

## Contract Hire

Cost effective vehicle operations, without ownership

A key element of the MAN Financial Services (MFS) portfolio of financial packages, Contract Hire provides commercial vehicle operators with a system where they can simply hire the use of a truck for a predetermined period against similarly predetermined maximum anticipated mileage.

The operator/operating company is never required to own the vehicle during the contract period and the agreed MFS Contract Hire monthly rental fee for the truck's use is fixed for the duration of the contract.



The MFS Contract Hire agreed monthly rental fee will usually include the following:

- The purchase price of the vehicle
- A predetermined 'end of contract' residual value
- The cost of funding the contract
- The cost of the vehicles road fund licence over the contract period
- The cost of maintenance and repairs - with the exception of accidental damage
- Replacement tyres for the vehicle
- Uptime guarantee

Under normal circumstances the MFS Contract Hire rental fees quoted will include all of these options, and the monthly rental figures are calculated on a payment cycle that meets the operator's individual business requirements.



With the exception of the vehicles insurance and the fuel it uses, there are no further operating costs involved with Contract Hire from MAN Financial Services.

When the contract period ends, the truck should be returned to MFS and, providing the vehicle is returned in an acceptable condition and within the stipulated mileage limitations, no penalties will be imposed. In cases where excess mileage is incurred, the excess will be imposed at the rates quoted in the original vehicles contract document.



# Benefits of Contract Hire

## Features

### Benefits

The benefits to an operator of using MAN Financial Services for Contract Hire can be split into two main headings which, when combined, equate to maximum operational convenience - yet with the minimum of capital outlay.

## Financial

Under normal terms, the level of capital outlay is restricted to the number of agreed monthly rentals in advance of the contract.

MAN Financial Services flexibility of advance payments and contract content can be a major influence when operators are considering an acquisition.

By paying a fixed rental cost for vehicles, rentals which effectively cover the lion's share of running costs, operators can accurately budget for the major slice of their vehicle costs well in advance. They can also be confident that inflation and rising costs will not affect the rental rates throughout the contract period and, therefore, no longer subject to the vagaries of either the new or used vehicle truck market.

The above are operational advantages and do not take into consideration the prime financial benefits available to a company selecting contract hire.

## Capitalised Expenditure

It is important for operators to understand that, by selecting contract hire, they substantially increase their borrowing power, and are able to inject capital into more profit making areas of their business. With contract hire, the operator no longer injects capital into depreciating assets, and will, of course, have an additional source of credit open to the business.

In addition, operators will also have the immediate use of the equity in their existing vehicles; whilst continuing to operate vehicles under a system whereby the tax concessions are, more often than not, more beneficial than the capital allowances and loan interest relief system currently available to them.

## Administration

The cost of a transport fleet's administration to most operators is high. Once operators select contract hire as their finance route for new vehicles, their only administrative areas are:

- a) Insurance. This must be fully comprehensive
- b) Fuel Accounting
- c) Decisions relating to the specification of vehicle required



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