

Optimizing Your Assets in a Challenging Economy

For companies who rely on mobile plant equipment for their operations, it is hardly news: the economy is tight and it is more difficult than ever to stay profitable. Customer spending has shrunk and, as a result, so has the market. If competition was already fierce, now it seems downright savage.



Other factors complicate the business climate even more. As a result of general belt-tightening, most capital expenditures budgets are seeing significant reductions, making needed equipment seem more and more like a luxury. Tightening credit lines make cash flow challenging. No matter the latest expert opinion on the recession's timeframe, the general outlook for the near future looks bleak.



▶ Delivering Integrated *Mobile Equipment* and *Vehicle Solutions* to Government and Industry.

If there has ever been a time to weigh the alternatives in search of efficiency and cost savings, the time is now. Discovering an opportunity that reduces risk while affecting profitability and productivity could mean the difference between short-term strain and long-term success. Any opportunity that can reduce fixed costs deserves a closer look.

3 strategies for companies who rely on mobile plant equipment:

1. Ownership
2. Leasing
3. Mobile plant equipment management

This article presents three strategies for companies who rely on mobile plant equipment, along with the benefits and drawbacks. These strategies are ownership, leasing, and mobile plant equipment management. No two companies are identical, and the ideal solution is the one that best matches the

needs and goals of the working environment — but a fair comparison among these three should provide you with enough information and insight to help you streamline your assets in a challenging economy.

Ownership ▶

Ownership offers a company a direct, somewhat predictable means to acquire a fleet of mobile plant equipment. Many plant managers feel more comfortable working with their own employees and their own equipment, as opposed to either one being outsourced. With acquisition, management, maintenance, and disposal all left up to the company itself, there is no mystery when it comes to deciding

responsibility. Since the company has taken full control over their mobile plant equipment, there is no one else involved and operations remain centralized. Ownership also carries with it a traditional, long-standing perception of cost-effectiveness. This perception suggests that paying more on the front end will eventually generate lower costs over the lifetime of the equipment.

Ownership does have its challenges. It requires more funding on the front end, which may be difficult to secure (especially if a company relies upon capital allocation or credit lines for equipment purchases). Though years may go by with equipment needs remaining predictable, all that can change with erratic market trends and developing technology. Equipment that was heavily used can suddenly become just another inventory item taking up space. Innovation can become a problem, if it means that a better process or piece of equipment renders another piece of equipment obsolete. The ongoing, sometimes aggravating reality of ownership is the time and cost needed for maintenance and repair. Tires, fuel, oil and spare parts can become interruptions, and the worst nuisance of all can creep in, “downtime”. Once a piece of equipment has finished its usable life, ownership means that an owner has again become a buyer; unfortunately, this point is perhaps the most unpredictable of all. Since it is impossible to know exactly when a new piece of equipment is needed, equipment planning/forecasting for owners can lead to either overbuying and excess inventory or to

the surprise of downtime and insufficient funds if a replacement has not yet been purchased. All the while, companies who own their equipment must maintain safety within their facility operations at all times that equipment is in use. For some companies, maintaining

Finance Leasing ▶

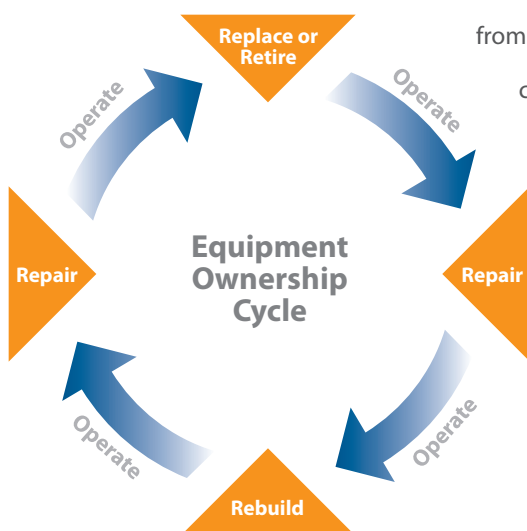
Leasing offers companies a far different strategy, one that could provide more flexibility just where some companies need it. When a company leases its mobile plant equipment, they have immediately reduced their initial expenditure. A low monthly or quarterly lease means better cash flow and the elimination of CAPEX altogether for the equipment. Leasing also gives companies a choice on maintenance for their equipment, and leasing companies specialize in providing a range of these options to fit the preferences of a given facility. Since the company never owns their equipment, some of the other ownership challenges – like business cycles, forecasting and distraction – become significantly improved as well.

