To lease or not to lease

If you have believed that purchase is the only way to fill your car demands, you should look into the advantages of a leasing program.

by John D. Patterson

The thorny problem of whether it is best to lease or to purchase golf cars is one that must be answered by the board of directors of every club in the country. The board must be able to recommend to the membership the most highly profitable and efficient car operation suitable to their club. Therefore, it is not only desirable to take a long, hard look at leasing advantages but also at the lessor or supplier of golf cars.

Let's first consider the advantages to the club of a sound leasing program.

CAPITAL INVESTMENT

There is no capital investment involved to the club that decides to lease. The club's physical investments are basically limited to storage space, maintenance areas and electrical or gas facilities.

There are interest expenses, however, when the club must borrow the money. The five to six per cent interest makes quite a difference and must not only be figured as a cost with car purchase, but as an added income with lease. After all, the old saying, "A penny saved is a penny earned" is true, and interest today is no longer pennies.

OWNERSHIP RISKS

To the leasing club there are *no ownership risks*—even if the weather is inclement and the greens fees and car rentals plunge to an all time low.

It does not matter to the leasing club that they were sold a "bill of goods" and the wrong kind of cars were purchased. It does not matter that the manufacturer of a certain brand of car has gone out of business and parts are unobtainable or difficult to get. How many clubs have cars that have been purchased but are no longer being manufactured?

Naturally one of the greatest ownership risks is that of obsolescence. The spectacular rise in the popularity of the golf car makes model change a grimy issue to be faced by many clubs.

If your club bought 20 cars two years ago, chances are you now have 40 and undoubtedly will require 80 in the next two years. This leaves the owning club with either a conglomerate fleet of several brands or several models of the same brand.

With the trade-in market as difficult as it is—who wants the problem? On one hand there is the problem of stocking parts for several brands and on the other the great game, "Who will ride the old car?"

Also, picture this: the club that scheduled a three day tournament, with no caddies available, 12 rusty club-owned cars, and only six charger outlets. If on lease there would be no problem, for this is one of the lessor's obligations. (To furnish extra cars, upon reasonable demand, is one of the services offered by most lessors.)

THE INTANGIBLES

While many boards of directors have felt it is more profitable to own cars rather than lease, have they considered *all* the costs? Have they considered the ever-present "people problem"? It is becoming increasingly difficult to get trained personnel to care for a multi-thousand dollar investment at a price the club can afford.

Because of limited exposure, insurance rates are bound to go up if an accident occurs on the club grounds. Then, there are the intangible costs of keeping maintenance records and costs, rental receipts, depreciation and member billing records.

Is it possible that many clubs have led themselves down the primrose path of ownership only to find themselves still behind the financial eight-ball? Is it possible that they have spent rental income on an addition to the clubhouse rather than the maintenance of the greatest money-maker they have? Cars and facilities purchased and planned three years ago are hardly adequate to meet today's modern requirements. Treading this primrose path explains why there are so many shoddy ill-kept cars on our fairways today.

"Let's buy them—look at the money we can make." This is a beautiful but not always true statement. Is there any better way to make money

than a good lease with no investment, no ownership risks and no worry?

ABOUT MONEY

So far, we have avoided facing head-on the issue of finance. The club has figured in dollars and cents the following way: expected rental life and depreciation; interest on investment; car maintenance man salary; insurance premiums; battery or engine replacement costs; minor repair parts such as seat covers, paint and tires (which turn out to be not so minor). The club can now compare its net income figure to the figure the lessor proposes. Now let's take a look at your prospective lessor.

The lessor of golf cars is no magician. In most cases he is a heads-up businessman who realizes that the leasing of golf cars can be profitable. He is definitely no longer the sporty playboy who wanted to own a bunch of go-cars.

Most lessors are also franchised dealers for some brand of golf car. Therefore, they have the basic mechanical and electrical knowledge not only of the car they are merchandising but of their competition. A club wishing to discuss lease vs. purchase can usually obtain information from the local dealer or factory representative. It is best to contact two or three of these people, eliminate non-essential information, and put together the best plan for the club.

When talking to the dealer here are some tips that might help.

The lessor makes money by dealing in volume. Instead of running a fleet of thirty or forty cars he perhaps is running four or five hundred. The combination of knowledge, purchasing power, skill and service is his profit-maker.

