element

2024 Q3 - Fleet Report

Trends

Introduction

Our latest fleet trends report offers decision-makers essential insights into three critical areas—fuel, maintenance, and sustainability.

Gain a clear understanding of how new regulations, weather events, and political climates impact fuel prices.

Our optimistic outlook on maintenance suggests that as newer vehicles enter the market, managing fleets is set to become more efficient.

When it comes to sustainability, while Electric Vehicles (EVs) continue their record-setting trajectory—albeit at a slower pace—hybrids are emerging in the spotlight.

Q3 Highlights

Fuel

Government regulations are pushing for better fuel efficiency and lower carbon emissions to reduce environmental impact. Meanwhile, fuel prices continue to be highly volatile due to adverse weather events and ongoing geopolitical tensions.

Maintenance

Fleet vehicle maintenance costs are stabilizing, showing a positive trend for fleet managers. Investment in newer vehicles is beginning to help reduce costs and improve performance by phasing out older models.

Sustainability

Despite rising incentives, Electric Vehicles (EVs) have seen slower growth. Consequently, hybrids are making gains as a viable alternative for those seeking to reduce fuel consumption by lowering their carbon footprint. This trend persists as the challenge of expanding charging infrastructure remains a key concern.

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FUEL
Key Trends

New fuel economy standard projects billions in fuel savings

The Corporate Average Fuel Economy (CAFE) standards are set to change starting in model year 2027[1]. The new regulations focus on enhancing fuel efficiency for passenger cars and trucks from model year 2027 onward, encouraging manufacturers and fleet managers to adopt sustainable practices. These final rules are projected to increase fuel efficiency by approximately 2% for both passenger cars and light trucks for model years 2029-31.

It is estimated that these changes will lead to consumer fuel cost savings of nearly $23 billion and prevent the use of approximately 70 billion gallons of gasoline (or its equivalent) by 2050.

Additionally, according to the latest change in the validity of the NOM-044, as of 2025, only EURO VI and EPA 10 technologies from the exhaust of new engines that use diesel as fuel and that will be used for the propulsion of motor vehicles with a gross vehicle weight greater than 8,500lbs or 3,857kg may be marketed/ imported[2]. The standard includes the obligation to have the most complete “on-board diagnostic systems” (OBD), as required by the United States and European standards for all heavy vehicles. The implementation schedule of this standard is linked to the availability of ultra-low sulfur diesel[3].

[1] Final rule for CAFE Standards announced [2] CO2 emissions applicable to 3,857kg vehicles
[3] Euro VI and EPA 10 and its positive environmental impact

FUEL
Key Trends

Diesel prices trend down in the summer, set to rise in the second half of the year

Rising diesel prices were the norm at the beginning of summer until they halted their climb in August. Despite this recent shift from continuing price increases to a price relief in the past month, the U.S. Energy Information Administration short-term outlook is projecting Brent crude oil prices will average $89 per barrel in the second half of the year. This is an increase from the $84 per barrel seen in Q1 and Q2.

In Canada, a similar trend pattern has emerged. While gas prices have been increasing, diesel prices have experienced a dip.

When it comes to Mexico, the behavior of fuel prices during 2024 has had an upward trend according, to the Energy Regulatory Commission (CRE) data. Comparing the average prices in 2023 vs. the average for the first half of 2024, the price of regular gasoline increased on average by 5%, that of premium gasoline by 2%, and Diesel by 4%. The Ministry of Finance and Public Credit (SHCP) has granted tax incentives or discounts on IEPS rates to amortize the price increase when oil prices rise. When oil prices remain stable or do not have large increases, the Treasury fully collects the IEPS rates, which helps collect tax revenues.

Weather events threaten gas production

While storms and climate events are becoming increasingly common, they are often overlooked and underestimated by businesses looking to manage efficient and profitable fleet operations. Earlier this year, the Energy Information Administration revealed 25 potential storms for this hurricane season, which happens from June to November. In July, Hurricane Beryl had already posed a severe threat to Texas, the largest oil and gas production state in the U.S., while gas prices in Canada jumped amid severe wildfires in the western part of the country. These recent events highlight the connection between severe weather and the need to account for continued fuel volatility.

FUEL
Recommendations

1

Leverage Xcelerate for fuel management to include fraud monitoring, over-tank capacity, and driver behavior.

2

Prepare Prepare a plan for weather events and plan your route ahead. Buy fuel before the storm hits and consult **GasBuddy** for the most up-to-date fuel availability.

3

Use route optimization and our Supplier Locator for Fuel in Element Xcelerate for Drivers to locate the closest and most economical gas stations.

