

# INFOCUS

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## MILES UPDATE

Toyota Fleet Management (TFM) is continuing to develop a new web-enabled operating system that is designed to broaden product capabilities, increase in-house efficiency and enhance customer service.

TFM General Manager for Fleet Sales, Ed Stanistreet says TFM has identified the need in the fleet management market place for a more engaging and efficient operations platform.

*"TFM will provide a best-in-class operations platform that will incorporate advanced product offerings and streamlined processes with the goal of benefiting our customers."*

When complete, the new operations platform, dubbed "Miles", will allow for broader leasing and salary packaging compatibility with customers.

TFM will also expand the product offering to incorporate full service fleet management for all finance contract types and asset classes, including services such as Roadside Assist and Accident Management.



Customers will also benefit from greater online access: fleet customers and novated lease drivers will soon be able to get a quote for a new vehicle contract online.

Miles will bring efficiencies to TFM's internal business structure that will enable management teams to spend more time on strategic management of customers' fleets and other assets.

Mr Stanistreet acknowledges that with a system implementation of this magnitude there will be some "pain before gain", and asks for patience during the transition.

*"While there may be some transitional issues, we believe the benefits will be long term for both TFM and our customers."*

TFM has worked with two providers to develop Miles: Avanade for web integration, and Sofico for the core fleet system.

Both providers are experts in their respective fields and will ensure TFM comes to market with a best-in-class operations platform that will continue to develop over time.

See overleaf for Ed's update.

## HYBRID CAMRY HELPING FLEETS DRIVE GREENER

Finding a vehicle that combines size and power with a reduced environmental footprint and fuel consumption has been a struggle for many fleets.

New Toyota Hybrid Camry provides fleets with a medium-sized sedan that ticks all essential boxes – size, comfort, safety, low running costs and environmental credentials, without compromising on performance.

From a business perspective, Hybrid Camry is intended to make the switch easier for those companies intending to downsize to 4-cylinder cars or implement greener corporate policy.

Hybrid Camry is a medium sized sedan with petrol consumption better than many small cars – perfect for businesses who traditionally take on medium and large vehicles.

Both grades of Hybrid Camry boast high levels of premium features as standard equipment, and are priced well below major rivals' entry level cars.

Base level Hybrid has specs comparable to holdens second-tier Commodore Berlina.

Vic Johnston, Toyota's National Manager for Hybrid Sales and Fleet Strategy, says that

when considering the whole of life costs over three to four years, fuel economy provides the obvious payback.

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## FROM THE **GENERAL MANAGER'S DESK**

As we enter a new financial year for Toyota Fleet Management (TFM) we are again faced with many issues and opportunities. In this edition I'll focus on some topics that have come out of the recent Henry Tax Review, Federal Budget announcements, Treasury reviews, and how we are positioning TFM capabilities to meet the ever-changing commercial and legislative environment.

### **FBT Statutory Formula for Cars**

The Henry Taxation Review recommended that the current formula for valuing fringe benefits be replaced with a single rate of 20 per cent, regardless of the kilometres travelled. The operating cost method remains as an alternative. The review also recommended that fringe benefits that are readily valued and attributable to individual employees should be taxed in the hands of the employee through the PAYG system. The Government did not respond to these recommendations in the budget (which may have contributed to substantial adjustments for packaged employees) so there are no changes at this point.

### **GST: Hire Purchase Reforms**

In response to Treasury's Review of the Financial Supply Provisions, the Government has announced two significant measures in relation to hire purchase. Firstly, the attribution rules for hire purchase will be made the same for both cash and non-cash GST payers; cash-basis taxpayers will be able to claim input tax credits up front. Secondly, in disclosed hire purchase agreements (where interest content is disclosed or ascertainable) the whole supply will be treated as fully taxable (rather than the present taxable asset / input taxed interest

hybrid model). These measures will take effect from 1 July 2012 and we will advise of details as they arise.

This appears to be a significant benefit for GST cash accounting enterprises which have been forced into the complexity of chattel mortgages to enable the claiming of GST on goods at the beginning of a contract term. We expect hire purchase to return to its rightful place as the main alternative to leasing.

### **Minimum Residual values on Equipment Finance Leases**

Under the current Australian Tax Office (ATO) "safe harbour" methodology for setting residual values on finance leases, residuals can be substantially above the likely market value of assets at the end of the lease (particularly for assets whose effective lives have been lengthened). This has the potential to place you or your employees in an adverse economic position at end of lease term. The Australian Fleet Lessors Association (our industry body) has been discussing with the ATO the use of an independent source of used asset price information as the basis for setting minimum residuals. A proposal to this effect has been submitted to the ATO for further discussion and a TFM strategy on this issue is discussed below.