Ownership Benefits:	Ownership Drawbacks:
<ul style="list-style-type: none"> • Own employees and equipment • Centralized operations • Perception of cost-effectiveness 	<ul style="list-style-type: none"> • More front-end funding • Business cycles • Maintenance & repair • Downtime • Equipment planning/forecasting • Safety • Fleet utilization • Distraction from core business

safety through a strong safety-first culture and well-maintained equipment is doable, but for many others, it provides an ongoing challenge. Fleet utilization may become just one

more thing for owners to deal with, and tracking it a rarely performed task. No matter how many of the previous challenges may be real for an owner, one is always present: owning mobile plant equipment

provides a distraction, keeping owners from focusing on their core competencies.



Finance leasing, however, has its drawbacks. It is difficult, if not impossible, to optimize a fleet using a finance alternative leasing strategy. Since the company still has to make decisions as to which equipment it needs at a given time, optimization poses a problem in the form of either a significant time and planning strain or an easily missed oversight. Leasing can result in just as many excess pieces of equipment taking up space in a facility, or just as many pieces needed, due to the challenge of forecasting. Though leasing certainly helps the fixed cost of equipment, it does nothing to reduce the fixed cost of people to manage, maintain and handle the equipment.

Safety still poses a challenge, since a company's own employees or a third-party contractor must take the responsibility for properly maintaining the equipment and ensuring safety procedures are followed. Managing assets too continues to create downtime for the company whenever maintenance, repairs or replacement are needed. Leasing often means multiple sources and multiple invoices, with the resulting confusion and sometimes over-billing and overlapping costs. Ultimately, leasing still fails

with access to capital and equipment plus the people needed to maintain and manage it. Here are the benefits provided through this third strategy:

Reduced risk

Since it combines the strengths of leasing with the unique insight of a dedicated team of experts, MPE Management can significantly reduce a company's financial and safety risks, yielding predictability and flexibility.

Significant savings

The key value of MPE Management is our insight in helping you create a stabilized fleet cost structure. Our goal is to optimize your core fleet and to understand your variable fleet requirements, while offering you the finest in purchasing power and equipment expertise.

Improved ROA

When we assume responsibility for your MPE fleet, your capital expenditures line item is yours to redirect however you choose, immediately improving your return on assets (ROA).

Enhanced efficiency

Our onsite technicians are expert in repairing all types of mobile equipment. Our MPE Management also includes proactive, ongoing reviews of your facility's equipment to ensure every piece is maintained to the highest standards.

to provide the flexibility a company needs to make rapid, market-sensitive decisions that are hindered by standard lease contracts.

Leasing Benefits:	Leasing Drawbacks:
<ul style="list-style-type: none"> • Reduced initial expenditure • Better cash flow • Elimination of CAPEX • Choice of maintenance • Less exposure to business cycles 	<ul style="list-style-type: none"> • Difficult optimization • Forecasting challenges • Fixed people cost • Safety • Downtime • Multiple sources and invoices • Lack of flexibility

Mobile Plant Equipment (MPE) Management ▶

AMECO, a global leader in integrated mobile equipment and vehicle solutions, believes there is a third strategy. We created a unique program designed for Mobile Plant Equipment (MPE) Management services, one that addresses all of the most serious challenges while providing as many benefits as possible. MPE Management provides a company

MPE Management Benefits:

- Reduced risk
- Significant CAPEX savings
- Improved ROA
- Enhanced efficiency
- Single point of contact
- Safety
- Improved financial performance

Single point of contact

AMECO handles everything related to your mobile equipment, from specifying to purchasing, tracking to forecasting, maintenance to disposal. With MPE Management, there is no mystery about who to call; we offer one provider, one number, one invoice with countless solutions.

Improved financial performance

Since MPE Management transforms your mobile equipment strategy, it also enhances your finances. Many of our benefits also translate into profit – such as efficiency, improved safety, reduced downtime (due to mobile equipment breakdown) and maximized use of your time. Since AMECO eliminates overlaps between multiple providers and anticipates needs with our proactive planning, you pay for only what you need, and enjoy the lower cost of planned maintenance rather than emergency repairs.

Safety

Safety is top priority at AMECO, and it shows in our 26 million+ safe work hours (and counting). Our MPE Management staff takes the lead in training, certification and in clearly communicating best practices for working conditions involving mobile equipment. Our high maintenance standards reduce your risk in safety.

Take the following self-assessment to see if MPE Management is the ideal solution for you. Consider the following questions:

1. Do you consistently see equipment sitting, not working?
2. Do you pay third-party vendors more now to repair your equipment?
3. Do you have an aging workforce with no bench strength?
4. Do you invest in the latest diagnostic equipment and training?
5. Do you need to reduce or redirect CAPEX?
6. Do you need to stabilize cost year over year?

Solution ▶

If you have answered “yes” to 4 or more of these questions, it is time to schedule a personal meeting.

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