4

Consider including top fuel-efficient vehicles[4] in your MY 2024 selector.

[4] Most fuel efficient vehicles 2024

MAINTENANCE

MAINTENANCE
Key Trends

Costs leveling off

While maintenance costs have been on the rise, they are not as significant as in previous years. The year-over-year drop in parts and labor costs by 2.3% is a positive sign for fleet managers. While labor costs rose by 0.9%, this is still much lower than the 4.0% increase reported in the previous quarter[5]. This trend indicates a shift towards more manageable expenses, allowing for better budget allocation.

It is significant that vehicle maintenance and repair inflation has slowed in the past few months, considering that it has skyrocketed by 35% since January 2020. Auto technician wages and replacement part prices were the main causes of the surge[6]. Understanding the factors driving these costs can help you implement strategies to minimize their impact, and boost driver productivity and control vehicle maintenance costs.

Newer vehicles

In 2023, fleet sales surged, driving the success of the new-vehicle market with 2.7 million units sold, a 34% rise from 2022. This marked the highest fleet sales since 2019, aligning with pre-pandemic averages as inventory levels normalized. Fleet sales made up 17.5% of total new-vehicle sales, up from the previous two years. Looking ahead, fleet sales might rise to 3.0 million[7] units in 2024, however, further growth could be challenging as some demand has already been met.

As North American fleets acquire new vehicles, maintenance costs will subside as older, less reliable models are replaced. Investing in new vehicles also offers the advantage of advanced features that enhance fleet safety and driver satisfaction, leading to improved overall performance and reduced downtime (plus the added benefit of greater fuel economy). Explore the benefits of upgrading your fleet with your comprehensive guide to fleet maintenance costs to stay competitive in the market.

[5] Parts and Labor Costs Continue Downward Trend in the First Quarter of 2024 [6] Beneath the Skin of CPI Inflation [7] Fleet Sales Outperformed New-Vehicle Sales

MAINTENANCE
Key Trends

Fall and winter preparation

As we transition into the autumn season, it's crucial to prioritize preventative maintenance. Evaluating tires in preparation for fall and winter driving conditions can prevent costly breakdowns in the future and ensure driver safety. Regular maintenance checks and timely repairs will keep your vehicles in optimal condition, reducing the risk of unexpected issues.

The Global Winter Tire market is expected to grow significantly from 2024 to 2031. In 2023, growth is steady, with key players adopting new strategies. The market size, impacted by COVID-19, was USD 12,450 million in 2021 and is projected to reach USD 14,320 million by 2031, with a 2.0% annual growth rate from 2023 to 2031[8].

[8] Winter Tire Market Size Industry Growth | Dynamics | 2032

MAINTENANCE

Recommendations

1

Benefit from controlled repair costs and warranties with fleet management solutions like, Xcelerate for Drivers to access in-network and national accounts suppliers.

2

With fall arriving, check tire pressure and alignment regularly, as road conditions and fluctuating temperatures can ultimately affect fuel usage and overall vehicle performance.

3

To minimize tire-spend and vehicle downtime, select the right tire for the job, ensure proper tire inflation.

4

Monitor preventative maintenance compliance to ensure your fleet is up to date to avoid major repairs and downtime.

SUSTAINABILITY

SUSTAINABILITY
Key Trends

Shifting demand from EVs to hybrids

As companies push forward with ambitious sustainability goals, it's crucial to consider the availability of electric vehicles (EVs) and the ongoing challenges of charging infrastructure. Despite significant progress on both fronts, with new EV sales in the U.S. market surpassing 1 million units for the first time last year[9], many businesses are now adapting their strategies to incorporate hybrids, given these vehicles offer a balanced solution, combining lower emissions with the proven reliability of traditional fuel-powered vehicles. While demand for electric vehicles has slowed[10], hybrids are becoming more popular: over the past year, the hybrid vehicle market has seen impressive growth, with its market share nearly doubling from 4.9% in 2022 to 9.7% in 2023—a 99% increase. In comparison, the EV market share grew by 25%[11].

According to figures from the Administrative Record of the Automotive Industry of Light Vehicles in Mexico (RAIAVL), sales of EVs from January to June 2024 increased by 142% compared to the same period in 2023. Sales of plug-in hybrid vehicles increased by 32% and hybrid vehicles by 71%. Of the total sales for this period (January to June 2024), 23% were electric vehicles, 6% plug-in hybrids, and 71% hybrid vehicles, which shows that in Mexico, sales of EVs have grown more than those of PHEV and HEV.