### **How Toyota Fleet Management can help you in these areas**

Firstly, I am pleased to advise that our new fleet management IT platform "Miles" is nearing completion and is planned to go 'live' in the fourth quarter 2010. All customers then can select from a full suite of finance products – Finance Lease, Operating Lease, Term Purchase,

Unfunded Fleet Management and Novated Leases (Operating or Finance lease) – and attach a full suite of fleet management services to all of these contract types.

In regard to minimum residual values (detailed above), the Miles system will allow the selection of the lower of either:

- Tax Office "safe harbour" guidelines, or
- TFM estimate of value, based on the make, model, age, kilometres/hours and conditions of use.

We are excited that TFM will have a more flexible fleet management capability – able to meet the variable needs of both your organisation and your employees as you are impacted by both the external legislative environment and your individual tax and accounting circumstances.

*These comments are of a general nature. TFM recommends customers seek their own independent accounting and taxation advice.*



**Ed Stanistreet**  
General Manager - Fleet Sales

## **NEWS UPDATE**

Toyota Motor Corporation and Tesla Motors will jointly form a specialist team to cooperate on the development of electric vehicles (EV), parts, and production system and engineering support.

Toyota has plans to introduce electric vehicles to the market in the near future in a continuation of the founding philosophy: "contributing

to the society through the manufacture of automobiles".

Toyota is a market leader in electrically powering vehicles, having produced approximately 2.5 million petrol-electric hybrids in the last 12 years.

Tesla's goal is to produce increasingly affordable electric cars to mainstream buyers –driving down the cost of EVs. The Tesla Roadster, available in Europe and Asia, accelerates faster than most sports cars yet produces no emissions.

For more information on this partnership visit [teslamotors.com](http://teslamotors.com)



## **CHANGES TO LEASE ACCOUNTING TO AFFECT CUSTOMER**

The Australian Accounting Standards Board has proposed a new international model for leases which is intended to create a common standard for lease accounting.

The changes would mean that assets and liabilities arising from lease contracts are recognised on businesses' financial statements.

Under the new recommendations the lessee, when entering into a lease agreement, would be obliged to recognise the leased item – for example a vehicle – as an asset of the company for the whole lease term. The lessee would also have to stipulate its liability and obligation to pay rentals.

The intention is to produce a revised standard by mid-2011.

The industry body, Australian Equipment Lessors Association (AELA), has raised a number of concerns with regard to proposals with other national and international leasing bodies. Through AELA, Toyota Fleet Management (TFM) is helping to coordinate efforts in relation to the proposed Australian standard.

With the current uncertainty of both the exact timing and detail surrounding the new accounting standard, TFM does not recommend a change to customers' current strategies.

TFM continues to offer fully maintained programs for any finance type. In particular, operating leases continue to have a number of features and benefits that will be attractive to customers, including:

- 100 per cent financing
- Fully deductible repayments
- No asset risk, and
- Fixed whole-of-life costing for the contract term.

If the revised standard is approved and brought into effect, TFM will be on hand to assist customers through the changes.

# TFM ENGAGES SMALL TO MEDIUM ENTERPRISES AT NATIONAL GROWTH SUMMIT

Over 300 business directors, managers and owners of fast-growth enterprises recently took the opportunity to learn how to implement growth strategies in preparation for the predicted economic upturn of 2010.

The National Growth Summit 2010, which Toyota Fleet Management (TFM) sponsored as a platinum partner, hosted an impressive line up of local and international industry experts, such as lean methodology pioneer Guy Parsons and strategy, marketing and pricing expert Hermann Simon.

Over the two-day summit, these experts shared their insights on topics as diverse as pricing, social media marketing, funding and global markets. Overview presentations put the key messages into context on the first day and were followed up with in depth workshops on the second day.

One workshop in particular, Getting Lean – Value Stream Mapping, by Guy Parsons, demonstrated how to apply and implement Toyota Motor Corporation's lean methodology in service, retail and manufacturing to attendees' own businesses.

TFM experts were onsite over two days to offer advice to business managers on better ways to run small to medium enterprise (SME) fleets.



Ed Stanistreet said the National Growth Summit provided an ideal opportunity to consult with key decision makers in SME about fleet structuring and pricing.

TFM also offered summit attendees the chance to win a new Hybrid Camry for 12 months. Neil McEvoy from Allied Leasing won the Hybrid Camry draw, and is now enjoying the experience of Toyota Hybrid Synergy Drive thanks to TFM.

## HYBRID CAMRY HELPING FLEETS DRIVE GREENER

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"Overall fuel economy is approx more than 30 percent better than many six-cylinder sedans (when compared to Falcon and Commodore).

"However around town, where the bulk of the mileage will be driven, that advantage can increase to approximately half the fuel costs of similar sized cars. This directly transfers to the environment and CO2 in the same proportion," says Mr Johnston.

Using the official combined cycle as the measure, the most fuel-efficient six-cylinder car built in Australia uses 55 per cent more fuel than a Hybrid Camry.

