

GETTING THE MOST FROM YOUR RENTAL

When does renting equipment beat out ownership?

BY DAVID KENNEDY

At one time, the type of work contractors could complete was largely limited to the type of equipment in their arsenal. That's no longer the case.

From small local shops to the big national chains, the equipment rental industry has come a long way. The days of getting little more than a set of keys, a return date and the go-ahead to drive off the lot are long gone.

"You might have done that a long time ago, but that doesn't work any more," says Jeff Campbell, the owner of St. Thomas Rent-All in southwestern Ontario. "As the business has evolved, rental centres have become far more than locations that simply hand out the keys to a piece of machinery."

Today, Canadian contractors looking for an extra piece of equipment during peak times, a specialized attachment, or both a machine and a skilled person to operate it, can tap into rental houses across the country. Far more than a way to avoid the capital cost of a new skid steer or excavator, the rental business has become an integral part of how construction projects are delivered on time and on budget.

"It's a service industry," says Campbell, who is also a long-time member and former president of the Canadian Rental Association. "You solve problems. You help people get the job done."



DOING MORE WITH LESS

A new piece of machinery costs tens of thousands to hundreds of thousands of dollars. Even with financing, such a significant bill can make ownership impractical and unnecessary for many contractors.

"If you have a really good rental partner, it makes it easy to expand and do more work as a contractor without having to make the capital commitment," says Jordan Reber, senior vice-president of Rental and Strategy at Finning Canada.

Finning oversees the Cat Rental Store, which rents and leases Cat machinery exclusively. It typically targets contractors

on the cusp between renting and buying outright.

Reber breaks down the rental market into two main segments.

One side consists of contractors that have picked up more work than usual and need an extra machine to supplement their fleets. The other part is made up of contractors looking for unusual attachments, or a big machine like a long-range excavator that's needed for a specific, one-time task.

While the first type of contractor may eventually grow into buying a machine, those looking for specialty equipment or

attachments may never be able to justify the purchase.

"You're never going to have enough hours to make a lot of those things pay, especially on bigger machines," Reber says. "It's just a rental-first market."

The Toronto-based Amherst Group's mobile cranes and mobile concrete pump trucks are case in point.

One of the largest rental businesses of its kind in the province, Amherst rents its machinery along with an operator, making it akin to a "taxi service," according to Vice-President Valerie Brennan.

"There was a time when the general contractors did own most of the mobile equipment that they used on job sites, but it evolved," she says. "They found it a burden, simply because of the specialized nature of it and the training that's required."

With fewer and fewer contractors able to justify the big-ticket crane and pump truck purchases, Amherst and its competitors have stepped in to help bridge the gap.

To add an extra level of service, the company also sends its estimators free of charge to the job sites of prospective clients, giving them the chance to size up a project and determine what type of machinery would best match the job.

Amherst, and other rental businesses like it, allow contractors to avoid tying up precious capital on machinery they don't require every day, giving them the ability to focus on their core competencies.

PLAYING TO YOUR STRENGTHS

Even when it comes to machinery far smaller and less expensive than mobile

cranes or pump trucks, the services offered by rental houses can be enough to tip the scales toward renting or leasing as opposed to buying.

On-site machine maintenance is one key offering.

"If [our customers] have a piece of equipment and it breaks down, it's a matter of a phone call and there's another piece of equipment coming out as well as a mechanic looking at it," Campbell says.

St. Thomas Rent-All serves small- to medium-sized contractors, mainly in Ontario's Elgin County, but it shares this quick-response maintenance guarantee with rental houses of all sizes across the country.

"In the event of a breakdown... we would ensure mechanics are deployed directly to the site to make sure that there's no down time or... just swap out [the equipment] to ensure the productivity of our customer base remains at a high level," says Earl Ducharme, the vice-president for Canada at HERC Rentals Inc., which

Instead of owning a machine that gets a little older with each project, renting typically gives contractors a piece of machinery early in its lifecycle. It's difficult to quantify the exact value this creates for HERC's customers, Ducharme says, but allowing contractors to add the most innovative products to their arsenal without the inhibitive capital cost of buying certainly gives contractors an edge.

