

# On a hire plane



When it comes to obtaining new equipment, plant engineers might want to consider renting before – or even instead of – committing to that outlay. Brian Wall looks at the cost benefits



**Paul O'Neill,**  
**Atlas Copco**  
**Compressors:**  
Energy savings can be equal to, or exceed, monthly cost of loan

In these austere and uncertain financial times, 'Try Before You Buy' incentives are growing in popularity with some plant engineers and managers, eager to avoid major upfront investments. Taking the rental route enables plants to put equipment through its paces 'in anger', before deciding if it is fit for purpose and capable of meeting longer term requirements.

On top of that, there are now some very tempting schemes to lure organisations away from outright purchase and down the longer-term hire route instead. As David Graham, managing director of Speedy Hire's UK asset services business, puts it: "Our customers hire, because they don't want the risk of ownership, the capital investment, the operational costs of staff, transport and spares. Nor do they want the cost of compliance to legislation, be it environmental or otherwise."

He concedes that hiring plant is not always the right solution, but says that, recognising this, Speedy has long since moved past a rental-only model of service. "If plant asset ownership represents the best option to

our clients – because over the long term this makes better financial sense for them – then we see it as our role to help them do it," he points out.

It's then Speedy Hire's aim to provide the backup for the asset throughout its lifecycle. "If they need support, we can help test, repair and maintain it – even transport it. There are some cases where re-hire represents the best option for our client – say, for large powered access equipment. Ultimately, it's cheaper for Speedy to hire a bulk fleet of a particular asset from another firm than it is for an individual contractor to go to them and source the machines for themselves."

## Deciding factor

So what's the thinking when it comes to equipment generally regarded as fixed items of plant, such as compressors? According to Paul O'Neill, divisional manager with Atlas Copco Compressors, these can be acquired in a variety of ways to suit a company's needs and finances. "While a company's capital investment capability and cash flow often

determine whether equipment is hired or bought outright, consideration of whether it is required for short- or long-term operational needs should be the deciding factor," he argues.

"For example, when there is a demand for extra power or air, or a requirement for a temporary air supply to keep a process going when in-house facilities are down for maintenance or repair, an industrial rental standby package may be the best solution. This allows a process to continue or expand, with minimised disruption, and does not require capital investment."

However, where additional power or air is needed on a longer-term basis, straightforward rental is unlikely to be cost effective. In this situation, where outright purchase for a permanent installation may be desirable, but not practicable, finance schemes, such as contract rental, hire



## Compressing expenditure

A 0% APR finance scheme has been launched by Atlas Copco Compressors, with the aim of filling a gap left by the recently withdrawn Carbon Trust 0% loans scheme and to encourage investment in energy-efficient air technology.

The scheme is said to have additional benefits, compared to the original Carbon Trust scheme. For instance, terms of the loan are flexible, with finance available for periods of up to seven years, while amounts can be anything from £1,000 upwards (as opposed to a standard four-year term for the original scheme, with the figure set between £5,000 and £100,000).

How much might it cost? Elwyn Smiles, regional sales manager Northern Europe at Atlas Copco Customer Finance, offers one scenario: "A loan of £31,000 for a 75kW variable speed drive compressor, over an agreement period of 60 months, could cost £641.08, plus VAT, per month under an alternative scheme. Under the new Atlas Copco scheme, it would cost significantly less, at £516.66, plus VAT, per month."

The 0% finance offer is available on any stationary Atlas Copco compressor and associated equipment – not just variable speed drive units.



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purchase and service investment plan options, can provide a workable solution.

"By far the most significant recent development, designed to encourage investment in energy-efficient technology, is 0% APR finance schemes," explains O'Neill. "Not only do they enable companies without the capital for outright purchase to buy, rather than rent, to meet their long-term plant and equipment needs, but, in some cases, the energy savings achieved can also be equal to – or may even exceed – the monthly cost of taking out the loan."

### Finance schemes

Atlas Copco is one of a number of suppliers that has launched such a scheme to help companies invest quickly in new plant and equipment, and get fast returns (see panel). But the approach also works well when it comes to obtaining test equipment that's essential for tasks such as installation and commissioning, fault-finding or troubleshooting.

It's certainly an argument put forward by Nigel Brown, CEO of electronic test equipment rental, contract hire and asset management organisation Microlease, which offers everything from oscilloscopes and spectrum, network or signal analysers, through to telecoms and optical kit.

"As equipment budgets come under ever-increasing scrutiny, securing approvals and funding to get this expensive kit can be tough," comments Brown. "To benefit from the latest test and measurement advancements and achieve a faster time to operation, many engineers and plant managers are now thinking more carefully about their equipment needs and usage – and taking advantage of flexible procurement options to get a better financial return."

Over the lifetime of a high-end test instrument, for example, studies show that the real cost of ownership can be as much as double its purchase

price, he maintains. For this reason, it's only logical to take a view on each piece of equipment and consider the following: is the investment in capital and ongoing maintenance costs justified by the amount of use the instrument will get? Or is it better to rent an instrument for the relevant phase of the project?

### Short-term gains

According to Brown, the best starting point is to work out how long the anticipated usage will be. "While this may be difficult to estimate, it will help to categorise the equipment into items that are only likely to be needed for a fixed period – such as during planned downtime or in the installation of a production line – and those that will be used continuously for many years. While for longer-term use, buying or leasing equipment may be the most sensible approach, for short-term projects rental solutions can really come into their own, when it comes to flexibility and saving money."

Budget is also a consideration: specifically, how will the equipment be financed, what budget is available and how lengthy will this process be? "Even when equipment will almost certainly be in continuous use, there are still ways to reduce the financial burden," he adds. "For longer projects, leasing options allow full use of the equipment, and with built-in support services taking the pressure off calibration and repair."

Those accustomed to purchasing equipment need to reconsider whether it is worth having to wait perhaps six months for the next financial year's budget to be released. Rent-to-buy options can be the answer to getting equipment deployed much more quickly and effectively at the point of need. The bottom line is that, in these uncertain times, using financing options intelligently can help free plant engineers and managers from budget constraints, and greatly benefit the plant and the business in the process. **FE**

**David Graham, Speedy Hire: Long since moved past rental-only model**

