A quick fix

Companies are seeking outsiders' help to squeeze more out of their equipment.

As car dealers know only too well, the global downturn has made people think twice before splashing out on pricey new machines. Instead they are trying to make their existing sets of wheels last longer. Like car owners, managers faced with a cash crunch are also keen to get as much extra mileage as possible out of their existing equipment rather than buying costly new gear. To do so, some have been turning to "asset maintenance" companies, which specialise in taking over all or part of a firm's servicing activities and then running them more efficiently.

"Downturns have always been good for the maintenance-service business," says Jari Kaija, the head of the global service arm of ABB, a Swiss-Swedish firm that is one of the biggest in the asset-maintenance field. This slump is unlikely to break that rule. A recent study by Frost & Sullivan, a research firm, predicts that the $125 billion market for outsourced-maintenance services in North America will continue to grow as firms push ageing machines to their limits on the one hand, and try to reduce head count on the other.

More deals are likely in Europe, too. In January ABB kicked off what it claims is the biggest-ever outsourced-maintenance agreement in the pulp-and-paper industry. Together with Stora Enso, a Finnish paper-products firm, it has set up a joint venture to take over servicing and repairs at six of Stora's Finnish mills. Some 1,450 of Stora's staff have been transferred to the new company, which is expected to have up to $270m a year in revenues. Stora has been badly battered by the downturn and urgently needs to cut costs. On February 5th the company announced that it made a net loss of €675m ($988m) in 2008, following a net loss of €212m in 2007.

Outsourcing firms such as ABB and Advanced Technology Services (ATS), an American company, promise to help clients save money not only by offloading repair workers, but also by getting remaining ones to work better. They can reduce costs by consolidating spare-parts suppliers, introducing more sophisticated machine-monitoring systems and encouraging better forward-planning and co-operation between engineering and production staff. Rod Bayliss, a manager who oversees outsourced maintenance for Eaton, an American industrial company with $15 billion in annual sales, says ATS has helped it anticipate problems with machinery.

Outsourcing firms sometimes discover that their clients are spending too much to keep machines up and running. "It's often engineers at play," quips Andrew Jardine, the director of the Centre for Maintenance Optimisation and Reliability Engineering at the University of Toronto. Bill Wasilewski of Fluor, another American asset-maintenance firm, says it sometimes has to persuade clients that occasional breakdowns are acceptable because the cost of preventive maintenance turns out to be far greater than the cost of lost production when a machine temporarily fails.

The downturn means that many factories are lying idle. Some bosses may be tempted to axe maintenance work—and workers—altogether, because they have plenty of spare capacity. But that could be risky. For one thing, mothballed plants may suddenly need to be brought back to life if demand shifts. Getting them running again will be much more difficult if equipment has been neglected. For another, firms could all too easily lose vital knowledge that is locked up in the heads of their in-house repair folk. That really would throw a spanner in the works.

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