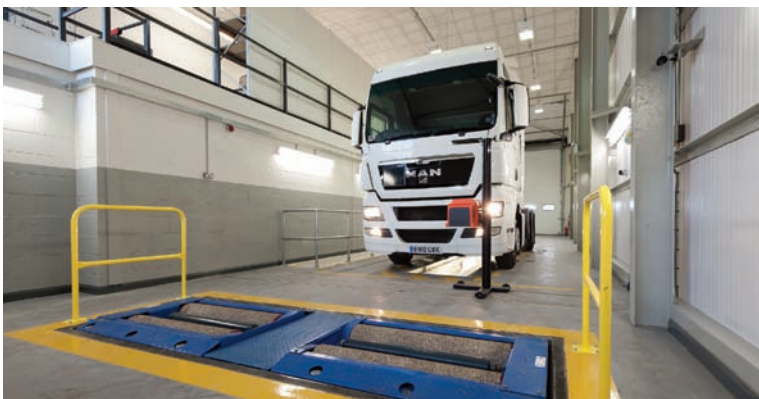


Peace of mind?

Repair and maintenance contracts still manage to drive a wedge between transport managers for and against. Robin Dickeson examines developments that may change minds



A growing number of the commercial vehicles that are serviced every year are subject to an R&M contract

Truck repair and maintenance contracts, as we recognise them now, made their UK debut about 40 years ago. The idea then, as now, was that, when you bought a new truck, you agreed to pay so much a mile to cover R&M costs. The truck maker did the deal, managing the maintenance for you, using its franchised dealers to do the work.

From the start, R&M contracts attracted suspicion and, from many, the conviction that they could do the work more cheaply themselves. Proponents countered that this view was probably due to firms not properly accounting for the cost of running their own workshops. For some operators, though, suspicions or convictions remain.

Are they justified? The aim was to offer operators peace of mind, with R&M costs predictable for months and even years ahead. The deal also gave vehicle makers and their dealers a reliable income stream, reasonably well protected from the feast or famine of painfully unpredictable vehicle sales.

The principles haven't changed, but the details and scope have. R&M deals should mean that a transport firm can focus on the profitable end of its business, leaving all aspects of truck maintenance to specialists – almost like an insurance policy.

And, in that light, they do appear popular: most manufacturers now report well over 70% of their heavy truck deliveries linked to some form of R&M.



However, it's not that simple. "Partly this is because so many trucks are sold on some form of contract hire, lease or buy-back deal," comments Tony Pain, UK marketing director for DAF. "These almost inevitably involve a maintenance package." That said, DAF, like other truck makers, is confident that R&M contracts deliver some of the lowest maintenance costs – and hence also their growth in popularity.

James Ostridge, UK service contracts manager for Mercedes-Benz, agrees, saying he's certainly seeing more uptake. He is also confident that he can beat all-comers on price and service – particularly independent contractors that may lack specialist skills and equipment. "The ability to keep trucks on the road, keep customers on the right side of VOSA's OCRS [operator compliance risk score] system and deliver peace of mind is a strong selling point," he adds.

And Des Evans, UK chief executive of MAN, is just as passionate about R&M deals, suggesting that this "strongly growing" trend bears out his belief. He indicates that some 80% of truck sales now include R&M, leading to 10,000 trucks on contracts – a figure he expects to double by 2020.

"For 3.5 pence per kilometre, I can offer a 44 tonne tractor unit on a five-year, million-kilometre deal, all maintenance, inspections, MOTs, replacement vehicles – and we'll deliver sophisticated management information on each



truck.” He also charges MAN dealers with achieving a 100% MoT first-time pass rate, as part of the firm’s franchise agreement. “Half the network has already hit that 100% FTP rate.”

Talking of FTPs, over the past few years, truck makers have been working increasingly closely with an enthusiastic VOSA to collect pass rate data. They then used it to encourage dealers to improve, setting increasingly ambitious targets, such as MAN’s. The results speak for themselves, with a significant gap – roughly 20% – between the industry average FTP, of 73%, and the performance from franchised truck dealers, at nearer 95%. And note: those franchised dealer results count towards the average, so they raise the total. Subtract their input and the rest of the industry falls even further behind.

