



An editorial perspective on the automotive industry

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The World's Insatiable Appetite For Used Cars

No matter how many used vehicles there are in the dealerships, the motoring public, all over the world, still seems to want more and more.

As a rule-of-thumb, in the mature markets of Australia, the United States and the United Kingdom, for every new car sold each year there are around two and a half used cars sold.

So in Australia for instance, where approximately one million new cars are sold each year, there are around two and a half million used cars traded.

The ratio of used cars sold to new cars sold differs from country to country – especially in Asia.

China, which until recently had a comparatively small used vehicle market is catching up. With around 4 million new cars sold last year, they have also recorded around 4 million used car sales too. If they keep on going this way, they will eventually get to western levels and we'll see 10 or 15 million used vehicles coming onto the roads each year.

This is a far cry from where they were even three years ago when there were relatively few used cars available because of the modest new car sales previously.

You'd wonder where all the buyers will come from, but there is no doubt they will be sold.

New Zealand is another case again. There, where the bulk of used vehicles are late model used vehicles imported from Japan (approximately 75% of the total market) the picture is entirely different. There is not the same direct correlation between new car sales and used car sales as there is in other countries. However, whilst New Zealand may have a relatively small new vehicle market, it does have a very active fleet market operating – around 75% of all new vehicle sales are to fleet operators.



Singapore is another unique market. In Singapore the value of the car lies mainly in the value of the Certificate of Entitlement (COE) and the special registration fees. The car itself after several years is worth virtually nothing and is sold offshore.

A feature of the high ratio of used car sales to new car sales in the mature markets is the domination by the fleet managers and operators in those countries. In Australia, the United States and the United Kingdom fleet sales represent in excess of fifty percent of the new car market. These cars come back onto the market as low kilometre used cars very quickly – sometimes as early as six months after purchase. The fleet market (including rental cars) has been slow to develop in Asia and even now is still only a minor part of the overall market.

This will probably change as businesses and individuals see the advantages of leasing a vehicle rather than outright purchase. It will be interesting to see what the Beijing Olympics in 2008 will do for the fleet market as thousands of tourists stream into the country and (presumably) some will want to rent a car.

One of the trends that Red Book has seen in the last five years in Asia is the way in which franchised new car dealers are integrating their operations. This means they are selling new and used cars (with the associated warranties and servicing businesses) as an integrated operation. Previous to this, they may have only concentrated on new cars and allowed the trade-ins to be sold to outside small dealers.

There has been a general realisation that there are good profits to be made in being involved in the entire transaction. We'll see more of this in the times ahead. In the meantime, we'll certainly see a continuation of used cars being shipped all around the world to help satisfy the appetites of those voracious buyers.

THE STATE OF THE MARKET

According to Red Book's researchers and pricing consultants, the new year has started off on a very strong note. Whilst the first week of January was relatively quiet, the second week and onwards have been very strong with increased activity by public buyers. This increased buying by the public is, according to the researchers, in direct contrast to last year when dealers dominated the early new year market.

Demand has been outstripping supply. The trends of last year are continuing ... small cars are in great demand, medium cars are enjoying a healthy demand and large cars are still languishing. People movers and station wagons are popular – BA Ghia, WH Statesmans and some Korean models are not so popular.

In Support of the Large Car

Ten years ago the writer penned an article in which he hinted at the decline of the large car sector. In those days the segment still enjoyed a strong market share in the 40's range and the share split up until the release of the VT was still very close between Ford and Holden. At that point in time the writer's beliefs were based on the domination by the traditionalists within the fleet market, the accelerated growth of novated leasing and the lessons of history covering rise and fall.



In the 80's the market saw the once strong medium car sector wilt under the product and value for money pressure offered by its bigger, large car sector brother. This time we are seeing the once dominant large car segment not retreating just because another segment offers better value, far from it, but due more to the education and awakening of the buying public.

