

BUY OR RENT?

Two choices, endless possibilities

The decision whether to buy or rent specialised pipeline equipment is complex.

Lycke Koersen, Maats Pipeline Equipment, the Netherlands, analyses the different factors affecting a contractor's final decision and selection of supplier.

The pipeline industry is continuously developing. The quality of pipeline construction is progressing and technical possibilities are considerably growing. Whilst this process brings great value to all parties, it does make some aspects more complex, especially when facing the task of composing and managing a fleet of specialised equipment.

It is for a reason that certain questions will always keep rising. The decision whether to buy or rent pipeline construction equipment is one of those questions. The many different factors to consider make it a complex choice that can, in each situation and for every piece of equipment, lead to a different conclusion.

Maats Pipeline Equipment is one of the leading suppliers of equipment and services to the pipeline industry. With over



Figure 1. Whether you choose to buy or rent, the criteria for equipment is the same for both: you need your equipment on the right place, at the right time and ready to start work.

30 years' experience in selling and renting equipment, the company has built up a comprehensive understanding of the different aspects that contractors face in deciding whether to buy or to rent.

Decision time

When deciding whether to buy or to rent, the financial aspect might be the most complex to consider. Numerous factors have to be taken into account to determine the most profitable option. The first and most obvious financial factor is the initial investment. Financing costs are high when buying equipment, but tax regulations can be favourable for making such a large investment. On the other hand, the lower investment costs of renting equipment provide other advantages. The benefits of renting include the relatively low costs and improved cash flow. In addition, as no major capital outlay is required,



Figure 2. A supplier that understands the specifics of the pipeline business can provide you with the comfort of arranging all needed transport. A strategic location of the equipment yard allows for quick transport



Figure 3. By choosing a specialised rental equipment supplier with a wide range of equipment and accessories, support for efficiently combining equipment and availability of equipment is assured.

renting is a clear choice if funds for purchasing are simply unavailable.

Taking a close look at the hourly costs for both renting and buying can be a profitable tool in making the right choice. Comparing hourly costs requires detailed insight into the expected costs and an extensive data analysis. In order to calculate the hourly costs for buying a machine, costs need to be put in reference to working hours (depreciation, maintenance, operating, repairs) and service life (financing, interest, insurance, replacement). Collecting and interpreting all the relevant factors is a complex matter, but can provide valuable data to base a choice on. However, the data analysis leaves out all non-static factors that in practice prove to be of equal importance to the final decision.

The non-static factors

A large part of the factors that determine the right decision are not static like the financial data. These non-static factors depend on preferences, circumstances and conditions that cannot be measured. For instance, in order to start working with equipment, it needs to be in the right place at the right time. That may seem a simple conclusion, but availability is a highly valuable factor to consider. To assure availability, buying seems preferable as equipment is immediately available when you can draw from your own fleet. However, when working on several projects at the same time, planning and logistics often get very complex and availability may still turn out to be a big issue. To forestall availability problems contractors extend their own equipment fleet with rental equipment, or compose a rental fleet of the needed equipment to provide a convenient solution in case of multiple projects or for working on projects with an exceptional diameter or specifications.

In that case, a specialised rental company with sufficient availability is required to make the choice for rental worthwhile. A trustworthy supplier will also provide the comfort of outsourcing the complexity of planning and logistics.

As project specifications are becoming increasingly diverse, it is a necessity for contractors to remain as flexible as possible. Projects can require specific equipment that is often only limitedly used. In most cases it is unprofitable and impracticable to own equipment for all possible pipe diameters and specifications. Contractors often choose to extend their flexibility by making temporary rental additions to their equipment fleet. This way the range of services that can be offered is diversified without the need to invest in costly equipment that might end up sitting in an equipment yard.

From a marketing point of view, contractors can benefit from owning equipment. By having your own equipment fleet in company colours, the company's presence is well-stated. Being visible on the projects that you work on is an adequate marketing tool. To market your services it can be an advantage to have equipment under your own management, as in some cases this may be required

for participating in pre-qualification procedures or bid projects.

However, renting equipment can also contribute to developing marketing and services. New opportunities can be created through renting the equipment that is needed for expanding the range of services. Introducing new equipment through rental also provides companies with the comfort of 'test driving' equipment without taking on a large financial risk. The equipment that is considered for buying can be carefully compared and the investment in new equipment can be based on a well thought-out choice.

