



Glass's Monthly Commercial Vehicle Market Report

September 2018

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Foreword

Welcome to the September edition of Glass's Monthly Commercial Vehicle Market Report. In what is typically one of the quietest months, the latest SMMT data covering August LCV registrations reported a welcome increase of 5% on the same month last year.

With legislation changes combined with Brexit, 2018 has already proved difficult. Adding to this market mood, the government's ambitious Road to Zero strategy looms large on the horizon. Targets for Road to Zero include:

- 40% of new LCVs to be ULEVs (under 50g/Co2) by 2030
- HGV: 15% reduction of greenhouse gas emissions by 2025

Back to business for the trade following the summer break and vendors are reporting steady conversion rates at auction. August recorded a 9.2% rise in sales (+1.5% on Aug 2017), with buyers paying 13% more on average for stock than at this time last year.

The used truck market remains difficult. A shortage of fresh auction stock, slow retail demand and attractive new vehicle contract hire packages make this arena untenable. The used market is reaching saturation point with 6x2 tractor units and tired end of life stock. On the positive side, buyers are targeting Euro 6 units, particularly 12-15t rigid or high horsepower tractor units as UK towns and cities start to implement their own clean air zones.

Andy Picton, Chief Commercial Vehicle Editor, Glass's



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New CV market – overview

New van sales show growth in August

Sales of new light commercial vehicles increased for the first time in the UK since May as 16,394 new vans and pickups hit UK roads for the first time during August, according to data from the Society of Motor Manufacturers and Traders (SMMT).

In what is typically one of the quietest months for new LCV registrations, the increased demand is welcome. The 5% increase has seen year to date demand exceed 220,000 units. However, this figure is down 2.2% on the same point last year, as variations in fleet buying cycles and business confidence continue to affect the market and are likely to for the remainder of 2018.

During August, small and medium van demand fell by 9.3% and 29.7% respectively, whilst the pickup and large van sectors increased by 21.4% and 14.6%. Demand for vans in the 2.5t-3.5t sector now accounts for 67.2% of all van registrations.



Ford's lead in new registrations continues with the Transit Custom, Transit, Ranger and Transit Connect in 1st, 3rd, 5th and 8th places. Their combined 5,484 registrations make up over 33% of the overall total. However, the summer launch of the new Mercedes-Benz Sprinter has seen Ford's big van drop into third position with 1,820 Sprints registered in August.

Year to date, it remains a blue oval world as Ford sit in 1st, 2nd, 4th and 7th place accounting for 34% of all LCV registrations. The 33,436 Transit Custom registrations is nearly 19,500 units more than the third placed Volkswagen Transporter.



Mike Hawes, SMMT Chief Executive, said: 'August is typically one of the quietest months for new LCV registrations, so the increase in demand for high-tech, ultra-low and zero-emission vehicles is especially welcome news. While year-to-date figures show the market remains at a reasonably high level, weak business confidence and uncertainty means fluctuations in demand will likely continue throughout year.'

News analysis – Air pollution, health and the environment

Air pollution, health and the environment

As the question of air quality continues to rise through the agenda of the largest UK cities, small towns and rural communities, Glass's Head of Content, Anthony Machin, investigates what air pollution is and what really comes out of your exhaust.

Machin says, "Air pollutants are substances that harm the environment, they interfere with the climate, entire ecosystems, the make-up of flora and fauna including humans, as well as property in the form of crops or structures."

Emissions from internal combustion engines

With stricter emission standards for vehicles on UK roads, tightening legislation means that newer vehicles produce fewer toxic emissions while a more economical vehicle means less carbon dioxide (CO₂).

There is a direct relationship between CO₂ emissions and fuel consumption. If customers want the best economy then they should start by choosing the right vehicle for their needs. The list below is a simple list of considerations for vehicle buyers.

- For one or two people, smaller cars are more economical
- Choose people carriers if all the seats have a use
- Select commercial vehicles appropriate to the business
 - Size (load volume)
 - Gross vehicle weight (payload)
- Vehicle weight is more important than engine size for fuel consumption
- A heavy vehicle needs lots of energy to get it moving
- A big engine in a small vehicle can be economical
- Four-wheel drive (4x4) uses more fuel than two wheel drive

- In town, automatic gearboxes are excellent, however versus manuals:
 - Traditional automatics use around 10% more fuel
 - Constantly variable transmissions (CVT) use around 5% more fuel
 - Automated manual or semi-automatics can be more economical

By selecting the right vehicle for the intended end use, customers can affect vehicle fuel consumption and therefore amount of CO₂ emitted. However, the question of what else comes out of an exhaust pipe is still a concern especially when considering human health and the wider environment.

