

# DOERING LEASING CO.

April 2009 -- Fleet Management Services - New/Used Vehicles & Equipment - Nationwide Delivery - GREEN Fleet Specialists - Fuel Card Management - Maintenance Management - Accident Management, For-Profit, Non-Profit, Cash Flow Management, and Municipal/Government EXPERTS



## Doering Leasing Co.'s April 2009 EZine

Dear Adam,

Read on! The market is exciting and dynamic now. Opportunities are created daily.

Doering Leasing Co. welcomes our newest clients and appreciates your business greatly. We are a long-term partner focused on your success and satisfying your fleet needs. New clients are gold, but the old ones are platinum.

This newsletter is rich with relevant fleet information and is an easy read. There are tips on minimizing fleet operating costs, improving cash flow, and news on the auto and fleet industry. Doering Ezines are available to clients and non-clients alike as a service.

MUCH more information is available on [doeringleasing.com](http://doeringleasing.com) in the newsletter archive! We are industry experts and enjoy sharing our knowledge and information with you such that you can make more informed decisions.

We love to hear comments, ideas and feedback.

## Is the Sky Falling on the Auto Business?

Short answer - the non-committal "maybe" a lawyer would tell us to say. In reality, there are a few fundamental topics we need to

Issue: 19

DOERING LEASING CO.

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### In This Issue

[Is Leasing Domestic Vehicles Safe?](#)

[Green Fleet Discussion](#)

[Fleet Used Vehicle Leasing](#)

[Used Market Up and Down](#)

[Are Dealers Really More Expensive?](#)

[Managed Maintenance Programs](#)

[Most Reliable Vehicles](#)

[Vehicle Availability](#)

[Your Car's Federal Warranty](#)

[Non-Profit Leasing](#)

[Remarketing - Owned and Leased Vehicles Nationwide](#)

### Vehicle Availability and Orders

New-vehicle order-to-delivery timeframes have been commonly extended due to factory shutdowns, lower production and new vehicle demand. Locating vehicles out-of-stock has also become increasingly difficult as inventories have dried up. This assists dealers in managing interest-bearing holding costs downward, but makes out-of-stock orders a bit more

examine to come to any intelligible conclusion:

1) What is happening? Car sales are down from the 16-17M annualized new cars sold level to approximately 9.5-10.5M in 2009. That is terrible for new car dealers who rely primarily on new car business. The offsetting factors are numerous -- fewer used cars are being taken out of service. Rental companies are running cars longer; people are keeping cars longer; fleets are extending cycle times or selecting top-performing units to extend leases whereas, in the past, all units were replaced at specified intervals. Fewer vehicles being traded-in results in a shortage of supply. Some prudent operators (personal, for-profit, or non-profit) are selecting used vehicles instead of new. They are cheaper insofar as the amount of depreciation that has been sustained, though higher maintenance costs may result. The prospects for the used car market are incredibly strong for 2009, 2010, and potentially 2011.

2) Will I have a warranty? Educated guesses say yes and most industry experts think this question trite. The domestic auto manufacturers, GM and Chrysler in particular, are fighting for survival in a cyclone without a compass. Sadly, their product is better than ever, but the market can't absorb the product. See sidebar article on the Federal assurances behind GM and Chrysler auto warranties. This is the best way to answer the question clearly. --->

3) The media has published some great articles lately assessing the implications of the government bailouts. Though they are some of the smallest bailouts made since the Obama administration took office, the GM and Chrysler bailouts are newsworthy and make great headlines. The media has been reporting that the long-term implications of the bailout and government intervention will have a monumentally negative impact on the market share of domestic manufacturers. Others have indicated that Ford's viability will be questioned later than that of GM and Chrysler, but the resultant consequences of the prolific market change will have terribly detrimental impacts on Ford who may not be prepared for it. Ford, having refused government intervention, is the strongest of the Big 3 today, but once GM and Chrysler perform government mandated re-negotiations, restructuring and mergers, they should emerge more efficient and viable long-term. Theory may not equal reality and the answer is not as simple as the question we are sorry to report. The *Wall Street Journal* reported April 1, 2009 that Ford executives are getting nervous about their ability to renegotiate contracts and debt agreements without government support.

