

STRONG CONSTRUCTION INDUSTRY DEMANDS NEW APPROACH TO FINANCE

APRIL 2008 – With the construction industry continuing to perform well, financiers are adapting their products to suit a busy market, says CNH Capital's National Operating Lease Manager, Greg Burgess.

"The value of domestic construction by the private sector has been forecast to reach about \$72 billion in 2008. That's twice what it was worth in 2003," Greg says.

"Recent interest rate rises have obviously had an impact, particularly on the residential building sector, but overall the industry is continuing to look pretty robust."

The result of this busy industry is that a lot of construction contractors have seen significant business growth.

"There's a lot of work going on and contractors want options that make it easy for them to concentrate on getting the job done," Greg says.

"CNH Capital, the company behind Case Credit and New Holland Finance, has introduced a Fully Maintained Operating Lease that lets businesses access the latest machinery without having to meet upfront purchase costs. Our Fully Maintained Operating Lease is simply a rental agreement where the customer can avoid the risks associated with ownership and not have to worry about maintenance costs or residual value.

"We bear the risk on the resale of the equipment, and all scheduled servicing and maintenance is provided by one of our authorised dealerships across Australia. This ensures all servicing is completed by qualified technicians, leaving construction companies to get on with their projects," Greg says.

At the end of the lease period customers can choose to return the machines and upgrade to new equipment; renew the lease on the current equipment; offer to buy out some or all of the machines at the current market value; or simply return the equipment and walk away.

“Flexibility has always been one of CNH Capital’s best features, and the range of end-of-lease options for this product shows we understand that different businesses have different needs.”

The Operating Lease delivers a host of benefits beyond the practical advantage of getting new machines on-site. “The Fully Maintained Operating Lease is perfect for operations where it’s important to improve cash flow and minimise tax liability while keeping the equipment fleet up to date and fully maintained,” Greg says.

“Benefits include flexible rental payment arrangements, the absence of large upfront deposits, and the preservation of other credit lines. There’s also potential to enhance key accounting ratios, as an operating lease is not reflected on a company’s balance sheet.”

CNH Capital has recently introduced a number of other products to make financing construction equipment easier.

“Our Credit Line and Master Lease Agreement, for example, establish pre-set credit limits and negate the need for lengthy finance applications.

“All of our new products have been developed in response to customer feedback. With the industry still busy, construction businesses want finance options that make getting obtaining and maintaining the latest equipment as simple as possible.”

For full details about the Operating Lease product please call Greg Burgess on (02) 9673 7884.

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