The Country Profile

TraXall international

Fleet Management in Mexico

The global transport sector has never been so challenging or unpredictable given current supply chain, environmental and economic pressures.

TraXall Mexico considers the future of the Mexican fleet market and outlines some of the challenges and opportunities that lie ahead.

Changes in vehicle leasing

In the year to date, leased vehicles and company cars constitute 15% of total vehicle registrations in Mexico, with long term leases of 36 to 60 months being the most common.

However, the move towards home working post-pandemic and vehicle supply shortages is set to alter the Mexican fleet leasing model – in duration, mode and source of supply. More flexible mobility solutions are likely to replace long-term leasing contracts with e-retailers growing in popularity.

The end-of-lease market is also set to change. Due to a shortage of second-hand vehicles, fleet managers are now favouring selling in the open market, instead of enabling employees to purchase their cars at lower residual values.

In addition, the volume and value of manufacturer deals available to company fleets has fallen, with many OEMs curtailing their discounts to corporations.

Laying down the law

A year ago, the Mexican Secretariat of Labour and Social Welfare prohibited personnel outsourcing.

Businesses now have two choices – hire personnel direct (which means increasing FTEs and paying all wage and benefit-related costs) or hire a specialist service provider.

The latter must obtain a Registry (REPSE) with the Secretariat, proving that their primary activity (or the purpose of the business) is the service they intend to deliver.

TraXall Mexico, which provides fleet management services across the country, has the REPSE Registry. The business can provide specialized personnel for managing, supporting and consulting fleet activities for corporations in Mexico, offering global and local expertise in both the fleet management and the automotive market.

TraXall Mexico delivers ‘à la carte’ fleet management services, acting as a company’s own professional and dedicated fleet management team, adapted to their individual processes and strategies.

Multi-bid gaining traction

Historically, multinational companies in Mexico with large fleets have tended to use a sole leasing supplier.

A growth in multi-bid leasing, however, is now expected, allowing businesses to benefit from the best available prices from a panel of approved leasing companies, via a fleet management specialist or broker.

A multi-bid environment can be more efficient, delivering savings of up to 12%, and this will become increasingly important as lease rates fluctuate and service, maintenance and repair costs become more volatile.

Some of the advantages of multi-bid acquisition are summarized below:

- The fleet benefits from the best leasing pricing and conditions
- A single point of contact
- Multiple invoices, supervised, and consolidated by a fleet management company
- Contract management
- Continuous benchmarking of prices
- Flexibility to include different lease companies
- Financial risk and dependency mitigation

Financial and ethical decisions align

Forward-thinking fleet managers and companies across Mexico are starting to realise that going green makes good business sense.

Today, more than ever, financial decisions are becoming more closely aligned with environmental, social, and governance (ESG).

Car sharing is on the rise in response to increased traffic congestion and heightened environmental awareness in large cities. And as ESG practices become a business priority, electric vehicles (EVs) are becoming an increasingly attractive option, boosting environmental credentials while lowering fleet TCO.

Despite no imminent plans to enforce an ICE vehicle ban, green vehicle sales are growing in momentum, boosted by the country having amongst the lowest prices for EVs in Latin America.

According to data from the National Statistics Institute, 148,513 electric, plug-in hybrids and conventional hybrid vehicles were sold between January 2016 to April 2022.

Mexico aims to halve emissions by 2050, from 2000 levels, and targets sales of 61,400 EVs a year by 2025. The country's charging infrastructure must be expanded however to adequately support the growth in EV demand.

Staying connected

It's impossible to consider the future of fleet management in Mexico without talking technology, telematics and the connected car.

The growth in connected solutions will see increasing uptake of telematics, in-car digital platforms and smartphone apps which integrate big data, driver behaviour, predictive maintenance, and diagnostic alerts.

There is also significant potential for telematics to help reduce TCO, improve electric fleet operations and road safety.

The future of telematics systems will see them expanding beyond fleet optimisation, workflow management and driver behaviour analyses to incorporate personal security solutions, including tools for geolocalisation and immobilising stolen cars across Mexico.

Vehicles and Tax Incentives

The maximum tax write-off for businesses when buying a company car over a four-year period is 175,00 mexican pesos (250,000 mexican pesos if electric). However, when leasing, the tax break is 288,000 mexican pesos or 410,400 mexican pesos for EVs. However, other transportation vehicles such as distribution and heavy weight vehicles, can be deducted 100%.

Mexico also enjoys 100% tax deductible vehicle services and supplies when using a fleet management company, such as TraXall.

The challenges ahead

Supply chain delays and a lack of vehicles has been the biggest challenge facing Mexican fleet managers.

There are limited vehicles in OEM inventories and this has impacted employee company car provision and the acquisition of new cars to support fleet demand.

Furthermore, although fleet managers are tasked with reducing their carbon footprint by migrating their fleet to EVs and developing sustainable last mile distribution solutions, the lack of vehicles, range, and charging infrastructure makes the transition a difficult process for the foreseeable.

Keeping a lid on fleet TCO control is also a big concern. The impact of delivery times from OEMs, vehicle price increases due to monthly inflation rises and price hikes in fuel, maintenance, auto parts and other support services are combining to make budgetary control a difficult undertaking.

Road safety

Mexican fleets encounter certain road safety challenges – borne out of challenging traffic and climate conditions, natural disasters and, in some parts of the country, incidents of crime.

Training drivers to operate their vehicles in challenging conditions, having route planning teams and identifying and avoiding roads that can be dangerous due to climate or infrastructure problems is crucial.

Should drivers approach problematic areas, tech monitoring systems that can help navigate them to safer routes can also prove an important ingredient to fleet management success.

Looking to the future

Mexico is the benchmark for Latin America when it comes to new mobility systems.

But given the scarcity of vehicles, fleet managers will continue to face challenges. The spotlight is set to increasingly focus on mobile app-based solutions, such as ride hailing and car-sharing, which offer employees a transport alternative that is cheaper than opting for short term rentals.

The way people move and work post-pandemic has changed, with many Mexican companies having retained hybrid working models. This has increased the demand for flexible mobility solutions.

Innovations in mobility strategies will consequently continue, incorporating bikes, trains, buses, and shared vehicles.

Local Management, Global View

With an estimated population of 129 million and more than 50 million vehicles on Mexican roads, the role of the fleet manager will become increasingly pivotal to achieving national environmental targets, while controlling business budgets and the bottom line.

The challenges and opportunities that TraXall Mexico discussed throughout this article such as changes in vehicle leasing, outsourcing prohibitions, multi bidding traction and electrification of fleets, to name a few, are frequently observed in the country's fleet management environment, which TraXall with its service proposition can help to solve, generating savings and efficiencies with a local management and a global view within the entire vehicle life cycle, from the acquisition to the disposal.