

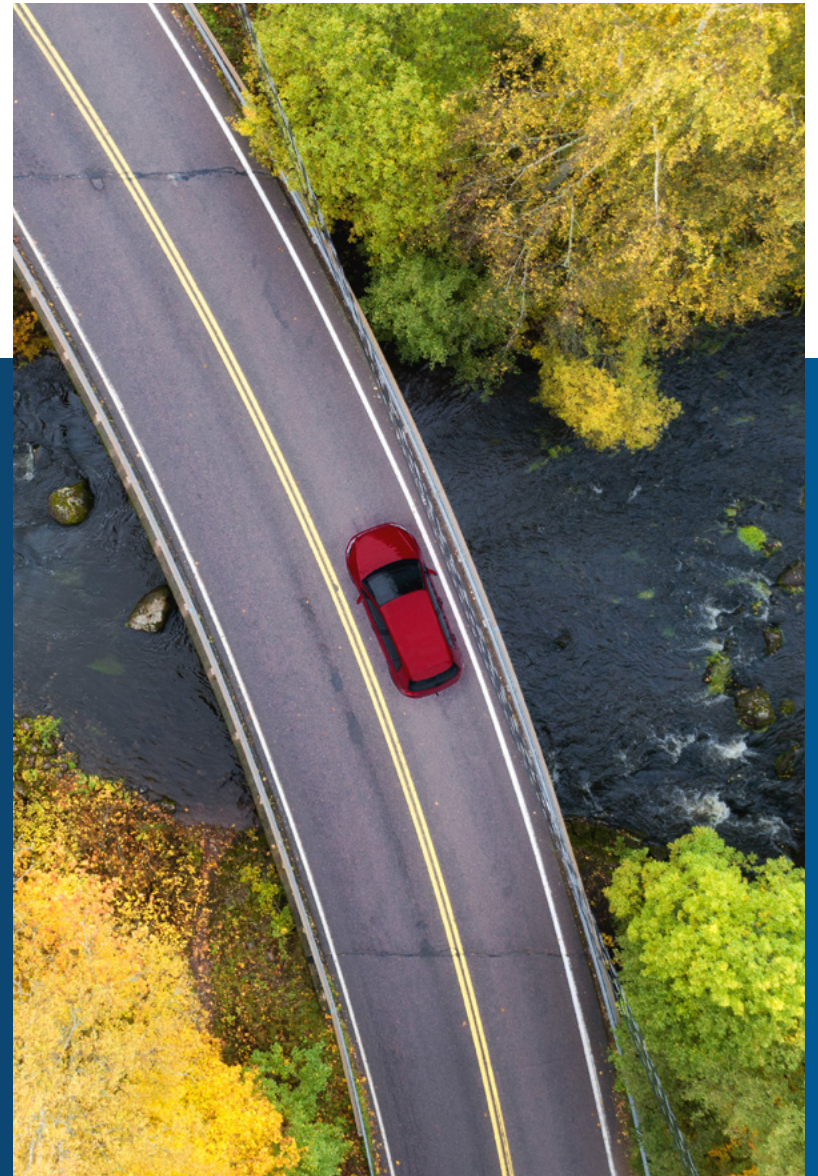


# 2024 Q1 - Fleet Report

# Trends

# Introduction

Economic optimism is on the rise worldwide as we navigate the challenging economic landscape post-global pandemic. Despite record-high interest rates and the lingering impact of supply chain shortages, fleet leaders are showing resilience and adaptability. Industry frontrunners are staying agile by closely monitoring fleet trends and fine-tuning strategies to minimize risks and optimize fleet ROI.





# Highlights for the quarter

## Acquisition

New vehicle inventory has returned with expectations for continued recovery. Greater vehicle supply is putting a downward pressure on prices, enabling model year inflation to stabilize. Meanwhile, the growth of electric vehicle (EV) sales is on the rise worldwide with improving vehicle availability.

## Maintenance

Rising fleet maintenance costs, marked by double-digit growth rates, are increasingly common. These hikes stem from factors like parts scarcities, rental delays, labor shortages, and the rise in raw material prices. Understanding these factors is crucial for developing effective cost management strategies.

## Sustainability

The integration of EVs into commercial fleets emerges as a significant lever in reducing greenhouse gas (GHG) emissions. Balancing environmental responsibility with economic viability is crucial. EV cost parity is projected within this decade, with government incentives supporting fleet EV transitions.



