

Background

During the last 10-12 years the vehicle finance industry has gone through a major transition with contract hire becoming the most popular funding method, whilst it has some benefits and a degree of ease compared to more outdated options, it is certainly not the easiest to control or lowest cost option for fleets with over 30 vehicles nor does it provide the greatest level of flexibility. However, it does seem to have become the norm.

As a result of this growth in popularity we can identify two key statistics for Contract Hire:

- > Inflated fleet costs
- > Significant deterioration in the service levels from every provider.

This is mainly due to the consolidation within the industry, and reliance upon the ability of individuals to manage their costs balanced with competition and risk.

The Solution Managed Funding

In 2004 we developed Managed Funding, a new and different approach to control and manage the cost of leasing.

Why Managed Funding

Using Managed Funding will

- > Reduce leasing & finance costs
- > Improve flexibility & control
- > Enhance management performance

In addition to these significant benefits, in light of the current volatility and uncertainty within the market these benefits will be further enhanced as leasing rates rise and service levels fall.

Managed Funding - How it works

Instead of using a single or small selection of suppliers, TMVM use whichever one from potentially 50 suppliers is the most competitive. To facilitate this TMVM has established supply relationships with each of the top 50 leasing suppliers giving us the most competitive rates available.

FACT SHEET: 1-2

So once you decide which lease or finance product is the most beneficial we work to this simple process

- > Identify the appropriate suppliers and clarify the terms, conditions and credit facilities to provide a core of suppliers
- > When a vehicle is ordered TMVM request a quotation from each supplier
- > The most competitive is then verified and submitted for approval
- > Once approved, TMVM then order the vehicle and deal with all the administration
- > Once the vehicle arrives, TMVM arrange the contracts for authority and then organise the delivery of the new vehicle and collection of the existing vehicle
- > All correspondence from suppliers comes to TMVM in the first instance
- > TMVM authorise and verify all supplier invoices
- > TMVM hold regular reviews with all suppliers to deal with any issues
- > TMVM manage and administer all new and existing contracts.
- > The suppliers have no direct contact with the client and every item of spend is authorised by TMVM

Managed Funding Comparison

To demonstrate the benefits of Managed Funding we looked at the differential between the sourcing and management of a number of fleets through either one or a small selection of leasing providers (up to 4) compared with Managed Funding.

Our research showed that if you awarded a tender to or selected a supplier from the top 20 leasing suppliers in 2004, relatively your base funding costs to December 07 increased by 24%.

We have long known that the leasing industry has a reputation for submitting very competitive tenders/rates to secure contracts and then over the life of the relationship with the clients they increase rates to a point that reflects their required return or profit margin.

We can now prove that if there are 100 leasing suppliers there will be 100 different structures to set the pricing of a contract:

- > No single company will always be the lowest on every vehicle, regardless of the customer profile.
- > Our research during the last five years shows variances of up to £161 per month on cars under £40,000 and £458 on cars up to £70,000.

FACT SHEET: 1-3

Comparison Results

Fleet size 700

Comparing 15 of the top 50 leasing Suppliers.

The table below shows the original position of each of the 4 suppliers in terms of how competitive their rates were when the tender was awarded in 2004 then the 3 year position shows their performance out of 15 suppliers 3 years later.

Lease Co	Vehicle	Original Position	3 Yr Position
Leaseplan	VW Golf 2.0 GT TDI 5dr	1	9
	Audi A4 2.0 TDI SE 4dr	3	9
	Audi A3 2.0 TDI SE 5dr	2	5
	BMW 320d SE 4dr	4	11
Lex	VW Golf 2.0 GT TDI 5dr	2	6
	Audi A4 2.0 TDI SE 4dr	1	8
	Audi A3 2.0 TDI SE 5dr	4	7
	BMW 320d SE 4dr	3	7
Arval	VW Golf 2.0 GT TDI 5dr	3	7
	Audi A4 2.0 TDI SE 4dr	2	5
	Audi A3 2.0 TDI SE 5dr	1	11
	BMW 320d SE 4dr	1	5
Lloyds	VW Golf 2.0 GT TDI 5dr	4	2
	Audi A4 2.0 TDI SE 4dr	4	14
	Audi A3 2.0 TDI SE 5dr	3	8
	BMW 320d SE 4dr	2	12

- > The rental spread is up to £83 per month from the lowest to the highest
- > Based upon 48 months 100,000 miles
- > This has increased funding costs by over £750,000 in 4 years
- > Only one supplier had a competitive rate within the top four and had actually improved the rate over the 3 years

Management & Maintenance

TMVM provide bespoke management and maintenance solutions to compliment and enhance the benefits of Managed Funding.

These options will further reduce fleet operating costs and at the same time improve the level of support that our clients and their drivers receive throughout the contract.

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The basis of this product is to reduce the expenditure and number of man hours afforded to vehicle maintenance and operation; this should be viewed from the following perspectives

- > Actual cost of service, maintenance and repair (SMR)
- > Man hours lost by the business
- > Resource on day to day SMR & related issues
- > Technical ability
- > Fixed costs
- > Administration
- > Budgeting & forecasting

Prism Managed Maintenance

This is the most operationally practical and cost effective maintenance option where rather than paying a fixed amount per vehicle each month you pay only for what is spent on the vehicles, when it is spent. This improves cash flow on a rolling fleet and greatly reduces the overall cost of vehicle SMR.

This will reduce the average fleets maintenance costs by over 20%.

Shared Profit Contract Maintenance

If the Managed Maintenance option is not attractive we offer a shared profit contract, for any fleet with 30 or more vehicles. This method combines the best elements from all the maintenance products available, without risk, and still delivers savings, it can also be operated with any finance product or acquisition method.

Contracts are structured based on a period and mileage but at the end of the contract we calculate the amount paid to us and the amount spent. If we have spent less than you have paid we share the surplus, 80% to you 20% to TMVM with TMVM guaranteeing that provided that you don't exceed the mileage or damage the vehicle you don't pay more than the budget regardless of actual spend.

Our calculations show that a fleet of 100 vehicles using Managed Funding with either of the maintenance options will

- > **Reduce costs by over £150,000 based upon a 4 year cycle**
- > **Improve flexibility & Control**
- > **Reduce Internal administration and resource**
- > **Improve compliance with Road Risk Legislation & Health & Safety Laws**
- > **Provide an unrivalled level of support to the drivers**