Choosing fuel

Considering the environmental impact, different fuels have different merits. Diesel vehicles have significantly lower CO₂ emissions per kilometre travelled versus petrol because diesel engines are more efficient, and emit lower levels of hydrocarbons (HC) and carbon monoxide (CO) than equivalent petrol vehicles. However, diesel engines emit greater levels of Nitrogen Oxides (NO_x) than new petrol vehicles. NO_x emissions are an air quality issue, particularly in urban areas.

Compressed Natural Gas (CNG) and Liquid Petroleum Gas (LPG) vehicles tend to be bi-fuel, meaning that they can run on either petrol or the gaseous fuel. For CO₂ emissions, LPG vehicles fall between equivalent petrol and diesel vehicles whilst CNG power delivers CO₂ performance comparable to diesel engine vehicles. Other tailpipe pollutants from gas-powered vehicles such as CO, HC, NO_x and particulate matter (PM) are similar to petrol vehicles.

Hybrid power for road vehicles combines internal combustion engines with electric motors and batteries. Hybrid vehicles can offer reduced fuel consumption and CO₂ emissions, and in stop-start motoring reductions in emissions of CO, HC, NO_x and PM.

News analysis – Air pollution, health and the environment

Tailpipe emissions

Alongside Oxygen (O₂), Nitrogen (N₂) and Water (H₂O), which have no negative effects to health and the environment, other gasses and solids emit from tailpipes. Many are detrimental to health and the environment.

Carbon Dioxide (CO₂)

CO₂ is a non-toxic gas that is one of the most important greenhouse gases significantly contributing towards global warming.

Carbon Monoxide (CO)

CO results from incomplete combustion. The gas can stop blood oxygenating correctly causing headaches, respiratory issues and in high concentrations death.

Nitrogen Oxides (NO_x)

Produced in any combustion process NO_x oxidises in the atmosphere and contributes to acid rain. NO_x also react with HC producing low-level ozone that can inflame human airways, reduce lung function and trigger asthma.

Sulphur Dioxide (SO₂)

Through combustion, sulphur forms acids leading to acid rain and engine corrosion. In the engine, the acids contribute to the creation of PM.

Particulate matter (PM)

PM is partly burned fuel often associated with diesel engines. Small particles can pass into lungs causing breathing and heart problems.

Hydrocarbons (HC)

HCs emit from vehicle exhaust as unburnt fuel. HCs react with NO_x in sunlight to produce photochemical oxidants causing breathing problems

and triggering asthma.

Benzene (C₆H₆)

Small amounts of C₆H₆ occur naturally in petrol and diesel. Benzene emits from older vehicles as unburnt fuel, with carcinogenic links to leukaemia.

GlassData Identification

Glass's Identification data enables the supply of automotive information contained within our vast UK and European databases through a single code. Each vehicle description is in a common format to provide data ideal for model selection or identification.

With the 'live' Euro standard in legislation at the time the car is new governing the permitted levels of toxic emissions for each individual vehicle, the ability to identify specific Euro standards on used vehicles is imperative. Not only does the Euro standard govern the emissions, it is also the key to tariff free or lower priced entry to clean air zones, congestion zones, ultra-low emission zones and even specific high streets at specific times.

Summary

When comparing vehicles of similar size and performance:

- Petrol vehicles generally use more fuel than diesel producing more CO₂
- Petrol vehicles produce fewer toxic emissions
- Diesel vehicles generally use less fuel than petrol producing less CO₂
- Diesel vehicles produce more toxic emissions
- LPG and CNG vehicles give off lower toxic emissions than diesel and petrol engines

Used CV market overview

With the summer holiday season over for another year, used traders headed back to the auctions. Sales are busy, both physically in the auction halls and online with vendors reporting steady conversion rates.

August recorded a 9.2% rise in sales at auction (+1.5% on Aug 2017), with buyers paying 13% more on average than at this time last year. The average age of sold stock in August increased by 1.7 months to 63.5 months whilst first time conversion rates rose for the first time since April to 79.6%.

Used buyers continue to focus on damage and specification and will pay more for the cleanest and straightest stock. Safe in this knowledge, vendors aiming to achieve the best sale prices are encouraged to present their stock in the best possible condition.

Challenges relating to road restrictions driven by congestion charging, Clean Air Zones and Ultra Low Emission Zones are forcing some traders to concentrate on the newest available stock, with growing premiums paid for the best Euro 6 stock.

