For the past 50 years, equipment rental has become increasingly popular. Today in the United States, approximately 40 percent of construction equipment is utilized through rental companies. The current economic climate could push construction equipment rental to 50 percent of total utilization during the next several years, according to a recent rental industry study.

In Europe, which has a mature infrastructure, and where construction and maintenance projects tend to be smaller and of shorter duration, approximately 70 percent of all equipment used is rented.

In the United States, long-term infrastructure and non-residential building projects are transitioning toward shorter restoration and maintenance, and smaller projects. For example, highway construction projects are typically in the $5 million to $20 million range and measured in months instead of years.

With the U.S. economy slowly recovering from the recession, analysis of proposed future bid contracts over the next several years indicates that government infrastructure investment is slowing, and there is not a corresponding increase in commercial construction to compensate for the slowing in government investment. Thus, the future construction market is uncertain and is dependent upon a successful economic recovery.
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OWNERSHIP COSTS

A company that owns all of its equipment that it uses has an increased exposure to risk in today’s economy. This is particularly true for a new company, or an existing company that enters into a new type of work.

1. The on-going costs of ownership, particularly operating costs—maintenance, repairs, inspections, transportation and storage—escalate over the life of the equipment and compound the cost of actually using the equipment.

Rental companies tend to replace their core construction equipment every five to six years, and generally do not retain equipment past two models, whereas companies that own their equipment will likely retain their equipment for as long as it is economically feasible. Where most rental companies generate an average of 800 hours on core construction equipment annually, contractors average around 1,200 hours annually. Higher hours of annual utilization results in increased maintenance costs and ultimately more downtime.

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EQUIPMENT UTILIZATION

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- Reduces the amount capital tied up in fleet especially when equipment is ultimately used when there is a project that requires it.
- Reduces the amount of start-up capital required for a new venture.
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OUTSIDE RISK

Rental also means outsourcing risk, as the rental company is responsible for providing safe equipment on-site, thus also shauldering any risk linked to their transportation when this is carried out by the rental company.
TIME is carried out by the rental safe equipment on-site, responsible for providing the rental company is outsourcing risk, as Rental also means

Construction Equipment Economics calculate the cost of the equipment over the amount of time that it will be owned. A highly utilized piece of equipment will not make financial sense to purchase equipment 22 days or 176 hours per month. Thus, equipment operated for 14 days or 112 hours per month. A practical guide is that if construction equipment is to be utilized:

- More than 90 percent can be highly reliable and future-proof
- Between 60 and 80 percent may be suitable
- Less than 60 percent can be an increase financial risk if there is

The full, true cost of ownership can be calculated and compared to the cost by Dr. Michael Vorster.

The full, true cost of ownership can be calculated and compared to the cost of actually using the equipment. The full, true cost of ownership can be calculated and compared to the cost of actually using the equipment.

FINANCIAL FLEXIBILITY

Renting eliminates this need, as all of the repair and maintenance services are included in the rental. If the equipment breaks down, the rental company sends someone to repair it. In most cases, if the equipment cannot be repaired, the rental company will replace an inoperable piece so your project can

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Future utilization should be a primary factor in calculating ownership costs. Future utilization should be a primary factor in calculating ownership costs. Future utilization should be a primary factor in calculating ownership costs.

Most rental companies also maintain equipment to manufacturer standards, and perform prescribed maintenance to keep units rent-ready. Renting enables access to a variety of equipment, including specialty equipment that are used infrequently for specific purposes, different types of equipment. Renting enables access to a variety of equipment, including specialty equipment that are used infrequently for specific purposes, different types of equipment. Renting enables access to a variety of equipment, including specialty equipment that are used infrequently for specific purposes, different types of equipment.

RENTING CAN HELP COMPANIES REDUCE FIXED AND VARIABLE COSTS, AND MINIMIZE THE FINANCIAL RISKS ASSOCIATED WITH OWNING LARGE EQUIPMENT FLEETS.

USE THE LATEST EQUIPMENT

Because rental companies buy huge quantities of equipment each year, they can negotiate lower costs. As a result, for a fraction of the price you might pay for a single piece of equipment, you can get the entire fleet. Renting can help companies reduce fixed and variable costs, and minimize the financial risks associated with owning large equipment fleets.

The full, true cost of ownership can be calculated and compared to the cost of actually using the equipment. The full, true cost of ownership can be calculated and compared to the cost of actually using the equipment.
that equipment and disposal processes are in compliance with new regulations, particularly in the areas of:
- Waste management, such as coolants, lubricants, filters, batteries, tires
- and degreasing machines.
- Energy savings.
- Proper storage of all fluids.
- Reduction of the amounts of chemicals used in all shop and yard activities.
Renting helps protect the environment by using late model equipment that conforms to evolving environment regulations governing air pollution and waste disposal.

RELYING ON RENTAL EQUIPMENT

Many successful companies balance their core fleet with rental equipment there's needed for specialized projects or for a short duration. Renting fleet is an excellent method for growing a business. Companies with limited capital but a growing number of projects use rental equipment to capture the new business to protect their available working capital.

Larger rental companies also provide web-based programs that enable customers to rent equipment, track rental fleet inventory, call off equipment and review invoices. This online financial management tool provides an additional management and budgeting tool, enabling contractors to better control rental equipment costs.

CAPitalize on RENTAL COMPANIES’ BUYING POWER

Because rental companies buy huge quantities of equipment each year, their purchase costs are lower than firms owning one or two units. The costs are amortized over the unit's useful life, resulting in rental rates that can be lower than the full cost of ownership.

CONTROL COSTS

Some construction or maintenance projects may require the utilization of different types of equipment. Renting enables access to a variety of equipment, including specialty equipment that are used infrequently for specific purposes. For as long as it is needed without tying up capital. Because you have a fixed cost for the rental, you can factor that cost into your bid. Most rental company representatives will assist you in the estimation process.

USE THE LATEST EQUIPMENT

Equipment rental companies rotate fleet, replacing aging equipment with newer models. Using late model equipment on projects provides the opportunity to gain productivity through new technology advances, as well as use highly reliable equipment. It also provides the opportunity to test and evaluate rubber-tired loader versus a tracked loader, or a John Deere loader against an equivalent sized Case or Kobelco. Some companies that are also considering moving from construction to scrap or demolition may wish to operate late model rental equipment several times before owning.

CONCLUSION

When deciding to rent or own equipment, consider the long-term affect of purchasing equipment on your company’s operations and balance sheet, and determine whether the utilization rate is sufficient to justify ownership. If the full cost of ownership and the utilization rates are not substantially less expensive, then consider renting equipment as a more viable option.

* These utilization guidelines may not apply to crane and other specialized equipment.
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Trends In
OWNING VS. RENTING
CONSTRUCTION EQUIPMENT

By Andy Agoos