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Avis Budget Group Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question is from William Truelove UBS.

William Truelove UBS

I want to ask you guys the same question I asked one of your key competitors who was unable to answer it yesterday. Holding the vehicle you said, obviously, costs you less. I get that, over time. But what I want to understand is, is there a revenue impact to holding the car longer? Because if it's obviously cheaper to hold the car longer, then why wasn't that sort of the operating policy maybe a year ago or what not. There has to be some kind of offsetting problem to it. Can you walk us through why now holding a car longer is still financially better than it may have been in the past or what not? That kind of discussion I think needs to be had.

Robert Salerno

I think a lot of it has to do with what are the alternative deals that are out there. At points in time, it was actually cheaper to buy a new car because that's what the manufacturer wanted you to do; and they made deals available to you to do that. Of course, the financing market was such that it was negligible. That was why it was cheaper to buy a new car than hold it. As things have changed now, it is cheaper from a depreciation standpoint and also from an interest standpoint to hold the car longer.

That's what governs all this, this fleet management, is what's going on at the time in the world from the OEM standpoint and our own standpoint and determines what we want to do in keeping the car longer or going out and buying a new car. Does that answer your question?

William Truelove UBS

I think so. So you're saying sort of the incentives given from the OEMs plus the way to finance those purchases versus what you get today. Am I reading that correctly? I would assume that if you are going to hold the car longer, there could also be a revenue impact as, couldn't it be more difficult maybe to get pricing power if the cars are getting older? Will customers push back on that?

Ron Nelson

I just want to add to what Bob said. I think all of us, you have to take into consideration what's going on in the competitive market. I think if all your competitors are having 6 and 7 monthold cars and you're out with 20 and 25 monthold cars, there is going to be a revenue impact. Some people will switch because they look at those things.

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