

The smart approach

to managing
vehicle life cycles

AA

Foreword



Edmund King OBE
AA President

As we continue to face unprecedented times, governments, policymakers and manufacturers are making decisions that will shape the future of UK transport for decades to come. We consider the current political landscape and the impact of emissions legislation to be among the most significant opportunities currently facing the fleet sector.

While the immediate future and the impact of COVID-19 may cause some debate and uncertainty, there is much to look forward to in the long-term. New technologies are changing our vehicles and the ways in which we interact with them. From novel powertrains to autonomous systems, this is an exceptionally exciting era for the transport and mobility industry.

The role of alternative powertrain and ultra-low emission vehicles will be central to future fleet composition. Advances in autonomous safety systems will make vehicles and drivers safer than ever before. Live data capture and analysis is providing fleet managers with greater understanding and power, allowing them to fine-tune their operation in innovative ways.

While many harbour natural reservations about these systemic changes, we are working hard to ensure we are equipped to meet our customers' future requirements.

We have a long-established history of working with fleet managers to deliver high-quality services that keep their vehicles on the road. As we expand into new business areas like Service, Maintenance and Repair (SMR), we are bringing that same level of dedication and understanding to deliver world-class customer service.

We have invested in the development of data technology and digital platforms to better support a new approach to predictive and preventative maintenance. We are going beyond breakdown to provide services that enhance your business and relieve the administrative burden.

While connectivity, autonomy, electrification and ownership patterns may dominate the headlines, other issues like residual values, the aftermarket and environmental requirements are no less relevant.

We hope you are keeping safe and well in these uncertain times and find this report useful as you plan your fleet strategy for the coming years.

Executive Summary

Although we face many challenges across the globe due to the current pandemic, it is undoubtedly still an exciting time to be a part of the automotive and transport sectors. Navigating new health and safety measures, economic uncertainty, political transition, rising costs and regulatory changes are the concerns of all. Meanwhile, the industry is working hard to address the ambitious clean air agenda outlined by the Government by curtailing emissions and opening itself up to alternative powertrain vehicles (APVs).

Of the just over 40 million vehicles currently on UK roads (Source: SMMT), more than 828,000 already fall under the APV category. As a greater number of manufacturers develop vehicles for the space, and the associated costs come down, we are seeing widespread consumer interest and adoption.

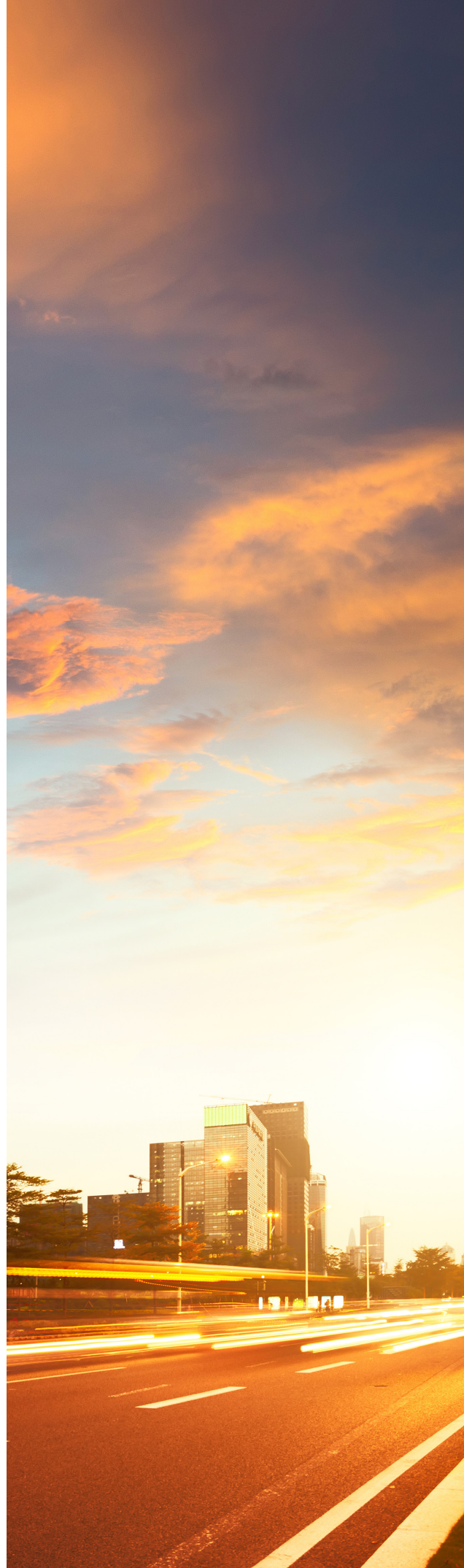
To better support our customers, we are investing in key services and expanding our fleet offering. Digital innovation will allow for greater emphasis on the needs of individual customers, reducing fleet downtime and improving efficiency.

