To Bundle or Not to Bundle

Considering the hidden costs of full-service leases in commercial trucking

TEL

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Equipment leasing is a primary method of acquisition for the trucking industry worldwide. Many companies today are using a full-service lease (FSL) structure for their lease arrangements. In these agreements, owner/operators lease vehicles from a single supplier with a full bundle of associated services, leading theoretically to a predictable budget and improved cash flow.

In an FSL, the costs for vehicle finance and maintenance are combined along with general overhead costs and administrative and secondary fees. These costs are in the hands of the lessor, who provides financing and other services to the lessee in exchange for a simple monthly payment.

At first glance, FSLs appear to be a beneficial arrangement for lessees, providing a one-stop shop for all services and simplifying administration. Yet what is gained in convenience can be lost in cost effectiveness and operational efficiency.

Uncovering the hidden costs of bundling

"Look before you leap," cautions Tanner Alexander, regional director at Transport Enterprise Leasing (TEL). "With an FSL, organizations are locked into a rigid contract for a set period. When multiple services are packaged together in a lease agreement, accurately determining the true cost of each individual agreement can be difficult, potentially leading to paying more

than needed for services not used." For example, the premium paid may not cover damages to the interior or exterior of the truck or trailer. The simplest of repairs, such as a damaged bumper on a truck or torn mudflaps on a trailer, can end up in an expensive in-network repair shop.

FSL agreements also add a mileage charge of $.05/mile for trailers and $.08/mile for trucks. For a trailer running abut 2,000 miles per month, this charge adds $100 a month to the base lease rate. For a truck, the mileage charge is $.08/mile, adding $880/month to the base lease rate for a truck running 11,000 miles per month. Typically, the add-on covers just two items: 1) replacement of tires and brakes the lessor considers "normally worn" and 2) cost of an annual inspection, plus oil changes for trucks.

The advantages of unbundling

Unbundled leases are another alternative for fleet management. Unlike a traditional FSL where all services are packaged together, in an unbundled fleet lease, components like vehicle financing, maintenance, and repairs are separated, paid for individually, and managed independently.

Fleet operators can break out costs individually to identify ways to upgrade and scale their fleets and gain greater insights and flexibility in financing and maintenance. Provided they can negotiate competitive labor rates and part pricing, they derive best cost for each vehicle because they pay only for the cost incurred for the servicing work. Trucking fleets using unbundling have saved as much as 25 percent in operating costs.

> *When you look at all the factors to consider in financing fleets, unbundled leases are clearly a smart strategy for deriving best cost for each vehicle.*
>
> —Brandon Lairsen,
> vice president, fleet leasing, TEL

Unparalleled Advantages of an Unbundled Lease With TEL

Cost savings: Select the specific services you need, avoid unnecessary bundled features, and better manage fleet expenses through itemizing costs and identifying potential for savings.

More choice and control: Choose your own maintenance providers and avoid restrictions on mileage, truck use, and customization options the lease agreement may prescribe.

Greater flexibility: Upgrade and scale through a variety of lease options. TEL's adaptable terms bend with company growth stages and fluctuating budgets.

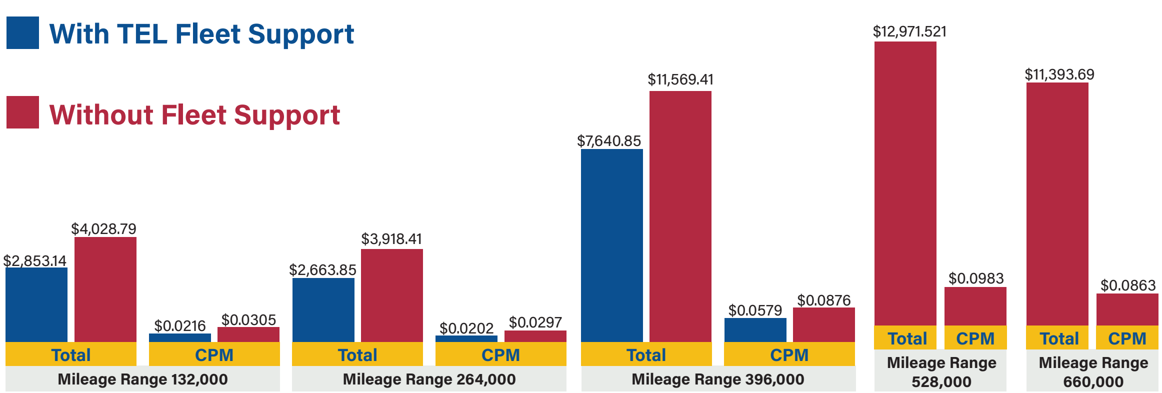
Optimized truck lifecycle: Shorten asset lifecycle for better cost and performance and proactively manage the end-of-term decision, exchanging out equipment before spikes in M&R costs.

