

A return to reason in access rentals

The access industry has seen its share of excesses in boom times. Now that the bubble has burst, how can the industry pick up and move on? A heavyweight line-up of speakers shared their insights at the last Europlatform conference.

The powered access industry needs to embrace sound credit management practices and to be more disciplined in managing fleet sizes, said Tim Ford, president of Terex Aerial Work Platforms. Ford was delivering the keynote address at the Europlatform conference in September 2009 in Milan, Italy.

The senior executive of one of the world's largest manufacturers of aerial work platforms called for a back to basics approach to business, requiring patience and discipline. So how did the economic bubble grow in the first place?

Round about 2005, credit was plentiful, there was more work than equipment, the outlook was very bright, and new rental companies sprang up everywhere. In some cases, manufacturers underwrote new start-ups that had little or no equity by putting equip-

ment in rental fleets without charging for it, offering guaranteed residuals or presenting lengthy repayment terms.

"These practices moved a lot of equipment, but they weren't good for our industry, because all it did was establish new rental companies who had no real investment in their business," said Ford to the audience of about 100 senior and middle managers of European access rental companies.

A few rental companies did not like these practices and refused to buy from suppliers that led this behaviour. However, many aerial equipment buyers seized this as their chance to extract favourable terms or better pricing from their preferred suppliers.

"Some of you may think I'm pointing my finger at my competitors and suggesting my Genie never participated in this kind of

activity," said Ford. "The truth is that we weren't entirely pure either, but we did less of it than others."

"The downturn is going to be longer and deeper than you can possibly believe it will be," he continued. "Companies that thrive in this economy share a few common traits. First, they have a cushion of cash relative to their peers. Second, they continue to make strategic investments despite the economy, and third, they have a willingness to 'go for the jugular', seizing this time to go aggressively after weaker competitors."

Ford emphasised the importance of managing cash, sharing lessons from Terex's daily operations.

"Since this crisis began we've had a laser-like focus on managing cash," he said. "Because we didn't do many complex financial transactions to begin with and our CFO ensured that we kept our trade terms short, we haven't been hit with a great deal of bad debt. We're working hard at selling off unproductive inventory, collecting cash and managing our supply chain to reduce incoming materials. As a company, we gave ourselves some financial breathing room earlier this year by raising over US\$600 million in capital and renegotiating our bank covenants."

During a downturn where survival is the key, it is better for companies to be nimble rather than big, advised Ford. Cash becomes more important than market share. Not all items sold contribute equally to the bottom line. Businesses need to re-think their products and services and shed some of them.

He noted that with new equipment sales down 85% or more in some categories, there is not enough demand in the foreseeable future to sustain the number of manufacturers and brands that exist in the industry today.

"It seems increasingly likely to me that cash-strapped western manufacturers will be forced out of business or will be purchased by cash-flush Chinese competitors looking to establish a foothold in Europe or the United States," he predicted.

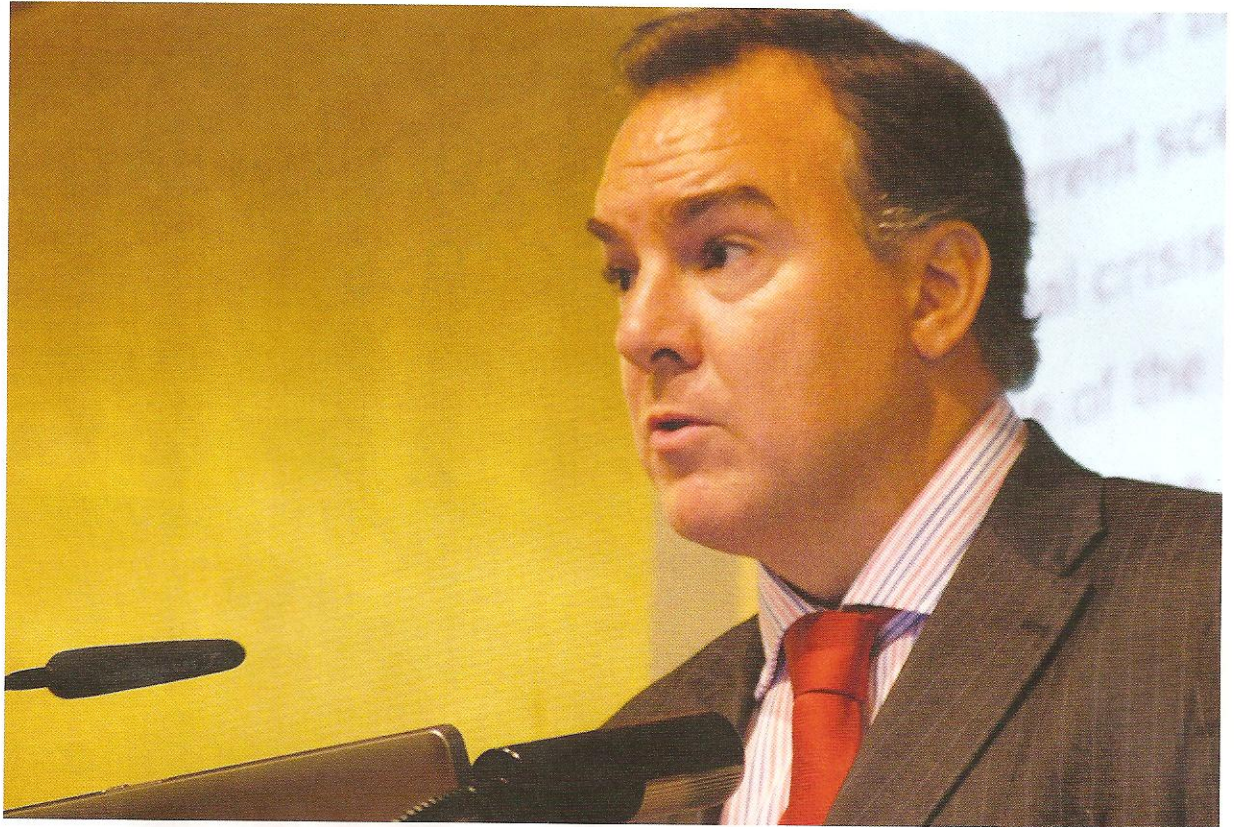
Access rental companies have seen revenues down between 25% and 33% over last year and the outlook for near-term improvement is not rosy. But the powered access industry is young, resilient and can get itself back on track by taking tough measures and embracing sound credit management practices for a start.

