Appraising Equipment Needs for County Highway Departments

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INTRODUCTION

On behalf of the Equipment Distributors of Indiana, I want to express our thanks for the opportunity to participate in the county highway supervisors' road school program. As background information, the Equipment Distributors of Indiana consist of 17 member companies. They represent nearly all of the major suppliers and serve nearly all of the 92 counties of the State of Indiana. Understandably, their investments and commitments to the highway construction industry run into millions of dollars. This of course, indicates our continuing interest in appraising county highway equipment problems and needs.

This presentation is divided into three sections, each of which will be followed by a question period. The first section will cover a discussion on the types of equipment; the second on whether to rent or to buy a particular item of equipment; and the third and last section will cover a discussion on changes in highway construction equipment, past, present and future. The latter category is understandably hazardous, and therefore I wouldn't want to provide any warranties on future developments.

EQUIPMENT TYPES—PRACTICAL, WIDELY MARKETABLE

As to the type of equipment, I am sure you are aware that modern construction machines are a compromise between what is desired and what is practical to manufacture and to market. After observing the space flights and the trips to the moon, I think that we all agree that technology and resources are available to build nearly any desirable product. The problem is to maintain a price that will appeal to a substantial market. Fortunately, the type of equipment used by most counties is in the maintenance category. This type of machinery, for the most part, has a very broad market potential, is fairly mobile and of reasonable hauling size—it thereby lends itself to frequent changes of location that is so important in your work. Road machinery referred
to here would be of the general type, such as the compactor, loader, grader, and ditch-cleaning categories. Most of this type of equipment maintains a fairly good trade-in value which is also important to the counties or to the purchasing agencies.

Depending on whether you are in a rural or metropolitan area, you high have need for other machines of a more specialized nature. These could be any of several special types, such as back-hoes, cranes, drag lines, or production-type chip spreaders, and they could also involve sanitary land-fill type of equipment. Some of these items still have a good market potential, but not as good, generally, as the previous category. We also have some standard construction pieces of machinery, which, with minor modifications, can lend themselves to specialized applications. They therefore retain a comparable, but modest, design cost. Sanitary land-fill type of equipment, for instance, would qualify under this category.

BUY OR RENT EQUIPMENT?

Rent Specialized Equipment

Whether to buy or rent?—This is a type of question that you could spend an infinite amount of time on and I believe that I could probably develop a justification for either position. However, in most cases, I think two conditions are the deciding factors on renting equipment. One factor is a short-term requirement. This could be either for a season or perhaps less—in any case, a short-term requirement of a machine of a very specialized nature that you wouldn’t keep working all the time. It touches on the question of whether you want to let the work to contract or do it with your own county forces. However, take the position that we want to sell the machinery, whether it is to you, or to a contractor.

Rent When Money is Short

The second reason for equipment rental would be, of course, the shortage of funds. Generally, acquiring a machine through a rental, would cost more money through the addition of carrying charges and possibly property taxes if carried by the dealer over March 1. When a dealer rents a machine he is playing the role of a banker. In this case, instead of loaning you the money, it happens that he is loaning you an asset. In most cases he, in turn, will have the machine financed through the manufacturer or other financial institution, and he is also paying for this service. However, due to the high cost of machinery and the additional demands for funds at all levels of local government, many public-body purchases are handled in this manner (rental).
Renting and Purchase Option

Almost all dealers or selling agencies provide purchase options with their rentals. It is not necessary to consider purchase options at the time of rental, if you have no interest in acquiring ownership; but, almost without exception, any equipment dealer can provide a purchase option to you. Your dealer is very experienced in transactions of this type; they do them all the time, and they can render whatever assistance is required if you want to consider an option to purchase as a part of the rental agreement. Bear in mind, that although it may not be called interest, due to restrictions of Indiana statutes, a carrying charge will be included somewhere in the settlement, whenever extended time is involved. I am attempting to make the point that, in most cases, buying is cheaper. However, your dealer is prepared to work out a program designed for your particular needs.

Equipment by Total Cost Bidding

There is another type of equipment acquisition generally referred to as total cost bidding. This type of bidding is not new in the market place. I won't attempt to make a case for or against total cost bidding, except to point out a couple of little-publicized details; namely, that there are a few maintenance clauses involved that nullify the agreement if violated. We have dealers that take different stands on this approach—some are for it and some are against it. The merits of total cost bidding depends upon how your equipment dealer's commitments are arranged; therefore at this point I wouldn't want to comment on whether it is a good or poor method of equipment purchase. It is not the cure-all that some people think it is. It is another way of acquiring machinery, and should be dealt with as such.

