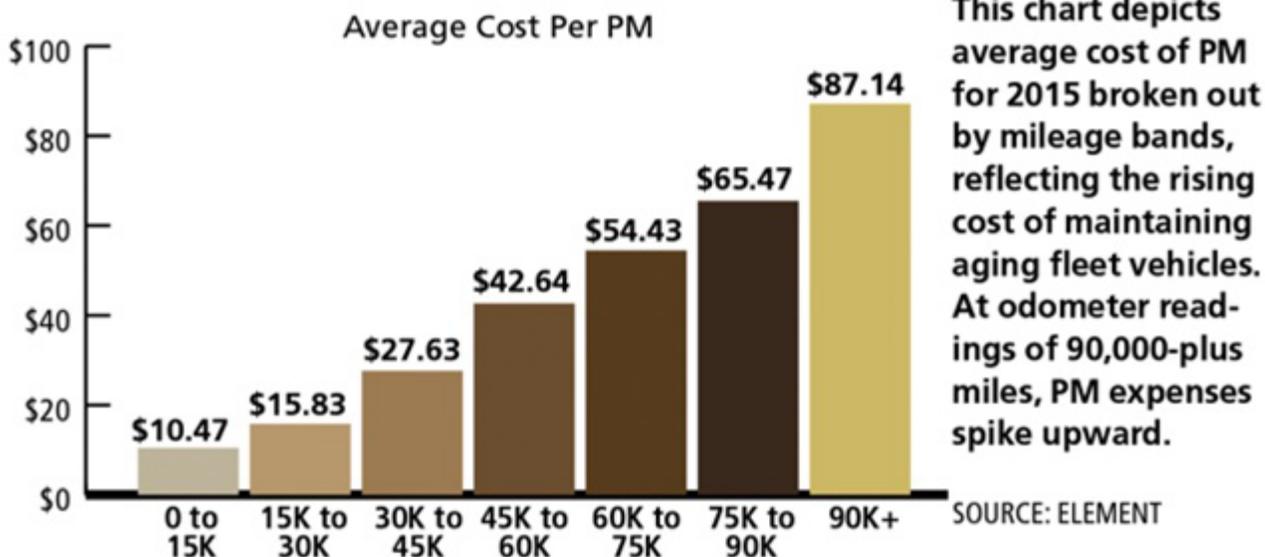


Fleet Maintenance, Repair Costs Remain Flat

November 2016, By Mike Antich

Repair Cost by Odometer Band



Charts courtesy of Element

Editors Note: This article is part of a five-part package dealing with operating costs in 2016. Read related articles that offer an in depth look at [Tire Prices](#), [Fuel Spend](#), and [Preventative Maintenance](#), as well as an [overview of operating costs in 2016](#).

Fleet maintenance costs have remained flat over the past 12 months, compared to CY-2015, with the primary factor being increased overall vehicle quality.

Contributing to this decline was increased reliability because of new motor oils, engine and transmission component engineering, onboard diagnostics informing drivers of issues, and faster OEM response time to component failures.

“Maintenance costs are down for fleets when compared to 2015. New technology, better-made vehicles, and increased replacement activity due to high secondary markets have all contributed to this trend,” said Bill Croke, manager of TotalView Analytics for Merchants Fleet Management.

At A Glance

- Maintenance costs are flat for fleets when compared to 2015.
- The forecast is for maintenance costs to increase slightly in 2017 due to labor and parts cost increases.
- New technologies, such as hybrid drive systems, diesel emission after treatment, and electric steering assist are driving up the average price of parts.
- Diesel truck emissions technology continues to cause additional downtime and expense.

Agreeing with this assessment is EMKAY.

“Other than repair costs adjusted for inflation, the cost of repairs should remain consistent with previous years,” said Dale Jewell, manager U.S. maintenance for EMKAY.

Today’s vehicles are built to last and are more reliable now than ever before.

The veracity of higher vehicle quality is best exemplified in fleet maintenance expenses, which remained relatively flat over the past year.

Ongoing Safety Recalls

A carryover issue has been the ongoing safety recalls and related expenses.

OEM safety recalls have been very costly for many fleets, resulting in increased driver downtime and rental needs. Parts delays continue due to recalls, warranty work, and unscheduled repairs.

