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## NEWS

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## Back to the 70's

**An interesting observation was made the other day regarding credit availability in the next 2 years.**

Over the past 10 years, the lenders demand to put volume on their books has seen the need for volume override traditional credit standards.

Sales have certainly driven credit, but we are now experiencing a change back to the 1970's where credit dictates sales.

This is not necessarily a bad thing. Remember in the 70's when your mortgage payments could not exceed more than 30% of your income. There was a lot more structure to the credit decision making, more emphasis was placed on insuring that the client had sufficient funds to both make loan repayments, meet genuine living expenses and had the ability to put something away for a rainy day.

Each lender is approaching these changes to varying degrees, some have put up the shutters whilst they try and work through what is needed and others are assessing each deal very slowly ensuring that all I's are dotted and t's are crossed.

Transport Finance have always provided a full credit application including an ability to afford exercise that fully outlines all costs associated with the business and highlights the excess available to provide for cost of living.

We spend the time to get to know our clients business inside and out, understand what they are trying to achieve before we put a deal together.

Our ability to successfully arrange finance, on terms that are favourable to our clients, make Transport Finance the obvious choice when looking for the right finance broker to represent you and your business.

## Talk of the Town

**Rates coming down, Global credit crisis, What does it mean for business...**

The first signs are evident from all reports that the next move by the Reserve Bank will be downwards, some saying .5%, but I would be more inclined to expect a rate decrease of .25%.

The big questions will be whether Banks will pass this reduction on to home loan borrowers. **continued on page 2.**



## **(Talk of the Town - continued from page 1)**

The Banks have already reduced equipment lending rates and have factored in a 25 point reduction by the Reserve Bank in September.

The continued shortage of liquidity amongst Banks is continuing and as a result, they are being more and more particular about who and where they lend their money.

The fact is customer deposits only account for about 50% of the Australian Banks lending...the rest they need to borrow from overseas to fund loans for consumers and businesses. So the costs of borrowing from overseas have increased and this is why the Banks have passed on rate increases above the Reserve Banks official rate movements.

### **What does this mean for business?**

We need to understand that the world has changed and this credit squeeze is both serious and unlikely to reverse itself soon. Some market experts are predicting that we are looking at three to four years for this to work itself through.

In a recent address to the Aust. Institute of Company Directors in Perth Mr Brian Hartzler, an ANZ Director made the following observations in relation to the changed economic landscape;

"Today, with asset prices flattening or in some areas declining, and tried and tested model of revaluing assets to top up debt funding is all but over.

Today, the market's appetite for risk is well and truly reduced. You need to present a solid business strategy with good liquidity and low leverage.

The highly geared business case, for the time being, is finished. The argument for increasing credit lines to fund operating costs is tougher to make.

And today, for many businesses their options for borrowing are narrowing as non-banks and second tier players begin to reduce their exposures or exit altogether. "

Brian is correct in what he said in Perth, and that is why having a company such as Transport Finance who understand the transport sector being able to represent your business and interests to its key Banks, will give your finance application every chance of success.

We're coming off the back of 12-15 years of unprecedented growth in economic terms and we are moving into another unprecedented time in world economic history.

Remember in every situation there is a winner, for everyone that sold shares at 50% of the price they acquired them for, somebody bought them at a 'good' price and there is no reason in Australia that a well run business in this environment shouldn't continue to thrive.

Maintain your optimism, continue to be hungry for success and look to make every opportunity a winner...Thomas Edison said, "Opportunity is missed by most people, because it is dressed in overalls and looks like work."



## **You diversify your investments... so shouldn't you diversify your debt?**

If you have ever sat down with a financial planner and discussed a wealth creation plan, you would have heard them say: "Don't put all your eggs in one basket". The best way to structure your investments may be to spread your exposure across property or property trusts, shares, cash and annuities.

Similarly, when choosing an appropriate superannuation fund, one consideration is what 'spread' of investments they make on my behalf amongst International shares, Australian shares, blue chip stocks, the mining and/or industrial sectors.

So why is it that some people feel comfortable with all their personal & business debt with one bank?

There is a belief that the bank treats your home/personal lending separately to your business debt, when in fact

there is an 'all mortgages clause' in the fine print of most Terms & Conditions forms that effectively links any equity that you have in personal assets to business debt.

This means that you may as well have offered the bank your home at the time of taking out the business loan!

So, while holding all that security, do the banks offer you a discount or preferential interest rate on your borrowings? The answer to that, as you may have guessed, is usually NO.

If it makes sense to diversify your investment and superannuation strategies, doesn't it also make sense to separate your personal core banking requirements from your business debt and spread this exposure across a number of other banks and finance companies?

With access to over 20 banks & finance companies, Transport Finance can provide a free, no-obligation assessment of your current debt structure and can separate your personal borrowings from those of your business. We can also ensure, where possible, that any business borrowings required for your transport related equipment are funded in their own right and not secured against your home or other personal assets.

At times when you may need to contact your bank to increase your overdraft or borrow an additional amount to assist cashflow, now is not the time to have all your loans under the one roof. Talk to Transport Finance about ensuring you have the correct banking structure which separates your personal wealth from your business debt.

# The Squirrel & the Grasshopper



**Read to the end, I know we could all substitute the animals in this, quite clever.....**

## REST OF THE WORLD VERSION

The squirrel works hard in the withering heat all summer long, building and improving his house and laying up supplies for the winter.

The grasshopper thinks he's a fool, and laughs and dances and plays the summer away.

