

Truckers CASH 'N' CARRY



TruckSure
By Trevor Toohill

As a specialist transport insurance broker TruckSure has daily contact with clients advising our team of funding arrangements where banks, leasing and hire companies, and finance companies need their interest recorded on insurance policies.

Successful finance applications result in the new piece equipment, truck, or even a fleet being added to the transport operator's inventory. The business grows and prospers accordingly.

The flip side of this coin is that failure to obtain finance and the ultimate flow on affect this has on the business – generally failure and the business closing its doors.

Trucking companies are showing they are ready to move beyond mere survival. They are demonstrating growth again, which means they are also ready to resume borrowing. This is well supported by the August new truck registrations of 249 trucks and 94 trailers – well up on last year and the 13th month of straight recovery.

That is all good news for some operators but it disguises the fact that a high percentage of owner and small fleet operators are struggling to put a credible application for funding together that will result in the new piece of equipment going on the road.

Working truck odometer readings are at an all time high as the last gasp is screwed out of a dying engine, transmission, and drivetrain. This is having a major effect on profitability and the bottom line is that operators who ignore a sensible replacement programme are losing out in the long run.

The good news is that many lenders are now actively seeking new opportunities to put their money to work.

There is a way you can approach a replacement programme with some certainty of successful funding – even during this global meltdown, with a bit of thought, preparation and planning.

Over the last 30 years or so TruckSure has actively assisted clients in presenting lease applications to funders and although not our current focus I thought it timely to outline a few questions you can ask and answer for yourself. I cannot guarantee you will get a finance approval, but I can guarantee you will increase your odds of driving out of the dealership in a new rig.

When assessing a finance or lease application there are a number of factors beyond a company's cash flow and credit history that your lender will be interested in.

Ask yourself these questions and you may be surprised that your approach to your lender may go a little better than anticipated:

- When is the right time to approach a lender? The best time is before you need the money. Inform a potential lender about your business well before you apply for a loan. If you wait until you need the money in a hurry, financing options could well be limited.
- Do you treat your Lender as a business partner? Relationships matter. You and your lender must work with a set of shared goals. Smart borrowers take the lender's perspective into account when challenges arise.
- How open and honest are you? Trust underlies all financing relationships so be upfront with a lender about your challenges. Do not allow a lender to invest time and resources into the loan application process only to find that there are variances in the information provided. Well prepared borrowers see financing challenges as opportunities to demonstrate their grasp of the issues facing their business. Don't bulls**t or exaggerate – you will get tripped up.

- Is your story compelling? You should tell your story in a way that highlights your success and acknowledges the challenges. Create a compelling business plan, and organise all supporting material. Lenders understand the impact of the downturn on the transport industry. What they need to see is how you overcame obstacles and solved problems and how you plan to move forward now.
- Do you sweat the small stuff? Every interaction with your lender has an impact and a consequence. Mistakes and omissions can cause the lender to lose confidence in you and your business. That is why it is important to understand the process, dot every i and cross every t. Get up to speed on understanding the lease or finance process. You should be prepared to demonstrate specifically how you will meet your commitments.
- Do you deal with a Lender who understands the Trucking Industry? An industry specialist lender will have a better understanding of a reasonable business plan as well as your specific contracts. That knowledge will be helpful in structuring the finance and establishing a long term relationship. You do not want a one hit wonder but a relationship that will last beyond the first deal. Some lenders customise financial products for the trucking industry. New Zealand is a small market but there are competing lenders right now looking to approve transport deals.
- When did you last have a meaningful chat with your lender? A lack of communication can damage ongoing financing prospects. From day-to-day details to big changes, keep the lender informed. If an unexpected event occurs, say, a particularly bad accident, contact the lender as soon as possible, preferably before it hits the news. Be prepared to explain its impact on your ability to meet your financial obligations. If you need a loan or not it still pays to submit your accounts and business plan every year. Remain visible.
- Can you put yourself in their shoes? Every operator should think in terms of both a borrower and a lender to get the most out of the relationship. Whether the discussion involves a challenge, a credit line increase or an additional piece of equipment, understanding the lender's position will lead to a more favourable outcome. Smart borrowers will contact their lenders at least 6 months before the loan comes due to make adjustments and plans for the future.
- Do you know your mates' finance deals? Learn about the financing structures of similar operators in the trucking industry. Other owner and small fleet operators are generally in exactly the same position as you are. If someone has put a new rig on the road, ask them how they funded the deal. Generally most operators like to have a chat and don't mind sharing their success stories.
- Is cash flow important? You bet it is! Cash flow is king and you have heard that plenty of times before. I don't know how many times I have seen a rooky operator go down the dunny because a new rig and a new contract produced a bit of surplus cash – then what happens? Instead of investing the cash back into the business they go out and buy a couple of toys. You know, a flash car and the boat. Just be cautious with the cash and there will be plenty of time for the toys when you have a freehold title on your first rig.

If you are struggling with your funding arrangements TruckSure has a number of connections with lenders and happy to point you in the right direction. www.trucksure.co.nz 



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TruckSure

'You sit behind the wheel – we stand behind the truck'