Principal amongst these beliefs was the accelerating growth of novated leasing and the empowering of individuals to spend their money on their choices rather than that of their employers. Aided by a scattering of other influences, such as fuel, supply and price driven marketing and a wider alternate range of product to choose from; all of which helped in eroding this once dominant sector.

But at the time the writer believed that he would see a market share settling at around the 33% mark, back then I certainly did not envisage or wished for a share that battles to survive in the 20% range of the market.

And no, I am not going to stick my neck out and give another decade grab on where I see the large car segment heading, other than to put a case for why this segment needs to survive in terms of market need, rather than just the domestic vehicle manufactures dependency on it for survival.

- In terms of segment criticism that the large car is out of touch with the needs of the community, cannot the same case be put for the CUV's that never go out of the metro area or off the tar seal? In terms of ride comfort I still believe that a large car has the advantage in such an environment.
- What other segment vehicle offers such value for size and weight, let alone money?

- As a traditional reps car its durability and survival, especially over high kilometers have few peers.
- For emotion and one-eyed support that the leading protagonists in the segment generate it has few peers.
- Whilst large-scale Australian manufacturing is fading fast, the Australian large car sector has and remains a major contributor to ensuring the viability of domestic component manufacturer along with the domestic manufacturers, where it is the corner stone of their production line.
- And when it comes to used vehicle values, there remains few better buys than a used Falcon or Commodore up to 3 years of age and with less than 60,000 kilometers on the odometer. Maybe the future for the segment rests in drying up the availability of good used cars for these makes.

In a market environment where it is survival of the fittest and brand loyalty is only as good as the pricing and specification edge that it enjoys, it is to be hoped that the Australian Large car segment can weather the storm based on need rather than emotion.

I am sure many of you have views about the large car market in terms of where it is heading. We would like to hear these views, just email them to us sureplan@sureplanaustralia.com and we will undertake a pole on what support there is for the continued fleet purchase for Falcons, Commodores, Aurions and 380's.

Demon Drink and Drug Risk

At some point in time you may have an employee who has a company car come to you and tell you that he has lost his license for a period of time. This maybe due to a court conviction for Drinking Under the Influence. The consequences being at the very least, loss of car, if not loss of job and income.

Most certainly the fault is with the driver, no excuses are acceptable.



Whilst Government agencies have done a great job in reducing the number of alcohol related injuries and death, there is still a long way to go and the situation is now becoming volatile with increased illegal substance use- either on its own or in combination. What is frightening is that illicit drug use amongst the work force is possibly wider spread than we would like to believe, but up until now the focus has been more about identifying and curbing the use of alcohol within the work force.

Increasingly businesses are having new potential employees undertake medical checks to identify any illicit use prior to employment and rolling such requirements over into employment contracts. However few safety driving policies appear to go beyond than just saying 'thou shelt not drink and drive during work hours'.

When it comes to these twin evils there needs to be a combination of both policy and culture that seeks to quantify and educate. A company policy needs to go beyond spelling out what drivers cannot do.

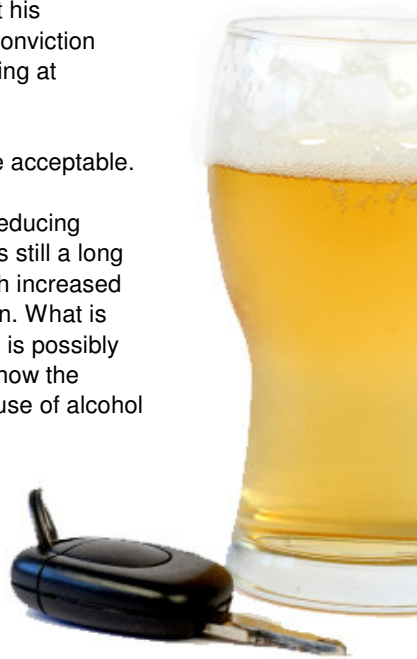
- A policy must cover the consequences, their own, their workmates and that of the wider community.
- Set clear and precise guidelines on alcohol intake so that employees are aware that once they commence work that their actions will not be influenced by alcohol residual. Similar guidelines need to be set to cover illicit drug use, but such guidelines possibly need to be drafted by those with the appropriate expertise in this area. For many companies this will be breaking new ground.
- Spell out the long-term consequences of the continued use of both drugs and alcohol, to the individual and his immediate work environment.
- The consequences for disregarding these actions during work need to be clearly spelt out and enforced. At the same time where an employer becomes aware of a potential problem in this area, pre-emptive counseling can frequently be the best approach
- Where you have a good policy ensure you give it wide visibility so no one can say they are not aware of it.