Many hope that the IRTE’s Workshop Accreditation scheme – which is aimed at the independents and dealerships alike – will help to redress the balance. Launched at the CV Show last April, and now underway with the first signings, it introduces independent auditing for commercial vehicle workshops. The aim is create a standard that Ian Chisholm, head of operations and communications at the SOE (the umbrella organisation for IRTE), hopes will become the benchmark across the road transport industry.

The scheme itself came about following an approach to IRTE by several large operators

worried about variable standards of third-party workshops, including franchise holders. They wanted a simple, but objective and thorough, means of assessing standards to take the place of contracted assessors, visiting and checking workshops, which was proving time-consuming and unsatisfactory.

VOSA and the traffic commissioners were also keen to support the initiative, given that, ultimately, road safety and compliance are at stake. As Chisholm puts it: “Many operators may be forced to contract out maintenance, but then the need to protect their ‘O’ licences, for which they are still responsible, is paramount. Like it or not, OCRS scores are the name of the game.”

Meanwhile, Workshop Accreditation will also work for those operators that want to make money out of their own workshops by taking in additional external work. “For all those firms, the accreditation system should give a commercial edge,” explains Chisholm.



Van maintenance: opportunity going begging?

While truck R&M (repair and maintenance) contact sales are growing well, vans and LCVs are another story. Most pundits will tell you that too few van operators, no matter what makes they run, seem to put much emphasis on maintenance. Partly, that is a result of steadily improving reliability and longer service intervals: owners just get out of the habit of regular maintenance. But there are also clearly some who simply skimp.

VOSA’s first-time pass (FTP) rate data confirms the scale of opportunity for better van maintenance. Trucks generally hit an average a little over 70% for FTP, while vans are somewhere below 50%. And most truck makers expect their franchised dealers to deliver 95% FTP rates.

Even for one-man band operators, tradesmen and other small businesses, vans increasingly come on finance and lease deals, often with a maintenance element. This may be ‘entry level’ or more sophisticated, with repairs, replacement vehicles and so on. Overall, the effect should be to bring a much needed improvement in van maintenance standards that currently vary from lamentable to laughable.

Bob the builder, Pete the plumber and Flo the florist are still likely to walk away from the charge-out rates at car dealers also supplying vans. They’ll take a new van back to the dealer while it’s covered by a warranty, but, when that runs out, mostly they’ll go to their pal down the road.

There is clearly an opportunity for van manufacturers and their dealers to copy what their heavy truck cousins do so well. I mentioned MAN’s 3.5 pence a kilometre, five-year maintenance deal to a local builder. He was amazed, envious and wanted to know where he could sign up.



Access to the latest diagnostic equipment gives operators added security with regards to vehicle maintenance

Andy Mair, head of engineering for the FTA (Freight Transport Association), which has taken on the auditor role, says there will always be a hard core of operators that wants to keep their maintenance in-house. "It will be quite challenging to get them to change," he says. And hence, again, like most others, he is keen to see this accreditation develop into a gold standard. He also believes that many operators want to see more irtec licensed technicians undertaking the work and underpinning the accreditation.

Either way, Mair believes that the way operators

finance their trucks will increasingly determine their maintenance provision. And he makes the point that most truck makers' R&M contracts will cover competitors' vehicles, too, although almost all have reservations, as they cannot easily guarantee parts supplies from competing dealers. Similarly, almost all offer a range of fleet management deals to cover trailers – but, once again, with limits.

Incidentally, that works both ways. Derek Skinner, UK technical director for semi-trailer manufacturer Schmitz Cargobull, says that his firm has been successfully selling R&M contracts both on the European mainland and in the UK for 15 years. "We're happy effectively to underwrite our product, offering fixed rate or index-linked deals," he says, adding that these contracts mean planned costs on jobs done to a high standard.

He also points to the growing popularity of full service contracts, managing maintenance and accident repairs, particularly on fridge work – and often work in parallel with extended warranties. "These help residual values, too," he suggests.

So what of the future? "People are very cautious and keen to offload risks on the back of planned costs," comments Skinner. Hence, he believes that transport companies' own workshops are a "dying area". Maybe. ¹⁶

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