Come winter, the squirrel is warm and well fed. The shivering grasshopper has no food or shelter, so he dies out in the cold. - **THE END**

## THE AUSTRALIAN VERSION

The squirrel works hard in the withering heat all summer long, building his house and laying up supplies for the winter.

The grasshopper thinks he's a fool, and laughs and dances and plays the summer away.

Come winter, the squirrel is warm and well fed.

A social worker finds the shivering grasshopper, calls a press conference and demands to know why the squirrel should be allowed to be warm and well fed while others less fortunate, like the grasshopper, are cold and starving.

The ABC shows up to provide live coverage of the shivering grasshopper; with cuts to a video of the squirrel in his comfortable warm home with a table laden with food.

The Australian press informs people that they should be ashamed that in a country of such wealth, this poor grasshopper is allowed to suffer so while others have plenty.

The Labour Party, Greenpeace, Animal Rights and The Grasshopper Housing Commission of Australia demonstrate in front of the squirrel's house.

The ABC, interrupting a cultural festival special from St Kilda with breaking news, broadcasts a multi cultural choir singing 'We Shall Overcome'.

Bill Shorten rants in an interview with Laurie Oakes that the squirrel got rich off the backs of grasshoppers, and calls for an immediate tax hike on the squirrel to make him pay his 'fair share' and increases the charge for squirrels to enter Melbourne city centre.

In response to pressure from the media, the Government drafts the Economic Equity and Grasshopper Anti Discrimination Act, retroactive to the beginning of the summer. The squirrel's taxes are reassessed. He is taken to court and fined for failing to hire grasshoppers as builders,

for the work he was doing on his home, and an additional fine for contempt when he told the court the grasshopper did not want to work.

The grasshopper is provided with a Housing Commission house, financial aid to furnish it and an account with a local taxi firm to ensure he can be socially mobile. The

squirrel's food is seized and re-distributed to the more needy members of society - in this case the grasshopper.

Without enough money to buy more food, to pay the fine and his newly imposed retroactive taxes, the squirrel has to downsize and start building a new home.

The local authority takes over his old home and utilises it as a temporary home for asylum seeking cats who had hijacked a plane to get to Australia as they had to share their country of origin with mice.

On arrival they tried to blow up the airport because of Australians' apparent love of dogs.

The cats had been arrested for the international offence of hijacking and attempted bombing but were immediately released because the police fed them pilchards instead of salmon whilst in custody.

Initial moves to make them return them to their own country were abandoned because it was feared they would face death by the mice.

The cats devise and start a scam to obtain money from people's credit cards.

A 60 Minutes special shows the grasshopper finishing up the last of the squirrel's food, though spring is still months away, while the Housing Commission house he is in, crumbles around him because he hasn't bothered to maintain it. He is shown to be taking drugs.

Inadequate government funding is blamed for the grasshopper's drug 'illness'.

The cats seek recompense in the Australian courts for their treatment since arrival in Australia.

The grasshopper gets arrested for stabbing an old dog during a burglary to get money for his drugs habit. He is imprisoned but released immediately because he has been in custody for a few weeks. He is placed in the care of the probation service to monitor and supervise him.

Within a few weeks he has killed a guinea pig in a botched robbery.

A commission of enquiry, that will eventually cost \$10 million and state the obvious, is set up.

Additional money is put into funding a drug rehabilitation scheme for grasshoppers.

Legal aid for lawyers representing asylum seekers is increased.

The asylum seeking cats are praised by the government for enriching Australia 's multicultural diversity and dogs are criticised by the government for failing to befriend the cats.

The grasshopper dies of a drug overdose.

The usual sections of the press blame it on the obvious failure of government to address the root causes of despair arising from social inequity and his traumatic experience of prison.

They call for the resignation of a minister.

The cats are paid \$1 million each because their rights were infringed when the government failed to inform them there were mice in Australia .

The squirrel, the dogs and the victims of the hijacking, the bombing, the burglaries and robberies have to pay an additional percentage on their credit cards to cover losses, their taxes are increased to pay for law and order, and they are told that they will have to work beyond 65 because of a shortfall in government funds. - **THE END**

## Visit our new look website

The Transport Finance website has a brand new look and feel.

Our new website has a good deal of information about our people, our services and products, and some great testimonials from our loyal customers. You can also subscribe to or download our latest newsletter online. If you are interested in our products or service, you can submit your enquiry online too.

Power up your computer and log onto [www.transportfinance.com.au](http://www.transportfinance.com.au) today!



## A Chat with the Staff

This month we chat with ....Mike Kunkel

**How long have you been involved in finance?**

40 years 5 months. But I am still only 50 something.

**When did you start as a finance broker?**

October 1997

**What is the main difference that you found between working for a lender and being a broker?**

Closer contact with clients and appreciating first hand how my previous efforts have assisted the client's personal and business wealth growth.

**What is the most interesting item you have been asked to arrange finance for?**

None in particular all the items I have financed interest me.

**What is your favourite holiday destination?**

Anywhere a mobile phone does not work, but the fridge and barbecue do.

**If you could invite 6 people to dinner, who would they be?**

- Wally Lewis
- Gene Miles
- Mal Meninga
- Trevor Gillmester
- Chris Close
- Paul Vautin.

Alfie Langer and Kev Walters could be on the interchange bench. (8 other great Queenslanders)

**If you weren't a finance broker, what would you like to be?** A gardener

**Favourite Person?** My wife Lynn

**Favourite Sport?** Rugby League.

**Favourite Meal?**

Huge steak and a glass or two of anything.

**Favourite Drinks?**

Anything cold. It used to be a good beer or a Bundy with a bit of anything in it.

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