A key area in which we are working to deliver successful outcomes is vehicle recalls. It may come as a surprise to learn that one in thirteen cars in the UK is subject to an outstanding recall notice (Source: DVSA).

Approximately one million vehicles are called back each year under the vehicle safety recall scheme. The onus is on finance houses, fleet companies or businesses to ensure customers and drivers are equipped to deal with defects promptly.

In pursuit of our ambition to provide drivers and fleets with an end-to-end operational experience, we acquired Prestige Fleet Servicing (Prestige) in early 2019. SMR is a vital aspect of fleet management that is being transformed by advances in technology. Prestige is playing a key role in our ability to meet the planned and unplanned needs of customers now and into the future.

We are going beyond breakdown and moving quickly to support our customers. From easing the burden of administration to providing greater insight into breakdown and recovery progress, we are committed to providing complete service solutions that maximise business uptime.

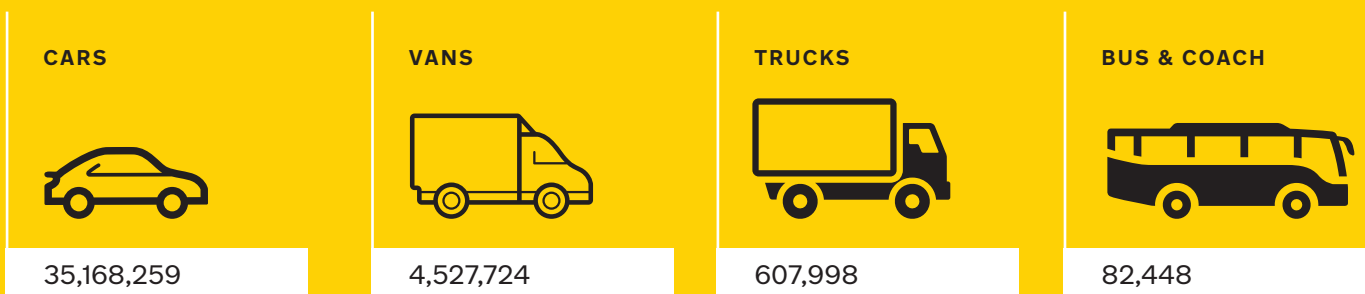


State of the market



On the road today

There are just over 40m vehicles on the UK roads, with a rapidly growing alternative powertrain parc of more than 828,000 vehicles. Despite taking a hit, diesel still makes up around a quarter of the market share of new cars. The fall in diesel sales has corresponded to a significant increase in demand for petrol and alternative powertrain vehicles (APVs).



(Source: SMMT)

A period of transition - The 'Road to Zero'

To hit emission reduction targets and improve air quality, the UK is relying on the roll-out of APVs, investment in active travel, shared and public transport, and the introduction of further clean air and low emission zones.

Transitioning to alternative fuels is arguably the biggest opportunity the fleet industry has ever faced, but, with opportunity, comes change.

