

The background of the top half of the page is a photograph of a tracked excavator in a construction or mining environment. The excavator is yellow and black, with its tracks and heavy-duty bucket visible. The ground is rocky and uneven, and the sky is blue with scattered white clouds. An orange semi-transparent box is overlaid on the left side of the image, containing the title text.

A GUIDE TO CHOOSING THE RIGHT HEAVY EQUIPMENT SOLUTIONS

Selecting the right equipment to add to your fleet for construction or maintenance operations can seem daunting, but it's an important task to undertake. If the equipment isn't replaced when its service life is over or when new technology demonstrates better efficiencies, it can negatively affect your ability to get the job done and needlessly eats into capital and maintenance budgets.

We've prepared this guide to help you navigate the road to choosing new or replacement equipment, before finishing with a look at why partnering with the right supplier really matters.



QUESTIONS TO ASK YOURSELF WHEN SELECTING NEW EQUIPMENT

1. WHAT ARE THE COSTS INVOLVED?

A major part of any equipment purchase decision is the price—but the capital acquisition cost is only one factor, in combination with ownership, operation, and maintenance costs. Although many organizations only focus on capital costs, it makes more and more sense to consider a lifecycle approach with your cost analysis.

CAPITAL COSTS

Put simply, the capital cost is the initial purchase cost of the equipment you're buying. **On average, the capital cost makes up roughly 50 percent of the total cost you will incur in owning a piece of machinery over the course of its life.**

In addition to the base price of the machine itself, other capital costs might include taxes and their effect on possible cash flow, transportation, and setup expenses, and fees for additional modifications.



OWNERSHIP COSTS

These are the costs that you incur on an annual basis even if you're not actively using your equipment. They are made up of expenditures on items like storage, insurance, licensing, and interest on finance payments.

OPERATION COSTS

These include any costs associated with the ongoing operation of the equipment, which are typically fuel and operator labour costs. These expenses only accrue when the machine is actually being operated and will vary depending on use.

MAINTENANCE COSTS

The third type of costs you need to factor into your decision-making processes are those associated with ongoing maintenance such as:

- **Consumables**, the items or goods you need to keep your equipment in good operating condition.
- **Special items** like wear parts (e.g. plow and grader blades). You will usually monitor and keep track of these separately from more typical consumables like hoses and filters.
- **Servicing**, the costs of any labour and parts that go into keeping equipment in good working order.



All of these factors combined need to be considered against the **expected lifecycle of the machine**, and must be compared against viable alternatives. A higher capital cost machine may in fact cost less to operate and last much longer, which is why **a total lifecycle analysis must be conducted**.

2. WHAT SUPPORT IS PROVIDED?

Find out what kind of support will be available after you purchase the equipment, as it's inevitable your equipment will need service at some point over its life. For example, you might get a great deal on a used machine at an auction but going this route may sacrifice the important maintenance and repair support available to you in the future if local support is absent.

3. WHAT ROLE DOES THE EQUIPMENT PLAY IN YOUR BUSINESS?

It's important to take a look at the big picture from 30,000 feet when considering how a new piece of equipment will fit into your business.

What is the significance of the machinery to your business? For example, if you really can't afford any downtime, consider new or rented equipment. On the other hand, if the piece of machinery is not critical to your company operations, consider a used unit, but expect some downtime and costs.

4. WHAT ARE THE FINANCIAL OPTIONS FOR ACQUIRING THE EQUIPMENT?

There are a number of financial factors to be considered when acquiring new machinery. **One of the first things you need to reflect on is whether you should buy or rent.**

BUYING

If the equipment you need is a key and integral piece to be used routinely for your business, buying often makes the most sense. It also provides operators with ample time and perhaps flexibility to familiarize themselves with it, learning its ins and outs so they can maximize its performance, and often gives you the greatest degree of control over how, where, and when you use it. Also remember that the initial purchase cost is only about 50 percent of its lifecycle costs!

When it comes to buying, there's one more question you need to consider—will you buy new or used?

LEASING

Leasing is a specialized discussion in itself when an acquisition is desired:

- **It may involve less money upfront** since down payments aren't necessary.
- **The lessor can be responsible for maintenance** depending on the terms of your lease..
- **Leases can make it easier to upgrade to new models** on a more regular basis.
- **Timeframes can be relatively flexible** (usually between one and five years), but rates will be more favorable than they would be for an extended rental.
- There are **tax implications** of leasing versus purchasing.



