year

Order type: Factory ● Stock ●



Average capital cost increases each model year (factory and stock)

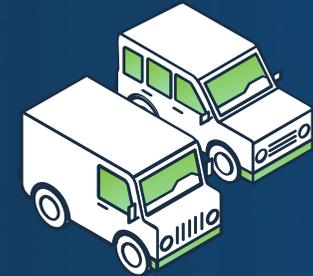


Based on order volume activity, there are a significant number of model year 2022 deliveries pending. Average capital costs in the U.S. include cars, CUV/SUV, vans, pickups and medium duty trucks.

Net Depreciation (Canada Acquisition)

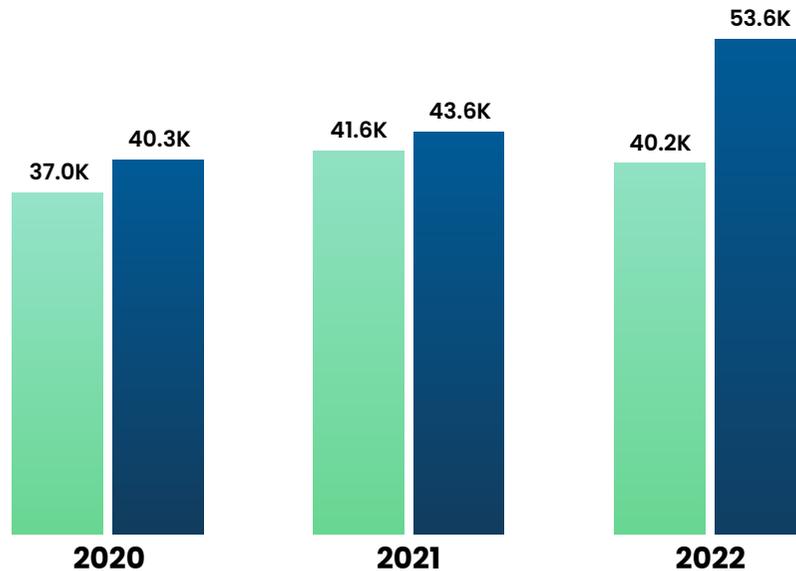
Recommend: Place orders early, build a contingency plan and stay in contact with your OEM representative.

Businesses are relying more on dealer stock orders due to supply chain constraints. These are typically more expensive than factory-direct orders. OEM concessions have declined and continue trending downward for model year 2023. We anticipate larger than normal vehicle price increases and upfitting costs in model year 2023.



New vehicle capital costs by model year

Order type: Factory ● Stock ●



Average capital cost increases each model year (factory and stock)



Average capital costs in Canada include pickups and CUVs/SUVs only for comparison purposes due to order volumes and varying upfitting needs affecting vehicle delivery timing.

Net Depreciation (Resale)

Recommend: Plan for normal seasonal patterns after new Model Year 2023 vehicles deliver later this year.

Resale prices reached an all time high due to insufficient new vehicle supply and high demand, while prices have peaked early this year and will likely continue to be strong for the remainder of the year due to low vehicle volumes.



Year over year average resale price increases



Average Resale Price Increases

	2020 to 2021	2020 to 2022
Cars	20%	41%
CUV/SUV	21%	37%
Pickups	26%	24%
Vans	20%	48%



Year over year average resale price increases



Average Resale Price Increases

	2020 to 2021	2020 to 2022
Cars	21%	63%
CUV/SUV	27%	60%
Pickups	48%	59%
Vans	24%	56%

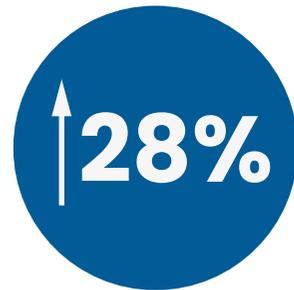
Fuel

Recommend: Review fuel budget with finance, incorporate telematics to monitor speeding and idling, be vigilant for fuel fraud. [Find out more here](#). Evaluate hybrid and electric vehicle alternatives for your fleet.



Year over year fuel price increases

2020 to 2021:



2021 to 2022:



