



UNION
LEASING

SEPTEMBER 2008

NEWS AT A GLANCE

- ULI MANAGEMENT ATTENDS AFLA CONFERENCE
- CLIENT PORTAL SERIES PART 3
- INCREASE FLEET DEMAND FOR 4-CYLINDER ENGINES
- FORD FINAL ORDER DATES
- FUEL PRICES START TO EASE
- 2009 MANUFACTURER WARRANTIES

Union Leasing Management attended and was a sponsor at the Automotive Fleet and Leasing Association (AFLA) Conference in Phoenix from September 10th-12th, 2008. "Road Map to the Future" featured speakers from around the country discussing the future of automotive technology and the industry as a whole. It's bound to be an unbelievable ride if you believe all that we heard.

Larry Burns, VP of Research for General Motors, said that we are likely to see more changes in the automotive industry in the next 10 years alone than we have seen for the last 40.

Challenges or opportunities exist everywhere when the manufacturers are faced with fulfilling government mandates or choosing the directions they'll need to take to survive and thrive in these exciting next ten years. All have significant cost attached to them and will be measured carefully to stay competitive in the global marketplace.

CAFÉ emission requirements, legacy costs, the used vehicle market and the subprime crisis, platform sharing, what vehicles to produce and how many, energy diversity with electricity, hydrogen, propane, ethanol, fuel cell and solar playing major parts, current fuel prices, green environment sustainability issues, government regulations, cross manufacturer partnerships, technological advances in telematics, retail leasing decisions and more are coming at a rocket's pace to the manufacturer daily. Not to mention keeping up with the economy, weather challenges, rail shortages or the fact that 15 million more Baby Boomer teen age kids will be driving cars by the year 2015 with Boomers not wanting to give up their own driver's licenses. Talk about congestion problems!



Automotive Fleet & Leasing Association

<http://www.aflaonline.com>

are the future as gasoline costs 13 cents per mile and electricity 2 cents per mile to run. Battery technology will improve dramatically as more power is stored and faster acceleration is accomplished. The United States is the worldwide leader in lithium production, so the resources are already here. We'll need to make the right decisions. The country of Brazil is already 100% dependent on producing fuel from sugar cane and use no petroleum; sugar is abundant there. Minnesota is the leading ethanol user; facilities to store ethanol are available there.

From a risk management standpoint, Broadcast frequencies will be so advanced that cars will be able to talk to each other thus averting collisions. Early warning lights and sounds will warn you three distinct times of an impending encounter with another vehicle

These are just some of the areas that are bound to bring us into the next generation of the automotive industry. It sounds exciting and Union Leasing wants to be on the knowledge forefront of this exciting future.



CLIENT PORTAL PART 3 OF 4

Our Client Portal has been structured to allow you to easily access vital fleet information with the click of a mouse button. This month's edition highlights how easy it is to navigate through Union's portal to access important fleet information that is available to you 24/7.

The Portal Main Screen catalogs your corporate and billing contact information. The buttons on the right side of the page allow you to choose a subject to review.

- Search for a Lease
- Invoices (Rental, Miscellaneous and Services)
- Reports
- Stock Requests

The Portal allows you to view your fleet inventory in part, or in whole. Highlighting a particular branch allows you to see which vehicles are assigned to a specific cost center if you have so designated.

By drilling down to an individual vehicle, you can view all necessary inventory, fixed and variable expenses and in-service operating information. All Union leases are associated with a defined, standardized company lexicon.

- Leased, Active and Ordered
- Sold and Terminated
- Services Only

Once you have chosen a vehicle to review, simply click on the lease number and you're sent to the Unit Control Page. This page contains full information on the requested vehicle. A sample of the information includes:

- Vehicle Lease ID
- Year, Make Model
- Months in Service
- VIN
- Current mileage and date
- License plate number, renewal dates, registration and title Information
- Selected Options on each vehicle
- Real Time Maintenance history events
- Real Time Fuel purchase history events

Note: Maintenance and Fuel history can automatically be opened via Excel and PDF right from the vehicle page.