"Should you buy or should you rent?"

It is a challenging question that will always keep rising as the decisive aspects for determining the most profitable choice are highly dependable on circumstantial factors.



Figure 4. A specialised rental company can provide valuable services such as adequate commissioning, onsite training for efficient use of the machine and extensive technical support.



Figure 5. Availability of rental equipment is highly dependable on the inventory of the rental fleet. Specialised rental companies are able to supply a wider range of specialised equipment.

But after considering all different aspects for the required equipment, a well based choice whether to buy or to rent can be made. Regardless of what that choice may be, the criteria for addressing the next stage is the same for both; you need equipment onsite and you need to be sure that it will work. All that is left now is to find a trustworthy equipment supplier.

Selecting the right supplier

The qualities that you look for in specialised equipment are the same for both purchase and rental. The big difference in practice though is that deploying your own equipment means you are in control of every aspect. While renting equipment is in many situations very profitable and justified, it does require putting your trust in the rental company of your choice, making the selection criteria for a rental supplier significantly important.

One of the main criteria that contractors look for in a rental company is reliability. Reliability will come back in every aspect of the rental procedure, from the initial inquiry to the final invoice. If you choose to rent, you hire both equipment and service. One of the comforts of outsourcing is that complexity of planning, logistics and various details are taken off your hands. To reassure that comfort you need to partner up with a supplier that is reliable in all aspects.

By choosing a rental company that specialises in pipeline equipment, a huge benefit will be the expertise that is made available to you. The know-how and understanding of equipment requirements will allow the rental company to provide optimal service. To best suit the project specifications not only large equipment but also numerous accessories are often needed. The advantage of dealing with a specialised supplier is that they will be able to provide you with a wide range of equipment and accessories as well as the guidance to establish what specific equipment and accessories you will need.

Whether equipment is needed immediately or not, contractors need to be able to rely on availability. The fleet inventory of the rental company is of high influence on availability. One and one is two, so on the obvious side; a large fleet means more equipment available. But another important aspect in pipeline construction is the wide variety of diameters and specifications. To assure availability, a large number of equipment and accessories as well as a wide application range are required.

Even with the right rental fleet, availability can be influenced by the location of the rental company and its equipment yard. The strategic location of the rental company is what determines the time with which your equipment can be delivered. In order to ship equipment quick and efficient anywhere in the world, it is of importance that all possibilities for transport are within easy reach of the rental company.

Added value

Conditions regarding maintenance, repair and downtime will be drawn up to best serve you, but regardless of the quality of those services, a contractor's goal is to reach maximum productivity and therefore the risk of downtime has to be kept to a minimum.

One of the advantages of renting equipment from a company that concentrates on pipeline equipment is that they are fully dedicated to the specifics of the equipment. Specialised pipeline equipment companies will have the technical know-how to provide you with state-of-the-art equipment. Maintenance and service for specialty pipeline equipment can be very specific and the expertise of a specialised company allows them to maintain their equipment fleet to the highest quality and safety standards.

Besides providing you with the newest available equipment, their comprehensive understanding of the equipment will enable the rental company to provide you with valuable services that contribute to the quality and productivity of the equipment:

- Technical expertise allows an advising role in establishing the needed equipment.
- Detailed commissioning and instructions onsite assure correct and optimal use of the machinery, reducing the risk of downtime and increasing productivity.
- Technical support can be offered to a great extent.

By making sure that the rental company you choose supplies you with high quality services and equipment, a safe working environment for your employees is assured and maximum project efficiency can be achieved.

The quality and variety of additional services that are offered are of big influence to the comfort level and profitability of working with a rental company. A supplier that understands the specifics of the pipeline business is able to provide you with the service, comfort and efficiency of taking care of complex matters such as logistics. When it comes to the often complicated process of managing equipment for a project, it can be very effective to outsource certain activities or even have the comfort of dealing with a single supply source.

Summary

Whether you are looking to buy or to rent equipment, it is highly important to apply the right criteria and dedicate your time to look for a specialised equipment supplier. Renting or buying equipment is not a matter of simply finding a supplier that has the equipment available. Establish what you expect of an equipment supplier and determine the right criteria for selecting a supplier that will help you reach maximum efficiency. Teaming up with a reliable and trustworthy partner means you will be supplied with the right services and high quality equipment, to contribute an important extra value to your project. 