VEHICLE AND & EQUIPMENT LEASING
FOR BUSINESS GROWTH & DEVELOPMENT

LAK LEASING ASSOCIATION OF KENYA

www.lak.co.ke

Leasing: Tool to expand economic opportunities, create employment and reduce poverty

By EDNA KIHARA

In the financial year 2013/14 the Government of Kenya embarked on leasing 1,100 police vehicles as the most committed engagement by government on leasing.

Additionally, the Cabinet signed a paper requiring all government ministries to begin the leasing of movable capital items as a mechanism to carry out their mandates and better use their limited financial resources. Leasing has been used as a tool to leverage or stretch available funds with the intention of multiplying the number of productive assets available, which an outright cash purchase of the same items could not.

The Leasing Association supports Kenya Government Public Sector Leasing programmes because globally, such programmes have succeeded in achieving the following for its citizenry:

- Spur Economic growth by better service delivery and increased productivity
- Reduce waste and obsolescence of public assets due to better managed assets
- Significantly scale up Government priority projects
- Enhancing capital formation in the hands of both the public and private sector by putting productive assets into the hands of more people
- Job creation, skill and Technology transfer through the deployment of more modern and additional assets
- Fully utilize and grow local assembly capacity of capital items like vehicles, computers and medical equipment
- Grow SME and other businesses through the provision of outsourced services including repairs and maintenance services, Insurance, tracking and cleaning
- Deepening Financial Markets through the development of new financial products

Leasing has enabled various sectors deliver on priority in the following areas:

- **Health:** It has Increased the availability and reliability of medical equipment improving universal healthcare for citizens
- **Agriculture**: leasing has assisted in mechanization of the sector and increased value addition of primary agricultural produce
- **Industrialization**: Increased demand from the public sector has led to growth in local assembly and increased local content boosting local SME's
- **Energy:** It has facilitated the implementation of green energy solutions and improved sustainability
- **Oil, gas and mining**: Leasing has facilitated faster and more efficient extraction of commodities

In his speech during the Leasing Association Convention held last year, Cabinet Secretary, Treasury Henry Rotich emphasized that leasing was a tool in the government's working goal to expand economic opportunities to create employment and reduce poverty. Further, he said that leasing provided a tool to front load public expenditure and improve service delivery. Long term leasing would also transfer the risk associated with the life cycle management of assets and at the same time spur economic growth, expand the tax base and future tax revenues.

LAK believes there is commitment from the national government to extract all the benefits that accrue from the proper implementation of The Kenya Public Sector Leasing Programme and is working hand in hand with the authorities to develop capacity and the necessary frameworks to successfully do so.

With the successful roll out of the pilot scheme, we look forward to implementation of these programmes at county level and with all public institutions.

BOARD MEMBERS

Edna Kihara,
Leasing Partners - Chairman

Anthony Kibe,
Simba Corporation (Avis)
Acting Vice Chairman

Patrick Amenya,
Urysia Motors - Treasurer

Charles Nyoro,
Equity Bank,
Secretary

Michael Makau,
Commercial Bank of Africa,
Director, Special Projects

Peter Wanjala,
Toyota Kenya, Director, Marketing and Communications

Johan Taljard,
Rentworks East Africa,
Director, Membership

Raymond Mutura,
Fintech – Director, Training/ Capacity Building

Genesis of Leasing Association of Kenya(LAK)

The Leasing Association of Kenya (LAK) is an umbrella association of asset finance and leasing practioners in Kenya. The origin of LAK was the East, Central & Southern Africa Leasing Association which was registered in Kenya in 2003. It was an association limited by guarantee but the name was later changed name to the Leasing Association of Kenya in 2007 to better reflect the membership.

