Lease vs. Own

For most carriers, leasing versus buying isn't an either/or type of decision. Each option has benefits. Instead, many carriers mix both options as tools to maximize their operations and better meet their customers' needs. Several factors help carriers determine whether they should lease or buy heavy-duty trucks. The type of operation, truck configurations, managerial or organizational preferences, routes, seasonality of work, and financial considerations all come into play.

Ownership

Roughly two thirds of carriers own their trucks. Ownership can be a smart option for companies that rely on ownership as a key part of an overall equipment acquisition strategy. Owning equipment and other hard assets, such as warehouses or property, may be part of the culture of the company or simply a financial preference. Carriers with their own shops sometimes choose to purchase their equipment so they can maintain it themselves and keep it longer.

Ownership costs also include ongoing maintenance, staffing, repairs and replacement costs to keep the vehicles running. Changes in technology, regulations, and the challenge of recruiting, retaining, and managing skilled staff require additional investment. Outsourcing the maintenance of vehicles to companies like Penske Truck Leasing offers a manageable option for many companies who own their equipment. Companies can leverage the economies of scale, investment in technology, and extensive technician training that Penske provides at a lower overall cost of ownership than they would incur on their own.

Leasing

A fairly significant percentage of private fleets — one third or more — lease equipment either in whole or in part. The decision to do so often incorporates both financial and operational considerations.

Financially, leasing allows many carriers to obtain equipment without incurring the upfront costs and credit constraints of ownership. Leases reduce the need for an initial down payment required for most purchases. Utilizing an operating lease allows the company to expense the cost of the vehicle monthly rather than carry the liability on their balance sheets. That means more credit flexibility so they can put capital elsewhere in their business.

Rapid changes in technology today mean quicker obsolescence of vehicles. The shorter trade cycles associated with leases mean carriers are able to upgrade to newer technology sooner than they might if they owned their vehicles. This can be appealing to fleets who prefer to spec a premium product in order to attract and retain drivers or for carriers that seek out new safety-related technology. Some businesses may prefer to outsource particular vehicle or technology types, say specialized equipment or trailers, to keep control of their staffing costs.

In addition, full-service leases that include the maintenance can streamline operations for carriers that don't have their own mechanics or shops and maximize their trucks' up time. Preferential rental terms within lease contracts can also allow carriers to dial up capacity for seasonal work or short-term contracts and dial it back down when demand has subsided.

For managers contemplating this choice, Penske can help them evaluate the costs and benefits of each option with our Comparative Value Analysis (CVA). Our CVA reviews your transportation expenses to uncover potential cost savings, while providing a benchmark to compare your operation to the industry standard. Then, you can determine what the best course of action would be for your particular circumstances.