



### **Case study – Town hall of Alcántara and Malaga Transport Company**

Lico Leasing SAU EFC is a credit entity in the form of a credit institution which has been operating in the Spanish market since 1966. Currently, it is the oldest leasing company in Spain. Lico Leasing EFC SAU is a company owned by Lico Corporation, which in turn is owned by an array of banks and a Spanish insurance company.

Lico Leasing is well established in the public sector, and the majority of public sector leasing transactions have been conducted with local governments (municipalities and country councils). It has also contracted with municipal corporations and local associations, via the companies that they operate through in order to perform community services (e.g. the cleaning of public roads, provision of urban transport and waste collection). In such cases, these companies performing the community services have entered into standard leasing contracts seeking alternative funding and multi-year deferral of payments. Lico Leasing mainly leases equipment or real estate to the public sector.

#### **Truck leasing for the collection of municipal waste in Alcántara**

The town of Alcántara is located in the province of Cáceres, which forms part of the autonomous community of Extremadura. A public sector leasing transaction was conducted in Alcántara and involved the leasing of trucks for the collection of municipal waste in the town. Municipalities typically fund services such as the collection of municipal waste via local taxes levied on urban property. By using leasing to finance the transaction, it enabled the cost of the use of the trucks, for the duration of 48 months, to be spread out according to the collection of municipal taxes for the service, hence the cost of the service could be controlled.

The benefit to the public sector was that by allowing the transaction to take place over a four year period, it suited the life cycle of the assets. In addition, at the end of the four year period, the public sector could choose whether to renew the maturity, formalize a new contract, or alternatively purchase the assets at their residual value.

#### **Leasing to a municipal transport company in Malaga**

In Malaga a municipal transport company was created in 1984 to manage and deliver urban passenger transport to the city. In order to modernize their operations they required:

- Management of urban bus lines;
- Line management at Malaga airport;
- Administrative management of the intercity bus station; and
- Control substation proximity for the intercity bus.

Lico Leasing provided a solution for this modernization requirement by financing a fleet of 25 urban buses, and spreading the cost over a period of seven years. The choice for the supplier of the busses was conducted via a public tender for the supply of vehicles.

Leasing offered many benefits to the public sector:

- It allowed the public sector to defer payments;
- It allowed the public sector to match payments with the income that was generated by the provision of the urban transport services;
- It was ideal for budgetary control;
- The rationalization of investment spending to income from services was undeniable;
- It allowed the 'pay for what you use, not ownership' concept; and
- In terms of flexibility, the term of seven years was appropriate for the life cycle of the buses, as leasing gives the public sector the opportunity to renew their equipment, making sure that they benefit from the latest technologies.