

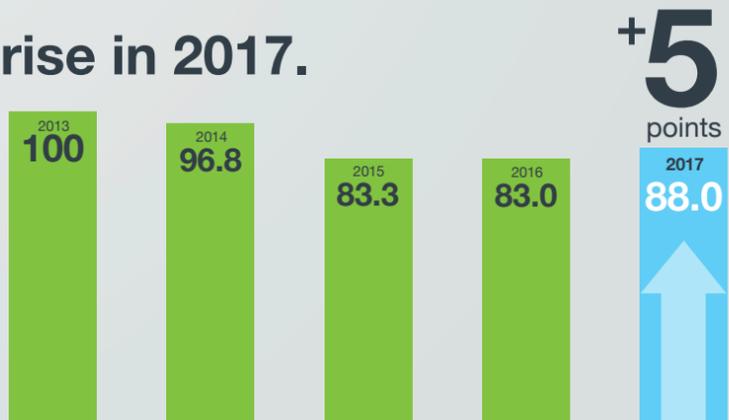
# 2018 Total Cost of Ownership Index

Total Cost of Ownership (TCO) Index examines major cost categories for owning a fleet vehicle including fuel, depreciation, maintenance and interest expenses.

As North America's premier fleet management company, Element provides world-class financial and management services for commercial vehicle and equipment fleets. This Index identifies trends in the cost of vehicle ownership and is based on a sample fleet of sedans, SUVs, minivans, pickups and vans. It is published annually each spring providing metrics for the previous year. Leading brands and companies looking to lower their TCO work with Element to identify fleet management services that span the total fleet lifecycle, from acquisition and financing to program management and vehicle remarketing.

## TCO Index on the rise in 2017.

up from **83.0** to **88.0**  
driven by higher fuel prices



## Depreciation Spend

**+1.4%**

IN 2017 VS 2016 (DEPRECIATION PLUS RESALE)



### Related Factors



Resale proceeds **+2%** year over year.

Hurricane events increased demand for used vehicles in Q4 2017 which kept prices higher than usual.



Interest **+128%** due to Fed Bank rate increases, but still only 1.7% of total fleet spend

## Fuel Spend

**+12%**

PER GALLON IN 2017 VS 2016



### Related Factors



Fleets continue to adopt **telematics** technology to assist with fuel cost management



Fuel expected to rise another **6%** in 2018.

## Maintenance Spend

**+2.5%**

IN 2017 VS 2016



### Related Factors



Replacement tires cost **+17%** year over year

Attributed to larger diameter tires & specialty sizes for Euro style vans.



Preventive maintenance **+3%** increase is consistent with historic trend

## Key Observations

### Observation

Higher fuel prices were the primary driver in bumping up the TCO index as forecasted during last year's edition. While making up less than 2% of total spend, interest costs increased more than any other spend category in 2017 due to multiple Federal Reserve Bank rate hikes.

### Expectation

Fuel prices are expected to continue to rise through 2018. The resale market will likely soften due to additional off-lease vehicles hitting the market. Multiple interest rate increases are expected again in 2018. Maintenance costs should be fairly flat with the exception of tire prices which will likely increase again in 2018.

### Recommendation

To offset higher fuel prices, consider ways of reducing your miles driven. Let Element Consultants analyze your telematics and overall fleet data to improve route optimization and vehicle utilization. Also, consider locking in fixed rate financing to protect your lease costs from increasing resulting from anticipated rate hikes.