



## Car Dealer Wholesale Floorplan Financing : Special Purpose Vehicle Information Guide for Car Dealers

*19 Dec 2008*

On 5 December 2008, the Australian Government announced the establishment of a Special Purpose Vehicle (SPV) with the support of leading Australian banks to help provide critical wholesale floorplan financing to those viable car dealers that are currently financed by GE Money Motor Solutions and GMAC, both of whom have announced an intention to exit the Australian dealer floorplan financing market in the near future as a result of ongoing global financial challenges.

This Information Guide sets out what the SPV is, how it will work, who is eligible and what eligible dealers should be doing in trying to secure wholesale floorplan financing.

### **What is the Car Dealer Special Purpose Vehicle (SPV)?**

- The car dealer SPV will be a trust that will raise capital by selling securitised assets to the four major banks, under the cover of a Commonwealth Guarantee where necessary.
- The capital that will be raised will be made available to eligible car dealers through participating financiers for a period up to 12 months.
- The SPV is a transitional funding arrangement – it is not designed to provide an on-going and indefinite line of credit to car dealers.
- It is expected that viable car dealers will negotiate acceptable credit lines with finance providers over the next 12 months.



### **What type of financing will be available from the SPV?**

- The car dealer SPV will provide wholesale floorplan financing only to eligible dealers. It will not finance any retail operations, capital loans or real property loans.

### **What is the Eligibility Criteria?**

- To be eligible for possible wholesale financing under the SPV, a dealer must satisfy the following basic conditions:
  - Must currently be financed by an exiting financier, i.e. GE Money Motor Solutions or GMAC;
  - Is currently a new car dealer or a mixed dealership selling both new and used cars from the same business; or is currently a dealer in new motorbikes; boats; caravans; trucks and commercial vehicles with wholesale floorplan finance provided by GE Money Motor Solutions or GMAC;
  - Must demonstrate that the dealership is a viable business consistent with the usual commercial lending criteria of recognised finance providers;
  - Must be able to present up to date, accurate and comprehensive information on all aspects of the business as may be required by recognised and participating finance providers.
  - Those dealers that secure finance through the SPV will be subjected to regular audits consistent with best practice industry standards.

### **How will it work?**

- Eligible car dealers will not have to communicate or interact with the SPV directly.
- Car dealers will in the first instance apply for wholesale floorplan financing from a participating financier of their choice.
- The financier will make a commercial decision as to whether they have the willingness or the capacity to finance the dealership from their own resources.



- If a participating financier cannot accommodate the dealership, yet the dealership satisfies the overall eligibility criteria for SPV financing, the financier may arrange financing for the dealership through the SPV.

### **Will all existing car dealers secure finance once the SPV is operational?**

- The ability of current GE or GMAC financed dealerships to secure alternative wholesale floorplan finance is very much dependent on the viability of their business.
- It is quite likely that some existing car dealerships will fail to secure alternative finance in light of their business model in a difficult trading environment.

### **Will Finance Cost More from the SPV?**

- The SPV will not be providing any subsidised finance to any eligible car dealer.
- The cost of finance from the SPV will be market-based and reflect current developments in the Australian and global capital markets.

### **What happens after the 12 months?**

- The SPV is intended to be a 12 month transitional arrangement to allow for an orderly transfer of those viable dealerships currently being financed by GE Money Motor Solutions or GMAC to alternative financiers.
- After the initial 12 months availability period, there will be an additional revolving period of 6 months during which the SPV will continue to provide finance to eligible dealers in the SPV programme as at that time. The revolving period is intended to facilitate dealers' transition to alternative financiers and the SPV will not accept additional eligible dealerships during this revolving period.
- Given that the establishment of the SPV has in part been necessary because of the extraordinary circumstances affecting global capital markets, the state of the finance markets in 18 months time will need to be taken into account in determining if there is a need for further action.



## **Who are the Participating Financiers?**

- Various well established and well recognised financiers are expected to participate in the SPV arrangement. These include Alphera Financial Services (a division of the BMW Group); Capital Finance; Esanda; Nissan Financial Services and St George. Other financiers are also likely to participate shortly.

## **Is the Government Managing the SPV?**

- The SPV, which is a Trust, is to be managed and operated by market professionals with extensive expertise in the establishment and operation of Trust vehicles.
- Credit Suisse is acting as programme manager with Perpetual Trustee undertaking the role of trustee. A number of other high profile service providers, including Standard and Poors, Deloitte, Liberty Financial and Allens Arthur Robinson are providing the necessary supporting roles to make the SPV a success.
- The Australian Government will be providing a Commonwealth Guarantee on the subordinated notes issued by the SPV to ensure that Australia's leading banks are able to provide sufficient capital for the SPV.

## **Who Should I Contact?**

- If you run a new or mixed car dealership that has your wholesale floorplan finance provided by either GE Money Motor Solutions or GMAC, you should contact a participating financier of your choice. The relevant contact people for the current participating financiers are provided below.

### **– *Alphera Financial Services (a division of the BMW Group)***

Chris Rouskas  
Operations Director  
[chris.rousкас@bmwfinance.com.au](mailto:chris.rousкас@bmwfinance.com.au)  
Phone: 03 9264 4033



– ***Capital Finance***

Rob Foster  
National Manager Motor Finance  
[rob\\_foster@capital-finance.com.au](mailto:rob_foster@capital-finance.com.au)  
Phone: 02 8884 6602

– ***Esanda***

David Hannah  
Head of Dealer Relationships  
[david.hannah@esanda.com](mailto:david.hannah@esanda.com)  
Phone: 03 9666 9139

– ***Nissan Financial Services***

George Leondis  
Executive Director  
[george\\_leondis@nissan.com.au](mailto:george_leondis@nissan.com.au)  
Phone: 03 9797 4111

– ***St George***

Frank Piperno  
National Manager Lending  
[pipernof@stgeorge.com.au](mailto:pipernof@stgeorge.com.au)  
Phone: 03 9274 4727



### **The SPV At Work: “Big Ben Motors” - A Hypothetical Case Study**

Ben is the owner and operator of “Big Ben Motors” a new car dealership on the NSW South Coast. Big Ben Motors has its floorplan financing arranged through GE Money Motor Solutions. Ben is well aware that GE Money Motor Solutions is exiting the Australian floorplan finance market and has been anxious about securing alternative financing arrangements.

Ben has arranged to speak with one of the participating financiers about the possibility of transferring his book to the finance provider.

Ben, who has always run a professional dealership and has kept his records up to date, is told by the finance provider that whilst he has a good business case, the finance provider is not prepared to take him on in the current market environment.

However, as Ben satisfies the basic eligibility criteria for the SPV, the finance provider agrees to lodge an application for floorplan financing from the SPV on Ben’s behalf.

As Ben has been able to demonstrate that he has a viable business model and satisfies the general eligibility conditions of the SPV, the finance provider is able to secure funding for up to 12 months for Ben through the SPV to allow him to run his business.

Over the course of 2009, Ben works hard to reinforce the business by cutting any unnecessary costs and improving the overall efficiency of the business. He maintains a close relationship with the finance provider.

Despite a difficult trading environment, Big Ben Motors performs well and in late 2009 the finance provider agrees to take Ben on for a longer term relationship.