

***In Romania, the operational leasing accounts for around 12 per cent of the leasing market, in other countries from Central and Eastern Europe it reaches 30 per cent and ranges between 60 to 70 per cent in western European countries. Dudy Perry, CEO Sixt New Kopel Group***

**BH:** What is the current value of the operational leasing market and what are the growth perspectives in 2009?

**Dudy Perry :** The current value of the operational leasing market represents 200 million Euro. Regarding the predictions, from an international perspective, I can say that interest in operational leasing is expected to continue to rise in the next year. In the current economic situation, expenses caused by owning a car fleet might alternate monthly, generating budget imbalances. Therefore, companies will select risk-wise actions, by choosing operational leasing in order to relieve financial pressures and reduce costs.

**B.H:** What are the advantages and the shortcomings of an operational leasing contract?

**Dudy Perry:** The operational leasing is a proper solution for the economical context because it ensures reduction as well as predictability of costs for the entire duration of the leasing contract, and it provides solutions for the moment when the cars have to be sold. Moreover, there is an escalating trend among companies to rent cars on a monthly basis, in order to reduce their need to make long term commitments. The main advantages of the operational leasing concept are: first of all cash flow and budget planning- a fixed monthly fee for the entire duration of the contract. Secondly, improved balance sheet ratios: the fleet is included in the Lessor's Balance Sheet. The third advantage refers to time reduction: simplify the activity of fleet management and decrease the accountancy work volume. Another strong point is related to concentration in core activity: improve businesspeople's capacity of financing their core activity by releasing important financial resources.

The residual value risk is also an important element to be taken into account: when the car fleet is acquired through operational leasing, the residual value risk is immediately transferred to the leasing company. Unexpected maintenance and repairs works are handled entirely by the leasing company: the company covers any maintenance or repair scheduled and non-scheduled. A replacement vehicle will be available in case of an accident or breakdown,

ensuring total mobility. In other words, operational leasing is a complete outsourcing solution for fleet management, which enables the companies' management to use its time as well as its financial resources on its core business, and also it eliminates most of the risks involved with owning a fleet. These advantages are of course more obvious in a period of economic crisis like the one we are facing now.

**B.H:** How developed is the Romanian operational leasing market compared to the operational leasing markets in other countries?

**Dudy Perry:** I believe the Romanian operational leasing market will continue to grow in the following years. However, there are some difficulties that need to be considered as well: the Romanian's mentality that are used to buying not renting cars- even if renting is more efficient- , the insufficient development of the second hand market and the poor state of the infrastructure are real problems when calculating the costs. If in Romania, the operational leasing accounts for around 12 per cent of the leasing market, in other countries from Central and Eastern Europe it reaches 30 per cent and ranges between 60 to 70 per cent in western European countries. Therefore we are confident there is a lot more growth to come.

**B.H:** What are the main issues faced by operational leasing companies right now, considering the global financial crisis?

**Dudy Perry:** The main issue that operational leasing companies are facing is the impossibility to predict the future residual values of their fleets. Western Europe is facing a dramatic fall in value of second hand cars. This led to big losses suffered by operational leasing companies as well as other fleet owners. Due to the fact that second hand car prices in Romania were higher, we experienced an influx of import of old cars from Western Europe, causing the market prices to drop. The recent proposal of cancellation of the pollution tax for new cars should reduce the attractiveness of old car imports from West and the second hand market should reach balance.

**B.H:** How are these companies affected by the monetary policy?

**Dudy Perry:** Since the operational leasing customer is not considered to be a lender, he is free from any monetary regulations.

## **Operational leasing market on the growing path, although Romanians still prefer to buy cars**

Written by Administrator

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**B.H:** Are customers that use operational leasing, exempt of any taxes? What taxes if any?

**Dudy Perry:** All operational leasing expenses are tax allowable.

**B.H:** How many customers failed to pay on time this year? What is their percentage in company's overall customer's portfolio?

**Dudy Perry:** We have a marginal quantity of dropped out contracts and this is a usual phenomenon of a financial crisis. However, we were careful enough to select strong and respectable clients, who in the case of returning a car before the agreed term they respect their stipulated contractual obligations. Therefore we have not suffered from any bad debts so far.

### ***About Sixt New Kopel:***

The only operational leasing company in Romania offering at the same time leasing and rent-a-car services;

Set up in Romania in 2005 as first company implementing operational leasing in Romania;

Offices in Bucharest, Iasi, Bacau, Constanta, Timisoara, Cluj Napoca, Sibiu and Brasov;

Share capital: 203.033 Euro

Profit in the first 9 months of 2008: 298.565 Euro.