Vehicle sales % for HEV, PHEV, EV categories 1H 2023 vs 1H 2024

	EVs	PHEV	HEV
January - July 2023	17%	8%	74%
January - July 2024	23%	6%	71%
Difference	6%	-2%	-4%

[9] EV Sales soar into 2024 [10] Q1 2024 EV Sales [11] More Americans turning to hybrids

SUSTAINABILITY
Key Trends

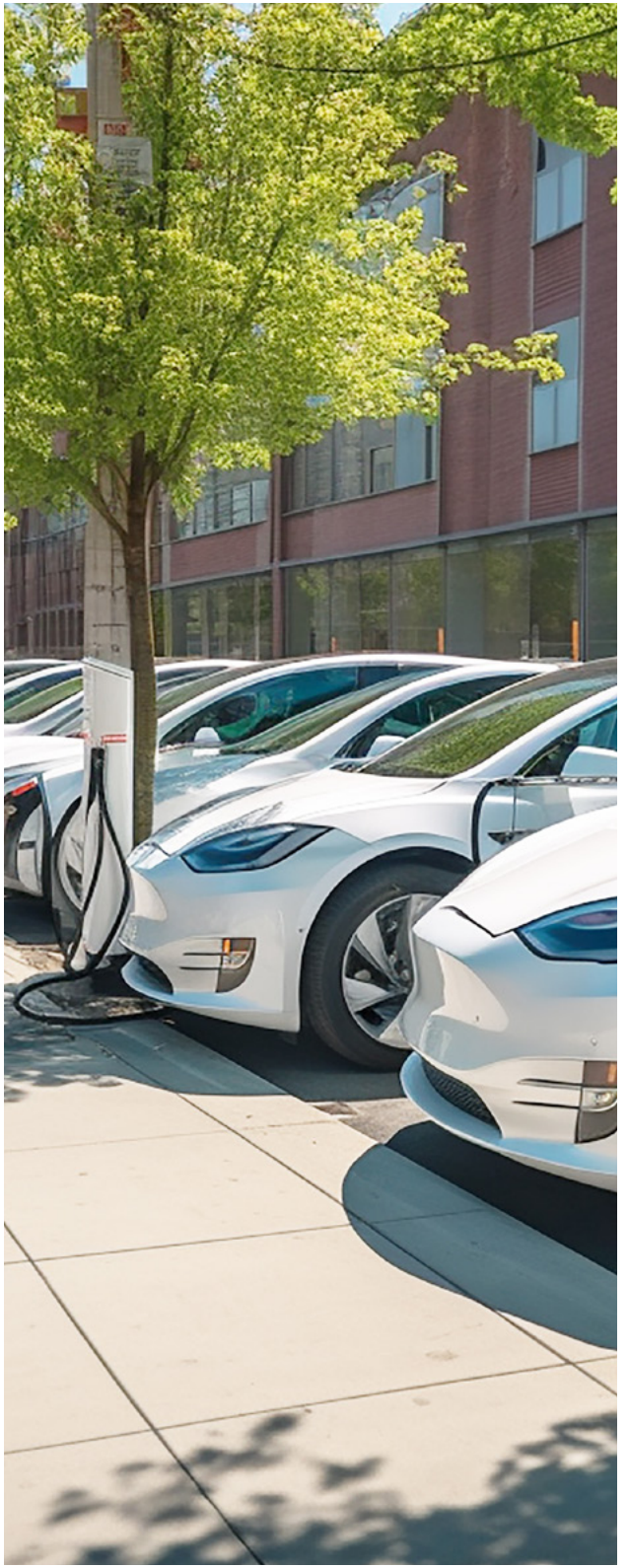
Charging infrastructure and availability continues to be top of mind

Despite the availability of charging stations remaining a key concern for many fleets, barriers to EV adoption have been consistently improving. The growth rate of public charging stations in the U.S. has more than doubled since 2020. Today, nearly two-thirds of Americans can find a public charging station within a short two-mile distance, and almost everyone –95% of the population in the U.S.- lives in a county with at least one charging point.[12]

In Canada, the number of electric vehicles (EVs) on the road is expanding at a faster rate than the availability of public charging stations. In 2023, 180,000 new EVs were registered, reflecting a remarkable 49% increase from 2022. In contrast, public charging stations grew by only about 33%[13] during the same timeframe. While the majority of EV owners—80%—still charge their vehicles at home, there is a clear demand for more public charging options to meet the rising number of electric vehicles.

According to EMA (Electro Mobility Association), the number of charging devices in Mexico grew by 23% from February to June of this year alone[14], going from 31,840 chargers to 39,257. In the "Electromobility Barometer of Mexico" report, EMA indicated that only 3,212 of the charging positions for electric cars are public since most of the chargers for EVs in Mexico are located inside homes. There are 31,002 connectors installed in users' homes, which represents the most robust part of the charging infrastructure nationwide.