Buttons on the right side of the page allow you to:

- Request the Fair Market Value
- Request the current Payoff
- Make Driver Changes
- Review the VLOC on the vehicle

A full compliment of reporting is also available by clicking on the Reports button. Here you can run inventory reporting, license renewals, total maintenance history, fuel purchase history as well as highlight vehicles that are "past due" for general preventive maintenance.

Report format options allow you to choose Excel and or PDF depending on your needs.

Our final installment of this series in next month's newsletter will provide you with a complete overview of our portal highlighting the advantages of using this program to assist you in more productively managing and analyzing your fleet.





INCREASE FLEET DEMAND FOR 4-CYLINDER ENGINES

The summer timeframe was an extremely busy time in the fleet industry with the NAFA and GFX conferences; GM, Ford, and Chrysler holding 2009 fleet previews. During the past 60 days, I've had an opportunity to talk "fleet" with literally hundreds of fleet managers. There is a growing belief among fleet managers that today's high fuel prices are not a temporary phenomenon, but a new reality. Almost everyone is looking for ways to downsize vehicles (where possible) or opt to four-cylinder engines as part of either a corporate sustainability initiative or fuel spend / GHG reduction program.

This isn't just a fleet phenomenon. In May, as nationwide gas prices climbed to \$4 per gallon, vehicles with four-cylinder engines accounted for more than 45 percent of all U.S. retail sales of new cars and trucks, according to J.D. Power & Associates. In May 2004, only 28 percent of all vehicles were equipped with four-cylinders.

Coupling Fuel Reduction with Green Initiatives

A pioneer in the trend to four-cylinder engines is John Dmochowsky, sales fleet manager. He was instrumental in getting his company to switch its sales fleet from six-cylinder to four-cylinder engines in 2007. (What makes his move prescient was back then, the nationwide average per gallon price for unleaded gas was only \$3.02.) Today, Dmochowsky projects the fleet will see a 9-percent decrease in lifecycle costs due to the change to four-cylinder engines. His companies current model-year selector consists of the four-cylinder models of the Chrysler Sebring, Dodge Caliber, and Dodge Avenger. (Six-cylinder minivans and SUVs still account for about 10 percent of the company's fleet for drivers who need larger vehicles.)

The high price of gas was just one reason why his company switched 90 percent of its sales sedans to four-cylinder models. The other reason was to reduce vehicle emissions as part of a green fleet initiative to conform to their corporate-wide sustainability focus. Likewise, many other major fleets are seeking to reduce CO2 emissions as part of a larger corporate initiative in addition to minimizing fuel spend. For instance, one company has a U.S. fleet of more than 11,000 vehicles. Today, 3,000 of these vehicles are four-cylinder models. In the past, the fleet operated almost entirely on six-cylinder engines. The company's fleet goal is to achieve a 36.4 mpg average in 2010.

Another example is Joe DeRosa. As Director of Global

Services for a multinational company based on the East Coast, his company follows a corporate initiative to reduce GHG emissions by 12 percent in 2012 from base year 2005. One prong of this multipronged strategy is to increase the number of four-cylinder models in the U.S. fleet.

Reducing Fuel Spend without Downsizing

Switching to a four-cylinder engine allows a fleet that is primarily automobiles to maintain the same size vehicle necessary to meet its fleet application without downsizing to a smaller model.

A mid-size sedan equipped with a four-cylinder engine achieves, on average, a 10-percent improvement in combined city-highway fuel economy. There is a reduction not only in fuel spend, but also in cap cost. The cost of a four-cylinder engine in mid-size cars is \$1,000 to \$2,400 less than a V-6.

Another benefit to four-cylinder engines is that they currently enjoy high demand in the wholesale resale market. Although this has been occurring for the past several years, it is a historical anomaly. In the past, vehicles were penalized in the wholesale resale market if they were not equipped with six-cylinder engines. No

(Continued on page 4)

LEASING HAS MANY COST AND CASH FLOW ADVANTAGES. BUT THE PRICE OF FUEL IS A VARIABLE THAT ALWAYS REQUIRES SPECIAL ATTENTION.

WE CAN HELP YOU WITH A FOCUS ON IMPROVED FUEL MANAGEMENT—STREAMLINING YOUR BUSINESS EXPENSES, DECREASING YOUR ADMINISTRATIVE COSTS AND IMPROVING YOUR REPORTING.