Jan 1, 2022 to Jun 6, 2022

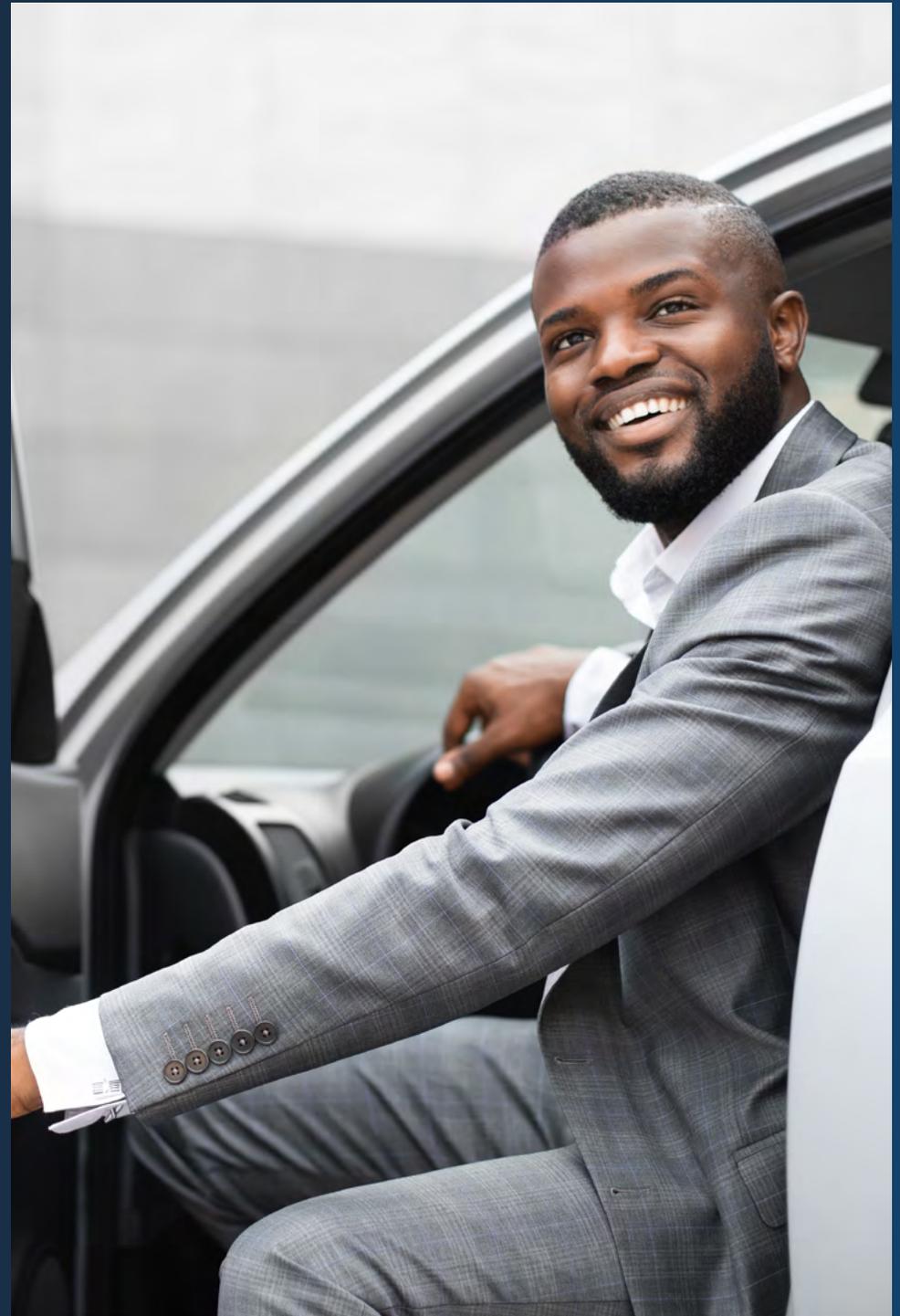


Pandemic restrictions loosened and travel increased in 2021. Supply was not sufficient to meet demand, causing prices to go up at the pump.

2022 fuel prices are at an all time high as global oil supplies are strained by current geopolitical pressures.

Interested in moving forward with greener fleets?

***82% of respondents** have begun their electrification journey. Find out about our Arc by Element™ EV offering today.



*Based on our 2022 Market Pulse Survey with 182 fleet participants

Maintenance

Recommend: Increase focus on preventative maintenance, utilize national brand suppliers, and have a plan for vehicle downtime.



In 2021, maintenance costs increased higher than historical inflation (~3%).



In 2022, maintenance costs have continued to increase with vehicle shortages lengthening replacement, higher labor costs, and higher cost of raw materials.



The shortage of tires and delayed vehicle replacements has contributed to higher tire spend for most fleets



We recommend leveraging fleet discounts at National Account suppliers for reduced costs

Maintenance – U.S.

Recommend: Increase focus on preventative maintenance, utilize national brand suppliers, and have a plan for vehicle downtime.



2020 to 2021:

2021 to 2022:

↑ **9%**


Oil Change

↑ **8%**

↑ **9%**


Tire Costs

↑ **9%**

↑ **5%**


Repair Costs

↑ **11%**

Maintenance – Canada

Recommend: Increase focus on preventative maintenance, utilize national brand suppliers, and have a plan for vehicle downtime.



2020 to 2021:

2021 to 2022:

↑ **7%**



Oil Change

↑ **8%**

↑ **2%**



Tire Costs

↑ **13%**

↑ **8%**



Repair Costs

↑ **9%**



**To learn more, visit us at elementfleet.com
or contact your local representative**

