

55 Ways to Reduce Equipment Costs for the New Year

The more you focus on waste elimination within your company, the more readily you will see savings in both your everyday and longer-term costs.

■ By Preston Ingalls

In this article, I am going to provide you with 55 ways to reduce equipment costs. Some will have more impact than others; some will be easier than others. All 55 will help you to lower your equipment costs, netting a significant impact to the bottom line.

My 49 years in industry and 29 years as a fleet consultant have shown that the average heavy equipment fleet has no less than 25 to 30 percent waste in their maintenance costs. That is the “low-lying fruit,” with a little effort.

If you spend \$5 million a year on equipment maintenance, this can result in a net savings of \$1.5 to \$2.5 million a year, straight to the bottom line.

A Significant Impact

Let's look at the opportunities:

1. Hold a cap on overtime. Ten percent is a reasonable expectation for a busy group, and 5 percent is considered World Class. Static overtime becomes an expected part of the compensation if held steady for too long. It is best to put peaks and valleys in it to prevent reliance on it.

Figure 1: These bulk storage containers have color-coded magnetic strips on the top of each to match the chart on the door to the far left.



Figures courtesy of TBR Strategies LLC.

2. Hold meetings with the shops and field mechanics and stress the need to lower costs. Challenge them to come up with savings. You may be surprised by their ideas. Consider offering rewards for best savings.

3. Use this opportunity to weed out the “non-productives” in the work force. Poor performers cost in lost productivity, additional supervision, effect on their peers, etc.

4. Planning and scheduling work will improve maintenance wrench time or productivity on an average of 50 to 80 percent. You can cost justify a full-time maintenance planner if you have at least six craftsmen. A prepped job goes faster than an unprepped job. Dedicate and train one as a maintenance planner and it can actually double the amount of work you perform or enable you to operate at a smaller complement of personnel.

5. Invest in upgrading skills and training. Make sure that your mechanics and technicians have the necessary skill sets. Poorly trained craftsmen take longer to perform their jobs and produce more call-backs (rework). It will not be an immediate payback, but it will be a long-term one. Five percent of payroll dollars is normal, or 6 percent of total work hours. This also contributes to retention.

6. Train equipment operators or drivers in Basic Care. A well-trained operator can detect 70 percent of all potential problems on equipment if they are trained. They can also help offload some work from the shop and field mechanics.

7. It might be time for some coaching to improve efficiencies. Providing feedback on performance is an effective way to elevate mechanics' and technicians' abilities.

8. Eliminate “buddy jobs” if they are not really needed for safety. Do you really need to send two?

9. Assess the work better. Emergencies cost more. Is this job really an emergency? Can it be done later at a lower cost? Emergencies interrupt the flow of work and cost four to five times more to perform than non-emergencies. Target 2 to 3 percent as a reasonable amount.

10. Make sure there is adequate supervisory oversight. Work can take longer and cost more if it is not being sufficiently supervised. “Inspect what you expect” and audit to ensure

quality and minimize errors. A supervisor needs to look for acts of omission and commission.

11. Use planning and scheduling process to have materials available on time without having to spend the extra to expedite (hot shot, overnight, etc.). Expediting costs are those costs above ground delivery costs and can be a major source of costs.

12. Improve inventory control by making sure there is an inventory count and record of all items along with their locations and that they have assigned bins. So much time is wasted searching and retrieving parts.

13. Make sure there are spending approval levels to avoid excessive spending and buying.

14. Use lower-cost labor to pick up and deliver parts (a parts runner). It is wasted costs for mechanics and technicians to do so and a lost opportunity as to what they could be doing instead.

15. Purge and merge parts. The cost for parts to sit there (carrying costs or holding costs), especially if the parts room is manned, averages 25 to 35 percent of the average annual inventory value. If you have an inventory of \$500,000, you can expect to spend \$125,000 to \$175,000 of that each year. Verify that the supported equipment is still in service, and eliminate obsolete and rarely used parts (those that do not move or move slowly).

16. Track Turn Rates (how often inventory value turns) to improve efficiency and cost. Industry average is almost one turn per year, while World Class is two to four turns per year. This is calculated as total disbursements divided by total average inventory value.

17. Keep the storeroom clean and organized. Clutter and trash make it unsafe and difficult to search and retrieve.

18. Have a designated location for staged or kitted jobs for upcoming work. This reduces the cycle time to complete work by having a “go to” place for kitted work.

19. Produce standard kits for PMs (filters, belts, etc.) to shorten prep time.

20. Implement a reliability program that identifies and corrects defects through a Root Cause Analysis (RCA) process, reducing the need to perform certain activities. If I can eliminate the need, I can reduce my costs. This is proactive maintenance. It reduces the needs for parts, labor and downtime. ‘Five Whys’ or ‘Why-Why’ is a good start for an RCA process.

21. Use consignment parts as much as possible. You only pay for it when it is used. This is more important on low-cost commodity items like fasteners, etc. Use vendor stocking as much as possible, especially if the vendor is nearby. There is no use to stock it when it can be stocked elsewhere at someone else’s expense.

22. Centralize inventory control. Collect all the uncontrolled satellite stores (pigeon-holed and rat-holed parts) to eliminate ordering parts already available.

23. Use a Computerized Maintenance Management System (CMMS) to manage parts. Unmanaged parts usually will cost three to four times their value.

24. Label everything to make it easier to find. Time is money.

25. Look for bulk deals (grease, oil, etc.) by shopping around.

26. If you have more than 2,000 line items (individual SKUs), you can justify a full-time attendant/purchasing person to help control

costs and secure your parts room from random and undocumented issues as well as theft. If you have that much inventory, you are already paying not to have someone there.

27. Develop Bill of Materials (BOMs) for each piece of equipment (at least crucial equipment).

28. Use cycle counting (randomly generated counts) by the CMMS to provide an ongoing count. This improves inventory accuracy.

29. Eliminate redundant parts and material from different suppliers. I have seen as many as five different drums of SAE 30 oil from different suppliers in the same shop.

30. Identify critical or insurance spares. They are handled separately from the other parts and should be listed. There is a formula to help distinguish non-critical from critical.

31. Improve safety stock calculation—review and refine. It is the cushion when we could have variation in lead time or consumption for critical or high-value items where lost time is not an option.

32. Develop a rigorous adherence to inventory control. The process is a science, not an art. It is called MRO (Maintenance, Repair and Operational Supplies).

33. Minimize “human touch” as much as possible for fuel control—the more automated, the more accurate.

34. Fuel management technology can take many forms, including electronics that have helped reduce fuel consumption through direct injection, variable valve timing and other technologies. Fuel

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