Better support: With TEL's included Fleet Support Program, you get the best of both worlds, saving you time and money. Your TEL maintenance team advocates on your behalf to ensure there are no surprises, you get priority service, and you benefit from the best deal.

Savings on maintenance and repairs through a customized program

Managing fleet equipment is one of the largest expenses a company will incur – with an estimated per-truck maintenance cost of $15,000.

Truck Maintenance Cost Comparison



With TEL Fleet Support

Running Years 1-3 with TEL Fleet Support = **$13,157.83 total maintenance cost over 3 years.**

(Save $6,358.78)

Running Years 1-5 and upgrading to a new truck at 396k miles with TEL Fleet Support **= $18,674.82 total maintenance cost over 5 years.**

(Save $11,305.98)

Without Fleet Support

Running Years 1-3 without TEL Fleet Support = **$19,516.61 total maintenance cost over 3 years.**

($6,358.78 more expensive)

Running Years 1-5 and upgrading to a new truck at 396k miles without TEL Fleet Support = **$24,463.81 total maintenance cost over 5 years.**

($11,305.98 more expensive)

Running Years 1-5 with the same truck **= $43,881.82 total maintenance cost over 5 years.**

($25,207.00 more expensive) TEL doesn't recommend this at all.

All figures are estimates taken from average savings and expense data from real customers.
Source: Transport Enterprise Leasing

TEL recently calculated estimated maintenance costs for fleets in 2025. The team found that inflation over the last few years has driven up first-year maintenance expenses for the industry as much as $.02 CPM over historical rates. Plus, fleets financing through bundled FSLs are paying significant additional costs. Here's why.

Transportation businesses often approve services they don't need and pay premium prices for parts and labor, which can drive up operating costs. Along with a fair market value lease, TEL provides a nationwide fleet maintenance program whereby companies pay only for the services they need. Parts and labor are billed at a standard price with no surprises, and repairs are quickly completed to get trucks back on the road.

TEL's fleet support program

Customer fleets are fully covered through TEL's fleet support program, which:

- Equips you with a dedicated team to help with maintenance and repair logistics.
- Lets you choose your own maintenance providers.
- Ensures you get the standard price for parts and labor when having your equipment serviced through TEL's program.
- Is included in your TEL lease to maximize benefits.
- Can be expanded to include your entire fleet.

Fleet support covers trucks leased from the company, as well as other trucks customers want added to the program. This offers mixed fleet coverage for companies that combine the trucks they lease with others they own. Whatever the configuration, the customer's entire fleet benefits from TEL's support and network for even greater cost savings.

The benefits of preventive maintenance

Substantial savings: Regular maintenance can prevent costly repairs down the line, saving you money on emergency fixes, reducing operational costs, and preserving cash to expand the business.

Impeccable safety: Ensuring that all vehicles are in top condition significantly reduces the risk of accidents caused by mechanical failures, protecting your drivers and the public.

Increased reliability: A well-maintained fleet is more reliable, meaning you can meet delivery schedules and ensure customer satisfaction.

Improved compliance: Staying on top of maintenance helps you meet regulatory requirements, avoiding downtime and ensuring your fleet is road ready.

Enhanced resale value: Properly maintained vehicles retain their value better, which can be beneficial when it's time to upgrade your fleet.

As supply chain issues will continue to challenge the trucking industry, fleet owner/operators will grapple with the ongoing imperative to minimize costs without compromising operational efficiency. Over years, the hidden costs accrued through FSLs can add up. For those companies locked in long-term lease agreements, now may be the time to re-evaluate your long-term truck acquisition strategies and consider switching over to a more flexible unbundled lease structure.

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About Transport Enterprise Leasing

TEL has changed the traditional lease model to help companies save and thrive through such initiatives as their fixed-cost unbundled lease program. For more than two decades, the company has excelled in leasing, buying, and selling commercial trucks and trailers nationwide. The company helps hardworking professionals build profitable businesses by providing and financing new and like-new transportation equipment from top brands, along with offering comprehensive support programs, from fleet support to maintenance advisory services. TEL's "No Surprises" lease program includes No Mileage Charges; No Rate Adjustments; No Consumer Price Index clauses, and No Variable Charges for the life of the lease.

For more information on TEL's unbundled service program, call **(423) 214-3910** or visit **TEL360.com**.

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