**Where Have All the Ex-Fleet Cars Gone?**

Somehow I can't see Peter Paul and Mary re-releasing their 60's classic rendition of Pete Seeger's song, re-named in support of the fleet support industry currently scrambling around after low volumes of ex-rental and lease vehicles.

I've often thought the fleet industry has been poor at extolling the environmental virtues of its products and services, maybe a good subject for a future blog, but the hippy generation were far too strident to endorse anything to do with the demon motor car (unless it was a polluting death-trap campervan with ban the bomb and flower power stickers on it).

Nonetheless, today our industry faces a mini volume crisis. I deliberately insert the word 'mini' as I do believe the phenomenon is a temporary one, but one that today is causing pain for transport suppliers, refurbishment agents and the like, and one that is doubtless driving used values up on the back of shortage of supply.

The roots of the issue are easy to trace.

Dividing the supply of ex-fleet vehicles into short cycle and ex-lease, these two very different markets are today creating dramatically reduced supplies of used cars (and light commercial vehicles). The reasons though are very different for these two markets.

The short cycle market, made up ex rental, body shop vehicles and OEM management car programmes has seen a dramatic step change downwards over the past two or three years. This sector had become totally bloated.

Daily rental to me is a massively maligned sector that should be celebrated as a legitimate and vital part of the automotive sector. To some though, particularly OEM's sometimes it has become a dirty word. Rapid cycle product in the right proportions works really well. When it becomes over-supplied, it is a nightmare. Why do some OEM's get sniffy about rental – simple, they have usually over cooked volumes in the past and have suffered from the residual catastrophes that ensue?

I once had coffee with an executive who claimed to have introduced rapid cycling into the UK with one of the major daily rental companies. In those halcyon days in the late seventies and early eighties, of course it worked. Overall registration numbers where well below 2 million. New cars were dear, OEMs raised prices by 2.5% every six months as regular as clockwork, and most used product was cycled back through the franchised dealer network.

OEM's were happy to sell more products. They nearly all had models that where the primary 'rental car' that still left headroom for retail product. The market was happy to absorb 'nearly new' as a low cost alternative entry point into acquiring a vehicle, and the daily rental boys enjoyed low, zero or occasionally negative holding costs. Everybody won!

Of course the gravy train got squashed. New car inflation became much more restricted. Overall volumes increased to 2.5 million. The price relationship between nearly new and new became much more convoluted. Retail outlets became more complex with the rise of the supermarkets, and there has been a huge reduction in franchised outlets. And the OEM's exposed their whole trim ranges to rapid cycle markets.

Add to this a body shop sector of cheap super minis, and management programmes that eased staff compensation issues and brought 'Christmas trees' onto used forecourts

All of this fuelled by incessant registration battles and exchange rate driven tactical opportunities created an environment where supply vastly exceeded demand.

Today, demand exceeds supply, registration numbers are sub 2 million, and the body shop clamour seems to have subsided   Nearly new used vehicles (which are now 20000 mile used vehicles) are in danger of bouncing off a glass ceiling against discounted new product.  The short term future for pure retail product in the current economy is challenging to say the least.

Is the environment right now to gently reverse some of this reduction is the supply of rental type product and to see the ex-rental are go back to a sub 20000 mile product?  I suspect registrations to this sector have halved over the last four years.  Is this the time for this trend to reverse? I think so. But it's not a band wagon.  Everybody pile on at your peril!

The ex lease sector is a different story altogether.

Today is spookily enough between three and four years since the banking crash all started in 2008. In the subsequent period we have seen factory shut downs, a scrapage scheme designed as apolitical expedient rather than any true industry support measure, and a period when the typical ex-lease product became more of a four year old phenomenon than the three years old one I grew up with.

The net result has been a de-fleet profile that is probably today at its low point.  Fleet registration last year where ok.  Product is going back on again nicely now.  It's just not coming off!

So, if you have an airfield and body shop, or if you are running a fleet of transporters, my guess is that you have got at least twelve months of lowish volumes to suffer.  Doubtless players will get taken out.  Getting prices right is going to be very tough, but I do believe there is light at the end of a rather long and bendy tunnel.

And if you're an OEM Fleet Sales Director – please be brave, but not too brave!

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