There is already a significant trend, in both vehicle design and sales, towards these new technologies.

Many of these APVs fall within the category of ultra-low emission vehicles (ULEVs). There are currently more than 226,000 ULEVs on UK roads, the majority of which are hybrids, plug-in hybrids and battery EVs. These vehicles emit less than 75g of CO₂ at the tailpipe per kilometre travelled. The Government is seeking views on bringing forward an end to the sale of new petrol, diesel and hybrid cars and vans from 2040 to 2035, or earlier if a faster transition appears feasible.

Light Commercial Vehicles

As the largest growing vehicle sector, vans have a key role to play in transport policy. Despite 99% of vans currently on the UK roads being diesel and 80% being pre-Euro VI, the UK Government's 'Road to Zero' report states its desire to see 40% of new vans registered by 2030 as zero-emission. While these targets may be ambitious, drivers are supporting measures to clean up air quality and reduce CO₂ emissions.

Although the LCV sector grew 59% in the nine years up to 2019, there is evidence that operators are running vans for longer, with 30% of vehicles over ten years old. However, with the introduction of the Government's banded CO₂ scheme in 2021, emissions will become significantly more important to first life owners.



of UK vehicles are LCVs



people in the UK use LCVs for their work



of UK workforce rely on LCVs

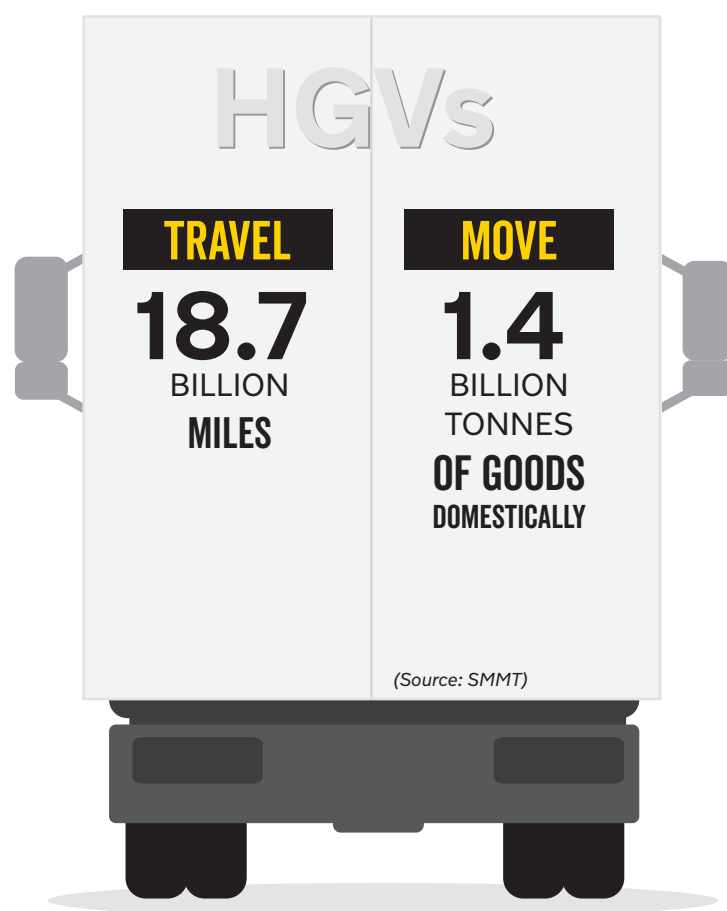
Heavy Goods Vehicles

75% of UK freight is moved by road, HGVs are crucial to the UK economy and the delivery of essential goods and services, but, have come under fire for their significant contribution to greenhouse gases and NO_x.

Unlike cars and LCVs, there is currently no obvious viable mass-market alternative to diesel-powered HGVs. Current energy storage solutions, powertrains and infrastructure do not cater to the high demands required by these vehicles. When it comes to cost-effectively carrying a heavy payload and driving long distances without refuelling, alternatives are often viewed as poor replacements for diesel.