"That's why we think the [rental] market is growing organically," he says. "We challenge the model within many organizations of owning versus renting."

A ONE-STOP SHOP

Leveraging a good rental house's expertise in everything from machine selection to maintenance scheduling allows contractors to focus on what they do best. Taking advantage of the safety and equipment training they offer is yet another opportunity.

The larger players in the rental industry in particular have embraced training as a way to add to their value proposition.

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operates Hertz Equipment Rental locations across Canada.

It's all about increasing productivity, Ducharme says, pointing to how costly labour has become for HERC's clients. Work hours lost due to non-function-

ing machinery is a significant and often preventable cost for Canadian contractors of all sizes. Relying on in-house maintenance teams is not always the most efficient solution.

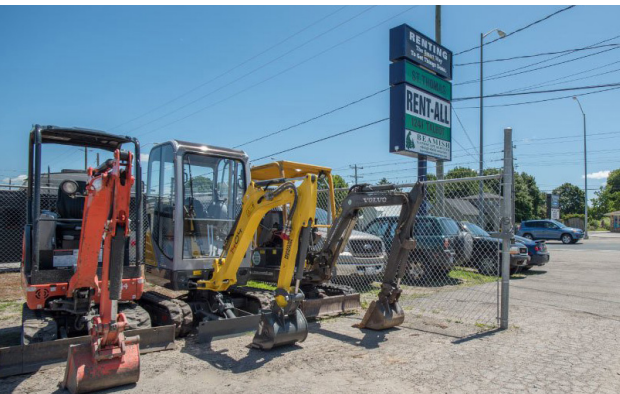
Along with regular upkeep and emergency maintenance, big rental houses like HERC, which has operations in eight Canadian provinces, often have access to the latest equipment and technology.

"Any of the tools that we rent, we would train on," Ducharme says, noting courses are often in-classroom, but can also be done on job sites. "We have a complete department and a complete staff right across the country nationally that brings that to the marketplace."

Along with equipment-focused training, HERC offers safety courses such as aerial platform training, Workplace Hazardous Materials Information System (WHMIS) training, fallout training and silica dust training.

Many other national, regional and local rental shops offer similar courses to ensure equipment is operated properly. With job site health and safety more important than ever, the services can help contractors make sure all employees are up to code.

Enlisting well-trained rental staff like



Amherst Group's crane and pump truck operators at the same time as renting machinery is another way to keep sites safe and personnel costs down.

Training for crane operators in Ontario, for instance, lasts no less than three years, and the pump truck business is moving in a similar direction, according to Valerie Brennan.

Between the cost of the equipment and the cost of keeping skilled workers on payroll, turning to rentals in such a specialized market is an easy decision for most contractors.

The rental model has also played an important role in boosting safety in the crane and pump truck segments of the construction industry, Brennan added.

With only the most active and experienced operators left on job sites, accidents are kept to a minimum.

WHEN TO PARK THE RENTAL AND BUY OUTRIGHT

There's no infallible answer to this age-old question, but there are a few benchmarks contractors should keep a close watch on.

The scale of a company plays a major role in the decision. Particularly for smaller firms, having access to capital is a must, while the cost of that capital will also determine how easily the purchase can be justified. Often overlooked logistical costs, such as space to store an idle machine and transport the equipment from job site to job site, are also factors.

But ultimately, it's all about usage.

As Ducharme put it, ownership gives renting a run for its money when contractors have a core business to support that will keep a certain piece of equipment busy.

He put the magic number at about 75 per cent – that is, if a contractor can keep the equipment active three-quarters of the time, it's likely time to seriously consider setting aside the capital funds and buying.

Jordan Reber, meanwhile, looks to his stopwatch to weigh the cost of ownership against long-term renting or leasing.

Though there are always a number of mitigating factors at play, he says 200 to 250 hours of use per month is where the clock typically "clicks over" toward owning. □