The great looking and reliable Transit Connect Limited commands interest from both trade and end users. There is similar interest in the Mercedes-Benz Citan where the brand means a lot, with the Citan 109 Long van and crew van in metallic colours proving popular. The Citroen Berlingo Enterprise remains as popular as ever with the nicest examples in colour selling well. Older stock has a loyal following, with the best prepared Kangoo, Combo, and Berlingo attracting interest from trade buyers. This popular sector has seen average sales price increasing by more than £500 over the last year.

The evergreen Volkswagen Transporter performs at its best if fitted with air conditioning, but with relatively small numbers available, any T5 or T6 sells

well. Small, but growing numbers of the new Dispatch and Expert are available at auction, but most emanate from ex-rental sources without air conditioning. The Transit Custom is everywhere, resulting in growing downward pressure on values for all but the best examples.

The demand for crew vans continues unabated with the best examples from Ford, Volkswagen, Renault, Vauxhall and PSA selling quickly, especially when well specified.

The Sprinter, Transit, Relay, Boxer, Ducato and Master have received the attention of buyers this month with most selling strongly. Good condition dropsiders and tippers on Ford chassis have sold quickly, whilst Lutons on any chassis sell if the mileage is sensible. Minibus values have firmed a little of late with plenty of interest for the nicest examples.

Although there is a general oversupply of 4x4s in this sector, over 1,600 sold during August. The best had plenty of extras coupled to automatic transmissions. Similarly, a shortage of workhorse 4x2 and 4x4 models in resulted in increased demand and strengthening prices. Any limited or special edition models were eagerly bought by the trade whilst at the lower end of the market, clean 2006-2010 stock, quite often sold as 'margin' vehicles sold without hesitation.

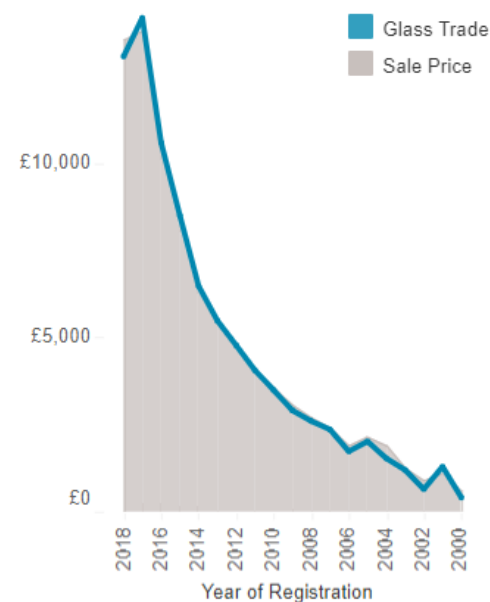


Residual values – measuring our accuracy

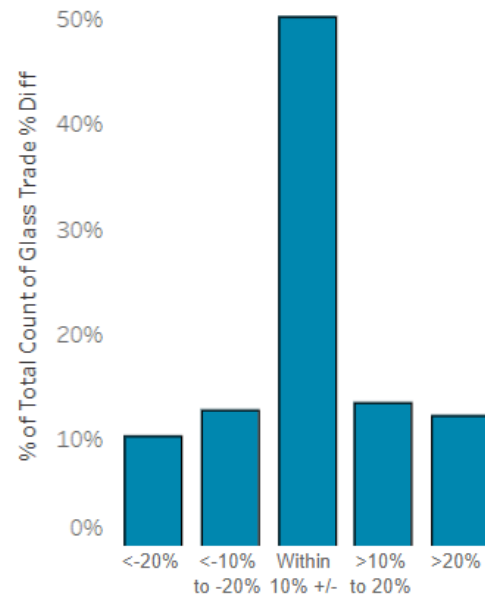
How accurate are our current Glass Trade values?

Glass’s closely monitors the wholesale auction market and all observations gathered are used to help us to achieve our target of the Glass Trade Value. The graphs below show Glass’s Trade Accuracy For LCVs Observed in August 2018 versus the average Glass Trade Valuation for August.

Average Glass Trade vs Average Sale Price



Accuracy Distribution



Average Auction Sale Price

£7,020

Average Glass Trade Valuation

£7,176

Average Difference Between Our Trade Valuation and Auction Sale Price

2.2%

The image to the left is a snapshot of our accuracy reporting dashboard.

Glass’s subscribers get full access to our accuracy dashboard each month and filters include:

- vehicle type
- fuel type
- manufacturer

This means subscribers can see just how accurate we are on what matters most to them.