CONTACT YOUR REGIONAL SALES MANAGER OR ACCOUNT MANAGER FOR MORE INFORMATION.

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INCREASE FLEET DEMAND CONT.

more. Another reason for specifying six-cylinder engines in past years was driver morale. In years past, many drivers complained about underpowered four-cylinder engines. However, powertrain technology has evolved to the point where many unsophisticated drivers may have difficulty discerning a four-cylinder from a six-cylinder. Today's four-cylinder engines provide better performance than the six-cylinder engines of yesteryear.

Sobering Assessment

Whether this trend to four-cylinder engines will continue beyond the next several model-years will be entirely dependent on the cost of gasoline. One sobering assessment (albeit informally) was given to me by one senior-level manager at a major OEM. I asked what his economists were telling him as to the future cost of gasoline. He replied that the consensus is that gasoline prices will fluctuate; however, they will continue on an upward trend. The internal forecast was for \$6 to \$7 a gallon gasoline. He did not elaborate as to the time frame. Although these forecasted stratospheric fuel prices are within the realm of possibility, they are not a certainty. Economists do not have a failsafe ability to forecast future price trends. As a case in point, after each of the two oil crises of the 1970s, the trend to smaller vehicles was quickly reversed after gasoline prices stabilized to a lower price. I don't remember one economist who predicted this. Right now, fleets need to roll with the

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FORD FINAL ORDER DATES

So it's August, usually the start of a model year and we're already talking about final order dates for 2009 vehicles. Ford has announced 2009 MY Final Fleet Order Dates for some of its most popular vehicles.

- Ford Fusion
- Mercury Milan
- Lincoln MKZ

The above models have a current Final Fleet Order Date of 10/17/08. Production of the redesigned 2010 models is scheduled to begin in late December. Look for the new vehicles to be announced at the 2009 North American International Auto Show.

- Ford Taurus
- Lincoln MKS

Final Fleet Order Date is currently 2/13/09. An all-new 2010 Taurus will begin production in late April.

- Ford Mustang

Final Fleet Order date is 11/28/08. A refreshed Mustang will begin production in early February of 2009.

- Mercury Sable
- Ford Taurus X

Final Fleet Order Date for the 2009 models is 2/13/09. It appears that Ford will be dropping both models for the 2010 model year.

FUEL PRICES START TO EASE

Gasoline prices peaked back in mid July, when the national average soared to \$4.11 per gallon, thanks to crude oil which climbed to nearly \$150.00 per barrel. Since then, the market has nose dived with crude tumbling below \$107.00 a barrel and the price of a gallon of gas has leveled to approximately \$3.75- \$3.90 throughout most of the country.

Gasoline demand is off over 1% from the previous year and many analysts believe prices will hover in the \$3.40-\$3.75 area for the remainder of the year.

Hurricane Ike has wreaked havoc with fuel supplies in the Southeast. Long lines, short supply and subsequent short tempers are reminiscent of the rationing that took place in the 70's. As of this writing, Atlanta, Nashville and Birmingham are cities that are feeling the most pain from this shortage which some speculate may continue through at least October 13th.

Diesel prices continue to be problematic. Global demand remains strong and exports from the US continue at a robust pace. Autumn generally is the season that sees diesel prices spike in anticipation of the heating oil season.

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2009 MANUFACTURER WARRANTIES