Mandate

LAK's mandate is to bring together all firms and individuals engaged in leasing with the aim of developing a sustainable leasing industry in Kenya. This mandate is achieved through the following key activities:

- Creating awareness of leasing benefits in Kenya through topical seminars, workshops, conventions and research studies targeted at various stakeholders
- Lobbying and advocacy for regulatory reforms to improve/ increase use of leasing in the country
- Training and capacity building for lease professionals
- Self regulation and control of ethical behavior among industry players
- Enhancing Corporate Social Responsibility as part of the association's efforts to contribute to the overall wellbeing of society beyond leasing

Membership

Members include:

- Commercial Banks
- Asset vendors (motor vehicles, yellow goods, medical Equipment, IT)
- Independent leasing firms
- Professional firms (audit, legal, consulting)
- Related services and support businesses (Insurance, IT Software, Training and Tracking).

MEMBERS OF THE ASSOCIATION

- Avenue Car Hire
- Barclays Bank
- CBA Group
- Chase Bank
- CMC Motors
- Cooperative Bank
- Diamond Trust Bank
- DT Dobie
- Equity Bank
- Fintech Group
- Kenya Commercial Bank
- NIC Bank
- Pewin Motor Ltd.
- Rentworks
- Ryce East Africa
- Kenya Grange (Scania)
- Simba Corporations
- Stantech Motors
- Alios Finance
- Mustek
- RentCo East Africa Ltd.
- Toyota Kenya
- Honda(Transafrica Leasing Co)
- Tsusho Capital
- Urysia
- VAELL
- FMD E.Africa
- Quip Bank Ltd
- General Motors Ltd
- McLeod & Co EA Ltd
- Foton East Africa Ltd
- RMA Motors Kenya
- Subaru Kenya
- Alexander Forbes
- Leasing Partners Ltd.
- Innovare Advisors
- KK Security

Physical address:
SOHO LIMITED
ELDAMA DRIVE-OFF
PEPONO ROAD
GATE NUMBER 11

CONTACTS
website: www.lak.co.ke
e-mail: info@lak.co.ke

VEHICLE AND & EQUIPMENT LEASING
FOR BUSINESS GROWTH & DEVELOPMENT

LEASING ASSOCIATION OF KENYA

www.lak.co.ke

What makes leasing better than buying own equipment

By PAUL NJERU

For many business people, we accrue debt with a pinch of salt knowing fully well the risks that come with it. However, the question always is: Can we have a debt arrangement that works for us – to have our cake and eat it? The answer is yes.

At least when we seek to acquire debt for capital/asset acquisition, there is an obviously a smarter choice to consider: Leasing as opposed to bank financing / loan. A lease instrument is constructed in a manner as to help you alleviate the typical flaws associated with bank loans. I shall spend the rest of this article highlighting these flaws and indicating how a lease helps to bridge that gap and hopefully help your company's finance team to start seriously considering this asset acquisition option.

Heavy road construction machinery at work

First and foremost is the understanding that using a loan as a form of asset acquisition is actually all about asset ownership. Contrary to popular belief, ownership has its downsides. By loaning to own, you do not only increase your liabilities, you also bloat your balance sheet and can have a tendency to post negative gearing ratios.

On the opposite side, in a lease arrangement, the borrower simply pays for the active use rather than the full ownership of the asset. This is especially helpful in case of equipment where the value of the asset depreciates over time. There is no reason to pay for the lifetime value of the asset when the active useful life you intend to utilise is much shorter.

Having a lease enables companies to treat the equipment rental payments as an operating expense and tax deductible. These deductibles, especially if scaled, have a healthy impact on the company's bottom-line.

The other great beauty of a lease comes in the perfect planning of the payments. The monster of inflation means that interest rates remain highly flexible, mostly with rising pressures. Most lease arrangements have an inbuilt inflation cap that makes sure that you can plan a predictable payment plan made up of quotas you are comfortable without fearing being rotated at the whims of the interest regulatory environment.

It is disappointing when companies still compare leasing to borrowing and stop at interest rates. Yes taxes make leasing lighter to bear. But the most critical purposes of leasing is to make your company swift, flexible, and not starved of cash by tying down debt and capital.