To compliment your policy is the need for vigilance and awareness for the warning signs. Such signs may show themselves in a number of ways, and once identified they need to be addressed in a confidential manner as they may not be the result of alcohol or drug influences.

SAFE DRIVING TIPS

- Maintain a following distance of at least three seconds from the vehicle in front... if roads are wet, or you are carrying or pulling a heavy load, extend this gap to at least four seconds.
- Check over your shoulder before you change lanes and always use your indicators.
- To combat fatigue on those long drives, share the driving or stop and take a 15-minute power nap.
- Do not use mobile devices whilst driving – yes: even if it is a hands free device! Subscribe to a messaging service so that you can easily check your messages and return calls when you stop for a rest.
- In traffic, check your mirrors every 8 – 10 seconds and maintain a constant 360-degree awareness of what is around you.
- Always drive with a clear unimpaired mind. Make alternative arrangements for transport if you are planning to have a drink.



Warning signs may include:

- Work performance in terms of attitude and quality of work being produced, has it undergone a sudden change for the worst?
- Lack of concentration and attention in team activities.
- Continually being in late to work and having a lot of sick leave. And when sick Monday is the predominant day that is taken off.
- Staff in a frequent dreamtime mode.

There may be a number of reasons why these issues arise, but it will only be through close observation and counseling that the real reasons may be identified and addressed.

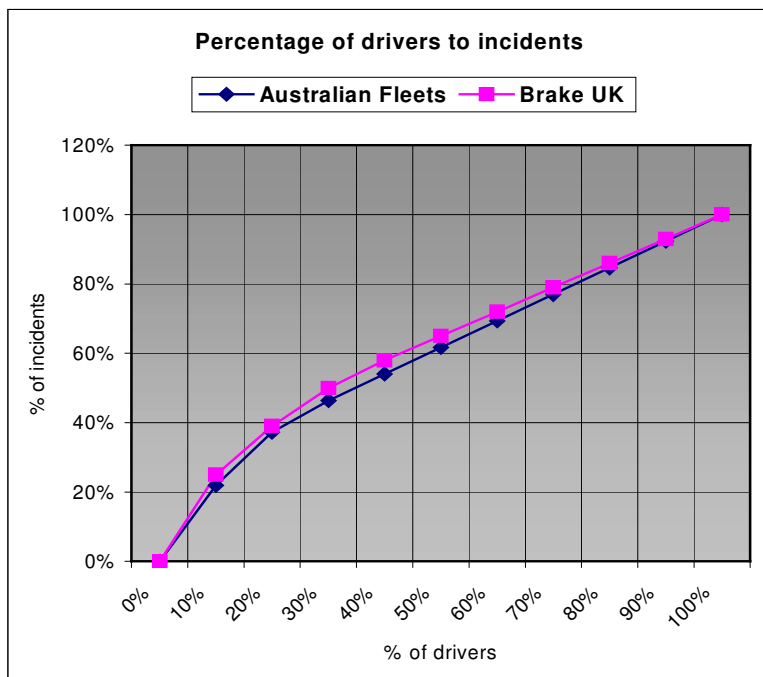
In the past it may have been too easy to turn a blind eye to such perceptions in the hope that they would rectify themselves or just go away. But today's Duty of Care requires a policy-culture, awareness and strategy within a business for addressing such issues.