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# ACQUISITION



# ACQUISITION

## Key Trends

**Vehicle supply is back:** The global pandemic and disruptions in supply chain caused vehicle shortages, resulting in record high prices. However, inventories are projected to rise significantly in 2024, nearing pre-pandemic levels and nearly tripling the chip shortage low.<sup>1</sup>

**Lower vehicle prices:** Shifts in supply and demand have put downward pressure on new vehicle prices in recent months, allowing model year inflation to stabilize. Early signs indicate potential increases in vehicle incentives and discounts, creating opportunities for strategic fleet planning and replacements.

**More EV model availability:** The EV revolution is gaining momentum with projected increases in light-duty and medium- to heavy-duty EV models. In the U.S. a 5% rise in light-duty EVs is expected by the end of 2025, totaling 197 models.<sup>2</sup> Meanwhile, North America saw 246 medium- and heavy-duty EVs available in 2023.<sup>3</sup>

<sup>1</sup>Smoke and Cars: Forecast 2024, Cox Automotive <sup>2</sup>Electric Vehicle Market Update, Environmental Defense Fund (EDF), 2022 <sup>3</sup>The Zero-Emission Technology Inventory (ZETI) Data Explorer, CALSTART, 2024





# ACQUISITION

## Recommendations

1

**Evaluate vehicle choices** by comparing total costs over the vehicle's life from acquisition to disposal.

2

**Operational fleet needs** should be considered such as a fleet driver's job function, cargo weight carried, and distance travelled.

3

**Safety and risk mitigation** is paramount and in-vehicle safety technologies such as automatic emergency braking have been proven to reduce accidents.

4

**Environmental regulations** are continually expanding, and electric vehicles play a crucial role in reducing GHG emissions.

# How a client saved \$500K+ with a proven acquisition strategy

A recent Element client case study illustrates the results that can come from holistic considerations regarding fleet acquisition decisions.

## SITUATION

- Client had a decentralized fleet spanning more than 20 business units with drivers in diverse job functions
- Looking for cost savings opportunities and strategies to ensure vehicles are best suited for their fleet needs

## SOLUTION

- Element conducted a robust analysis and classified job functions into two groups - salespersons carrying products and service technicians
- An in-person event was held for drivers to perform test drives, cargo carrying exercises, and ensure the right vehicle selection

## IMPACT

**\$500K**

Saved in annual costs

Optimized fleet based on job function

Improved fuel efficiency, incorporating hybrid vehicles



# MAINTENANCE



# MAINTENANCE

## Key Trends

**Rising costs and parts delays:** The maintenance sector faces challenges from inflation and supply chain issues. Repair shops are turning to used parts due to rising prices of tires and glass. Tire costs surged by 8.5% in the past year.<sup>4</sup> Delays in obtaining parts will continue as a hurdle in North America through 2024.

**Complexity of repairs:** Vehicle repairs have grown more intricate over recent years, resulting in longer periods at repair outlets. The cost of repairs for EVs has been seen to be 65% higher than that for ICE vehicles.<sup>5</sup> Sophisticated technology and safety systems in windshields has led to costlier replacement claims. These trends underline the demand for specialized maintenance technicians.

**Rental expense and vehicle accessibility:** Clients are grappling with steep rental costs due to the extended downtime spurred by parts shortages and a limited supply of new vehicles. Vehicle downtime costs fleets on average between \$448 – \$760 per vehicle per day.<sup>6</sup> Certain regions are facing a rental vehicle deficit due to excessive demand and extended rental use.

<sup>4</sup>Element Fleet Management, Portfolio Analysis, 2023 <sup>5</sup>Element Fleet Management, Controlled Electric Vehicle Maintenance Analysis, 2023 <sup>6</sup>Fleets Use Evolving Tech to Reduce Downtime, Work Truck Magazine





# MAINTENANCE

## Recommendations

1

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**Prioritize scheduled maintenance** to avoid costly breakdowns and minimize downtime.

2

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**Leverage technology for preventive maintenance** by using automated notifications and exception reporting.

3

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**Capitalize on fleet discounts** with structured maintenance plans for cost savings.

4

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**Implement repair status tracking systems** to manage vehicle downtime efficiently.