[12] EV charging infrastructure in the U.S. [13] EV sales overtaking charging stations
[14] Charging devices in Mexico grew by 23% in 4 months



SUSTAINABILITY
Key Trends

EV incentives climb amidst price stabilization

Electric vehicle sales continue to grow but at a slower pace since their 2022 peak. Prices have dropped significantly, spurred by increased incentives and Tesla's bold price cuts. In July, the average price for an EV was $56,520[15]. This was a slight increase from June, yet it marked a drop of 1.5% compared to the previous year. Meanwhile, the incentives offered for buying new EVs jumped to over 12% of the purchase price—the highest in over three years, according to COX Automotive. This is double the typical incentives from July 2023, which were 6% of the purchase price. Overall, July's EV incentives were 73% higher than the industry average.

Although incentives for electric vehicles in Mexico have not increased, sales continue to rise. According to figures from the National Institute of Statistics and Geography (INEGI) and RAIAVL, from 2023 to 2024 (January-June), sales of EVs increased by 142%, influenced by the arrival of more than 10 brands from China with very competitive costs[16], some of which are the cheapest in the current electric market in the country. The main current incentives include a preferential electricity rate for home charging stations, exemption from paying new car tax (ISAN), and an exemption from paying the property tax in states where the tax exists, and deductibility of up to $250,000 for legal entities.

[15] New vehicle sales incentives climb higher in July [16] Massive arrival of Chinese auto brands in Mexico

SUSTAINABILITY

Recommendations

1

Introduce a pilot-first approach and consider proper change management strategies when rolling out an EV solution.

2

Take advantage of improving EV barriers, such as reduced battery costs.

3

Consider deploying hybrids as part of overall sustainability strategy to lower emissions.

4

Leverage charging infrastructure financing to offset installation costs.

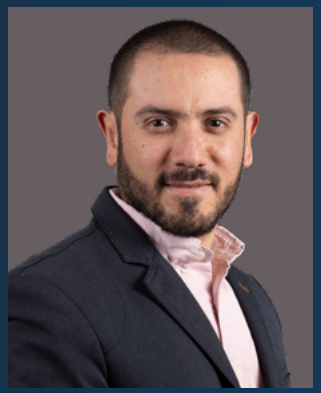
Element's Strategic Advisory Services

Element's strategic advisory team brings deep expertise to help you realize greater productivity and reduced total cost of ownership. Leveraging the most robust benchmarking database in the industry with over 1 million vehicles under management, the team uses advanced analytics to mine data for actionable insights. In 2023, the team identified over $1.7B in annual client cost savings globally.

Find out more about Element's strategic advisory services or get in touch with us!

Steve Jastrow | Vice President,
Strategic Advisory & Client Analytics

Steve is a client-focused executive leader with over 25 years of experience championing high-performing finance, commercial advisory, data and analytics organizations within the General Electric Corporation and Element Fleet Management. At Element, he heads a team of more than 40 experts with, on average, 13 years of industry experience. The team is focused on supporting clients' fleet goals, including fleet cost savings, operational efficiencies, and sustainability through financial modelling and advanced analytics.



Sergio Patrón
Strategic Advisor | Mexico

Sergio's expertise spans over 15 years of experience in consulting, procurement and supply chain. As a consultant at Element Fleet Management, he works with the Strategic Advisory team. Sergio identifies cost savings and opportunities to improve customers' fleet performance by using thorough analyses, client data, benchmarking, and decision support models. He previously worked with top companies leading their development strategies and operation optimization processes. Sergio earned his Master of Business Administration from the Instituto Tecnológico de Monterrey.

Contact us

About Element Fleet Management

Element Fleet Management (TSX: EFN) is the largest pure-play automotive fleet manager in the world, providing the full range of fleet services and solutions to a growing base of loyal, world-class clients – corporates, governments, and not-for-profits – across North America, Australia, and New Zealand. Element's services address every aspect of clients' fleet requirements, from vehicle acquisition, maintenance, accidents, and remarketing, to integrating EVs and managing the complexity of gradual fleet electrification. Clients benefit from Element's expertise as the largest fleet solutions provider in its markets, offering unmatched economies of scale and insight used to reduce fleet operating costs and improve productivity and performance. For more information, visit **www.elementfleet.com**.

Learn more about Element's **strategic advisory services** or **get in touch with us**.

Looking to stay on top of the latest market developments? Stay tuned to our **LinkedIn page** and follow the hashtag **#ElementDrivesResults**.

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