

FleetView24

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Growing pains

How fleet managers are responding to NZ's rebounding economy and preparing their businesses for growth.

After a lengthy period of economic uncertainty both here and abroad it is understandable that many fleet managers have greeted signs of a domestic upturn with sighs of relief.

Certainly the latest economic figures hold out hope that the worst is past; interest rates are on hold, domestic growth is recovering and business confidence has strengthened.

Yet amid the positive news remain a number of challenges that will likely impact strategies for riding the next wave of economic growth.

NZ poised for economic cycle

There are growing signs that despite continued global woes caused by the European debt crisis, the New Zealand economy has emerged from the downturn into a new cycle of growth.

In October the Reserve Bank kept interest rates on hold despite official figures showing domestic inflation rose by about 5 per cent in the year to September 2011. Removing the one-off boost from last year's hike in the GST, inflation is tipped to end the year at 3 per cent.

Euro-zone sovereign debt risks mean that local rates are expected to stay on hold until early to mid next year.

Crucially given New Zealand's large rural sector, commodity prices have held up largely thanks to a weaker exchange rate. As ANZ National Bank's Chief Economist, Cameron Bagrie, told the NZ Herald last month: "I am amazed how well commodity prices are holding up."

Even better, the Reserve expects commodity prices to remain strong over the next few years.

Strategies to maximise growth

We asked a number of leading fleet managers how they were adapting to this new climate – and their strategies to boost growth and reduce risk.

The responses supported the general consensus that costs must be expertly managed at all levels of fleet operation.

Minimising costs and ensuring effective utilisation of funds and resources is vital to position businesses for growth in the current economic climate.

This is especially true for fleet managers who do not have the proper analysis and review processes in place. Costs can quickly escalate.

The most common challenge was the redeployment and stock management of vehicles following staff changes, requiring strict account management.

Over the past few years, the price of fuel has worried fleet managers around the country, and FleetPartners' customers are increasingly moving to diesel vehicles to manage fuel costs and for their eco-friendly credentials.

Streamlining the management of fleets through fully maintained or non-maintained leases has also helped businesses become more efficient and reduce short term and whole of life costs for their vehicles.

FleetPartners has been working with fleet managers to review current policies and provide recommendations, quotes and reporting documentation to ensure customers are well placed for the next phase of economic and business growth.

Providing a fuel card for company vehicles rather than using other forms of credit, has provided access to fuel discounts as well as tightening up on management.

Identification of the correct fuel type for each make/model, correlation of consumption to kilometre and spending patterns all contribute to savings.

To determine the optimum management for your business, talk to your FleetPartners representative today.

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Market soft – but trending upwards

The European debt crisis is causing uncertainty across financial markets, undermining growth prospects both offshore and in New Zealand.

Renewed reluctance to boost investment and employment is likely to delay any substantial pick-up in household spending. When this setback is combined with the possible delays in getting Christchurch's rebuild underway, we have significantly revised down our forecast of average GDP growth over the three years to March 2014 from 3.6% to 2.9%pa.

September registration data shows that new car sales were down 9.7% (614 units) on the same month last year; however commercial vehicle registrations were up by 18% (298 units) over the same period.

With supply constraints having now eased following the Tohoku earthquake and tsunami, continued growth in the volume of new car sales will depend on the state of demand. The outlook for the New Zealand economy has deteriorated over the last couple of months, so growth in new car sales in the short term will be slower than we expected in our July 2011 forecasts.

Slower short-term growth in new car sales will lead to quicker growth in the outer years. Annual new car sales have remained

relatively low since the recession, meaning that the replacement needs of businesses and households have been rising. Further delays in new car investment will simply increase replacement pressure. This catch-up in replacement demand will be supported by favourable new car prices.

Breaking down the market

Toyota remains in top position for passenger car sales followed by Hyundai who moved into second place. In the commercial segment it is very much status quo. Toyota leads with 467 sales, Ford second with 244 sales and Nissan third on 147 sales. These positions were repeated for the year to date totals.

The top selling model for the month was the Toyota Corolla with 528 registrations (this number being boosted by rental vehicle sales), the Hyundai I30 with 309 registrations and the Toyota Yaris with 305. In the commercial segment Toyota Hilux led with 286 registrations, followed by the Ford Ranger at 204 with the Toyota Hiace in third with 185 sales.



TOP 5 NEW PASSENGER MAKES

Make	October 2010 sales	Market share	Make	October 2011 sales	Market share	Movement
Toyota	1533	26%	Toyota	1333	25%	↓
Ford	743	13%	Hyundai	657	12%	↓
Holden	719	12%	Holden	597	11%	↓
Hyundai	579	10%	Ford	467	9%	↓
Mazda	443	8%	Mazda	365	7%	↓

Ratings tick for \$250m bond issue

FleetPartners is celebrating the recent success of its ground-breaking bond issue – the first of its type in New Zealand.

Last month international ratings agency Moody's Investors Service gave FleetPartners' FP Ignition Trust the finance equivalent of a thumbs up, assigning a definitive rating to the notes.

It is the first time Moody's has rated a vehicle-backed operating lease securitisation in the New Zealand market.

