

Ontario Fleet Challenge

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Making the Right Purchasing Decisions Using “Life Cycle Costing”

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Making the Right Purchasing Decisions Using Life Cycle Costing

What is “Life Cycle Costing”?

A process that takes historical expenses, current purchasing and finance information, plus projected future cost estimates to arrive at a true total cost of ownership for a vehicle or piece of equipment over the life time that asset is in use with a company.

Making the Right Purchasing Decisions Using Life Cycle Costing

Making the Commitment!

Is senior management supportive ?

An example of corporate values supporting Life Cycle Costing –

“Use pricing mechanisms (‘full pricing’) which account for economic, environmental and social, short and long term, and local and global benefits”

What values or weighting does your organization give to environmental and social benefits?

Even with support in principle, making everyone aware of what this really entails is critical!

Making the Right Purchasing Decisions Using Life Cycle Costing

Before you start!

Has Purchasing been consulted? (to know them is to love them)

How does this affect internal customers or user groups?

Do your vendors understand the decision and award process?

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The List – what to include?

Just how sophisticated do you want to be?

Insurance

Fuel

Purchase price

Cost of money

Bridging down time

Depreciation

Annual Km's

Training and tooling costs

Warranty recovery?

Remarketing recovery

And the list goes on, and on, and on.....



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Transforming Data into Decision:

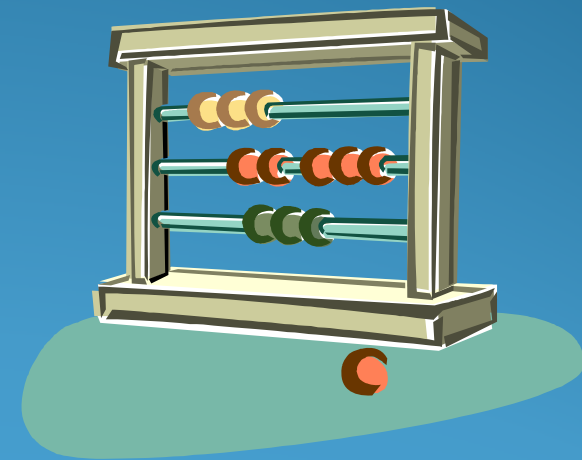
- Your “Social” contract.
- Alternative Technologies?
- Emissions – VOC’s, GHG’s, Diesel PM’s
- What value to you place on these?
- Right sizing – how it affects your decision (why not to buy a hybrid)
- Needs assessment review – do you even need it?



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Running the numbers

- Is it time to replace? Optimum Replacement worksheet
- Alternative Fuels? Spreadsheet
- Light Duty example
- Heavy Duty example
- Equipment example



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Thank you !

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