From an equipment viewpoint, the entry level Hybrid Camry is closest to the popular level two petrol Camry model, the Ateva.

With its hybrid drive-train, it gains in the areas of performance, ride and handling, interior quietness and fuel-efficiency.

Added equipment includes a full sized matching alloy spare tyre, electric power steering, unique suspension calibration and VDIM – Vehicle Dynamic Integrated Management.

Standard safety equipment in Hybrid Camry includes a rear-view camera, rear sonar parking sensors and six SRS airbags.

It features a dual-zone electric air-conditioning and comes with a six-stack CD player and

Bluetooth™ hands-free phone compatibility as standard.

Hybrid Camry Luxury, the new Camry flagship model, has the additional features of premium seat and door trim, four-way power adjustment for the driver and front-passenger seats, electrochromatic interior rear-view mirror, rain-sensing wipers and a rear lip spoiler.

*"Hybrid Camry is more like the fleet car the boss would drive," says Mr Johnston.*

In fact, all Toyota Fleet Management's Relationship Managers are now driving a Camry Hybrid and will be able to talk knowledgeably about the vehicle to their customers.



# E10 – WHAT SHOULD FLEETS BE RECOMMENDING?

**'Greening' your motor vehicle fleet by increasing the use of alternative fuels is not as straightforward as it might first seem.**

Take ethanol for example, which while attracting a lot of enthusiasm, is limited by practical considerations.

Encouraged by government subsidy and legislation, E10 fuel – a 10 per cent mix of ethanol with petrol – is now widely available in areas close to the sources of production in Queensland and New South Wales. Availability elsewhere is growing as the fuel industry strives to meet an Australian Government target for the sale of 350 million litres of E10 per annum.

In April, Caltex issued a notice that it will replace all regular unleaded petrol (ULP) pumps with E10 pumps by July 2011, in response to the NSW Biofuel Amendment Act 2009.

Quite aside from its current availability, E10 presents a problematic equation for fleet managers. While E10 typically sells for about 2–3 cents less per litre than standard 92-RON unleaded petrol, tests show fuel consumption increases by about 2.8 per cent. All other things being equal, actual running costs for an average motor vehicle on ULP and E10 are therefore about the same.

Another consideration for Fleet customers with a mixed car and commercial vehicle fleet – some of which may be relatively old – is their suitability for ethanol use.

The Federal Chamber of Automotive Industries (FCAI) advises that all new Australian-made cars and the vast majority of imported new cars sold in Australia are suitable for 10 per cent ethanol blended petrol (E10).

The FCAI says, however, that it is essential operators of older vehicles equipped with carburettors or early fuel injection systems check the vehicles' fuel compatibility before using ethanol blends. It advises that, in doubt, you should check with your vehicles' manufacturer or importer.

Meanwhile, there is fierce debate about just how "green" ethanol really is. This is particularly contentious in the case of ethanol produced from grain crops such as corn.

The NSW Government, for example, claims E10 reduces greenhouse gas emissions by three per cent and cancer-causing particulate emissions by 33 per cent\*.

This is because, considered simplistically, ethanol burns more cleanly and efficiently than petrol, thus emitting less CO2 at the vehicle tailpipe. Proponents claim that E85 can also reduce greenhouse gas emissions because the plants grown to produce it absorb CO2.

According to some critics, however, the amount of CO2 produced by production of corn-derived ethanol exceeds any greenhouse gas savings realised by using it in motor vehicles.

*Calculating this "well-to-wheel" CO2 total is a complex and inexact process requiring many assumptions. As a result, the environmental claims for (and against) ethanol vary wildly.*

Critics also deride ethanol motor vehicles as diverting relatively scarce farmland and food crops to ethanol production and away from hungry mouths – the so-called "food versus fuel" debate.

The solution to these alleged problems may be "second generation" or cellulosic ethanol, which is produced from wood, grasses and the non-edible parts of plants normally discarded.

In March a consortium comprising the Victorian government, US bio-fuels company Coskata, Caltex, Veolia Environmental Services and Holden (amongst others) announced plans to develop Australia's first ethanol-from-garbage plant.

The plant will produce more than 200 million litres of ethanol a year and, according to Coskata, potentially reduce lifecycle greenhouse gas emissions by up to 84 per cent compared with regular petrol.

The final element Fleet Managers must consider is the Federal Government's recent budget announcement that all biofuels, including ethanol, will be taxed for the first time, commencing July 2011.

To be introduced gradually over the next five years, the new excise tax will be based on the energy content (megajoules per litre) of the fuel, in high, medium and low bands. The effective result will be that by July 2015 the tax on biofuels will be 50 per cent of that applied to other fuels.

The bottom line is that ethanol blends will eventually become more expensive. Its news that will give already perplexed fleet managers further fuel for thought.

\*www.biofuels.nsw.gov.au/biofuels/\_faq/e10\_fuel\_economy



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