This is a significant challenge facing fleet managers who must simultaneously cater to rapid and dynamic regulatory change and the viability of 'cleaner' alternatives for their operational requirements.

While Euro VI HGVs produce 80% less NO_x and 66% fewer soot particles than Euro V counterparts, the effect of these cleaner engines has not yet been realised. The average age of UK HGVs is around 7.5 years, meaning the 2015 introduction of Euro VI will make little difference until fleets are refreshed. Fleet renewal is seen as one of the fastest ways to improve the HGV sector's emissions.



57% of fleet managers expected to convert their fleets to EVs IN THE NEXT FIVE YEARS

Fleet management opportunities / EV opportunities

There's a definite excitement in the air about moving to alternative powertrains. More than half of fleet managers (57%) who participated in our 19/20 Operational Fleet Report with Rivus Fleet Solutions said they were expecting to convert their fleets to electric vehicles (EVs) in the next five years.

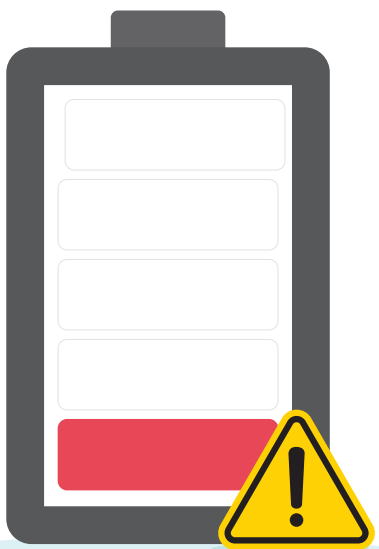
The report showed employees are likely to be more favourable than owner-drivers when it comes to jumping into a new EV, due to the lower perceived personal cost and risk.

Furthermore, fleet operators interviewed in the research suggested drivers were responding positively to the EV driving experience, with comments about a smoother, quieter drive often repeated. In addition, three quarters (73%) of those surveyed felt EVs could be better for drivers' health than diesel or petrol vehicles.

However, while 13% suggested they would choose an EV as their next vehicle, there is still some doubt among managers around charging infrastructure and cost.

Three quarters (75%) still expect to be using diesel in their fleets in five years' time, suggesting, while change is on the way, it won't necessarily be dramatic. Ultimately, fleet managers and business owners agree with the aims of dealing with air quality but they also need to be confident that switching will save money, increase productivity and reduce downtime.

APVs are not the only pressing issue. Increasingly, the operational use of real-time information is no longer an aspiration but an expectation. For fleet managers and transport operators to make business-critical decisions, they need to be equipped with the data and insights that will inform their approach to vehicle selection, route planning, driver behaviour and supplier management. However, the power of data depends entirely on how it is interpreted and acted upon.



EVs at the roadside

While EV breakdowns currently represent a small proportion of our overall workload, the EV parc is expected to grow substantially.

Reasons for call-out differ slightly to traditional combustion engine vehicles. The most common reasons are:

- Tyres
- 12v battery failure
- High-Voltage (HV) battery out of charge
- HV battery fault
- HV charging equipment

Interestingly the reason for call-outs on HV charging equipment is often not due to a failure but related to the operation of this emerging technology.

Air quality

As the government pushes further forward with plans to clean up air quality and reduce CO₂ emissions, we will start to see the impact of the build-up to the ban on new petrol, diesel and hybrid cars in the UK.

The ongoing moves to bring forward the ban form part of a package to reduce the UK's emissions to net zero by 2050. Manufacturers, infrastructure providers, lease companies and, indeed drivers, need to gear up for the next steps of the green revolution.

Autonomy

New vehicle safety measures continue to develop as we move towards further autonomy. Advanced Driver Assistance Systems (ADAS), such as lane assist, driver fatigue detection and emergency braking, aim to cut traffic collisions and reduce fatalities on the road.