The operating lease, which is Kenya's most popular lease, is designed to avoid you being a borrower, and instead you contract a service. Many businesses are not aware that you can lease a brand new machine or asset!

Yes, simply ask your dealer or approach a leasing company with a description or model of the asset you want to acquire, and they will purchase it for you once you have filled their paperwork and qualified for the lease.

While it may appear more expensive, because the bulk of your lease payments are paying for the equipment purchased, the beauty is you avoid a debt trap. And when you actually need debt, you have your bank lines still wide open.

While banks advertise aggressively and appear to throw doors wide open for anyone wanting to borrow, the most attractive person to a bank, is a person with low debt. It is ironical, that they cannot advertise that fact, however many people go through a painful situation, of experiencing a rejection of your debt application just when they feel they actually need that extra push.

Sadly, currently you are reading of our national carrier facing tough times. A look at their balance sheet shows they could be a lot lighter, and have more cash at their disposal. When you hit the debt trap, you are least attractive. You are cash starved, and in debt poverty.

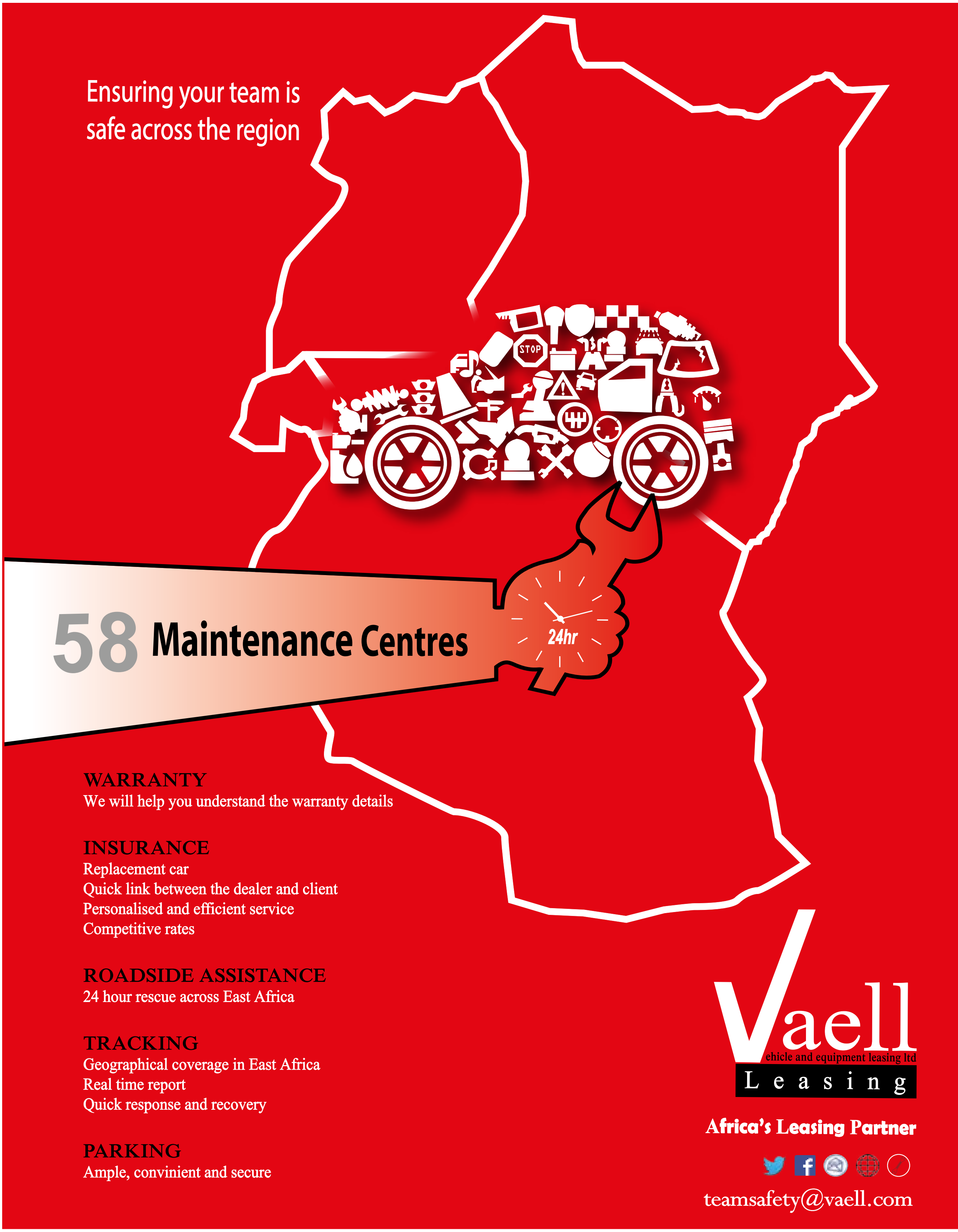
> **"The operating lease, which is Kenya's most popular lease, is designed to avoid you being a borrower, and instead you contract a service. Many businesses are not aware that you can lease a brand new machine or asset!**