“The sheer volume and visibility of safety recalls in the media has some fleets concerned their drivers may be in unsafe vehicles until the recall is completed. Some fleets are putting their drivers in rentals and parking their fleet vehicles until repairs can be completed. This process can be very lengthy due to parts delays and possibly no immediate repair solution by the manufacturer,” said Bill Jones, director of managed maintenance for Element Fleet Management.

Monthly maintenance rental costs significantly increased due to ongoing safety recalls. Replacement part delays were another key factor driving up rental costs. The lack of availability of replacement parts has been an ongoing issue that was further exacerbated by the massive number of vehicles recalled contributing to longer rental periods for replacement vehicles.

“As a best practice, it is recommended fleet managers incorporate driver recall completion compliance into their fleet policy. This will allow them to hold drivers accountable for the timely completion of open recalls. Recall completions should be monitored and reported on as part of a comprehensive safety program,” said Brian Simek, senior manager for fleet repair services for Wheels Inc.

The expenses connected to downtime and rental costs associated to warranty or recall repairs have varied depending on the industry, vehicle composition, and vehicle utilization.

“With the immediate notification of stop/sale, stop/drive, and recalls, consumers are alerted through the media very early on when an OEM has issued any of these. The first notifications through the media have very little information other than a recall on a wide range of the vehicle line unlike the OEM-supplied notification, which identifies specific vehicles affected by date of build, factory built, and specific trim characteristics,” said Jones. “Often consumers are wanting to take immediate action on these first notifications due to company safety and compliance policies, and request drivers to stop driving the vehicles immediately to place them in rentals increasing rental cost. If there are stop/sale, fleet managers may have increased maintenance repairs keeping older vehicles on road longer while the new vehicle at the dealership is being corrected or repaired.”

Despite the widespread recalls, overall vehicle quality continued to remain high. The introduction of new technologies

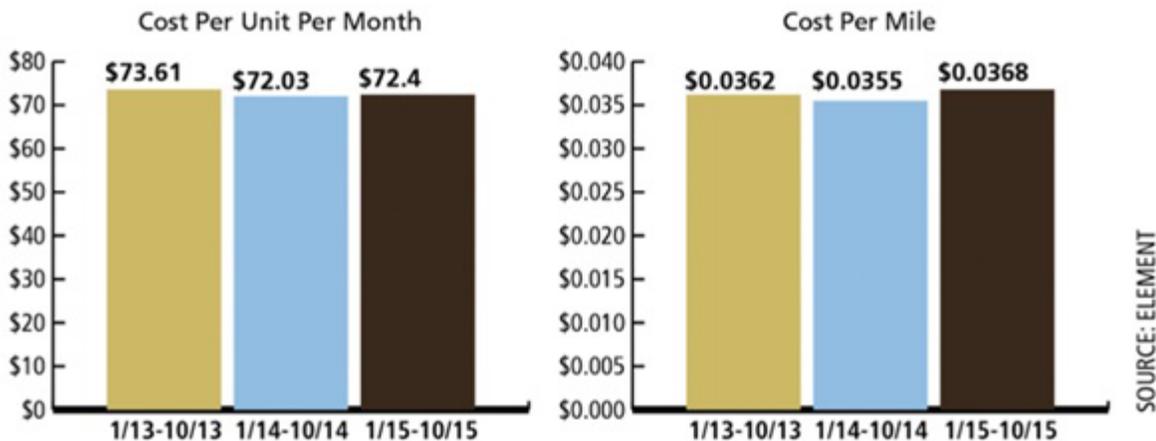
into new models is contributing to ongoing high-quality levels. OEM offerings, including remote access to vehicles, have reduced costs and driver downtime for lockouts and drivability issues related to diagnostic trouble codes. However, at odometer readings of more than 100,000 miles, maintenance expenses spike upward.

Upward Pricing Pressures

One maintenance category experiencing an uptick in pricing is replacement parts. “Replacement parts delays continue, with dealer backlog of major component repair work and additional rental costs incurred,” said Jones of Element Fleet Management.

These delays frequently led to an increased downtime, potential interruption of revenue generation and production.