ADAS is paving the way towards fully autonomous vehicles. According to last year's Operational Fleet Report, fleet managers believe autonomous vehicles will roll-out with certainty once practical considerations have been addressed.

63% agreed autonomous vehicles would represent a positive opportunity for operational fleets, offering safety benefits as well as a reputational effect of being innovative. However, just 29% stated they would expect autonomous vehicles to be used in operational fleets within five years.

Data and connected vehicles

The global market for connected cars is expected to grow 270% by 2022 (Source: PWC). While connectivity and mobility currently make up less than 3% of industry revenues, this is predicted to hit 30% by 2030. The uptake will be bolstered by the hotly anticipated shift from 4G to 5G, allowing for the rapid transfer of high-volume data. Connected vehicles represent a significant opportunity for vehicle health monitoring and preventative maintenance, but issues surrounding data ownership will be a core challenge.



Recalls Insights

Each year, around a million vehicles are called back for safety checks or repairs under the vehicle safety recall scheme. Often, such recalls relate to airbags, fuel, brakes, steering, fire risk or seat belt fitting – components or systems that are essential to occupant safety.

Safety recalls are covered by the Driver and Vehicle Standards Agency (DVSA) code of practice and include; passenger cars, commercial vehicles, buses, coaches, trailers, agricultural vehicles, motorhomes and caravans.

Surprisingly, DVSA figures suggest one in 13 cars in the UK is subject to an outstanding recall notice. The onus is on finance houses, fleet companies or businesses to ensure customers and drivers get defects dealt with promptly.

Alongside duty of care obligations, fleet operators and business owners risk fines or prosecution if vehicles are not maintained appropriately or sold on with an outstanding recall. In addition, ignoring the notice could impact upon insurance validity and pay-outs in the case of any claims. It is up to fleet operators to ensure drivers understand their obligations when it comes to booking in remedial work and dealing with recalls.

1 in 13 cars in the uk is subject to an outstanding recall notice



57%
OF DRIVERS

Would like an alternative to taking a recalled vehicle to the dealership

61%
OF DRIVERS

Would be more likely to respond if a delivery and collection service was provided

53%
OF DRIVERS

Would be more receptive if a technician could come to their home or workplace

(Source: AA Populus Driver Panel)

Swift and clear communication is key

If a make or model is affected by a recall, the manufacturer will write to the registered owner of the vehicle outlining what the defect is, what repair is required, and how drivers should respond. In the case of fleets, this will detail the registration numbers and VIN records for those vehicles affected, and direction on how operators should communicate the required actions to their drivers.

Fleet operators should let their drivers know as soon as possible how the recall will affect them and what action they can take to get their vehicle fixed. The DVSA can provide guidance and template communications if required; however, the manufacturer should also supply clear and concise instructions tailored to the fleet sector.

Recall support from the AA

While the DVSA is encouraging operators to take advantage of text, email, advertising and marketing channels, we want to help fleet companies and finance houses go one step further in the push for recalls response.

Responding to demand for greater convenience and flexibility in the process, we are working with manufacturers to develop a complementary mobile recalls servicing team, to operate alongside the existing dealer network. Examples include sending AA technicians to the Scottish islands to carry out planned recall work on behalf of a manufacturer as well as pilot programmes conducted on a regional basis to support dealers managing a backlog.

Understanding the driver

AA Populus Driver Panel data suggests that...