Leasing as well, unlike loans, does not need extra collateral since the equipment purchased serves as its own collateral.

What if you already tied down your cash by purchasing equipment on loan or cash before? Well, it is not too late! If you feel your cash oxygen fast depleting, despite good growth patterns, you can enter an arrangement with a leasing firm called sale and lease back where you sell some of the items you bought for cash to a leasing firm, and lease them back. These floods you back with the money you spent, at approximate current value, and allow you to breathe again a lot easier, and make the right decisions in future.

When it comes to debt, make the smart choice. While bankers may run away during business's rainy sessions, leasing may be the umbrella your business need for that cover you can trust!

Mr. Njeru is the Regional Manager, VAELL (www.vaell.com)


Ensuring your team is safe across the region
STOP
24hr
58 Maintenance Centres
WARRANTY
We will help you understand the warranty details
INSURANCE
Replacement car
Quick link between the dealer and client
Personalised and efficient service
Competitive rates
ROADSIDE ASSISTANCE
24 hour rescue across East Africa
TRACKING
Geographical coverage in East Africa
Real time report
Quick response and recovery
PARKING
Ample, convinient and secure
Vaell
ehicle and equipment leasing ltd
Leasing
Africa's Leasing Partner
teamsafety@vaell.com

VEHICLE AND & EQUIPMENT LEASING
FOR BUSINESS GROWTH & DEVELOPMENT

LAK LEASING ASSOCIATION OF KENYA

www.lak.co.ke

On matters leasing DT Dobie links partners with its customers

By EVANS ONGWAE
eongwae@ke.nationmedia.com

Kenya has made great strides in growing leasing as a financing option for businesses and organizations. What remains is for the country to move to the next phase of leasing: individual leasing so that people can get access to assets based on satisfactory financial assessment.

This is according to Ms Usha Nagpal, DT Dobie's General Sales Manager for Kenya.

Leasing, she notes, allows corporate managers to fully focus on their core business instead of investing valuable capital, time and other resources in the management of assets.

For example, in the case of motor vehicles, interested firms enter into an operating lease with the Lessor which buys vehicles on their behalf (the Lessee) and undertakes all related tasks for the lessee. The lessee therefore does not have to budget for a huge capital outlay and can effectively use this capital in their core business throughout the lease period. In this, DT Dobie works with partners (the financiers and a few banks) whom it links its customers to for leasing any of the firm's vehicle brands: Volkswagen to Mercedes and Jeep to Greatwall.

A lease is an agreement under which the Lessor (owner) of an asset grants the possession and use of the asset to the Lessee (the other party) under certain conditions and for a specified period of time in return for periodic rental payments. Whilst the vehicles are branded to the lessee's specifications, they belong to the lessor throughout the lease period. It is the lessor who must ensure proper licensing, insurance and maintenance of the vehicles. This means that even the depreciation of the asset will not feature in the lessee's books.