REPLACEMENT PROGRAMS AND FUTURE DESIGN

Old Designs

The third and final section of my presentation covers replacement programs and future changes and innovations in equipment design. Of course we could discuss this subject to great length, without reaching any specific conclusions. However, there was one thing that was brought home, forcibly, to me recently while in Columbus, Ohio for a state-wide meeting sponsored by the National Association of Equipment Distributors. A Cleveland dealer brought along a copy of a 1945 Construction Digest magazine. It was much thinner, but the format was relatively similar to that now in use—the page layout, ads, and the general copy. It was interesting to leaf through this 1945 issue of
Construction Digest and note that the advertisements included compaction equipment and road rollers having I-beams and H-beams very much in evidence with little or no eye-appeal or modernization. Thumbing through this book one asks himself, during this period of time, 1945-1973, have things really progressed this far?—and they have.

The ads also included pictures of tractors hooked to pull-type scrapers—and of course this type of equipment has been passe for a good many years. I noticed that one of our largest equipment companies had ads with 15 brand lines mentioned. Today, this same company has only one of those brand lines left. And still another equipment house, which today has only one major line, had ads for a number of items, probably eight or more lines, which at that time was a substantial line of business. Yet, their present manufacturer has expanded into a broad range of products, front-end loaders, motor scrapers, and things of this type that weren’t even available in those days.

New Designs

The evolution of equipment design is very much on the move and it is going to get more so. As Casey Stengle used to say, “. . . you ain’t seen nothing yet,” in the way of changes. It will likely be some time before we see turbine engines used extensively in the types of machines used by the county highway departments. I think the diesel motor will be around for some time yet and we still sell many gasoline engines on our products. Fortunately, we are still able to offer both in the reciprocating type of piston engine. However, we will see many other changes which are under way, right at this very minute.

Although cities and counties are presently exempt from the current OSHA, environmental, and pollution laws, they will be affected by machine design directed to the construction trade in general. All of the manufacturers in their research and development programs will be designing anti-noise equipment; they will be adding safety items, refining and dressing up the machines—this is coming very fast.

Although some of these changes will be aggravating, some will be helpful by adding comfort and increased productivity and reliability. A number of manufacturers, for instance, are now offering air-conditioning. A few years ago, I think if air-conditioning had been mentioned, manufacturers would perhaps have been dismayed; but it is very commonplace today. We have a machine on order, right now, specified with an air-conditioner, and we will see much more of this. They are very helpful for increasing production, especially in areas where there is considerable dust—such as on a coal pile, a dirt job, or a water
wagon. Modern, comfortable, productive machines will be helpful in overcoming the problem.

*Keep in Touch With Machinery Industry and Developments*

Present machinery will likely decrease in value more than normal within the next couple of years, due to OSHA requirements. Keep in touch with the machinery industry to stay abreast of developments that are occurring at more than a normal pace. In line with keeping up with developments, one of the requirements will be for you to know the age of your machine. In this connection, a *Serial Number Field Guide Book* published by the Used Construction Equipment Research Corporation (a subsidiary of the Associated Equipment Distributors), will prove helpful in establishing the age of your equipment by model number. This publication lists almost every model of construction equipment built since 1950.

*Counties Should Evaluate Machinery Once a Year*

I would suggest that county highway departments evaluate their equipment needs at least once each year and consider what should be replaced and when. Dispose of junk, marginal machines and replace them with high-production, modern machines. Generally, if a machine is five years old, or more, it should be suspect due to improved production, comfort, simplification of operation, reliability and fool-proofing available in newer equipment models. New, improved design of automatic transmissions, power shifts and hydraulic linkage systems provide improved efficiencies and production, which in turn tends to make older models obsolete.

**CONCLUSION**

In conclusion, I wish to again extend the thanks of the Equipment Distributors of Indiana to the County Highway Supervisors Association for the opportunity to participate in your road school program. All of our 17 member companies stand ready to render assistance on request on the appraisal of an equipment program or the selection of equipment types to meet the overall needs and problems of your county highway department operations.