Total Maintenance Spend



Overall, passenger car maintenance costs per unit, per month in 2015 increased less than 1% from 2014. These costs include unscheduled repair services, preventive maintenance (PM), tires, and replacement rentals.

Charts courtesy of Element

“The largest obstacle we have witnessed in 2016 has not been the cost of specific repairs, but rather parts availability. We encountered numerous issues where manufacturer supply chains are not able to keep up with demands for certain components — primarily related to warranty or recall-covered work,” said Tom Sopel, manager, maintenance and repair management for LeasePlan USA. “These delays frequently lead to an increase in downtime, potential interruption of revenue generation, and production. However, many of these issues appear to be subsiding as manufacturers have worked to correct these chronic problems. We expect to see a steady decline in this type of expense.”

Parts pricing has increased over time, and new technologies, such as hybrid drive systems, diesel emissions after-treatment, and electric steering assist have driven that increase. Additionally, the widespread use of just-in-time manufacturing and the minimal part inventories of the manufacturers have led to many new parts being unavailable. This has resulted in increased downtime and rental costs.

Although vehicle quality is high, some fleet management companies report that quality issues still persist.

“We have seen a dramatic increase in throttle body replacements due to manufacturer part failures,” said Jones.

Another chronic maintenance area is diesel emission technology, in particular, selective catalytic reduction (SCR) systems, which adds complexity and requires driver training to properly understand operational requirements.

“Diesel truck emissions technology continues to cause additional downtime and expense; this is prompting more fleet managers to consider moving away from their diesel trucks to gasoline engines,” said Romy Bria, director, fleet

management for ARI.

One technology that is making a positive impact on fleet maintenance is telematics.

According to fleet management companies, the number of fleets employing telematics systems is on the rise.

Related: [Fleet Car Maintenance Costs Increase Less Than 1%](#)

A key advantage to telematics systems is the ability to spot maintenance issues at their inception before they become larger and more expensive problems using telematics diagnostic trouble codes (DTC).

“While the costs to repair many of the latest and greatest technologies can be expensive, thankfully the failure rates have been very low or if there are a large number of failures the manufacturers typically will assist with the repairs,” said Jewell of EMKAY.

One area that promises to put downward pressure on maintenance costs is the use of data analytics as a predictive maintenance tool.

“Data analytics allow monitoring of repairs on a broad scale to identify trends before they become apparent. These powerful tools allow proactive communication to maintenance advisors, fleet, and manufacturers for planning and quick resolution,” said Simek of Wheels Inc.

Merchants Fleet Management offered a similar forecast.

“Advancing technologies around preventive maintenance monitoring and alerts are helping fleets avoid non-preventive repairs and reduce overall maintenance costs,” said Croke of Merchants Fleet Management.

Element likewise cites the growing impact of data analytics to control maintenance expenses.

“Element’s maintenance analytics team has identified specific trends in repairs based on year, make, model, and engine type. Some customers have chosen to proactively replace components that have not yet failed but that have demonstrated a very high failure rate. These components are defined as a safety concern by the customer,” said Chad Christensen, strategic consultant for Element Fleet Management.

Rising labor rates continue to exert upward pressure on maintenance costs, especially in high cost-of-living markets.

“Several national providers have increased regional labor rates with some dealers and independent garages raising rates up to 10%,” said Jones.

There also has been increased competition from dealers looking to expand their presence in the commercial fleet market. “Some dealer quick lanes have expanded their repair services to include light-duty work, such as brakes,” said Jones.

However, the best way to control maintenance costs continues to be at the driver level.

As a best practice, “make sure your drivers follow the maintenance parameters set forth by either their FMC or the manufacturer,” said Tony Blezien, vice president, Operations for LeasePlan USA. “Keeping up with your scheduled maintenance can reduce downtime, minimize rental expenses, and ultimately save you money.”

Fleet downsizing has also resulted in lower fleet costs. “Many fleets have transitioned to smaller, more fuel-efficient units and have enjoyed reduced costs on standard components such as tires and brakes,” said Bria of ARI. “However, new technologies, such as hybrid drive systems, diesel emission after treatment, and electric steering assist are driving up the average price of parts.”

