

Past, present and

Last year was as disappointing for truck manufacturers as it was delightful for van OEMs – and commercial vehicle buyers, too. Brian Tihnam examines the reasons behind the data and looks at implications for 2015



Iveco marketing director Ian Lumsden points to the ongoing decline, seen again last year, in the market for 7.5-tonners

There should have been few surprises last year. Truck manufacturers had enjoyed seriously good times in 2013, with operators and rental giants falling over one another by the year-end to purchase outgoing Euro 5 heavy-duty vehicles ahead of the Euro 6 deadline. With the sheer scale of forward buying, 2014 was always going to be lean. And so it proved: but much worse than most OEMs anticipated (at least publicly); certainly far tougher than they must have hoped.

That's not to say there weren't some rich pickings for truck makers and bodybuilders. The threat of ECWVTA (European Community whole vehicle type approval) for multi-stage N2 and N3 CVs – adopted on 29 October 2014 in a major move away from Construction and Use legislation – meant a brief return to good times, particularly on heavier rigids. Nevertheless, numbers for the year just weren't there.

Only vehicle manufacturers strong in the van and light-duty markets (up to 3.5 tonnes) were able to weather the 2014 storm unscathed, with sales soaring in response to growing market confidence and an upsurge in the parcel delivery sector. And, while their turn for Euro 6 implementation will come (30 September 2017), no one expects a market perturbation anything like that witnessed by the truck makers. Quite simply, for the vast majority of buyers –

beyond major fleets – a future with Euro 6 is seen as a non-issue. There are virtually no implications for capital cost and none for maintenance.

So, what of the upshot last year for heavy-duty truck purchasers? Well, flying in the face of the pundits' predictions, there were many excellent deals for those relatively few souls acquiring Euro 6 vehicles – with prices reportedly way short of the expected hike (required to recoup OEMs' multi-billion pound R&D investments). Furthermore, fuel efficiencies turned out to be far better than even the most optimistic of forecasts. And there's the promise of residual values likely to knock spots off Euro 5 equivalent trucks. It's been a win-win-win for operators who waited.

Will this picture continue? Well, we need to dive back into the detail to see. Why? Because the overall picture belies important variations related to vehicle size and type, as well as industry sector demands that are likely to continue their influence.

Ups and downs

Iveco marketing director Ian Lumsden points, for example, to the ongoing decline seen last year in the market for 7.5-tonners – as buyers move either up weight, for the tonne/mile gains of larger rigids, or down to escape the diktats of O licensing and driver restrictions. But he also draws attention to something of a recovery last year in the construction sector, while the food industry – historically reliable for regular vehicle replenishment – languished.

“Construction started leading the way back as major infrastructure projects, such as Crossrail, as well as building and renovation projects, gathered pace,” he observes. “So tippers, mixers, skips, flatbeds with cranes, scaffolding carriers, etc – did well.” But, with intense competition being the overriding feature in the food sector, cost-cutting was inevitable, he continues. “As a result, fewer new supermarket trucks went on the road in 2014 – contributing to reduced tractor demand, which fell back by September to levels seen in the spring.”

Lumsden confirms that the advent of ECWVTA in Q4 afforded a welcome blip. “Registrations, particularly for rigids, went through the roof. Above 6 tonnes, October was up 72% on 2013 – itself a strong month, as this was when Euro 5 demand

2014 CV registrations

The UK CV market notched up double-digit growth in 2014, with sales up 11% to 363,155 units – the highest level since 2007, according to figures from the SMMT (Society of Motor Manufacturers and Traders).

However, the top line numbers disguise a malaise that continues to afflict the heavy-duty market. While van registrations for the year increased by almost 19%, to 321,686 units, trucks continued their decline, with total registrations of 41,469 – down 26% on 2013. Last December continued the trend, with van sales up more than 26% (26,529 units), compared to the same period in 2013, while trucks plummeted 74.5% (to 2,898 units).

SMMT chief executive Mike Hawes says van figures reflect “the growing confidence of many businesses in the UK”. Euro 6 and EC whole vehicle type approval impacted the truck market, he confirms, massively skewing fleet renewal patterns. However, Hawes believes that the outlook for 2015 is “bright, with stability expected to return to the market”.

future

started to take off.” Where were the biggest gains? 7.5-tonners were up 59%; 10–12 tonners jumped 316%; 12–15 tonners rose 114%; 18-tonners saw 153% growth; three-axle rigid grew 92% – and eight-wheelers soared a massive 400%.

The result? With all those vehicle acquisitions brought forward, November 2014 saw registrations collapse, while December witnessed an even greater decline (-80% against 2013, albeit the month when Euro 5 buying drove a 217% uplift).

Clearly, at a gross level, the common cause for the markets’ most dramatic movements in the last 12 months has been legislative change. And there’s the first clue to the future for vehicle availability, but also pricing and likely technologies – and it’s likely to be evolution, not revolution. That’s because the next few years show relatively minor changes.

This year, for example, sees only mandatory ECE 46.4 Class V mirrors in June, EVSC (electronic vehicle stability control) for more M3 vehicles in July, and AEBS (advanced emergency braking) and LDWS (lane departure warning) for vehicles over 3.5 tonnes in November – all already standard or optional. Then in 2016, EVSC is further extended to M3 Class II vehicles (11 July) and Euro 6 lands for light duty vehicles (30 September). And 2017 sees new cab strength rules being implemented for some vehicle categories at the end of January. So nothing much to upset fleet buying patterns.

Meanwhile, on vehicle types, it’s likely to be steady as she goes, following trends, such as the well documented decline of 7.5-tonners. The only vehicle types defying predictions are three-axle rigid – as used, for example, by supermarkets for distribution and by local authorities for RCVs (refuse collection vehicles). Last year saw volumes halved.

For the rest, most forecast a continued trend towards three-axle tractors (which last year accounted for 38% of the overall truck market) for their efficiency, flexibility and

Winners and losers

- ▲ Eight wheelers: up 4.6%, a strong result given the 58% rise witnessed in 2013 ahead of the Euro 6 engine emissions deadline
- ▼ 7.5-tonners: down 40%
- ▼ 10–12 tonners: down 27%
- ▼ 12–15 tonners: down 44% (leading to the smallest total ever)
- ▼ 16–18 tonners: down 25%, boosted particularly by 18-tonne construction-related vehicles and car transporters
- ▼ Three-axle rigid: down 38%
- ▼ Two-axle tractors: down 40%
- ▼ Three-axle tractors: down only 29% – a good result, given that 2013 saw the biggest market of all time

resale values. As Lumsden puts it: “More three-axle tractors have been registered in the last three years – even coming out of recession – than at any time in history. This is confirmation that tractors rule.”

So, back to the question, will low prices, lower operating costs and enhanced residuals continue? Overall, the best guess: no, yes and yes. But if your vehicle requirements are in the still lively construction sector, the fast-growing three-axle tractor market, or the sluggish three-axle rigid arena, for different reasons, you can probably expect deals.

Beyond the regulatory requirements, the OEMs are setting increasingly high benchmarks – not only around reliability, robustness, safety and add-ons (R&M packages, extended telematics, etc), but also driver comfort. So, as the delta between them diminishes, ‘standard’ fare may well become increasingly competitive. Best advice: balance the allure of the rising brands against the tried and tested. But don’t be afraid to look around the demonstrators. TE