FLEET TIP -- 2009 will be a great year to acquire new and used vehicles and dispose of old vehicles. The shortage of older cheap vehicles in the market makes this a great time in every respect. Given the choice, Doering Leasing Co. urges fleets to acquire the necessary vehicles they will need in 2009, but continue to operate vehicles with clean maintenance histories and performance records for an extra year. It's prudent and suits the used-car market which

challenging. We are taking factory orders 4-6 weeks earlier in 2009 than we have in years past to ensure timely delivery. Order sooner rather than later to minimize acquisition cost and options.

\*\*\*\*\* USED vehicle prices and availability are still strong. Now is a great time to sell old vehicles and replace them. With the drops of 20-50% in new car sales from their peaks, the demand for late-model used cars and trucks is greater than ever. LEASING USED VEHICLES IS A BRILLIANT WAY TO EMPLOY NEARLY-NEW VEHICLES FOR SIGNIFICANTLY LESS EXPENSE.

In addition to periodic Ezines, Doering sends newsletters and other useful information. We guarantee it to be useful.

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#### Featured Article Obama's Auto Warranty

President Obama's administration just purchased a litany of new GM vehicles for use January 20th and beyond. Maybe his concerns over warranty center on his own breakdown on the streets of Washington DC. The following is President Obama's speech from March 30, 2009 about the current state of and fate of GM and Chrysler:

GOVERNMENT WARRANTY  
"It is my hope that the steps I am announcing today will go a long way towards answering many of the questions people may have about the future of GM and Chrysler. But just in case there are still nagging

dramatically favors buyers over sellers.

## Green Fleet News and Information to Green You

The Federal Government is now incenting businesses and organizations to buy green vehicles, but the reality of the situation makes it clear that green vehicles represent less than 1% of all vehicles operated in the United States (including trucks). In order to make a substantial impact.



Doering Leasing Co. is leading the charge in green fleet management. As an [EPA SmartWay](#) partner, our staff helps clients manage fleet choices to maximize fuel efficiency, usable life and minimize the carbon footprint -- all the while doing so with a sound economic footing. It is critical to remember that being green is terrific for the environment and planet long-term, but short-term it is critical to exploring what, if any, green premium there is in your fleet and if it is a justifiable additional cost.

*Automotive Digest* reports "It will take 10-20 years to reduce addiction to foreign oil without retrofitting current vehicles. Obama's campaign pledge to place 1M plug-in hybrids on road by 2015 is meaningless rhetoric. 1M alternate propulsion vehicles will hardly be noticed by 2015 among 300M gas guzzlers." The report goes on to state, "EPA \$50K+ per engine type testing has ensured virtually no retrofitting industry in US."

### MEDIUM AND LARGE TRUCK GREEN FLEET NEWS

WASHINGTON - As part of the Environmental Protection Agency (EPA)'s National Clean Diesel Funding Assistance Program, fleets are offered an incentive to go green - money towards a new, cleaner vehicle for each diesel truck *replaced*, according to Transport Topics. The \$156 million in funds, part of the federal economic stimulus legislation, is in addition to federal tax credits of \$6,000 to \$12,000 per vehicle.

Fleets can receive up to 25 percent of a new vehicle's cost for every diesel truck it replaces with a diesel-electric hybrid, liquefied natural gas, or other alternative-fueled engine. It goes without saying that the hybrid trucks cost 30-45% more than the standard diesel truck.

Private fleets must provide proof that an existing diesel truck has been taken out of service for each hybrid purchased and cannot

doubts, let me say it as plainly as I can -- if you buy a car from Chrysler or General Motors, you will be able to get your car serviced and repaired, just like always. Your warranty will be safe. In fact, it will be safer than it's ever been. Because starting today, the United States government will stand behind your warranty."

### **DOERING LEASING CO.** **2008 & 2009**

2008 was a record year for Doering. In a retreat to conservative business principles, cash flow management-minded CFO's and business owners took to leasing nationwide.