The \$250m bond issue is also a first for the New Zealand fleet industry, and follows two successful securitisations by FleetPartners Australia in 2007 and 2010.

In its analysis, Moody's noted the vehicle leasing sector's 'stable' outlook and FleetPartners' diverse passenger and light commercial vehicle fleet.

FleetPartners Managing Director, Dennis Kelly, said the successful capital raising further strengthened the company's financial base while giving customers stable, ongoing access to capital.

"This bond issue continues the process of building a secure, permanent funding base and investment profile for our business. The fact that Moody's has rated our bonds so highly is further evidence of our strong book and well-managed business.

"At a time when many of our competitors are facing capital constraints, FleetPartners has gone from strength to strength. We have locked in long-term funding, our market share is growing and we continue to bring innovative products to market," Mr Kelly said.

How healthy is your fleet?

How smart fleet management can cut whole of life costs

Measuring fleet performance is a hot topic in fleet today.

An effective fleet management strategy is key to identifying and ultimately reducing whole of life costs in your fleet. When deciding what indicators should be used to measure the performance of your fleet (and your whole of life costs) it pays to get help from the experts.

"To understand whole of life costs it is important to first develop a genuinely effective vision for your fleet, and link this to your fleet performance indicators," explains FleetPartners' National Manager of Customer Service, Vern McLaren.

"The problem is that in many companies, the person responsible for managing the fleet is not a fleet expert but a busy senior executive in finance, sales or HR who tends to be time poor and have scarce resources."

According to Mr McLaren, specialists like FleetPartners can help time-poor customers by bringing a more holistic approach to fleet management.

"During and after the recent global economic downturn there was an understandable focus on driving down costs. With the immediate crisis now behind us, we are seeing a more holistic approach that balances cost with other benefits like service, products and management.

"More and more companies are deciding to outsource vehicle ownership to fleet managers like FleetPartners in order to access superior products and services that in fact reduce the total cost of ownership. So rather than simply focusing on the top-line vehicle lease cost, today's customers are looking at the bigger picture," Mr McLaren said.

Working with a strategic fleet manager can significantly reduce whole of life costs through a range of factors such as Fringe Benefits Tax (FBT) savings, lower fuel and maintenance costs and targeted fleet analysis to manage your vehicles.

Outsourcing saves time, effort

Bringing in dedicated fleet expertise, therefore, can be a smart move.

"FleetPartners' specialist knowledge and expertise can be immediately accessed to provide an outsourced solution that frees up time, adds value and reduces costs. All of this without adding to fixed overhead costs."

Mr McLaren said that FleetPartners' consultative approach helps customers plan the transition to a fully outsourced fleet model.

"Typically we will work with the client to carry out a full health check on their vehicle fleet using a three-stage model around integration and transition. Managing the change process in any part of a business can present challenges; our role is to ensure that any changes to the ownership or management of a vehicle fleet can be made seamlessly," Mr McLaren said.

Identifying ways to reduce whole of life costs is a focus of the model. For example one of FleetPartners' major customers saved around \$686,000 over nine months in maintenance and repair costs alone by using the model.

Technology drives efficiency

In today's data dependent world another benefit of utilising fleet experts like FleetPartners is the ability to access leading-edge technology and best-in-class fleet reporting systems.

"The challenge is to take data and provide meaningful insights that enable customers to better manage their fleet. As the owners and operators of one of New Zealand's largest fleets, FleetPartners has invested considerable intellectual property to find the fleet technology and IT solutions for our customers.

"Technology as an enabler of global delivery of information has been gathering pace for 10 years and we only see this accelerating," Mr McLaren said.

To learn more about reducing your whole of life fleet costs call FleetPartners on 0800 372 632.

From the Managing Director

Dennis Kelly



Welcome to the Spring/Summer edition of FleetView.

As the year winds down it is timely to reflect on the recent shift in business conditions. Latest economic figures suggest the worst of the global economic downturn has past; interest rates are on hold, growth is recovering and confidence is up. Of course the outlook isn't completely risk free: the weak NZ\$ has added upward pressure to vehicle prices and driven up fuel costs, which is precisely why many companies have turned to experts like FleetPartners for help.

We have been looking to forge even stronger relationships with our customers. Being a sole supplier lets us commit to the long-term, and develop tailored solutions that add value and help customers become more competitive. The benefits go beyond preferential pricing and services; we can help enhance all aspects of fleet management from standards of vehicle use to reporting and servicing. Moreover, we guarantee to maintain these standards.

Whilst the economy is turning the corner we are still seeing a very strong drive to reduce costs at every turn. At the same time we need to help businesses prepare for growth and meet their immediate fleet needs.

As a company we have used the recent period to understand our customers better and create solutions to suit the times. Our new AutoFleXx product is a prime example of this approach.

For years we were told that Australian-style novated leasing could never work here. So we decided to test this and by partnering with Grant Thornton we not only proved that you can offer a similar employee-based scheme but one that is entirely within the spirit and letter of our tax laws. It's still early days but based on recent strong enquiry we are confident AutoFleXx will be an ideal addition to the suite of lease products currently available to FleetPartners' customers.