Avenue Car Hire delivers quality services

By EVANS ONGWAE
eongwae@ke.nationmedia.com

Avenue Car Hire & Leasing is one of the firms actively promoting leasing in the country. Having been in the car hire business for more than 30 years and ventured into leasing10 years ago has perfected the art of delivering high levels of customer service.

Its services include long-term hire and lease hire.

Long Term Hire

This includes hire of vehicles from one month to six months and above. The firm also specialises in project hire and provides specialized vehicles as per customer requirements.

Lease Hire

Leasing can be provided as per the customer's requirement for a period of one to four years.

The firm's fleet consists of new and selected used vehicles which are maintained to the highest standards to ensure good quality vehicles to our customers. It regularly upgrades its fleet with new vehicle models available in the market.

Simba rules transport solutions turf

Transport solutions provider Simba Corporation Limited, a pioneer in motor vehicle leasing, continues to ride high in the market.

"We do not sell cars; we provide transport solutions," asserts Mr. Dinesh Kotecha, Simba Corporation's Executive Director.

Being pioneers in the business gave the firm a head start. However, it is through a combination of other factors that Simba Corporation continues to race ahead in a highly competitive market.

Mr. Kotecha attributes the firm's success to its flexibility in dealing with customers and the ability to provide everything under one roof.

Simba Corporation distributes an expanding list of famous motor vehicle brands. These range from a 1500 cc car to a 50-tonne prime mover or tipper and include Mitsubishi, BMW, Mahindra, Renault and Geely.

For all these brands, the firm, through its various divisions, provides financing (leasing or hire purchase) at competitive rates, car hire (if your leased car is down or you just want to hire) and tracking.

Ms. Gulnar Kurji, Simba Corporation Limited's Head of Leasing, points out that, for organizations, whose core business is not the running of vehicle fleets, the benefits of leasing far outweigh those of purchasing, maintaining and servicing vehicles. She further states that when you buy, you pay for the entire cost of a vehicle including VAT regardless of its use.

VEHICLE AND & EQUIPMENT LEASING
FOR BUSINESS GROWTH & DEVELOPMENT

LAK LEASING ASSOCIATION OF KENYA
www.lak.co.ke

System rapidly growing small and medium sized enterprises in Kenya

By EVANS ONGWAE
eongwae@ke.nationmedia.com

Leasing can play a significant role in the growth of small and medium sized enterprises. One of the primary reasons given for lack of access to finance in Kenya is the insistence of major financial institutions on collateral which many SMEs do not possess.

Young companies are growing faster in Kenya thanks to leasing. Even when they require expensive equipment to produce goods or deliver services, they lease and do not have to wait until they have money with which to purchase the machinery outright.

In most of the big corporate organizations in Kenya today, office equipment is leased because, the question is: Why buy a photocopier and four to five years down the line it is obsolete? Why not lease short-term, a year or two and change the equipment as rapidly as technology changes?

When SMEs get to lease instead of buying key assets, the leasing industry will have contributed further to sustainable job generation, improvement of the overall human capital in Kenya, enhancement of the standards of living of the whole Kenyan population and the pursuit of happiness in a fair and free society.

Through leasing, individuals and organizations can access and use a wide range of products from trucks, plant and machinery, pick-ups, saloon cars, laundry machines, *posho* mills, computers and many more assets, office or IT equipment, industrial machines, construction and engineering equipment and agricultural equipment, among other assets.

One can lease practically any asset, provided it is identifiable. The market has the variety of items required for leasing and the terms are also flexible given the competition in the industry.

Leasing is an off-balance sheet financing. No loan liability will be disclosed in the lessee's books as the case for outright purchase financed by loan.

To qualify for a lease, the borrower has to demonstrate a capability to meet monthly or quarterly repayments.