Manufacturer	Basic Warranty	Powertrain Warranty	Corrosion Warranty	Roadside Assistance
Acura	4/50,000	6/70,000	5/Unlimited	4/50,000
Aston Martin	3/Unlimited	3/Unlimited	10/100,000	3/Unlimited
Audi	4/50,000	4/50,000	12/Unlimited	4/Unlimited
Bentley	3/36,000	3/36,000	3/36,000	3/36,000
BMW	4/50,000	4/50,000	12/Unlimited	4/Unlimited
Buick	4/50,000	5/100,000	6/Unlimited	5/100,000
Cadillac	4/50,000	5/100,000 ¹	6/Unlimited	5/100,000
Chevrolet	3/36,000	5/100,000 ^{1,12}	6/100,000	5/100,000
Chrysler	3/36	Unlimited ²	5/100,000	3/36,000
Dodge	3/36	Unlimited ^{2,10}	5/100	3/36
Ferrari	3/Unlimited	3/Unlimited	Not Offered	3/Unlimited
Ford	3/36	5/60 ³	5/Unlimited	3/36
GMC	3/36	5/100	6/100	5/100
Honda	3/36	5/60	5/U	Not Offered
Hummer	4/50	5/100	6/100	5/100
Hyundai	5/60	10/100	7/U	5/U
Infiniti	4/60	6/70	7/U	4/U
Isuzu	3/50	7/75	6/100	7/75
Jaguar	4/50	4/50	6/U	4/50
Jeep	3/36	Unlimited	5/100	3/36
Kia	5/60	10/100	5/100	5/60
Lamborghini	2/24	2/24	Not Offered	2/24
Land Rover	4/50	4/50	6/U	4/50
Lexus	4/50	6/70	6/U	4/U
Lincoln	4/50	6/70	5/U	4/50
Lotus	3/36	3/36	8/U	Not Offered
Maserati	4/50	4/50	Not Offered	4/50
Maybach	4/50	4/50	4/50	Unlimited
Mazda	3/36	5/60	5/U	3/36
Mercedes-Benz	4/50	4/50	4/50	Unlimited
Mercury	3/36	5/60	5/U	3/36
Mini	4/50	4/50	12/U	4/50



Manufacturer	Basic Warranty	Powertrain Warranty	Corrosion Warranty	Roadside Assistance
Mitsubishi	5/60	10/100	7/100	5/U
Nissan	3/36	5/60	5/U	3/36
Pontiac	3/36	5/100	6/100	5/100
Porsche	4/50	4/50	10/U	4/50
Rolls-Royce	4/U	4/U	4/U	Not Offered
Saab	4/50	4/50	6/U	5/100
Saturn	3/36	5/100	6/100	5/100
Scion	3/36	5/60	5/U	Not Offered
Subaru	3/36	5/60	5/U	3/36
Suzuki	3/36	7/100	3/U	3/36
Toyota	3/36	5/60	5/U	Not Offered
Volkswagen	3/36	5/60	12/U	4/U
Volvo	4/50	4/50	12/U	4/50

- Hybrid-specific driveline/powertrain parts are covered for eight years/100,000 miles.
- Powertrain warranty is not transferable to subsequent owners. Requires free powertrain inspection every five years by an authorized dealer. Excludes SRT models, diesel vehicles, Dodge Sprinter and Dodge Ram Chassis Cab.
- Ford offers a five year/50,000-mile warranty on safety restraints, including airbags. Diesel trucks get five year/100,000-mile powertrain coverage. Certain hybrid components of the Escape Hybrid, including battery parts, are covered for eight years/100,000 miles.
- Honda hybrid batteries come with an eight-year/80,000-mile warranty, or a ten-year/150,000-mile warranty in CA, CT, MA, ME, NY and VT.
- All hybrid-related components on Mariner SUVs are covered for eight years/100,000 miles.
- 9-3 sport sedan comes with a ten-year/100,000-mile corrosion warranty.
- Tribute's hybrid components and RX-8 are covered with a eight years/100,000 miles powertrain warranty.
- All Toyota hybrid batteries are covered for eight years/100,000 miles.
- All Lexus hybrid batteries are covered for eight years/100,000 miles.
- Dodge's diesel-engine components are covered for five years/100,000 miles.
- You may be eligible for transportation assistance if your Toyota must be kept overnight for repairs that are covered under warranty.
- GM trucks equipped with a 6.6-liter Duramax diesel engine get complete coverage — including turbocharger components — for five years or 100,000 miles, whichever comes first. This warranty also features no deductible and is transferable to another owner at no additional charge.
- Hybrid-specific driveline/powertrain parts are covered for eight years/100,000 miles.
- No lifetime powertrain warranty on Jeep Grand Cherokee diesel; diesel is covered for three years/36,000 miles.
- California drivers: There are emissions warranties specific to your state. Contact your dealer or refer to your owner's manual for more information.

Sources: Various sources, including manufacturers



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