75%

Of drivers are familiar with the recalls process as a concept

42%

Don't know specifically how to check for a recall on their vehicle

57%

Of drivers want to do the responsible thing and respond to a recall, but feel it is an inconvenience

6%

Admit to ignoring a recall notice



Service, Maintenance and Repair

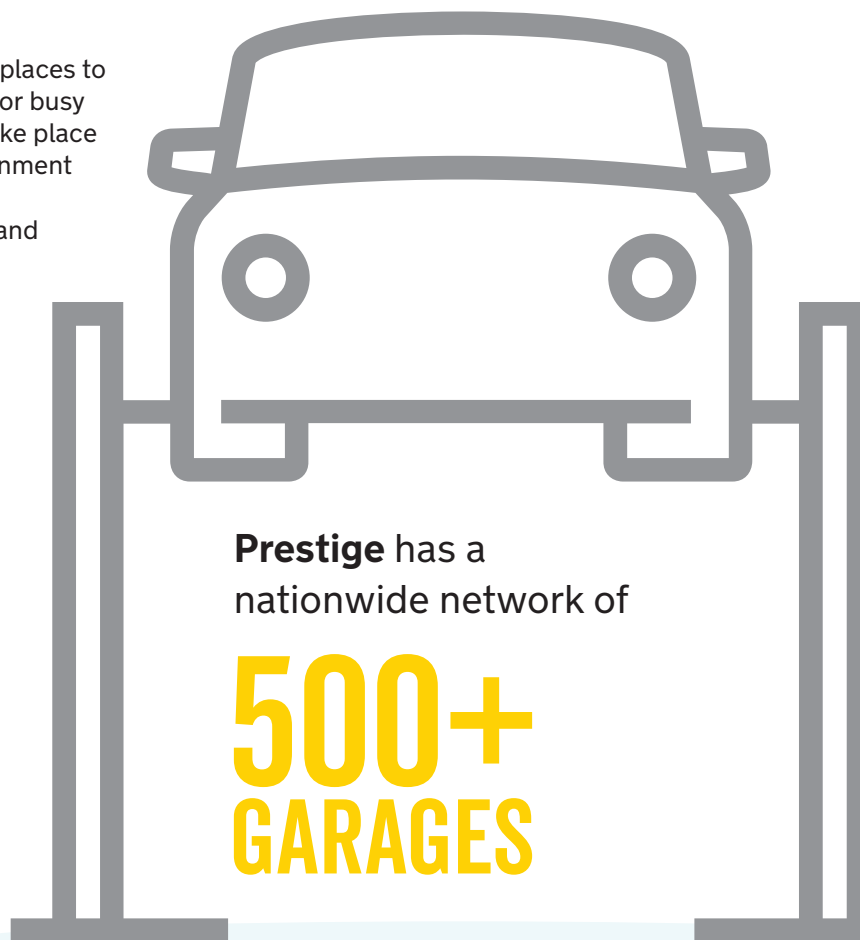
Service, Maintenance and Repair (SMR) is a vital aspect of fleet management that is being transformed by advances in technology. Fleet managers now have access to a multitude of data, smart solutions promising revolution and opportunities to expand into the growing mobility landscape.