Leasing is an important driver of capital goods formation for any economy and in particular for the Kenyan economy. Capital goods formation in an economy is investment that creates more production of goods and services and that overall increases wealth in the economy. New equipment and new assets that generate goods and services also improve job creation, education, government revenues and meet the increasing needs of the growing population.

As it were, motor vehicle leasing is now widely accepted, especially among blue chip firms that appreciate what this form of financing can do for their business operations.

Leasing allows corporate managers to fully focus on their core business instead of investing valuable capital, time and other resources on management of assets.

There are several benefits associated with leasing:

- Costs are lower than purchase finance as you only pay for the part of the vehicle you use and not for the entire vehicle.
- Monthly costs are predictable and fixed, making budgeting easier.
- A lease is a form of off-balance sheet financing, ensuring a healthier balance sheet and better debt to equity rates.
- Capital can be utilized for other purposes
- No fleet management headaches or costs
- Improved company image with new vehicles upon expiry of each lease period.
- Replacement vehicles available
- No disposal headaches at the end of the lease period.
- Better finance rates
- Tax benefits to the company and the individual users
- No depreciation costs for the lessee as the assets are in the lessor's books.
- Monthly rentals can be expensed, hence lowering corporate tax.

Leasing proponents assert that if the public sector embraced leasing, a lot of ground will have been covered in efforts to promote judicial use of public resources. They point out that local authorities in some countries are major clients of leasing.

> **Leasing allows corporate managers to fully focus on their core business instead of investing valuable capital, time and other resources on management of assets.**

TOYOTA KENYA

VEHICLE LEASING

CORPORATE LEASING AND FLEET MANAGEMENT

Providing total transport solution to the private sector

With over 15 years' experience in leasing and fleet management services, Toyota Kenya's Fleet management services (FMS) team provides premium fleet management to leading corporates in the private sector. Our customers cut across in manufacturing, brewing, private security firms, mobile telephony, pharmaceutical companies, finance institutions and agri business.

We have over 280 vehicles in our operating lease portfolio and growing.

Toyota Kenya offers total transport solutions to all fleet our customers. This gives our customers an opportunity to concentrate on their core business. With our leasing option, you are assured of the following; from the Toyota Kenya fleet department :

A dedicated Toyota Kenya FMS Account Executive to handle of all queries relating to your fleet management especially on booking of vehicles for Service and Maintenance and vehicle mechanical history,

Comprehensive reports and advisory services. Including: Tracking, speed and safety reports. Including real time access to tracking cloud for constant monitoring, Service and maintenance reports, Incident and accident reports, Complete vehicle history's, Cost analysis per vehicle, Driver performance

Basic product training on all TKEN models to drivers as a value add, Accident and incidents claims management

Access to over 22 Toyota Kenya, branches, Dealers and Service centers across the country for seamless and standardized maintenance.

Toyota Kenya has over the years built a strong foundation across the country with its wide range of vehicle products : present in all the major towns of Nairobi, Nakuru, Kisumu, Kakamega, Kericho, Kitale, Lodwar, Lokichar, Eldoret, Narok, Kitui, Nyeri, Embu, Nanyuki, Meru, Garissa, Voi and Mombasa. The objective is to be represented in all our 47 counties.

Toyota Kenya workshops are ready to serve our esteemed customer in each of the 47 counties and also ensure TKEN commitment to the customer promise "You will love the Toyota experience".

GOVERNMENT LEASING

Providing cash flow management, fleet management specialization and manufacturer technical standards to Ministries, Departments and Agencies of Government.

H.E. President Uhuru Kenyatta and H.E Deputy President William Ruto during flagging off NPS vehicles.

In November 2013 the Government acquired 1,100 Toyota and Hino lease vehicles on a pilot lease program. H.E President Uhuru Kenyatta and the Deputy President William Ruto graced the flagging off ceremony at Uhuru Park on 7th November 2013. Toyota Kenya is providing their full maintenance and fleet management for a 4 year period at our large countrywide network of service centres to ensure efficient and effective after sales support. Our main goal remains to ensure the success of the GOK pilot vehicle lease program by improving service delivery for government transport, lowering total cost and optimizing vehicle usage.

