

Financial Tools for Staying Strong

Aventura CFO shows how solid fleet finances and financial reporting can help operators handle a recession

By Jon LeSage

One of the most timely sessions at the International LCT Show this year centered on how operators can efficiently finance their fleets, report finances, and analyze and reduce costs.

Financing a fleet takes a lot of overhead, and making it feasible involves studying options and tapping strong ties with bankers, said Ron Sorci, CFO of Aventura Worldwide Transportation Services in Miami and the newly elected NLA president.

While leases are one favorable option now that traditional loans have become harder to get, operators need to be careful about the type of lease agreements and mileage restrictions, Sorci said. Operators can get lower monthly vehicle payments with leases. Traditional loans usually require a 10% fee and sales tax paid upfront, but high mileage leased vehicles can get quite expensive if not negotiated realistically, Sorci said.

OPEN VS. CLOSED LEASES

OPERATORS ALSO SHOULD consider closed-end and open-end leases, which deter-

mines who takes on the residual value at the end of a lease.

Closed-end leases are usually 36 months and are taken back by the lender. Under open-end leases, the buyer must remarket the vehicle — a difficult task now that vehicle resale values have plummeted. Terminal Rental Adjustment Clause (TRAC) leases are another financing source to consider, as they're most cost effective when taking out the typical seven-year lease for a motorcoach, Sorci said.

Whatever the loan taken out on fleet vehicles, negotiations with bankers are a big part of the process, Sorci says. "We have a line of credit with three different banks," Sorci says. "I like that they're competing with each other. I tell them what the other bank is offering at a lower rate, and then ask what they can offer me."

When meeting with a banker, make sure you put together a thorough financial report with corporate tax returns, balance sheets, budgets and forecasts, and client reference letters. "One of my bankers once told me, 'You just made my job so damn easy,'" Sorci said. "Our numbers were O.K., but the banker felt this was enough to put us over the fence."



AVENTURA CEO RON SORCI explained how operators can get favorable lease and loan terms.

COST CONTAINMENT

SORCI ALSO ADVISED operators on how they can use their financial reports to reduce expenses by category. It's important to look at the details, such as determining who pays for tolls and parking tickets, airport and port fees, two way radios and beepers, and uniform expenses. Also, describe the pay and reimbursement arrangements for both independent contractors and chauffeurs.

To save on car wash costs, operators should consider having their own equipment and supplies onsite. For limousine supplies such as bottles and napkins, operators should track usage, expenses, and inventory to see if better deals are possible.

When evaluating general and administrative costs, keep only those that work best, and make sure money spent on advertising and promotions delivers maximum value. With health insurance, you probably will pay 50% of the employee costs, with them paying the rest. Watch out for bank charges: "These can be excessive charges — the worst thing in the world," Sorci said.

Credit card charges also can add up, especially as they've increased quite a lot recently. "Clients paying you monthly by check can save you much in charges," Sorci said.

Staying on top of operating and G&A expenses means your profit margin can actually increase, Sorci said. The ideal balanced financial picture results from controlling fleet finance and other costs that help you keep overhead at no more than 65%, and general and administrative expenses capped at 25%. That will bring you at least a 10% profit margin, which should be your goal, Sorci said. **LCT**

Leaping Over the Sales Wall

WHEN SELLING YOUR chauffeured services, remember that it all boils down to one customer concern. You may worry that it's all about price, but it probably won't be, said speaker John Rodgers of Dale Carnegie Systems, during his seminar, "Making Sales Happen!" During his 20 years in the Dale Carnegie training program, Rodgers has helped corporate sales representatives increase success by changing their thinking, he said, by going beyond what is thought possible.

A customer may object to making a deal with you because they are worried about something that may go wrong that they haven't fully explained yet. Maybe they had a bad experience with another transportation company. Or they don't really understand all of the services you provide. Or their boss has raised concerns about getting the right transportation services. They may bring up cost, but you can ask, "In addition to cost, is there anything else?" Rodgers said.

Once this gets out on the table, it is very constructive. "You can say, 'I understand how you feel. This is how another company felt about this problem, and working with us, this is what we achieved.' Ask them questions if it's not clear, and be precise," Rodgers said.