For any further assistance on this subject or details on helpful sources please contact the Sales and Marketing team at SurePlan.

Use That Data

Over the last number of issues we have pushed the need to access and evaluate that data that accumulates when your fleet vehicles have a collision, be it collected by yourself or your insurer. If you have a fetish for data then motor vehicle incidents can provide you with an over supply of meaningful data. The beauty of such data is that not only will it tell you how you are traveling but frequently a solution.

The following snapshots are a summary of those collisions that we recorded and how they track. If you would like us to benchmark your data in a similar format then contact Chris Thompson at SurePlan Australia on 1300 654 447.

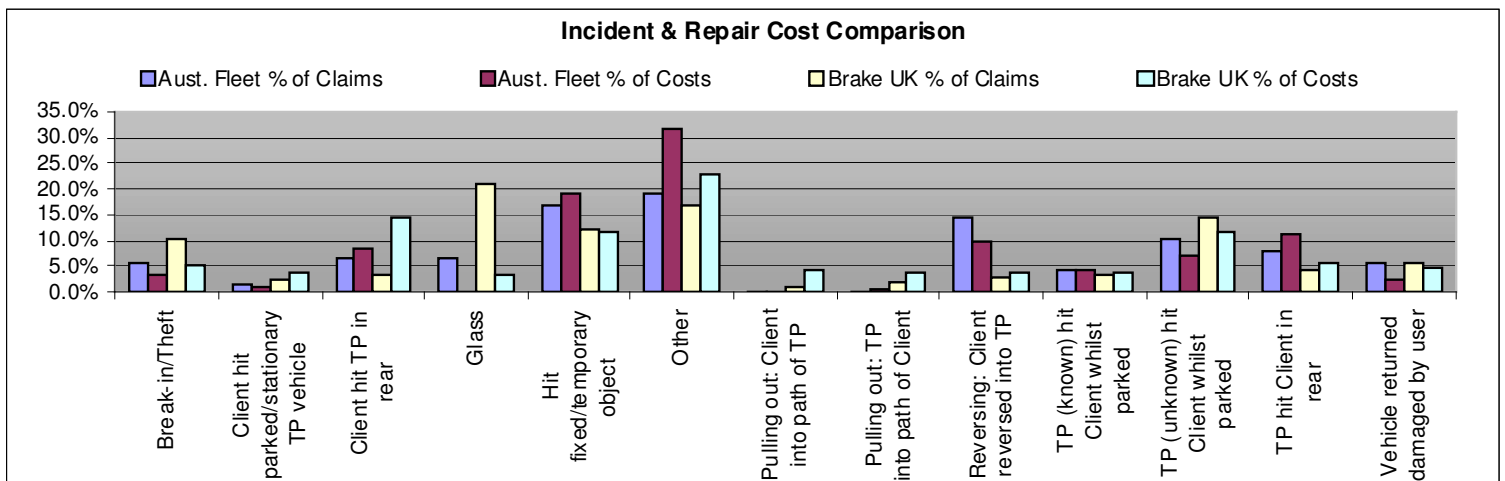


Brake UK is a national road safety charity that aims to prevent death and injury on the roads through education of all road users and campaigning for Government improvements to road safety. Brake also provides support services for people who are bereaved or affected by serious injury in a road crash through support services, including a help line and literature distributed through police officers. (<http://www.brake.org.uk/>)