The Toyota Kenya business value chain is the premier provider of vehicle leasing and fleet management to the Kenyan government and in the region. With our huge variety in vehicle model lineup, extensive standardized network of service centres, world class technical training resources and top notch fleet management team – it is easy to see why. Our clients are able to enjoy a lifetime of pleasurable Toyota experience with highest product reliability and value for money. The main benefits of Toyota leasing to GOK Ministries, Parastatals, Agencies & County Governments are cash flow management, professional fleet management, driver training and truly countrywide aftersales support.

The pilot lease program for the National Police Service vehicles is part of the wider government of Kenya agenda for reforming public service. The GOK takes security as the bedrock for sustained social economic development for the country to achieve middle income status by 2018 and full industrialization by 2030. The Vision 2030 blueprint puts its main emphasis on infrastructure, transport, logistics, energy, rural development, agricultural productivity and food security. Leasing has therefore been adopted as the framework to provide access to a largely increased number of well-maintained and utilized vehicles. Public service transport has generally been inadequate to meet service delivery requirements due to the age, condition and poor utilization of government vehicles.

Program highlights;

- 1680 government lease vehicles
- 98% minimum fleet availability.
- Straight line costing for easy planning.
- Genuine Toyota parts and standards.
- Detailed reports and analysis for client advice. Eg. Various costs per km, Utilization analysis, Accident analysis, Trend analysis etc

The Toyota Government Lease Department and the NPS Training Department rolled out a countrywide training schedule for lease sensitization. This nationwide training started in Nairobi County in March 2014 and so far over 2,500 NPS drivers in 41 counties have already been trained. The lease program has promoted skills transfer to the counties which was one of the goals, and devolution which is a key pillar of Vision 2030 blue print. The vehicle leasing concept has been received positively across the country with notable presence of the new vehicles in all counties. We invite you to enjoy the TOYOTA experience in this bold new venture that continues to revolutionize the public service delivery.

VEHICLE AND & EQUIPMENT LEASING
FOR BUSINESS GROWTH & DEVELOPMENT

LEASING ASSOCIATION OF KENYA

www.lak.co.ke

Choices available: Making informed decisions on what best suits your needs

By EVANS ONGWAE
eongwae@ke.nationmedia.com

Significant differences exist among the various types of leases available. Unfortunately, the industry jargon used to label the different types is sometimes vague.

Further compounding the problem are many hybrid arrangements that have surfaced that cross over the lines of the standard descriptive terminology. Once the fundamental characteristics of different leases are identified and understood, however, the confusion can be eliminated.

Finance Lease

Finance leases are considered long term because the primary lease terms usually run for most of the equipment's useful life. Typically, the total cash flow over the term—from rents, tax savings, and the end-of-lease equipment (residual) resale or re-lease value—will be sufficient to pay back the lessor's investment, take care of the administrative expenses, pay off any equipment-related debt obligations and commissions, and provide a profit. Because they are entered into by lessors as long-term financial commitments, finance lessors usually impose a substantial repayment penalty for a lessee's early lease termination in an amount that will assure the lessor of a return of its investment and a profit, at least up to the date of termination.

> **Because the term of a finance lease runs for most of the equipment's useful life, the lessee bears the primary risk of the equipment becoming obsolete.**

Consistent with its financial nature, a finance lease is usually a net lease. A net lease means that the fundamental ownership responsibilities, such as maintaining and repairing the equipment, paying for the necessary insurance, and taking care of property, use, and sales taxes, are placed on the lessee.

Because the term of a finance lease runs for most of the equipment's useful life, the lessee bears the primary risk of the equipment becoming obsolete.

Operating lease

When a lease's primary term is significantly shorter than the equipment's useful life, the lease is called an operating lease. Operating leases typically span a few months to a few years, although some are as short as a few hours.

