



Machinery equipment is showcased at bauma China 2012.  
PHOTO PROVIDED TO CHINA DAILY

# Leasing construction machinery: a new trend

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**A** growing number of construction companies in China are now leasing machinery equipment for their building projects, seeing it as an important way to gain a competitive edge.

"Leasing can reduce production costs and save funds," said a manager from a construction company.

As the construction machinery market competition becomes more intense, construction enterprises are paying more attention to the flexible use of machinery equipment.

"Equipment will become obsolete if it is not used very often," said the manager.

His comments were backed up by experts, many of whom predict that leasing construction machinery is a future trend.

In North America, Europe and Japan, leasing construction machinery has created 65 percent of the machinery equipment sales in their local markets.

"From a global perspective, leasing firms have stimulated the use of idle construction machinery, becoming an important and indispensable platform in the modern marketing system," said a source from the Machinery Management and Leasing Branch of the China Construction Association.

The source said there is a huge leasing market for construction machinery, creating annual sales of about \$40 billion, which is equal to 25 percent of the global output value of construction machinery products.

China lags far behind the global level with its annual leasing sales reaching only 15 billion yuan to 20 billion yuan (\$2.44 billion to \$3.25 billion).

The country has about 100,000 construction machinery leasing companies, but their annual turnover averages only 3 million yuan (\$487,805). Of them, only 10 percent each have assets of more than 50 million yuan (\$8.13 million).

"Although the Chinese market in this field is not mature at the moment, it doesn't mean the market is not big enough," the source said. "On the contrary, it is witnessing an increasing demand for construction machinery."

Take the real estate market as an example,

the source said, which saw an annual average increase of 10 percent between 1998 and 2011. In 2011, China built 1.9 billion square meters of housing, up 16.15 percent over 2010.

According to the country's urbanization blueprint, China is expected to have an urban population of 840 million by 2020, which will enjoy a per capita living space of 35 square meters. It is expected to need 14.2 billion square meters of new housing by 2020 to meet the demand.

"Real estate projects demand a large amount of machinery equipment, becoming a magnet for domestic and overseas machinery rental firms," said the source.

Statistics from the association have showed that China now has 11,500 machinery leasing enterprises, but most businesses are small. Leasing firms, each having assets of more than 50 million yuan (\$8.13 million), are less than 100.

But in Japan, medium-sized machinery rental companies account for 92 percent of the industry, while in the United States, the world's most mature rental market, 10 percent of rental enterprises are large listed companies.

"Reinforced effort should be made to work out industry policies to stimulate the growth of China's construction machinery leasing market," said the source.

## USE OF FOREIGN EXPERIENCE

The source said Chinese leasing companies should draw successful experience from foreign counterparts and use it to establish a new engineering machinery marketing system adaptable to the market economy.

"A lease strategy should be formulated to make leasing an important method of marketing," the source said.

US Caterpillar Inc, the world's leading engineering machinery manufacturer, has set up about 100 leasing outlets in North America and Europe to lease machinery equipment online.

"With a machinery leasing system, Chinese leasing firms are able to get higher profits by leasing secondhand equipment," said the source.

## FINANCIAL LEASING BUSINESS

"Financial lease is a practical method to

expand the leasing business," said the source, adding that efforts should be made to use foreign funds.

Chinese leasing firms should seek cooperation with powerful foreign investors, such as Tat Hong Group in Singapore, with domestic financial partners as Leading Capital and Fosun, and with domestic construction businesses as Yahgee, to set up joint ventures.

"The joint ventures are able to help the Chinese side know more about how to make use of the market and funds resources from foreign partners," the source said.

By using financial leases, the source said, Chinese machinery manufacturers are able to launch technical projects to innovate their products and production facilities.

China has worked out policies to encourage enterprises and investment institutions to set up leasing companies, the source said, adding that engineering machinery manufacturers can run their factory-owned or controlled professional leasing companies.

Hami city in the Xinjiang Uygur autonomous region, for example, has launched a project to set up a large construction machinery equipment leasing market, that will consist of an equipment leasing area, a commercial area, an equipment maintenance area and a comprehensive service area.

"On completion, the market will help change the city's disorder conditions resulting from scattered construction machinery equipment rental markets across the city," said a manager from the Hami Ximeng Trade Co Ltd.

Its first phase is expected to cost 26.8 million yuan (\$4.36 million) in investment. As of August, it had consumed 13.4 million yuan (\$2.18 million).

Meanwhile, 440 small construction machinery leasing firms in Wuhan, Hubei province have joined hands to build a large leasing market which occupies an area of 53 hectares and is expected to cost 60 million yuan (\$9.76 million), said Wu Weidong, secretary general of the Wuhan Construction Equipment Leasing Commerce Chamber.

"Wuhan can't meet the growing demand for construction machinery equipment without such a big specialized leasing market," Wu said.

## Sandvik at bauma China

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Sandvik Construction, a business within the Sandvik Group that provides solutions and applications for the rock processing and construction industries, will be exhibiting at bauma China 2014.

The company plans to highlight the Asian and Chinese focus of their total solutions product ranges.

A number of global product launches at the fair are planned to demonstrate to Sandvik's Chinese and Asian customers how the company is able to deal with their very specific requirements, said a source with Sandvik.

Participating at bauma China will enable Sandvik Construction to show exactly how it is able to provide specific solutions for the Chinese and Asian markets. As Asia and China are undergoing rapid economic growth, the demand for construction machinery, building-material machines, construction vehicles and equipment, is also increasing, the source said.

What makes bauma China so special for customers is the opportunity to see equipment and solutions for the very first time. Sandvik will therefore be using the opportunity presented by the exhibition to launch new equipment aimed specifically at the Chinese, Asian and global markets.

The new and innovative equipment at the launch includes: SK2462 SCREEN-global product launch, CI532 IMPACT CRUSHER-Chinese product launch, 4099 PRO BREAKER-global product launch, Tiger DG800-global product launch, and Mobile crushers and screens- QI441-Chinese product launch.

With Sandvik Construction Chinese and global product launches taking place and other exhibits from the Product Areas, bauma China is set to be a showcase event for Sandvik Construction in 2014.

Sandvik Construction stands will be located at: F.60A.