



SCANIA

SCANIA AUSTRALIA case study one - formal

Established locally in 1971, Scania Australia Pty Limited is the Australian arm of Swedish based Scania AB with over 42,000 employees globally and now part of Volkswagen AG.

Scania initially approached one of their global bankers - Citibank NA - to develop a viable customer finance solution in Australia in 1994.



At that time, Australian Structured Finance "ASF" established and had been running the commercial vehicle customer finance arm for larger rival Mercedes-Benz for some years as a precursor to the planned entry of their own global finance arm to support both passenger and commercial vehicle sales in Australia.

In light of Scania's much smaller market share, an analysis of this highly competitive market confirmed it was financially inappropriate to establish an in-house funded captive to compete against their European, American and Japanese rivals and Australian Structured Finance was considered to be the leading independent vendor finance solution provider most capable to meet Scania's needs.

Following a joint approach from Scania and Citibank and with the pending transfer of ASF's externally managed commercial vehicle finance program to Mercedes Benz owned debis/ Daimler Financial Services; Australian Structured Finance accepted Scania's mandate to establish Scanlease Pty Limited in 1995 as an ASF subsidiary.

Against the backdrop of finance savvy commercial and corporate customers; a highly competitive banking and finance sector; a very active finance broker market together with Manufacturer owned financiers including Ford Credit and Paccar and joint venture arrangements such as Iveco/ Fleetlink and Volvo/ GE Capital; Australian Structured Finance adopted a syndicated funding approach by engaging several underwriters in support of Scania's new program to ensure the greatest opportunity to meet every customers funding needs on a competitive basis across all finance product lines without seeking credit recourse or financial support from Scania.





Over a twenty-year period covering several credit cycles during which a number of domestic and international financiers closed and exited the local market, the Scanlease program continued to effectively provide Scania with a competitive customer finance solution, ultimately funding some \$400 million in commercial vehicles – both new and used and ancillary equipment over this period. Management of the program was without cost to Scania, as Scanlease generated income within the competitive margins and rates charged to customers.

The Scanlease program’s success was attributed to allocating efficient, highly competent senior executives with deep credit and transport sector knowledge to manage it; minimising overheads (1¼ FTEE); constantly maintaining access to extremely competitive funding from the broader finance sector through the larger Australian Structured Finance group and offering the ability to maximise the borrowing capacity of every customer from owner-drivers to major fleets introduced throughout Scania’s network by syndicating credit risk across multiple underwriters.



This was particularly important for Scania in competing against larger Vehicle manufacturers in Australia providing similar services through for example; Mercedes-Benz Finance - whose operations support dealerships (floorplan) and customers on over 37,000 passenger; light and heavy commercial vehicle sales annually (2015); Volvo Financial Services who support Mack Truck, Volvo Truck, Volvo Bus, UD Truck as well as Volvo Construction Equipment products; CNH Capital supporting Iveco Truck and bus, Case and New Holland agricultural and construction equipment; etc.

Following a change in corporate philosophy and perceiving a need to match its larger rivals despite an Australian market share of only 2.20% in the new Commercial Vehicle sector (7.1% in the Heavy vehicle market i.e. sales of around 700 new trucks and 300 new buses in 2015), Scania elected to establish a “company owned” finance arm in February 2016 via Scania Finance Australia with five permanent staff and their own internal corporate funding, bringing the Scanlease program to a close.

"The Scanlease program is considered to have been the most successful externally managed Vendor Finance arrangement to have operated for an astounding twenty years in perhaps the most customer demanding and consistently interest rate competitive market for capital equipment in Australia".



SCANIA AUSTRALIA LAUNCHES FINANCIAL SERVICES COMPANY

Scania is launching its own financial services company in Australia in Q1 2016.

"Scania Finance Australia will offer a full range of products to the market for truck and bus customers," says Peter Taylor, Scania Finance Australia Business Development Director.

"We will offer Hire Purchase, Chattel Mortgage, Finance Lease, Operating Lease and Full Contract Hire, all of which can be tailored to meet our customers individual requirements. "

"We have seen a notable increase in fleets turning to various non-bank financing options recently and we therefore believe the time is right for Scania to offer these proven products to the Australian market. "

"Scania Finance Australia Pty Ltd will commence operations in January and we will establish business development managers in New South Wales and Victoria to cover the entire country."

Peter has arrived in Australia after a long period working for Scania Financial Services in the UK and Italy.