***Leasing is fundamentally safer and more flexible than ownership and provides firms with working capital and availability of credit, whether or not they currently need it.***

The collapse of the Big 3's leasing companies is not a sign of any market change away from leasing, but rather their inability to access capital in an incredibly capital-intensive industry with low margins. In the case of the Big-3, systemic losses due to unrealistic residual values put the nail in the coffin and sealed their fate. The Big 3's captive leasing companies were losing on average \$3500 or more on each lease-turn-in. The Big 3's retreat from leasing has been a boost for Doering.

Doering Leasing Co. and other reputable long standing leasing

apply directly for the grants.

However, manufacturers such as Eaton Corp. and Kenworth Truck Co. are offering these fleets assistance with the applications. Dontia Warren, Eaton market development manager, said Eaton has been working with industry experts, nonprofit organizations, and professional grant writers to help fleet owners complete grant applications, according to TT.

"If applicants fail to get the grant, they don't have to go through with the purchase," Warren said. "There is a sense of urgency to our effort, since the submission period for EPA regional applications...ends April 27. **Our goal is to identify all of our customers who qualify and want to take advantage of this opportunity by no later than April 1.**"

#### **AT&T ADDING 15,000 GREEN TRUCKS:**

AT&T Inc. said on March 11 it will replace or buy about 15,000 vehicles that run on alternative fuels, according to Reuters.

AT&T will spend \$565 million over 10 years to stock its corporate fleet with cars and other alternative-fuel vehicles. AT&T says the investment would be the biggest of its kind by a U.S. company, significantly lowering the company's fuel costs.

[This article does not state that AT&T will save money, but simply that fuel expenditures will decrease.]

CONTACT DOERING LEASING CO FOR MORE INFORMATION.

Other GREEN FLEET resources:

[Green Driver](#)  
[Federal Gov't - Diesel Emmissions Reduction Act \(DERA\)](#)

## Fuel Economy Tips of the Month

*The EPA publishes the lists of most economical vehicles at:*

#### [EPA FUEL ECONOMY WEBSITE](#)

In general, the following are some key items will save dramatically on fuel bills:

- No jack rabbit starts (accelerate slowly and consistently)
- Coast to red lights - minimized fuel use and brake wear and

firms continue to operate with availability to capital for credit-qualified clients in the same method as has been used in the fleet industry for over 70 years.

Residual values are set accurately to reflect market conditions. The most promising aspect is lower acquisition costs across the board.

You caught us -- this is an article from the last newsletter.

That said, in these times, we continue to get questions about the state of the auto industry.

### Proper Leases are Made

Leasing can be done well or done poorly. Over 20 years, Doering has seen hundreds of firms with positive and negative experiences. Like all finance products, the correct use and application is critical to success and satisfaction.

The summary of the experiences is simple - good leases are made in a harmonious partnership with your leasing provider. Done properly, leasing is the best option for businesses. Done improperly, leasing can leave a very sour taste in one's mouth.

The key factor is finding an experienced fleet partner who wants to structure proper leases, not based on a fixed depreciation percentage or formula, but specific to the needs of the company, application of the vehicle, and client goals for lease-end charges.

Leasing has poetic license; leases can be adjusted with increased or decreased depreciation rates to suit a specific client need or set of

keeps speed.

- Steady foot - a steady speed is much more efficient than constantly accelerating and decelerating
- Keep vehicle tires inflated properly
- Minimize extra weight in vehicle.
- Keep windows closed / pickup bed UP

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## Wholesale Prices and the Current Market

OPENLANE Releases Market Index; Prices Continue Strong

On March 16, OPENLANE released its March Market Index, which showed price improvements among cars, trucks, minivans and SUVs.

According to the OPENLANE, the value for cars has risen for two consecutive months after peaking in September 2008. However, cars are still 8 percent below the value level of February 2008. SUVs still remain 4 percent below their February 2008 mark; however, SUVs have been on an upward track since December 2008.

Additionally, the company says both trucks and minivans have risen about their price points registered a year ago. Vice President of analytics for OPENLANE Nagi Palle said the market has somewhat recovered from the third and fourth quarters of 2008.

