The Hidden Costs Of Equipment Ownership

NES Rentals

\#1 IN AERIAL LIFTS

THE HIDDEN COSTS OF EQUIPMENT OWNERSHIP

What you need to know before you buy

The decision whether to buy or rent your equipment can have far-reaching implications for your company's financial health. So before you decide which is right for your company, you'll want to consider the total financial impact of each option — including potential costs and benefits.

Hidden Costs: What to watch out for

The decision to own your equipment — rather than rent it — can result in a number of unanticipated costs. These include:

Sunk Costs

When you buy your equipment, you're tying up capital that might otherwise go toward your core business. And with equipment costs and financing costs rising, rental may be a more attractive alternative. It may provide you with tax benefits (see your tax advisor for details).

Storage and Transportation

If you plan to own your equipment, you'll also need to be able to store it securely. This means owning or renting facilities large enough to accommodate your fleet. In addition, you have to be able to transport each piece to your job sites, which can require a hauling subcontractor. A good rental company, on the other hand, will get you what need, when you need it — and take it away when you're done.

Inflexibility

Purchasing equipment can mean being "stuck" with it for some time. This is especially costly when you find you no longer need a particular piece or would benefit from having a different one, but still have to maintain and store what you've already bought. Renting not only ensures that you'll always be able to find the right type of equipment to meet your needs, but it gives you the chance to test drive equipment over a series of weeks or months — ensuring that you've got the right tool for the job.

Maintenance and Repair

As the owner of a piece of equipment, all the expense of maintenance and upkeep fall to you. This includes mechanics, parts and record keeping. When you rent, however, these services are provided by your rental company.

Increased Downtime

If equipment that you own breaks down, you not only incur the cost of repairing it, but also the expense of an idle crew while it's being serviced. An equipment rental company will bring you a new, replacement unit, allowing your team to stay productive.

Depreciation and Obsolescence

Generally speaking, equipment loses value over time, even if it's properly cared for. In addition, new models are continuously appearing, and they typically have valuable features that improve usability and versatility. That means the equipment you buy today may become obsolete before it wears out.

Compliance Challenges

Part of keeping your equipment in good working order is keeping it up to code. When you own, this is your responsibility. When you rent, all ANSI-required inspections are performed and recorded by the rental company.

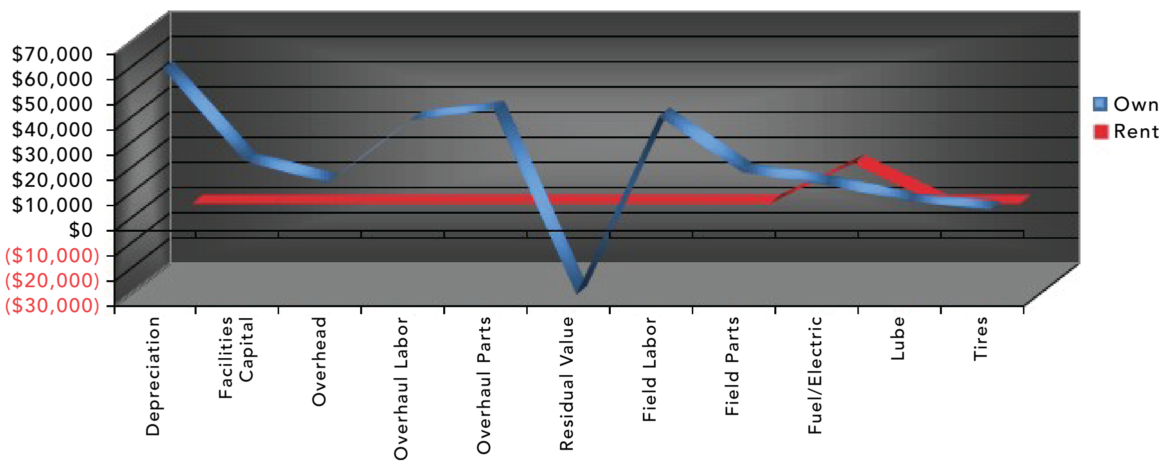
Training Issues

When you own your equipment, you're responsible for the time and effort it takes to train your crew to use it properly. Rental companies provide this service for you — on site and under the direction of an experienced professional.

Disposal

Another source of unexpected costs can be disposing of equipment that no longer runs. Many companies find that they have to pay a disposal service to take these pieces off their hands.

Ownership & Operating Costs
60' Straight Boom Lift – 4WD Diesel



This chart compares ownership and operating costs (in blue) for a popular boom lift vs. costs for renting the same piece of equipment (red). Data is from Equipment Watch.

Flexibility: The key to equipment management

As you can see, renting can offer your business a number of benefits — from the avoidance of maintenance hassles to capital savings. But perhaps its most important advantage is flexibility.

As your project load ebbs and flows, your equipment needs change. What's more, it can be difficult to accurately predict what you'll need at the outset of a job. Renting gives you the ability to adjust your equipment mix as your needs evolve. And you should also be able to find a flexible leasing arrangement that works with your cash flow.

Most rental companies offer both operating leases, which are good if you replace equipment often, and finance leases, which allow your company to reap greater tax benefits when the equipment's residual value rises. Additionally, operating leases are not considered long-term liabilities, so they don't appear as debt on your balance sheet. They are considered a tax-deductible overhead expense by the IRS.

There are situations where equipment ownership does make financial sense – when equipment is used almost continuously, for example. Ultimately, the decision to rent or buy your equipment comes down to the financial pros and cons for your company. To determine those, you'll want to:

- *Compare the up-front costs*
- *Compare the long-term costs*
- *Compare the monthly costs*
- *Calculate what you can currently afford*

And the next time you need a piece of construction equipment, be sure to consider all your options — as well as their hidden costs.

DID YOU KNOW?

You can often save money by renting equipment if you accept jobs in different geographic areas. Rental companies that operate different branches carry mostly the same equipment and offer many of the same services wherever they are located. When the job is complete, you simply return the equipment to the closest branch with no maintenance, transportation costs or storage issues.

If you decide to rent

NES Rentals is a leader in the equipment rental industry, and #1 in aerial lifts. With a strict focus on reliability and safety, we rent more than 735 types of equipment and distribute new equipment for nationally recognized manufacturers in a variety of industries. All of our equipment is maintained to OEM standards and meets exacting internal performance criteria. In 2008, our customer satisfaction scores put us above other equipment suppliers and among some of the nation's finest companies.

To learn more or find a location near you, visit nesrentals.com or call **800-NES-RENT.**