The lessor's stability and community standing should of course be known to the club. One of the best gauges for his stability is to find out what kind of cars he leases and sells. Remember the dealer must have the advice, counsel and backing of the

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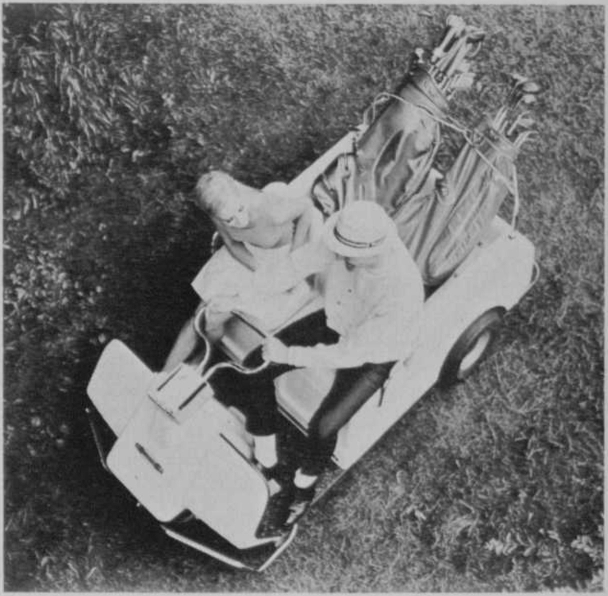

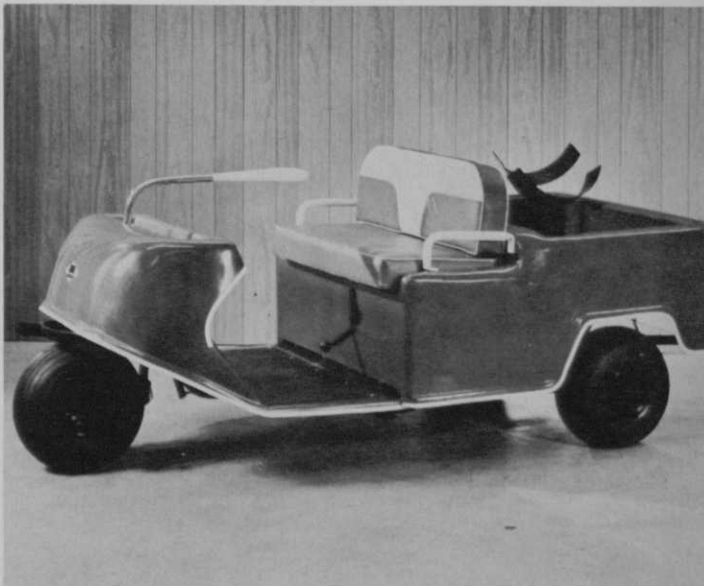

Above left, Allis-Chalmers' golf car, available in both gasoline and electric with all white fiberglass body. Both models feature coil spring and shock absorber suspension, black enameled front and rear bumpers.
Above right, Harley-Davidson's new gasoline golf car featuring Dynastart, which starts the engine when the pedal is depressed. An electric model is also available which can run all day without a recharge and has an exclusive two year warranty on all components of the electrical system.
Above, Vibo's gasoline golf car with tiller steering.

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factory. If the dealer has paid a call to the club with a factory man you can be pretty sure he's O.K. and has the support of the manufacturer.

Beware of the lessor and dealer who can never "reach" the plant, has trouble getting parts, doesn't know the factory representative or has never been to the plant.

Service is of the greatest importance to the club desiring a lease agreement. The dealer's service facility should be investigated thoroughly by a club representative. A well-equipped shop and trained personnel are absolutely necessary for the dealer and the club.

Usually the lessor will insist on a three to five year lease agreement. This, of course, *allows* him *time* to amortize his investment, realize a profit, and let the club know that he's the golf car doctor. If the club has found during this period that he can't produce, other arrangements can always be made. However, if the club insists that a lessor take a losing or short term deal, he cannot possibly produce the equipment and service desired.

The lessor (in most cases) furnishes everything except storage facilities and power. This includes: insurance, parts, labor, registry machines and an automatic spying system. He and top club management know that if a car goes out without charge he is not the only loser of revenue.

It is of really little concern if the lease is on a flat fee or a percentage basis; the results all boil down to dollars. The lessor needs so many dollars per car, per year, and if they are not forthcoming he's going to pull cars and relocate them where they will bring in the amount of dollars needed.

Many companies are now in the process of switching from company-owned automobiles to leased autos. This is also true with many clubs that have grown from 10 car-users to 50 car-users. The up-to-date lessor has found that as golf car traffic has picked up over the years, he too has grown. Many lessors are now in a position to buy existing club-owned fleets in return for a good lease. Most lessors maintain tournament fleets to solve heavy demand golf car traffic or tournament play; it's added revenue and service.

Flexibility is the keynote on any leasing program. If you have believed that purchase is the only way to fill your car demands, the lease program is certainly worth investigating. Leasing offers flexibility, know-how, experience, service, and, most of all, clear profit for the club.

The dealer that both leases and sells is the doctor of the industry. He can prescribe the path to follow to meet your car demands. □