The call on investors, manufacturers and rental companies to manage cash coherently and responsibly was reiterated by other speakers at the conference, including Antonio

Tim Ford, president of Terex Aerial Work Platforms, calls on companies to engage more discipline in managing cash and fleet sizes (photo: Access International).



"Sell durability, sell coherently and sell responsibly!" Antonio Gomez de la Vega, director of JLG Financial Solutions, speaking at the Europlatform conference (photo: Access International).



Gomez de la Vega, director of JLG Financial Solutions, who examined the question of "Can Rental Companies Still Find Capital?" and Loxam's chief operating officer Cees van der Kooij, who spoke on "Ten Things Not to Do in a Recession".

"Don't assume that a recession will only influence your utilisation – it also challenges your pricing," advised van der Kooij. "When everyone is fishing in the same pond with less fish to catch – try new techniques, not just more bait!"

What is the European construction market telling major contractors? This topic was addressed by Chris Sleight, editor of Construction Europe. Almost all markets, including Eastern Europe, were negative

in 2009, with new house building down -15% or more, non-residential building down -5% and civil engineering flat. Some very distressed markets were seen in Ireland (-30% or more) and in the UK and Spain (-10% to -20%).

Europe will be slow to recover from the recession, noted Sleight. Forecasts expect construction to be flat or mildly negative in 2010, with a genuine return to growth in 2011. House building may bounce back following pent-up demand, depending on the mortgage market. Private non-residential building is weakening due to lack of business confidence. Infrastructure and public building is expected to be reasonable due to stimulus packages, but may be cut

after 2010 as a result of public deficits.

The industry may be familiar with asset tracking and monitoring technology to locate machines, but one Norwegian access rental company has gone further and is using this to offer its customers flexible rental contracts, as the presentation by Rolf Gundersen from Høyde Service showed.

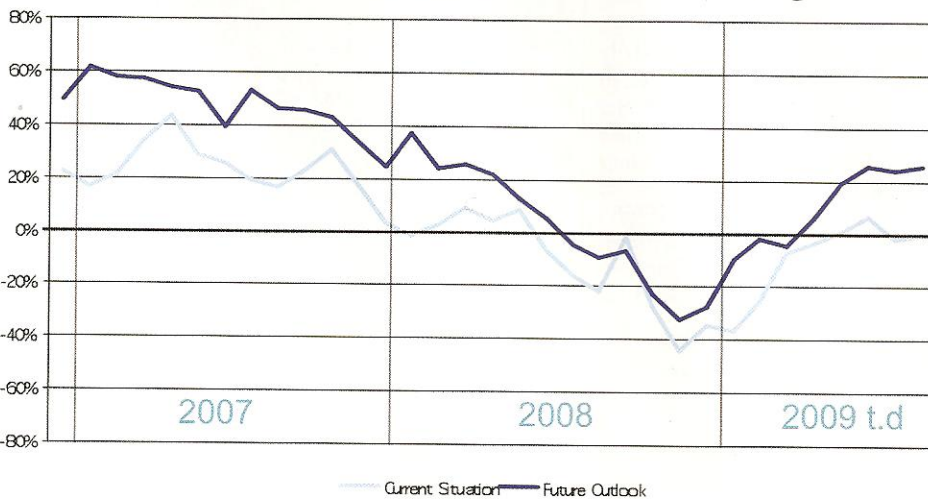
Under the company's "Flexideal" package, several machines are delivered to the site at an early stage of a project. Machines are accessible instantly, saving time, and can be deployed at any time and used whenever needed. Machines are charged on two rates: a "stand-by rate" and a "days-in-use rate". The stand-by rate is a basic cost that runs through the whole rental period. The days-in-use rate varies with each day that the machine is used. On the invoice, each machine is specified with the price and number of stand-by and usage days for the given period.

IPAF managing director Tim Whiteman presented the results of groundbreaking research to determine the size of the powered access rental market. Fleet age averaged 4.4 years in Europe in 2008, with the youngest fleets in Belgium and the Netherlands and the oldest in Germany and France.

Both IPAF Rental Reports covering Europe and the US for the year 2008 can be purchased at the Publications section of www.ipaf.org

Europlatform is a one-day conference focusing on access rental management and safety issues. It is jointly organised by Access International and IPAF. The next Europlatform will be held in September 2010. Watch for details at www.europlatform.info

CE Barometer – confidence returning



CONSTRUCTION
EUROPE
THE MAGAZINE FOR EUROPE'S CONSTRUCTION INDUSTRY

EUROPLATFORM.INFO
THE CONFERENCE FOR EUROPEAN ACCESS PROFESSIONALS

khl
GROUP

EUROPLATFORM.INFO
THE CONFERENCE FOR EUROPEAN ACCESS PROFESSIONALS