

Leasing business is growing and diversifying

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Canada's leasing industry continued on a major roll through 1989 and there is every prospect of substantial growth in 1990 and beyond, as well as for continued diversification in the range of goods and equipment leased to Canadians.

Total receivables outstanding at year-end are estimated at \$12 billion to \$13 billion, up from \$11 billion in 1988, \$9.1 billion in 1987 and \$7.8 billion in 1986.

Participants are literally all over the map, with probably around 100 companies involved. It's also an intensely competitive business and relatively unregulated.

As a result, at the lower end of the scale in terms of size, a number of smaller leasing operations have tended to get in over their heads and fail. This has been particularly evident where newer firms have not set up operating systems of sufficient capacity to handle increasing volumes efficiently and as they have been hit by unexpected income tax liabilities. So — caution is always called for in contemplating any kind of lease.

More than half of the players in Canadian leasing are participants in the financial services industry or offshoots, including Canadian and foreign banks, trust and insurance companies and their numerous subsidiaries and affiliates. Together, this group accounts for perhaps two-thirds of all Canadian leasing business, primarily because they have ready access to funds and branch structures in place.

Other groups are "captive" equipment manufacturing or distributing companies providing leasing as a service to users of their equipment; independent leasing operations

owned privately or by corporations; and lease transaction brokers.

There's no question leasing in Canada has come a long way in a relatively short time, and the principle is now established in all parts of the country and even in industries where it was not even a consideration until quite recently.

The range and variety of leased goods and equipment is staggering: alarm systems, automobiles, asphalt spreaders and rollers, backhoes, cranes, computers, dishwashing equipment, educational equipment, emergency systems, fax machines, furniture, medical installations, material handling equipment, janitorial equipment, mobile and cellular telephones, office machines, optical manufacturing, shelving and warehouse equipment and transportation.

In fact, chances are almost any item you can think of from an office chair to an airline's entire fleet of aircraft is leased somewhere.

Perhaps the most innovative leases, and something of a specialty for Bruncor, provide aquaculture cages for salmon breeding. It's a concept that simply wouldn't have been thought of until very recently.

Leasing a clear alternative

The benefits are clear and most corporations and many individuals now view leasing as a viable alternative to other financing methods. In the first place, many leases can be financed 100 per cent, unlike most other methods. In many cases too, leasing can be beneficial from a tax point of view. It can often enable effective expansion of a customer's line of credit and assist a company's cash-flow situation.

Furthermore, once accepted in principle, many customers now actually prefer leasing to other financing methods for the acquisition of equipment.

Apart from anything else, leasing is a highly competitive business and we must be strongly service-oriented; unlike some other "lenders", for

example, leasing companies tend to take for granted that we go to the customer's office to make the deal, not vice versa. One way or another, the leasing

business is now very much part of the Canadian financial scene and likely to become increasingly important and diversified in the future.

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To find out more about the Federation of Canadian Independent Deposit Brokers Inc. and its members across Canada, write Kenneth A. Brown, Secretary-Treasurer, 18 Leventale Rd., Richmond Hill, Ont. L4C 4H2.