HGV Marketplace: Q2 2018

New truck registrations are down again for the second quarter of 2018. Figures released by the SMMT show the fourth consecutive decline, with the Glass's team forecasting this trend to continue for the rest of the year.

With the date for leaving Europe moving ever closer, new rules regarding Direct Vision Standards (DVS) requiring all HGVs over 12 tonnes entering or operating in Greater London to hold a safety permit from 26 October 2020, and new rules for trucks entering Low Emission Zones (LEZ), there is real pressure on the truck industry.

Q2 truck registrations by brand

MARQUE	Q2		% Change
	2018	2017	
DAF	2,902	3,298	-12.0%
DENNIS	175	234	-25.2%
HINO	0	1	-100.0%
ISUZU	223	245	-9.0%
IVECO	699	883	-20.8%
MAN	854	893	-4.4%
MERCEDES	2,157	2,178	-1.0%
MITSUBISHI	166	173	-4.0%
RENAULT	461	533	-13.5%
SCANIA	1,557	1,856	-16.1%
VOLVO	1,453	1,453	0.0%
OTHER	23	24	-4.2%
Total HGVs >6T	10,670	11,771	-9.4%

Source: Society of Motor Manufacturers and Traders (SMMT)

Glass's predicts that the slowdown in new truck sales will result in a shortage in the used market in three years' time, just at a time when operators within the haulage industry are looking to consolidate. The likely result will be less used truck buyers. With the few that are left, possibly opting for either a new truck or long-term rental until the used market improves.

Used truck dealers often struggle to predict retail buyer's requirements, frequently resulting in poor stock choices. This has not helped alleviate buyer concerns and in turn slowed their purchasing process further.

Feedback from busy used truck dealers suggests that sales numbers are hard to deliver with buyers being careful with their choice of vehicles. More buyers are looking for one to two year old, low mileage stock, either because of the lead-time on a new vehicle, or alternatively because of the overall cost. This has resulted in a widening gap in values between two and three year old stock.

With a slow used market, anything a little different still commands a good price. However, we expect run-of-the-mill stock residuals to improve as we move through September and head towards Q4.



Used van hero September: Ford Transit Connect



Each month, Glass's Commercial Vehicle editors hold a meeting to name the current Used Van Hero in the UK market – the model they believe offers versatility, durability and outstanding value for money.

Andy Picton, Chief Commercial Vehicle Editor: “Although there has always been plenty of competition in the light van sector, the Ford Transit Connect is the ‘go to’ van for thousands of operators”

Why?

Offered in four trim levels - Base, Trend, Limited and Sport - the range has a comprehensive level of specification and is a favourite of the used market. The Transit Connect is spacious, well laid-out and highly functional with a choice of two or three front seats, a full-height, full-width bulkhead available glazed or unglazed, a side loading door and symmetrical rear doors as standard on either the L1 or L2.

The Double-Cab-in-Van has a second row of three seats with a moveable full width, full height mesh bulkhead whilst the Transit Connect Kombi incorporates a high level of flexibility between load space and passenger accommodation. You can also specify a glazed rear lift-gate with wash/wipe and heated de-mist option on any of the models.

When was it on sale?

Replacing the long serving Escort van, assembly of the original 2002 Transit Connect was in Turkey. The second generation also built in Turkey, entered production in 2013, receiving a facelift earlier this year.

What is good?

It is a great looking van, with a robustly constructed interior with plenty of storage. There is a comprehensive combination of trim levels, engine powers, lengths, body styles and GVWs meaning there is a model for everyone. Ford has an ample dealer network and the vehicle comes with a good warranty package and competitive SMR costs.

What is bad?

In bright sunshine, the instrument panel can become difficult to read. The vehicle has a modest towing capacity with the engine becoming vocal on motorway trips. Only higher specifications get the flexible dual passenger seat that can flip up to provide extra storage or fold down to create a writing desk.

Ideal buy

Ford Transit Connect 200 1.6TDCI L1 Trend 1414 plate with 55,000m on the clock

Retail £8,225 Trade £6,925

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And finally...

VOLKSWAGEN TRANSPORTER SETS NEW NÜRBURGRING LAP RECORD

A Volkswagen Transporter has set an unofficial lap record of the Nürburgring Nordschleife in the hands of HMS Racing British Touring Car driver Rob Austin.

The lap time of 9 minutes 58 seconds, beats the benchmark time set by TV presenter and professional motor racing driver Sabine Schmitz, of 10 minutes and 8 seconds, in 2005.