Leasing Mitigates Operational and Financial Risks

As the chief financial officer of Foundation Building Materials, a building material distributor with a network of branches across the country, John Gorey needs to ensure the company is providing high levels of service while also managing costs and mitigating risks. Gorey has turned to leasing through Penske Truck Leasing to get and keep trucks on the road and protect the company’s balance sheet.

Gorey said one of the key benefits of leasing is minimizing risks, both operationally and financially.

**Proper Maintenance**
According to Gorey, “For delivery situations, your risk if your truck isn’t maintained properly is you miss your delivery windows.” He added that breakdowns wreak havoc on on-time deliveries. “We measure on-time deliveries. We think it is important for retention of customers.”

Meeting delivery windows also allows the company to reduce the risk of fees associated with a missed delivery. “If a customer has a crew waiting four to five hours, he will back charge us for his time,” stated Gorey.

**Equipment Uptime**
What’s more, ensuring equipment uptime saves staff time, as nearly everyone in the company — from a dispatcher to the driver — is affected if equipment goes down. “It cuts a lot of back-end time from our dispatchers and our managers,” Gorey said.

**Roadside Assistance**
With a lease, if equipment does fail, Gorey emphasized Penske responds quickly to get a truck back online so the company isn’t late for a delivery. “We have fewer issues
with our equipment. We rely on Penske to get out to our tractor and they can fix it.”

**Substitute Vehicles**
If more than a roadside repair is needed, Penske Truck Leasing provides a replacement vehicle. “They are always responsive to get us a new substitute tractor,” Gorey explained, adding that without the lease, he’d have to maintain backup equipment and hire an independent mechanic, which would add cost.

**Predictable Costs**
Understanding and knowing costs in advance helps Gorey minimize the financial risk the company faces. “We’ve established what the financing costs are so there is less concern about what the costs are going to be,” he said, adding that the lease also gives him insight into maintenance costs. “They are more visible and we mitigate any big, large maintenance problems.”

**The Bottom Line**
For Gorey, leasing also has benefits on the balance sheet. “We record the leases as operating leases. This keeps the financing off the balance sheet and improves our debt position.”

**Improved Safety**
Equipment that isn’t operating properly or being maintained can lead to accidents and injuries, which is why Gorey said he values the safety component Penske Truck Leasing brings to the table. “We want to make sure we have all of our safety measures in place each time our trucks leave our yard.”

**Improved Compliance**
If equipment isn’t properly maintained, a fleet runs the risk of equipment-related violations being found during roadside inspections. Those violations can have a negative effect on carriers’ scores under the Department of Transportation’s Federal Motor Carrier Safety Administration’s Compliance, Safety, Accountability program.

**Inspections and Regulations**
In addition to ensuring equipment is maintained, Penske helps Foundation Building Materials manage its DOT inspections, Gorey said. Penske also monitors federal and state regulations to ensure equipment meets all the standards. “[Penske] helps us keep up with our fleet.”