However, Palle said dealer interest in trucks have dropped 13 percent, putting the level below the February 2008 point. SUV interest has slipped 6 percent.

needs. Much like a meal, salt and pepper can be adjusted from a recipe to suit specific goals and needs. Some firms prefer to be conservative and have equity at lease-end.

Some shoot for zero-chargeback while others under-depreciate and expect a lease-end adjustment bill. In summary, good leases are made with good leasing partners and are the perfect collaboration of all interested parties.

## RELIGIOUS/NON-PROFIT LEASING REPORT

Doering Leasing Co. has been assisting non-profits with aged vehicle liquidations and new vehicle leasing more than ever.

Through a booming stock market, many religious and non-profits heavily invested in the market were soft on leasing. Unfortunately, this positioned them poorly for the downturn and led to steep, often crippling organizational cash flow and longevity concerns.

Since, there has been a retreat to conservative leasing in the fleet and non-profit sector. The funds are invested in the market rather than tied up in depreciating vehicles. Stocks< ETF's and mutual funds are purchased at below-market prices and awaiting the market's return in the next two years.

Now is a great time to begin leasing or retreat to leasing.

Sale-and-leasebacks are increasingly common as they generate capital immediately, capital that can be invested and utilized for current and future needs.

## Dealer Repairs or 3rd Party Repairs?

### AAIA Study: Vehicle Repairs Cost an Average 34% More at New Car Dealerships Than Independent Repair Shops

Vehicle repairs cost an average 34 percent more at new car dealerships than at independent repair shops, according to a first-of-its-kind study just released by the Automotive Aftermarket Industry Association (AAIA).

The study reveals differences in the costs of parts and labor between domestic and import vehicle nameplates and from city to city. Per the study, consumers in Los Angeles pay as much as 46.8 percent more at dealerships than independent repair shops for repairs. The cost to consumers of specific repairs also varies widely. For example, researchers discovered the average cost for radiator repair for a foreign nameplate vehicle, including parts and labor, is \$325.99 higher at a dealer than at an independent shop; and the cost to purchase and install front brake pads on a foreign nameplate vehicle is \$138.92 more at a dealer than at an independent shop.

AAIA's Vehicle Repair Cost Analysis: Comparing New Car Dealerships vs. Independents looks at the parts and labor costs of 10 vehicle repair jobs for domestic and foreign nameplate vehicles in six cities across the country, including Boston, Newark, Atlanta, St. Louis, Los Angeles and Seattle. Highlights of the study include:

Vehicle repairs for parts and labor averaged 34.3 percent more at new car dealers than at independent repair shops. Foreign nameplate repairs performed at dealers averaged 36.8 percent more than at independent repair shops while repairs performed on domestic nameplates averaged 31.5 percent more at dealerships than at independent repair shops. Total 2008 cost difference for consumers having repair work performed at car dealers rather than independent repair shops for the 10 jobs equaled 11.7 billion.

*Courtesy of Automotive Digest*

## Fleet Managed Maintenance Services

Fleets with a sizeable number of vehicles often employ a managed maintenance service, commonly part of their leasing relationship. A managed maintenance service provides several key benefits:

- Outsourced authorization for repairs and maintenance
- Free-up time spent on mundane tasks
- Experts (professional mechanics) authorize repairs from repair shops
- Managed maintenance service has each specific vehicle's repair history on a computer and readily accessible.

J. Paul Getty teaches: "*Buy assets that appreciate; lease assets that depreciate.*"

Be prepared for the worst and hope for the best! Most importantly, capital will sustain a religious or non-profit whereas a fleet of vehicles will not. This is just one more example of a time when cash is king.

### Energy Outlook for March

EIA lowered its revised projection for world oil demand in 2009. Ongoing global economic contraction uses less oil. US real gross domestic product is expected to decline 2.8% this year. World GDP seen down 0.8% followed by 2.6% growth rate in 2010.

#### Significant Points

EIA also adjusted its price outlook for retail gasoline up this year to average \$1.96/gal. It dropped its forecast for diesel prices this year to average \$2.19/gal.