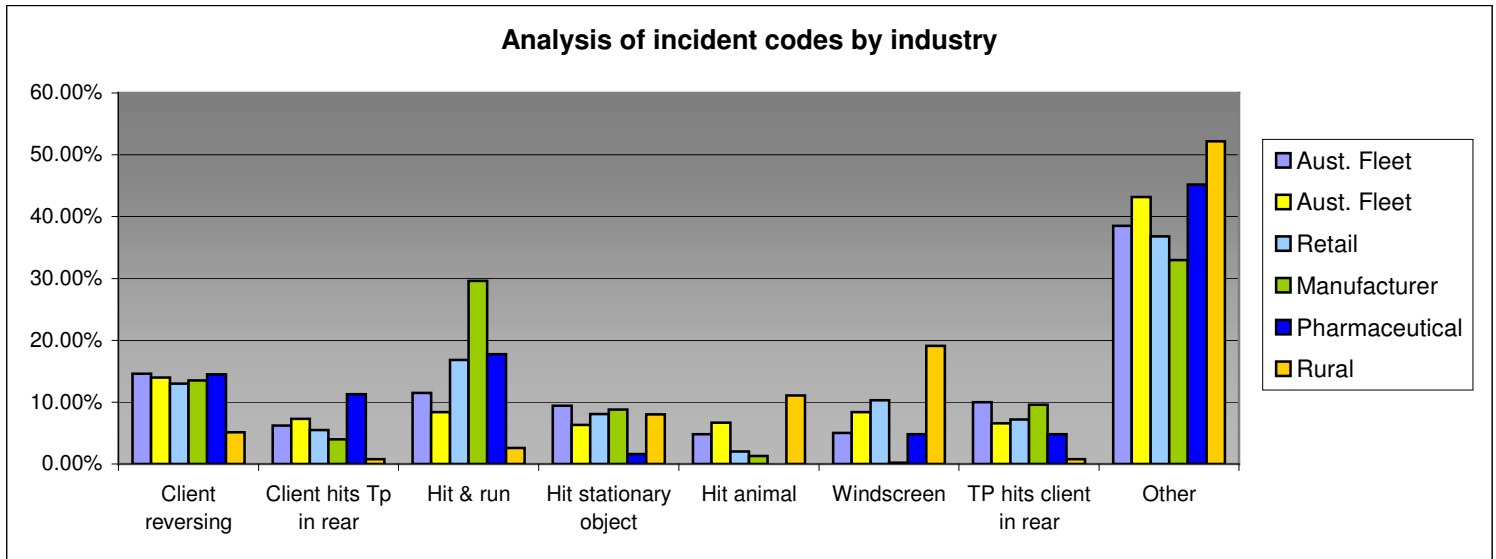
Percentage of drivers to incidents (Left) highlights the similarities between a large Australian fleet sample and Brake UK statistics. On average the Australian sample calculates 50% of drivers attribute to 59% of incidents. The Brake UK data indicates 50% of drivers attribute to 61% of incidents.

Incident & Repair Cost Comparison (Below) highlights percentages of claims lodged to cost by incident type. This data merely highlights some thought provoking associations between claim lodgement and incurred cost.