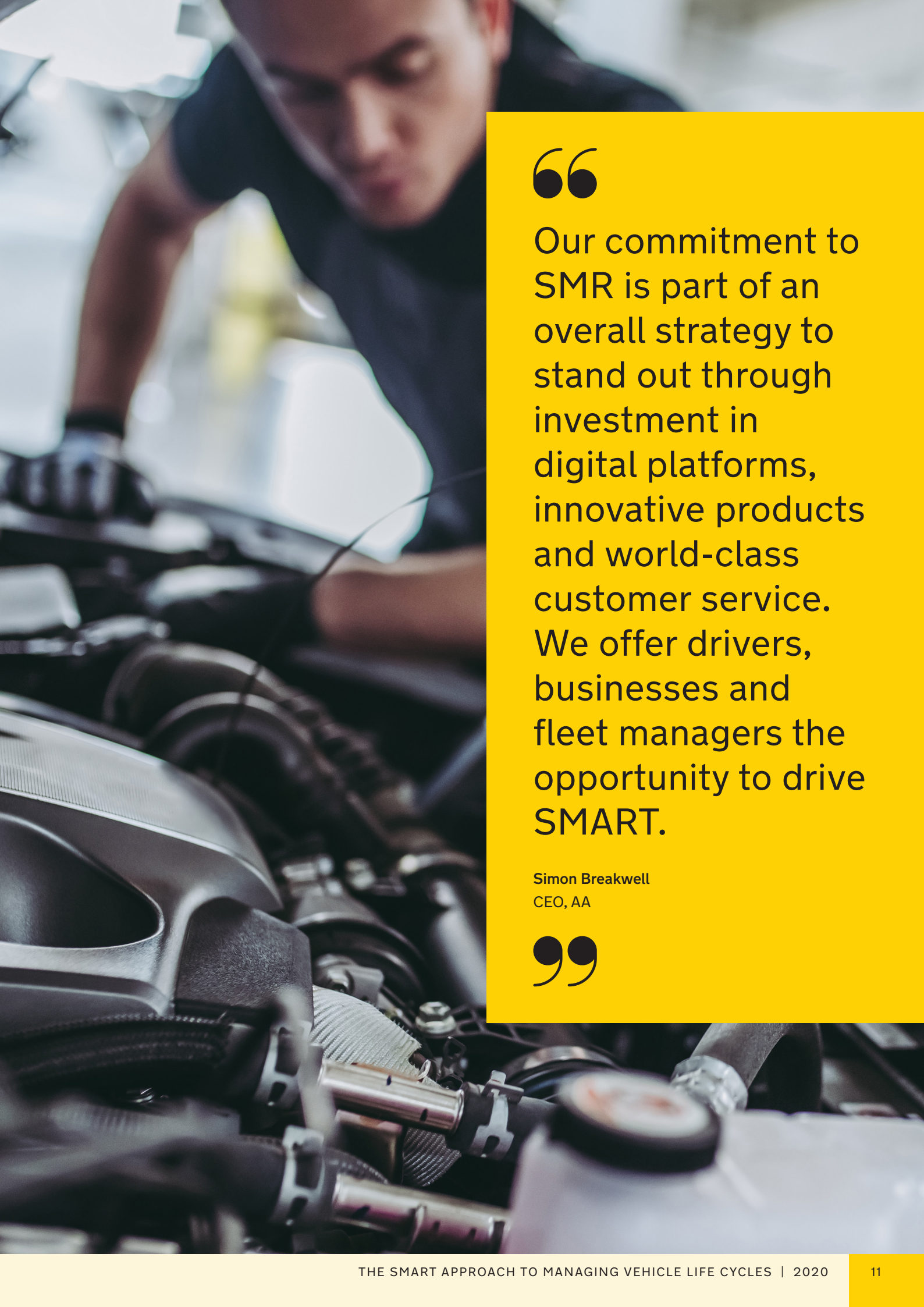
In February 2019, we acquired Prestige Fleet Servicing (Prestige), a technology-led supplier of SMR to the fleet and leasing sector. Through AA Prestige, we are addressing the planned and unplanned needs of businesses and drivers, providing a robustly operational end-to-end experience enhanced by technology.

Over time, our technicians will attend homes and workplaces to undertake planned maintenance, reducing the hassle for busy drivers and fleet managers. Be assured this will only take place once it is safe to do so and in line with the latest government health and safety advice. It will incorporate a booking facility, transparent upfront pricing, vehicle collection and return, alongside mobile servicing.

AA Prestige already works with more than 60% of the fleet sector, offering SMR across a nationwide network of more than 500 garages via an automated software platform, UNITY. It has marked a 25% increase in its audited independent network over the past 18 months. A third of AA Prestige centres have EV capability, and training is being made available to the rest of the network over the coming months.

AA Prestige has seen double-digit new customer growth, while around 70% of garages remained open during lockdown, supporting key workers and their vehicles to remain on the road. The team also assisted a vehicle manufacturer with warranty repairs whose own network was temporarily closed. AA Prestige is also working closely with the network to provide guidance around best practice procedures on servicing sanitisation, vehicle handovers and safe working conditions.





“

Our commitment to SMR is part of an overall strategy to stand out through investment in digital platforms, innovative products and world-class customer service. We offer drivers, businesses and fleet managers the opportunity to drive SMART.