RENTING

Renting can offer a number of advantages depending on the type of equipment you need and your intended use:

- **Enhanced Flexibility:** Rentals are usually offered on a daily, weekly, or monthly basis, so you can use the equipment for the amount of time that suits you.
- **Reduced Maintenance Required:** You'll be free from concerns about in-depth maintenance or repairs, as those costs remain with the rental company. Usually, routine maintenance is the responsibility of the renter (e.g. greasing, and even oil changes if long term).
- **Simpler Storage:** Having a machine in your possession for longer than necessary can create storage-related headaches. With rentals, you can worry less about where to keep the equipment when it's not being used.
- **Try Before You Buy:** Renting a unit can allow you more time and your personnel a better opportunity (as compared to a short-term demo) to evaluate a machine for purchase or to differentiate between machine options.

One thing to consider is that rental fees over the long term can add up fast, so be sure to choose the right rates and rental period from the outset.

Remember that rental rates are often twice as much as what ownership costs would be, so you may not expect to make money on renting that piece. *However, it is a more productive means to evaluate a unit or get a specific job done.*



5. WHAT WILL BE THE RESALE OR TRADE VALUE?

You'll likely need to sell or trade in your equipment at some point. You might let go of a machine when a project is over or when you want a newer model or a piece of specialized equipment.

The main factors that affect resale value are the equipment's brand, condition, and buyer demand.

- **Brand:** Many buyers are willing to pay more for equipment from a brand they know and trust. You may have a harder time selling a used machine and get a lower resale value from a lesser-known manufacturer.
- **Condition:** It's important to maintain equipment in good operating and visual condition to keep its value as high as possible, and to ensure any warranty is valid. Consider outside maintenance agreements to offload the upkeep to your supplier experts.
- **Buyer Demand:** If there is demand for a particular piece of equipment, the resale value will be higher. Check out the going rates in different areas and consider selling in another region to get the most value for your trade-in or sale.

When you're looking to replace your equipment, let your supplier know—they might be able to help you sell it.

6. SHOULD YOU STICK WITH TRADITIONAL OR TRY INNOVATIVE NEW EQUIPMENT?

If you find yourself conflicted between time-tested machinery and innovative, emerging solutions when choosing equipment, you're not alone. Are you an early-adopter, or a latecomer?

In this case, your decision will be a personal one, based on factors like:

- Perceived advantages of the new technology over old.
- Risk and degree of comfort using new technology (for your business, any superiors, and the operators).
- Training time and adoption required for your operators to learn new equipment.
- Supplier support for new technology – telematics to monitor your equipment in real time.
- Some legislated changes, like engine emission requirements, are locked in stone. Your decision might be to buy a unit of older technology you know while you can still get it, or dive in with new equipment and learn early to get ahead of the curve.

Many traditional machines are now able to incorporate innovative optional components. Some of these can be added later, but only if considered upfront—so ask about add-ons early in the process.

MAKE SURE TO WORK WITH THE RIGHT PROVIDER

When choosing who to source your equipment from, you'll want to work with a provider who makes the process simple and easy to understand for you—it's a good indication of how they will treat you in the future when it comes to support and service. Consider things like:

- **Years in Business:** Find out when the company was established. This will give you peace of mind knowing that the provider has longevity, stability, and experience and that they have had the time to develop strong relationships with manufacturers.
- **Manufacturers:** You want to work with someone who partners with the right manufacturers. Assess the machines each company distributes.
- **Services:** When you purchase your road maintenance equipment, choose a distributor with local or readily available parts inventories and service expertise you need to keep your machine at peak performance.
- **Industry Experience:** You'll want to confirm that the company has experience working with customers in your industry and your work type and that they will be capable of understanding and meeting your needs.

Ultimately, a supplier should provide all the information you need to make an informed decision.

Choosing equipment is a big commitment. Take the time to research your options and ask important questions to ensure you get the most out of your equipment throughout its entire lifecycle.

Amaco is Ontario's heavy equipment specialist and has helped municipalities, contractors, and owner-operators across the province find the right machine solutions for them.