Warranty Recovery Trends

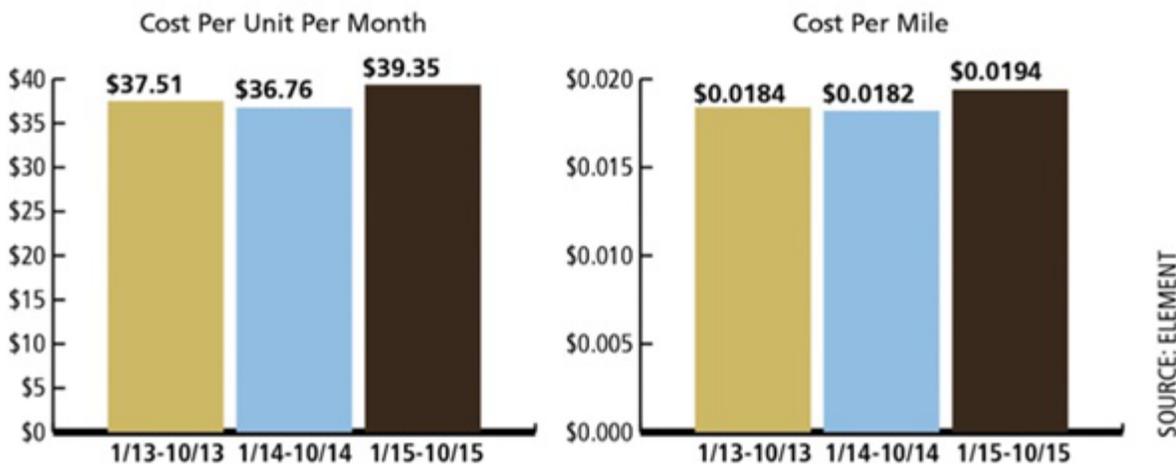
Warranty recovery remained flat in 2016 and it is anticipated that it will continue to be flat in 2017.

“Post-warranty policy adjustment decisions are often being made at the dealership level. Following the manufacturer’s recommended PM schedules is critical to maximize chances of warranty being covered at the dealership,” said Jones of Element Fleet Management.

Most warranty recovery is occurring during the term of the new-vehicle warranty. Longer base and powertrain warranties have led to a reduction in post-warranty recovery.

“We have not observed any significant changes with regard to warranty recovery in 2016; warranty recovery has remained relatively flat when compared to 2015. An ongoing trend is more stringent enforcement of manufacturer recommended services to be eligible for warranty coverage,” said Bria of ARI.

Average Repair Cost Per Fleet Car



The forecast is that fleet car maintenance expenses will increase in 2017 by 2 to 3%. This increase will be driven by higher labor rates and parts prices, continued shop technician shortages, and new-model OEM-only parts availability issues.

Charts courtesy of Element

Higher vehicle quality is another factor for a decrease in warranty recovery monies. Increased quality, extended emissions and powertrain warranties are contributing factors.

One ongoing trend is more stringent enforcement of manufacturer recommended services to be eligible for warranty coverage.

“Coverage of the repairs has remained steady; however manufacturer participation in considering assistance on rental units used during repair downtime has been reduced. Many strict rules around rental consideration now exist, a trend that is likely to continue in the coming years,” said Jewell of EMKAY.

2017 Maintenance Cost Forecast

The forecast for maintenance costs in CY-2017 are mixed. Some foresee higher costs, while others foresee costs remaining flat.

“I anticipate the cost of maintenance will remain fairly close to what it has been the previous year. We may see some relief with dealerships. As they look for more market share in the fleet segment, they will continue to reduce prices on standard maintenance services,” said Sopel of LeasePlan USA.

On the other hand, Element Fleet Management foresees maintenance costs slightly increasing.

“We expect maintenance costs to increase slightly in 2017 due to labor and parts cost increases,” said Jones of Element Fleet Management.

For instance, labor rates are anticipated to increase in 2017 as operational expenses increase, partially driven by auto technician shortages.

Others foresee maintenance costs declining in 2017. “Maintenance costs will continue to slowly decrease as fleets continue to cycle aggressively and take advantage of new vehicle technology, improved fuel economy, and increased efficiency,” said Croke of Merchants Fleet Management.

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