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Depreciation Costs Up In Most Vehicle Segments

Changes in the largest fleet expense, vehicle depreciation, impacts fleets in a big way. In 2009, many fleets extended replacement cycles due to the impact of the economic downturn, which contributed to higher depreciation costs.

The average depreciation in 2009 was up from 2007 and 2008 in all vehicle segments- with the exception of the minivan segment, which actually saw a decrease in effective depreciation from 2.22 percent in 2008 to 1.93 percent in 2009, according to a recent survey conducted by Fleet Financials magazine.



Fleet Financials went on to report that the average effective depreciation in 2009 was up from 2007 and 2008 due to higher capitalized vehicle costs in 2009. By class, compact and mid-size cars remained fairly even while larger cars, trucks, and vans showed an increase in depreciation percentage in 2008. Intermediate cars saw a return to 2007 levels for effective depreciation performance. The minivan segment was the only segment that experienced a decrease in effective depreciation.

While absolute dollar amounts of effective monthly depreciation have been on the rise for the light-truck segment, effective depreciation rates for 2009 remained consistent with 2007 levels. However, the light-truck segment had slow but steady depreciation improvement throughout 2009, peaking in August.

The full-size van segment underwent the most significant shifts in depreciation costs, as well as replacement strategies, since 2007. Truck fleets have clearly implemented cycle extension strategies to help manage their depreciation costs. But extending replacement cycles come at a cost that must be factored into the decision. Holding onto an aging inventory of fleet vehicles will result in higher maintenance costs, more downtime, and older model-year vehicles that have a less desirable fuel economy than newer vehicle models.

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