



To lease or

Sawvy operators have long been wise to the benefits of leasing vehicles and since the recession, purchasing them hasn't been a viable option for many. **Ashleigh Wight** finds out how renting and leasing have proved a smart move for several logistics firms

Since the economic downturn, many operators have had to rethink their fleet replacement or expansion policies, especially when it comes to making the large financial commitment of buying a truck, trailer or van. While an owned vehicle is an asset to add to your business's books, with it comes the responsibility of keeping it well maintained and looking professional, as well as the upfront cost.

Banks are often unable to lend at the same rates as they did pre-recession and, as a result, renting or leasing vehicles has become a popular way of refreshing a tired fleet. But with so many types of contracts or ad-hoc rental offers to consider, operators often struggle to decide what is best for their business.

Leasing is proving more popular for businesses that would like to own a vehicle, but cannot afford to buy the asset outright.

Bradford-based Freightlink Europe, which runs 18 vehicles ranging from Sprinter vans to 18-tonners, has traditionally bought vehicles on a lease purchase agreement until this year. It recently started to take on additional vehicles for a new customer on a leasing basis to build a fleet of both owned and leased vehicles.

Director Lesley O'Brien says this helps the company keep on top of its costs, as the leasing provider – Ryder – owns the vehicles and pays for maintenance. However, operators are still required by law to ensure that vehicles are regularly tested and remain roadworthy.

"Although a leased vehicle may not belong to us, we are still able to operate in the Freightlink Europe livery and promote the brand, while letting someone else worry about fluct-

uating maintenance costs," O'Brien says.

"Another benefit is cost control. We know precisely what our overheads will be. High maintenance costs in a month can be the difference between profit and loss," she adds.

Contract hire

Many transport companies say the main benefit of contract hire is that it passes the responsibility for maintaining a professional image to another party. Expect Distribution, which runs a contract hire fleet of 75 vehicles, says choosing an agreement that covers tyres as well as the general wear and tear of the vehicle interiors and exteriors helps the company run a professional fleet. Operations director Neil Rushworth says: "Our target market is professional businesses that want to see high standards of quality vehicles operating for them. We don't operate on-site maintenance, which means that we can get on with running our business without additional headaches and space on site occupied."

During busy periods, the opportunity to rent either trucks or vans gives operators the flexibility to increase the size of their fleet at short notice, without having to worry about buying, maintaining or taxing a vehicle. As well as hiring the majority of its fleet, Expect also rents tractor units and rigidis as and when they are needed, along with Wales-based Mars-Jones, which recently started renting vehicles.

Director Phillip Mars-Jones says the rented vehicles, which are provided by MAN dealer A N Richards, are used to cover its night trunking routes after it won a number of contracts.

Mars-Jones, who runs a mixed fleet of 23



not to lease

owned, rented and leased vehicles, says: "With short notice, renting allows you to get started without pressure on cash flow."

Vehicle recovery

Broken-down vehicles are often a huge inconvenience for hauliers that own their trucks, resulting in lost time on the road and sometimes complaints from customers if deliveries are delayed, but vehicle rental providers tend to have their own replacement policies in place if a vehicle breaks down.

"We chose to rent the larger vehicles about 18 months ago," says Mars-Jones. "This was primarily due to the backup we receive from A N Richards. If one of these breaks down, we have a replacement vehicle within hours."

The downside

But renting or leasing vehicles can have its drawbacks. Own-account operator and garden centre supplier RA Meredith & Son, which has O-licences to run 49 vehicles in total, out of four garden centres in Gloucestershire, says despite running rented and leased units since it began 40 years ago, it has recently considered buying used vehicles instead.

Transport manager Richard Lewis says: "It's money down the drain at the end of the day because you don't get to keep the vehicles."

With leasing and renting, hauliers have to ensure that vehicles are taken care of and are not returned in a poor state at the end of the agreement.

Freightlink Europe regularly inspects the vehicles for damage, but often has to pay if they do not meet the provider's expectations.

"The provider pays only for the maintenance and general wear and tear. Naturally, any damage would be payable by us," says O'Brien.

Long-term contracts can also be problematic for operators, especially when they want to make changes to their fleets, as Rushworth says. "The drawback would be the lack of flexibility in our fleet. The arrangements are quite rigid and this restricts our ability to make changes quickly."

Pick and mix

Despite this general view across the industry, Freightlink Europe says there are many leasing and renting agreements on the market that vary from the short to long term, allowing it to tailor contracts to the requirements of the company and its customers.

O'Brien says: "We are concluding contracts for leasing vehicles with Ryder. The deals vary from a rolling monthly leasing contract, which enables us to stop the contract at short notice, to a five-year contract with a break point after three years."

Johanna Cooke, company secretary at A N Richards, says the popularity of renting and leasing vehicles has increased over recent years, encouraging it to diversify its business and take advantage of this interest. "The finance industry has been hit hard by the economic downturn and operators have felt this badly with banks being unable to lend at the rate of the previous five years. With our service, operators do not have to worry about large initial outlays, and by paying as you go, vehicle costs are easier to manage." ■