# SUSTAINABILITY



# SUSTAINABILITY

## Key Trends

**EV sales are growing quickly:** Battery electric vehicle (BEV) sales in Canada make up 10.1% of the total market in 2023.<sup>7</sup> The U.S. accounted for 7.6% in the same year,<sup>8</sup> with Mexico at 0.5% in 2022.<sup>9</sup> Factors like lower prices, technology advancements, and model availability are driving EV adoption. RMI forecasts EVs to dominate global car sales by 2030.<sup>10</sup>

**Cost parity is a near-term reality:** Some light-duty vehicle applications are already at TCO parity and others are rapidly closing the gap as early as 2025.<sup>11</sup> Meanwhile, medium, and heavy-duty vehicles not far behind, expected to reach parity within the next decade in 2027.<sup>12</sup>

**Government incentives aid EV adoption:** Government policies and vehicle tax breaks are encouraging the adoption of EVs. US incentives range from \$7,500 (light duty) – \$40,000 (larger vehicles).<sup>13</sup> Canada incentives range from \$5,000 (light duty) – \$200,000 (medium and heavy-duty vehicles).<sup>14</sup> Mexico incentives range from \$4,000 (light duty) – \$10,000 (medium and heavy-duty vehicles).<sup>15</sup>

<sup>7</sup>Automotive Insights – Q3 2023 Canadian EV Information and Analysis, S&P Global, 2023 <sup>8</sup>A Record 1.2 Million EVs Were Sold in the U.S. in 2023, COX Automotive, 2024 <sup>9</sup>Mexico makes lots of electric cars, but few Mexicans drive them, Reuters, 2023 <sup>10</sup>X-Change: Cars, RMI, 2023 <sup>11</sup>Why the economics of electrification make this decarbonization transition different, McKinsey, 2023 <sup>12</sup>Electric Vehicle Market Update, Environmental Defense Fund (EDF), 2022 <sup>13</sup>Commercial Clean Vehicle Credit, IRS <sup>14</sup>iZEV Program, Government of Canada <sup>15</sup>¿Piensas comprar un auto eléctrico? – elnorte (gruporeforma.com)



# SUSTAINABILITY

## Recommendations

1

### **Budget for EV transition costs**

beyond the vehicle including charging infrastructure, change management and daytime charging.

2

### **Driver change management**

is critical for a successful EV transition.

3

### **An in-depth lifecycle cost analysis**

can help you make informed decisions when planning fleet acquisition and remarketing.

4

### **Decarbonization options beyond EVs**

like route-optimization, idling reduction, and fleet rationalization can all play an important role in reducing GHG emissions.



# Element's Strategic Advisory Services

Element's strategic advisory team brings deep expertise to help you realize greater productivity and reduced total cost of ownership. Leveraging the most robust benchmarking database in the industry with over 1.4 million vehicles under management, the team uses advanced analytics to mine data for actionable insights. In 2023, the team identified over \$1.7B in annual client cost savings globally.

**Find out more about Element's [strategic advisory services](#) or [get in touch with us!](#)**



Steve Jastrow | Vice President,  
Strategic Advisory & Client Analytics

Steve is a client-focused executive leader with over 25 years of experience championing high-performing finance, commercial advisory, data and analytics organizations within the General Electric Corporation and Element Fleet Management. At Element, he heads a team of over 40 experts with on average 13 years of industry experience. The team is focused on supporting clients' fleet goals including fleet cost savings, operational efficiencies and sustainability through financial modelling and advanced analytics.



Javier Cabrera  
Strategic Advisory Director | Mexico

Javier leads the Strategic Advisory Services team in Mexico and has more than 15 years of experience in management consulting, strategic sourcing and automotive. He has worked on several strategy and operations projects in over 8 industries. He leads the team in Mexico to address the needs of over 120 strategic clients by building financial models, developing improvement analysis and ad-hoc optimization projects for cost savings. Javier holds a master's in business administration from the UVM Mexico City.

# Acknowledgements

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## About Element Fleet Management

Element Fleet Management (TSX: EFN) is the largest pure-play automotive fleet manager in the world, providing the full range of fleet services and solutions to a growing base of loyal, world-class clients – corporates, governments, and not-for-profits – across North America, Australia, and New Zealand. Element's services address every aspect of clients' fleet requirements, from vehicle acquisition, maintenance, accidents, and remarketing, to integrating EVs and managing the complexity of gradual fleet electrification. Clients benefit from Element's expertise as the largest fleet solutions provider in its markets, offering unmatched economies of scale and insight used to reduce fleet operating costs and improve productivity and performance. For more information, visit [www.elementfleet.com](http://www.elementfleet.com).

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