Simon Breakwell
CEO, AA

”

Beyond Breakdown

As part of our commitment to customer service, we work closely with partners to develop innovative solutions that go beyond breakdown. We seek consultative relationships, rather than transactional or price-led contracts. In recent years, we have invested heavily in front line support and technological innovations.





Rescue Tracker

Almost 50% of business breakdowns are now tracked via our innovative and award-winning *Rescue Tracker* system, providing increased oversight and reassurance to fleet managers and their drivers.

Since the Rescue Tracker application was rolled-out, calls from business drivers and their fleet managers requesting live job updates have decreased by almost 20%, while digitally-tracked breakdowns continue to rise.



Accident Management

The risk of accidents is an ever-present consideration for business vehicles and fleets. They can be traumatic for drivers and negatively impact a business. We offer an end-to-end accident management service that makes it as easy as possible to get customer vehicles back on the road.

The service uses dedicated incident coordinators to manage every aspect of each case, including repairs, liaising with insurers, legal services and uninsured loss recovery.



To ensure drivers are capable and operate safely, DriveTech, from the AA, offers innovative fleet risk and driver training solutions. These help fleet managers ensure legal compliance, improve driver competence and reduce operating costs.

During the COVID-19 pandemic, DriveTech has successfully moved its classroom-based sessions to a digital platform and continues to deliver its essential training to businesses across a range of sectors.

There is a free DriveTech toolkit at www.drivetech.co.uk to guide drivers and anyone managing a driving community on readjusting to getting back on the road safely during this unprecedented time.

DriveTech work with the Energy Saving Trust as a recognised official partner and provide an eco-driving component of their on-road driver training to encourage road-users to drive economically as well as safely.

In addition, they have seen an uplift in interest in their EV familiarisation training courses. Practical and real-world, they help drivers and fleet managers appreciate the benefits of EV, as well as helping to dispel any concerns or queries in advance of greater adoption, and to help accelerate fleet driver acceptance.



The Future

In today's rapidly changing environment, it's more important than ever for businesses and fleets to have a partner that understands the challenges they face and how to address them.

From understanding the very latest impact of the COVID-19 pandemic on operations, to current emissions legislation and ensuring the uptime of newly acquired APV fleets, we are ready to support our partners and customers with whatever they may need.

Whether you prefer to talk about downtime mitigation or uptime resourcing, knowing that your vehicles will be available where and when you need them is integral to ensuring a 'drive smart' approach to fleet management. We can reduce your administrative burden while also safely taking care of service, maintenance and repairs – freeing you to focus on growing your business.

As ever, we are dedicated to ensuring the safety of everyone we work with and we continue to evolve our operations in line with government guidance during this time. However, our focus on keeping the nation safe on the road, increasing awareness around important issues and helping fleets stay abreast of the latest developments remains firm. Our expansion into SMR places the AA in an excellent position to provide businesses and fleets with a complete vehicle life cycle solution.

We are working hard to prepare the AA for the industry's future challenges, building upon the world-class customer service and capabilities already trusted by many of the UK's fleet managers.



Gavin Franks
Director Business Services, AA





“

Few are better placed to understand the challenges facing the fleet sector. Through dedicated research, we are delivering crucial information to help inform decisions within the industry.

Gavin Franks
Director Business Services, AA

”

There are more than 4 million vans and trucks on UK roads. As the UK's most popular breakdown cover provider, we cover a large proportion; 65% of the UK's top 20 car and van fleets.

We serve almost 10 million business customers, attending 3.5 million business and personal breakdowns each year. Offering 24/7 assistance, 365 days a year, we also support more than a quarter of sole traders who operate vehicles and invest in breakdown cover. We have more highly skilled mechanics than anyone else, almost 3,000 of them.

Our cutting-edge technology and expert mechanics mean we can fix 8 out of 10 cars at the roadside.