Finally I would like to take this opportunity to congratulate our finance team on the recent successful FleetPartners FP Ignition Trust bond issue. The \$250m bond issue, which received a positive rating from international ratings agency Moody's, was a first for the New Zealand fleet industry. It attests to our financial strength and our ability to be there for customers through good times and bad. It also puts FleetPartners in a very strong position to offer customers continuity of supply and a high degree of stability over pricing – benefits many of our competitors cannot match.

Until next time, safe motoring.

New 'hybrid' lease set to slash fleet costs

Operators of vehicle fleets could save thousands under a revolutionary new leasing solution from FleetPartners New Zealand.

Developed with the support of global accountancy firm Grant Thornton, AutoFleXx enables companies to achieve potentially large Fringe Benefit Tax (FBT) savings by transferring responsibility of business use vehicles to the employee whilst retaining traditional fleet benefits of discounts, fleet management reporting, safety, branding and fixed costs.

Unlike a standard operating lease, AutoFleXx relies on established reimbursement rules for business mileage. In simple terms, the employee leases a vehicle in their own name from FleetPartners and then charges their employer for the business usage of the vehicle.

"AutoFleXx is a paradigm shift for the New Zealand leasing industry," said Jeffrey Howells, National Sales Manager AutoFleXx.

"It is a hybrid product – an alternative to the traditional vehicle acquisition model whereby either the employer or the employee owns the vehicle," explains Mr Howells.

"AutoFleXx offers the benefits of an operating lease such as discounts, residual risk management, fixed costs and reporting but with the key difference that the employee not the employer leases the vehicle."

AutoFleXx is modelled on novated leasing which is popular in Australia. Under a novated lease the vehicle finance company (for example FleetPartners) supply a vehicle to an employee via their employer. The employee pays for the vehicle out of their pre-tax wages (resulting in income tax savings) and claims back business usage (e.g. fuel, maintenance, mileage) from their employer.

"While novated leasing is widely used in Australia, AutoFleXx is the first product of this type ever offered in the New Zealand market. By working closely with Grant Thornton, FleetPartners has successfully

created a product that meets both our FBT requirements and the changing needs of New Zealand businesses," Mr Howells said.

For fleet operators, the biggest benefit of AutoFleXx is the savings.

The savings to small fleets are substantial and are multiplied as the fleet size increases. According to Mr Howells a company with two \$75,000 vehicles could save up to \$60,000 over three years assuming 80% business usage.

AutoFleXx is also designed to help companies improve FBT compliance whilst simultaneously reducing their tax burden.

"For New Zealand businesses private use of company vehicles results in an unavoidable FBT liability. AutoFleXx relies on existing established reimbursement rules for business mileage. The key difference is that the operating lease is written in the name of the employee and the lease rate is used as the cost base."

Using AutoFleXx an employee selects a vehicle from an approved list that attracts FleetPartners' manufacturer and dealer discounts. The vehicle is then leased directly by FleetPartners to the employee.

The employee reclaims from the business the percentage business usage for the vehicle. For example, if the monthly lease payment is \$1000 and the business usage is 80% then \$800 is reclaimed from the employer plus the business running costs such as fuel.

"Another important benefit of AutoFleXx is the automatic logging and reporting provided by FleetPartners' low cost e-log book solution, TeleMatiXx, which can be included in the AutoFleXx product. This leading-edge fleet technology significantly streamlines reporting and gives employers and employees detailed, timely data on many aspects of vehicle performance and use.

"The combination of AutoFleXx and TeleMatiXx provides a powerful and effective solution to fleet management, whether you have one vehicle or 1000," Mr Howells said.



Kerry Faulkner
Dealer Account Manager

FACE2FACE

The best thing about FleetPartners New Zealand is...

I enjoy working with all the different personalities within the business. Great leadership and direction – a great company to work for.

When I was a child I wanted to...

Do something big or something out of the ordinary. I thought that a life with success was the only way to go so I decided I wanted to be a Veterinarian. I remember thinking to myself as a child no matter what when I get older I will be working with animals. How my thoughts have changed, here I am working in the automotive industry which is just as challenging, enjoyable and fun with the same rewards!

When I'm not at work, I'm...

Spending as much time as I can with my lovely 9 year old son. I love to exercise and go horse riding when I can. Not to mention spend time with my friends and family over a glass of vino... say no more.

It's not fashionable but I love...

Dungarees of course!

If I were a car I'd be...

A Suzuki Swift – easy on the eye, nippy, needs little attention and best of all cheap!

I wish I had never...

Pressed the send button when it was to the totally wrong person...

If you were to look in my music collection, I wouldn't want you to find...

Hundreds of popular songs from old school to current, and yes, this means ABBA. I have an open mind to all sorts of music, I enjoy most things I can have a good boogie to.

My favorite motoring gadget is...

The GPS! These are the best things ever invented – so much easier to get around, even though the person directing you can be somewhat painful to listen to.

My ideal weekend is...

Anywhere I can sit in the sun and enjoy relaxing with no cellphone for just a day, or sitting on a boat in the ocean with a glass of wine, friends and family, so much fun!



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