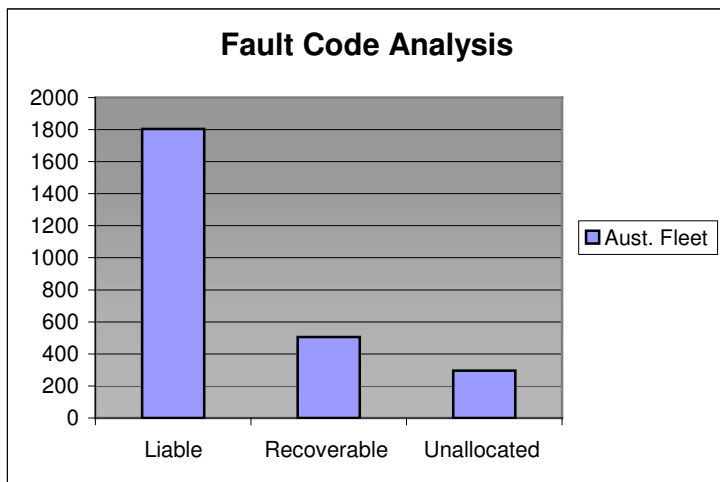
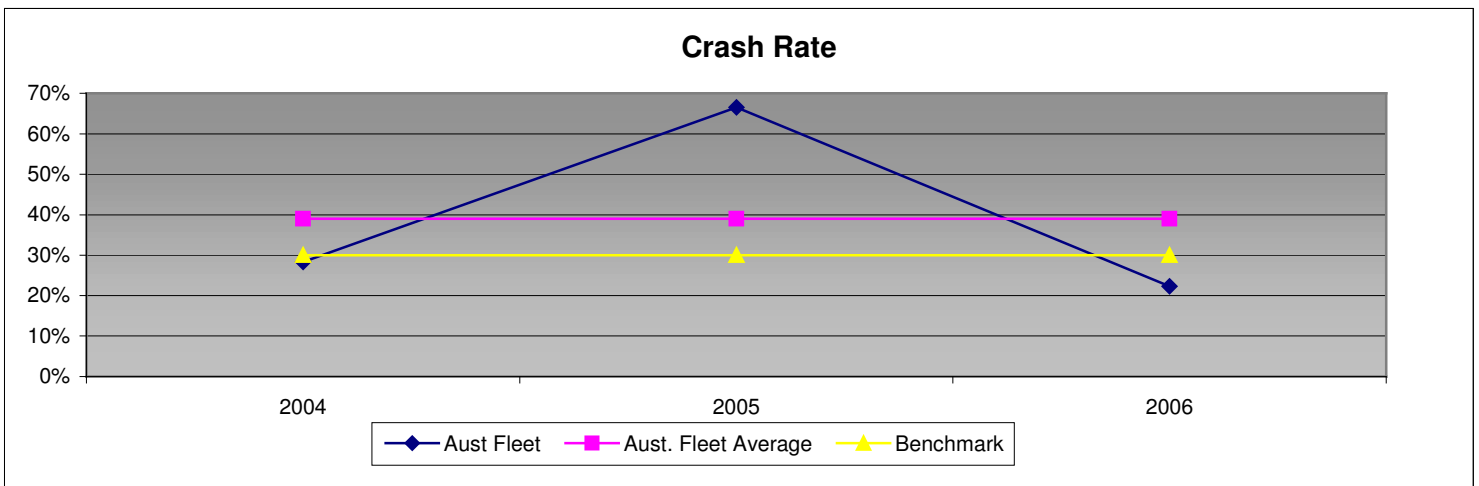
The figures indicate the specific 'Hit fixed temporary object' incident code incurred the highest percentage of claims and associated costs for both Australian and Brake divisions. 'Pulling out: Client into path of TP' incurred the least percentage of claims and costs.



Analysing claims data can be greatly beneficial as it not only provides an overview of current performance, but also can be used as a tool to deeply analyse current trends of many fleet facets. Benchmarking data helps take this process one step further. If claims data is compared by similar industry, vehicle make, etc it can help identify a vast range of weaknesses so action can be determined and implemented to improve performance. Below is a sample of Australian fleet data that has been benchmarked to several industry classifications. This example can help an organisation understand where their incident classifications currently stand against similar and or indifferent industries.



Crash Rate (Below) depicts an Australian Fleet samples crash rate over several years. Keeping records of vehicle collisions provides an invaluable tool for reviewing fleet performance. However, documenting a crash rate is one thing but reducing it is the crucial step. For more information on crash rate reduction contact Chris Thompson at SurePlan Australia on **1300 654 447**.



Fault Codes (Left) depicts an Australian fleet samples ratio of incidents and whether they were coded Liable (Driver at fault), Recoverable (Third party at fault) or Unallocated (No blame placed on either party). In this particular chart 69% of incidents were classified as liable.

For more information on using your data for greater benefit call SurePlan Australia on **1300 654 447**

