

Plant Procurement Strategy Report

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Plant Procurement Strategy Report	1
1. Introduction	3
2. Evaluation of the Current Approaches	3
2.1 North Wales: Predominantly Hiring Specialist Plant	3
2.2 South Wales: Purchase-Led Model with Limited Hiring.....	3
3. Critical Comparison: When Hiring Wins vs When Purchasing Wins	4
4. Strategic Benefits of Purchasing Core Plant.....	4
4.1 Whole-life Value and Cost Recovery.....	4
4.2 Managing Maintenance, Insurance and Downtime	4
4.3 Standardisation, Training and Operational Control	5
5. Financial and Sustainability Analysis.....	5
5.1 Whole-life Cost and Utilisation Threshold.....	5
5.2 Sensitivity: Finance Costs and Downtime	5
5.3 Sustainability and Compliance	5
6. Risks of Purchasing and Mitigation	6
7. Implementation Plan for a Unified Wales-Wide Model.....	6
8. Recommendation	7
9. Conclusion	7
References (Harvard)	7

1. Introduction

The company currently operates a dual management structure split by geography, with headquarters in Wrexham (North Wales) and Swansea (South Wales). Plant procurement also differs between regions: North Wales mainly hires specialist and non-standard plant, while South Wales generally purchases core plant and hires only highly specialised items. Because plant underpins productivity, output rates and programme delivery, procurement strategy directly affects operational efficiency, profitability, and exposure to delay-related commercial risk.

This report evaluates both approaches using a consistent decision framework based on: (1) whole-life cost, (2) utilisation and availability certainty, (3) operational risk and compliance burden, (4) flexibility for specialist/short-duration needs, and (5) sustainability and future regulatory/client requirements. The report concludes that a **unified purchase-first strategy for core plant**, supported by **selective strategic hiring**, provides the best balance of cost efficiency, programme certainty and long-term capability, provided the company implements governance, utilisation control and replacement planning.

2. Evaluation of the Current Approaches

2.1 North Wales: Predominantly Hiring Specialist Plant

Hiring provides strong flexibility. Plant can be sourced only when required, enabling rapid mobilisation and supporting variable project demands without committing capital. This is commercially sensible for specialist or non-standard plant and for tasks where duration is short or uncertain. Hiring can also transfer a proportion of maintenance and compliance administration to the supplier, reducing the need for in-house specialist support for complex equipment.

However, hiring becomes cost-inefficient where utilisation is moderate to high. For core equipment used repeatedly across projects, cumulative hire cost can exceed whole-life ownership cost within a relatively short period, meaning the company pays a recurring premium for flexibility it does not always need. A second drawback is **availability and substitution risk**. During peak demand, suppliers may not deliver on time, or may provide substituted plant that reduces productivity. This can disrupt sequencing, increase preliminaries, and expose the business to programme risk.

Mitigation measures such as framework agreements and early booking reduce disruption but do not eliminate dependency on external market capacity and price volatility. Overall, North Wales' approach is strongest for specialist and low-utilisation assets, but it is less commercially efficient if applied to frequently used plant.

2.2 South Wales: Purchase-Led Model with Limited Hiring

Ownership is well suited to core plant where demand is repeatable. A key advantage is availability certainty: internal scheduling enables redeployment between projects and

protection of critical activities, reducing reliance on supplier lead times. Cost forecasting improves because depreciation, maintenance, and replacement can be planned through whole-life costing.

The drawbacks are capital outlay and the ongoing responsibility for insurance, storage, maintenance and repairs, with newer low-emission plant often requiring higher initial investment. These risks are manageable where fleet governance is disciplined: preventative maintenance, telematics, and lifecycle replacement planning reduce breakdown risk and protect residual value. Financing options such as leasing and hire purchase can also spread cashflow, although finance costs must be included in the cost comparison.

3. Critical Comparison: When Hiring Wins vs When Purchasing Wins

A high-performing procurement model should be segmented, not “all hire” or “all buy”.

Hiring is preferable where utilisation is low or uncertain, where equipment is specialist or project-specific, where technology/client requirements are evolving quickly, or where regional logistics make mobilisation inefficient. Purchasing is preferable where demand is stable and recurring, where programme certainty depends on guaranteed availability and rapid redeployment, and where standardisation improves safety, training, servicing efficiency and productivity consistency.

This indicates that the strongest strategy is **purchase-first for core plant** with **planned, selective hire** for low-utilisation and specialist categories.

4. Strategic Benefits of Purchasing Core Plant

4.1 Whole-life Value and Cost Recovery

Owned plant retains value through its service life and potential residual value at disposal. It also enables internal plant charging structures that support cost recovery across projects and provide more stable tender pricing. Unlike hire, where charges permanently leave the business, ownership allows the business to retain value where utilisation is consistent and predictable.