Because the lease terms are relatively short, an operating lessor usually cannot earn much of its equipment investment back through the rents from one lease transaction; thus, it must either sell or re-lease the equipment on attractive terms to be profitable. The danger to an operating lessor, is that the equipment's market value will be inadequate to allow it to sell or re-lease it on economically favourable terms. In other words, it has the risk of equipment obsolescence. As a result, such a lessor will attempt to earn its money back quickly to lessen its investment exposure by charging higher rent than a finance lessor.

Their short lease terms and easy cancellation provisions make operating leases attractive to users in several situations. One example is when the user anticipates using the equipment for a short time, such as with certain types of railcars or aircraft.

Another is when the user wants the ability to change equipment if something better comes out.

What makes 'Pay-as-you use' better than 'I must own'

By EVANS ONGWAE
eongwae@ke.nationmedia.com

Discerning firms choose leasing as a medium-term financing solution and avoid locking up their capital in mobile assets.

They make savings and save themselves the costs and hassles of maintaining the assets, according to industry experts who say leasing is the way for corporate Kenya to go.

The experts acknowledge, though, that the Kenyan society must overcome the cultural mentality of 'I must own' and appreciate that leasing, or 'pay-as-you-use' is a better option.

They point out that western governments have embraced leasing and to have done so, they must have arrived at an informed decision.

The Government of Kenya has confirmed its intention to adopt vehicle leasing, a laudable and truly trend-setting move by the authorities. It is encouraging to note that the government is moving to adopt resource saving finance models which will further help to unlock development resources. By adopting motor vehicle leasing, the government is also set to create further employment opportunities; effectively managing to facilitate economic development.

This will also greatly encourage local firms to adopt motor vehicle leasing solutions for their fleets, further helping to spur the local formal motor industry's growth.

Ultimately, such a leasing option will also help boost the government's service delivery capacity to the people of Kenya. It is particularly encouraging to note that the government has committed to jump start this process and act as a lessee in a move that will have a major multiplier effect even in the private sector.

A fire fighting vehicle


Members of LAK

A motor leasing professional points out that, the monthly cost of leasing is always significantly less than the cost of buying. For the same car, same price, same terms and same down payment, monthly lease expenses will always be 30 per cent to 50 per lower than loan payments. This is because you only pay for the portion of the car or truck that you actually use.

There are many types of leases available, each with its own benefits. The most common ones used in Kenya are the Finance Lease and Operating lease. The less common in Kenya but popular in the Developed World is the Novated Lease.

In finance lease, the lessee has the benefits and risks of economic ownership of the vehicle. In this lease, the lessor finances the cost of the vehicle and the lessee takes care of the maintenance and upkeep of the vehicle. In an operating lease, the lessor has the benefits and risks of owning the vehicle. Operating lease are normally structured such that the lessor shoulders the responsibility of both administrative and financing aspect of the maintenance, insurance and peripheral costs associated with the use of the vehicle. At the end of the lease term, the lessee may have an option to extend the lease term, return the vehicle or purchase it at the prevailing market valuation rate as is the case in Kenya.

On the other hand, Novated lease is an increasingly popular form of vehicle utilization over recent years in Europe. It is a concept relatively new but fast getting popular in Kenya. A Novated Lease is a three-way arrangement between the employee, the employer and the financier where the obligations under the finance lease are transferred from the employee to the employer through a Deed of Novation and the employer assumes responsibility for making the lease payments to the financier. This arrangement remains in force until the earlier of the end of the lease term, or until the employee ceases employment.

Structurally, a novated lease combines many features of more traditional forms of vehicle leases to deliver some attractive benefits for the employees. The obligations to meet the repayments under the lease sit with the employer, with the employee sacrificing a portion of salary to cover the lease rental. A novated lease can be structured as either a finance or operating lease.

The employee has the right to take the vehicle with them if they change jobs. Novated leases provide advantages to employees through their remuneration package further encouraging human resource retention.