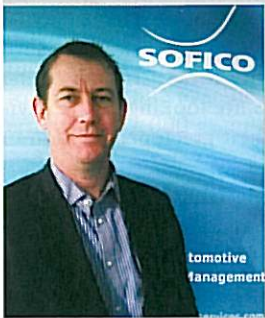


## CHANGING TIMES > THE EXPERTS' VIEWS

While the Australian fleet market may be well established, there are some fundamental elements of change at present, according to global fleet software supplier, Sofico.

The firm has a major presence in Australia with its Sofico Services Australia (SSA) operating division whose systems manage around 700,000 vehicles globally.



Commenting on developments in the industry, Shane Curran, business development manager – Asia Pacific, (left) says: 'In Australia at present, there is a lot of ongoing change within the fleet leasing industry.'

'In the regulatory area, the industry is coming to terms with recent changes to the Fringe Benefits Tax that were announced in the Federal budget earlier this year.'

Through these changes, the Australian government clamped down on an FBT loophole whereby drivers of salary-packaged motor vehicles were being rewarded for driving increased private miles.

Under the old rules, there were four levels of FBT applied to such cars; ranging from 26% of the car's purchase price for those driving fewer than 15,000km annually, down to only 7% tax for those exceeding 40,000km. The assumption was that the lowest tax-paying drivers were doing a lot of business km but this gave employees an incentive to deliberately exceed the thresholds to save on tax. Now, there's a single 20% FBT rate, regardless of the annual distance travelled, which is being phased in over four years.

Mr Curran explains: 'Although the new system will theoretically be simpler, there is a transitional phase over the next three years and it's consuming some resource in adapting to that.'

Meanwhile JATO Dynamic's Mark Hutchison adds: 'More and more fleet customers are looking to their leasing and fleet management industry partners to provide advice and solutions to address this change which will play a pivotal role in influencing corporate policy.'

Another regulatory issue that fleets are facing is the introduction of the Personal Property Security Act 2009 (PPSA).

Sofico's Shane Curran says: 'The act becomes effective in October this year and changes the way that a leasing company registers its security over its assets. Once again, the general view is that it will be a benefit once it's all in place - asset rights will be clearer and more easily registered - but the transition phase will be difficult as there will be entirely new systems and regulations to deal with.'

Curran says that the structure of the leasing industry itself is also undergoing change: 'For some time, the two largest fleet leas-

ing companies in Australia have been LeasePlan and Custom Fleet, a GE company. But we are now seeing strong growth from "second tier" lessors such as SG Fleet and Toyota Financial Services, which is changing the structure of the market.

'We have also seen the rise of the "broker model" whereby the FMO simply manages the services of third-party providers on a "fee for service" basis,' he adds.

'Price also remains a key issue and the TCO concept and end-to-end management approach, which arose in the 1990s, remains valid today. The difference now is that companies are more demanding in terms of the reporting and measurement that they require in these key areas. The global downturn, the prospect of carbon pricing and rising fuel costs have all served to increase focus on the total cost of operating a vehicle fleet,' he says.

JATO Dynamic's Mark Hutchison adds that the traditional discount pricing view of fleet customers is only a small part of the overall leasing decisions that fleet operators currently face. He explains: 'Running costs, residual values, occupational health and safety through safety ratings such as the Australasian New Car Assessment Program (ANCAP), environmental efficiency and total cost of vehicle life are all factors to consider. It is now standard for customers to ensure fleets have the highest average ANCAP rating to promote safety.'

The developments within salary packaging are also changing the face of the industry.

'We have seen huge changes as a result of salary packaging,' says Shane Curran. 'Salary packaging means that dealings are at an individual driver level rather than with a fleet manager and the demand is for products that are highly flexible for the employee but still simple for the employer to administer.'

'This has led to the rise of specialty salary packaging companies, such as McMillan Shakespeare, NLC and SmartSalary. Recently, these companies have been looking to expand their business into the fleet management and operating lease markets and they are competing directly with the more traditional fleet leasing businesses. McMillan Shakespeare acquired Interleasing in April 2010 and SmartSalary acquired Australian Vehicle Consultants.'

As a result, the Australian fleet market is benefiting from a far greater choice of funding and management options.

'This development has forced many of the more traditional fleet management organisations (FMOs) to create more flexible offerings. This flexibility has spilled over into the other areas and, as a result, fleet leasing products are now far more modular than they were in the past, with lessees given the opportunity to "mix and match" product components as they see fit.'

'There is a much wider range of product components and pricing mechanisms available to Australian lessees than there has ever been before,' concludes Mr Curran.