4.2 Managing Maintenance, Insurance and Downtime

Maintenance, repairs, parts, operator training and insurance are genuine responsibilities under ownership. The commercial difference is that these costs can be planned and governed. Preventative maintenance schedules, structured inspections and telematics reduce downtime risk and support evidence-led replacement planning. Where internal capacity is limited, servicing can be partially outsourced to maintain standards while controlling labour variability. These costs can then be incorporated within overhead recovery and/or internal plant charge-out rates as predictable components of job costing.

4.3 Standardisation, Training and Operational Control

A standardised fleet improves operator familiarity, safety performance and training consistency, while simplifying servicing and parts management. It also supports redeployment between projects and regions, improving productivity and reducing idle time. Compared with hired fleets of varying condition and specification, ownership increases control over suitability, readiness and reliability.

5. Financial and Sustainability Analysis

5.1 Whole-life Cost and Utilisation Threshold

A simplified whole-life comparison illustrates why ownership is typically cheaper above a realistic utilisation threshold. If a 13-tonne excavator is hired at approximately £750 per week, full-year hire spend is around £39,000. For ownership, assume a purchase cost of £85,000 and a residual value of £30,000 after five years. The depreciable cost is therefore £55,000, equating to £11,000 per year. Adding maintenance and insurance at £5,000 per year gives an indicative annual ownership cost of £16,000.

A practical break-even threshold can then be applied: $16,000 \div 750 = 21$ weeks/year. This indicates that above approximately 21 weeks of annual use, ownership becomes materially more cost-effective. Below this threshold, hiring is typically more defensible. This is a stronger QS-standard justification than comparing weekly rates in isolation, because it ties procurement directly to utilisation.

5.2 Sensitivity: Finance Costs and Downtime

Finance costs (leasing/hire purchase) will increase effective ownership cost and shift the break-even utilisation upwards; therefore, finance must be evaluated at procurement stage and compared against discounted long-hire rates available via frameworks. Downtime also affects both models: owned plant breakdown risk must be controlled through maintenance governance, while hired plant downtime depends on replacement responsiveness and supplier SLAs. This reinforces the need for supplier performance management rather than assuming either model is risk free.

5.3 Sustainability and Compliance

Sustainability is increasingly a tender requirement. National and Welsh policy direction continues to focus on decarbonisation, and industry guidance has moved towards reducing diesel reliance and improving emissions performance of NRMM. Ownership enables planned investment in compliant plant (e.g., Stage V) and consistent telematics deployment to improve utilisation, reduce idling and strengthen carbon reporting capability. However, where technology is evolving quickly (e.g., electrification for specific plant categories), selective hire or leasing can be commercially prudent to reduce obsolescence risk.

6. Risks of Purchasing and Mitigation

Risk	Mitigation
High initial capital outlay	Phased investment; leasing/hire purchase; replacement cycles aligned to pipeline and utilisation
Maintenance responsibility and downtime	Preventative maintenance; telematics; planned servicing; SLA-based support
Depreciation/obsolescence	Lifecycle replacement planning; standard specification; lease emerging-tech categories where appropriate
Idle plant due to workload fluctuation	Cross-regional allocation; utilisation targets; “buy only above threshold” decision rule
Logistics/haulage between regions	Plant movement plan; yard strategy; cost-per-move controls

7. Implementation Plan for a Unified Wales-Wide Model

To realise the benefits identified, implementation must be controlled and measurable. A Wales-wide Plant Governance Lead should approve procurement against a formal decision rule: core plant is purchased only where forecast utilisation exceeds the agreed threshold, with exceptions justified through programme risk or commercial benefit. A single booking and allocation process should be introduced across both regions, supported by telematics and a plant register to track utilisation, downtime and cost per hour. Fleet standardisation should be implemented by defining core plant categories and specifications to improve training consistency, safety performance and servicing efficiency.

Supplier strategy should be segmented: consolidated purchasing and servicing agreements for core fleet, and framework hire agreements for specialist/low-utilisation items, with clear service levels for delivery and replacement. The approach should be phased so purchases prioritise plant with consistent demand, while legacy assets are replaced through planned cycles.

KPIs to evidence success: utilisation by asset class, downtime hours, cost per operating hour, hire spend percentage, compliance completion rates, and carbon-related metrics such as idle time reduction and fuel consumption reporting readiness.

8. Recommendation

The recommended strategy is a **unified purchase-first procurement model for core plant**, supported by **selective strategic hiring** for specialist, low-utilisation, or rapidly evolving plant categories. This recommendation is justified by whole-life cost logic, improved availability certainty and stronger control over programme risk, while retaining flexibility where ownership is not commercially justified.

9. Conclusion

Both regional approaches have strengths but suit different asset types. Hiring provides flexibility and is commercially appropriate for specialist and uncertain demand. Ownership delivers superior whole-life value and programme certainty for core plant where utilisation is stable and recurring, particularly when residual value and planned maintenance are included. A unified, segmented procurement strategy, purchase-first for core plant with selective hire for specialist categories offers the strongest balance of cost efficiency, risk control and sustainability readiness. With central governance, utilisation management and phased implementation, the company can reduce reliance on a volatile hire market while strengthening operational resilience and competitiveness across Wales.

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