

Maintenance Basics

COSTS

The true cost of maintenance is very important for any equipment owner to understand. A common trap is the concept that maintenance costs are viewed simply as that, a COST. Maintenance performed well is an investment in your equipment and should be viewed that way. Maintenance performed poorly often results in little control of when your equipment will be available to work and no control of costs incurred. This unfortunately spirals out of control and is extremely difficult to recover from, regardless of the capital you can throw at it.

Depending on the scale of your operation, it is likely that you realise costs for your equipment as they are expensed. Whilst there is nothing wrong with this practice, it tends to affect the view of equipment owners into thinking the costs are incurred in lump sums. The reality is that these costs are actually incurred as the equipment wears and re-setting your view of these costs to 'cost per hour' format enables you to have a deeper understanding. The expression to use is 'see the forest for the trees'.

A key concept to understand is Total Cost of Ownership (TCO), which considers all costs for that equipment over its entire life. This includes fixed costs (things like finance and insurance) as well as variable costs (typically repairs and maintenance). Once this has been established, equipment owners can calculate an effective cost per hour at differing points in time, which enables them to identify the optimal life cycle and time to dispose of the asset. Whilst obtaining the TCO requires significant understanding, data and modelling, most of which is not practicable for equipment owners, the concept is still relevant and worth understanding.

Further, it is wise to understand that costs for repairs and maintenance are not an option. The main choice is whether you want as much control of the costs as possible or not. There are numerous studies from around the world that have tried to identify the true costs of breakdowns over repairing the faults prior. Due to the variables involved it is impossible to arrive at a specific figure however it is generally in the realm of four to fifteen times the cost. Typically this figure accounts for interruption to business and rectification costs, all things that you should consider. Even using the lowest figure from the range, breakdowns result in four times the cost to the business.

Breakdowns cost four to fifteen times more than scheduled maintenance.

What does this all mean?

Now that you understand some of the foundation concepts, you can apply them to how you manage your equipment maintenance. Whether you are an owner operator or a complex organisation, being able to effectively manage the costs of maintenance is vital to your long term success. Taking the view that maintenance costs are 'one of' and need to be reduced as much as possible will most likely result in higher TCO. Sustaining the mindset of trying to achieve the lowest cost per hour over the entire life of the asset should enable you to make a long term view of expenditure.

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