EIA expects a recovery in 2010 adding 0.9M bpd to this year's 1.3M global consumption. It had previously estimated a 1.2M bpd recovery in 2010.

Total US consumption of liquid fuels in 2008 declined almost 1.3M bpd (6.1%) from 2007. Global oil consumption was 1.4M bpd in 2007.

- Repair requests are manually authorized by managed maintenance service.
- Consolidated monthly billing
- No need to reimburse drivers / issue credit cards
- Eliminate fighting / questioning repair shops
- 24/7/365 hours
- Low monthly fees
- All repair shops can be used. Out-of-network shops (local repair shops) carry a 10% cost premium typically.

Often times, managed maintenance services will afford glass replacement/repair and roadside assistance services as well. The cost of using such a service is far less than the cost of paying someone internally (without expert knowledge and the technology) to manage the process. It should free up your staff to work on more important projects.

A managed maintenance product is often used in conjunction with a **fleet fuel card program**. The fuel card tracks vehicle mileage and consolidates fuel expenditures onto one monthly bill as well. Accident management services are available as well, but typically employed when a fleet is self-insured for physical damage.

Contact Doering Leasing Co. for more details.

## Average Vehicle Age is Increasing

The median age of passenger cars in operation increased to 9.4 years in 2008, breaking the previous two-year record high of 9.2 years, according to figures released on March 3 by R. L. Polk & Co. in its annual vehicle population report.

The median age for all trucks in 2008 increased to 7.6 years from 7.3 years in 2007. Light trucks increased from 7.1 years in 2007 to 7.5 years in 2008. Polk's annual vehicle population report represents data from July 1, 2007 to June 30, 2008, following an in-depth analysis of more than 249 million vehicles.

"As the fleet of pick-up trucks, SUVs and minivans purchased in the late 1980s and through the 1990s ages, their scrappage rates accelerate," said Dave Goebel, solutions consultant for Polk's aftermarket team.

The percentage of total passenger cars and trucks scrapped in 2008 increased to 5.6 percent compared to 5.2 percent in 2007. The passenger car scrappage rate was 5.1 percent. For all trucks the scrappage rate was 6.3 percent and light truck scrappage was 6.4 percent, both up notably from 2007.

"The current economic environment, coupled with high gas prices last spring and summer, have resulted in consumers delaying

## Doering Remarketing Grows in Depth & Breadth

Doering Leasing Co. has operated a remarketing department for 20 years. 12 months ago, Doering surprised the department and added the following services to satisfy the demands of our customers in addition to the traditional fleet remarketing duties all firms offer. You may find them useful in your fleet. Doering is dynamic and trying to help fleets focus on core competencies to every extent possible:

- Owned Vehicle Remarketing (cars, trucks, equipment)
- Nationwide Owned Vehicle Disposition
- Internet Remarketing - closed dealer auctions open the audience up
- Used Vehicle Acquisitions for Fleets

and much more!

Ask your Doering Fleet Manager for more information.

purchases of vehicles because their discretionary income has fallen," said Goebel. "Based on the uncertainty of what the future holds, consumers are trying to keep their current vehicles running longer, until their confidence improves."

Polk analysts also anticipate that in bad economic times, the threshold of repair costs may increase. Consumers could feel as though paying a repair expense to keep the vehicle going for a year is more sensible or affordable than a monthly vehicle payment over an extended period of time. Fleets tend to maintain cycle times or extend them only slightly because of the focus on up-time and client satisfaction.

*Courtesy of Business Fleet*

## Consumer Reports Top 10

Consumer Reports rating of the 10 most reliable vehicles includes 5 Toyotas (Rav4, Sienna, Highlander, Prius and Lexus LS460) as well as Chevrolet Avalanche (the only domestic) and Mazda MX5, Hyundai Elantra, Infiniti G37 and Honda Accord.

Chrysler ranked 15th overall (last place) while GM ranked 14th and Ford 12th. 70% of Ford vehicles were recommended picks by CR, but none from Chrysler. Of 41 listed as Best Values, 35 were Japanese branded.

*Courtesy of Automotive Digest*

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