



Outsourcing Maintenance

Where Do We Stand & Where Are We Going?

Prepared for  **TAPPI**
people resources solutions®

 **MEYER**



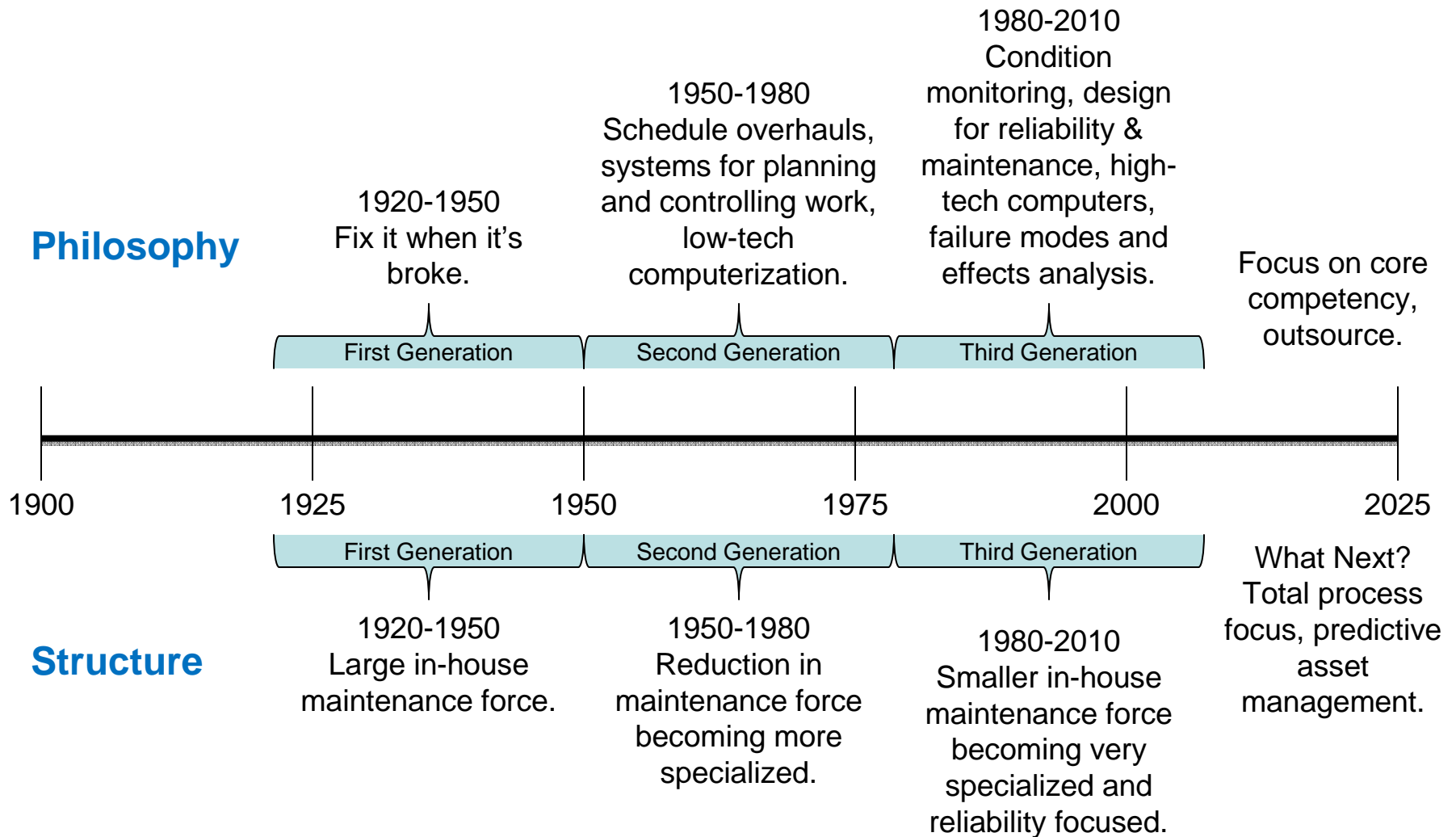
You're always asking us to re-invent the wheel, so I brought them in as Outsource partners. Now, they can re-invent your wheels while we get to focus on innovation!



Agenda

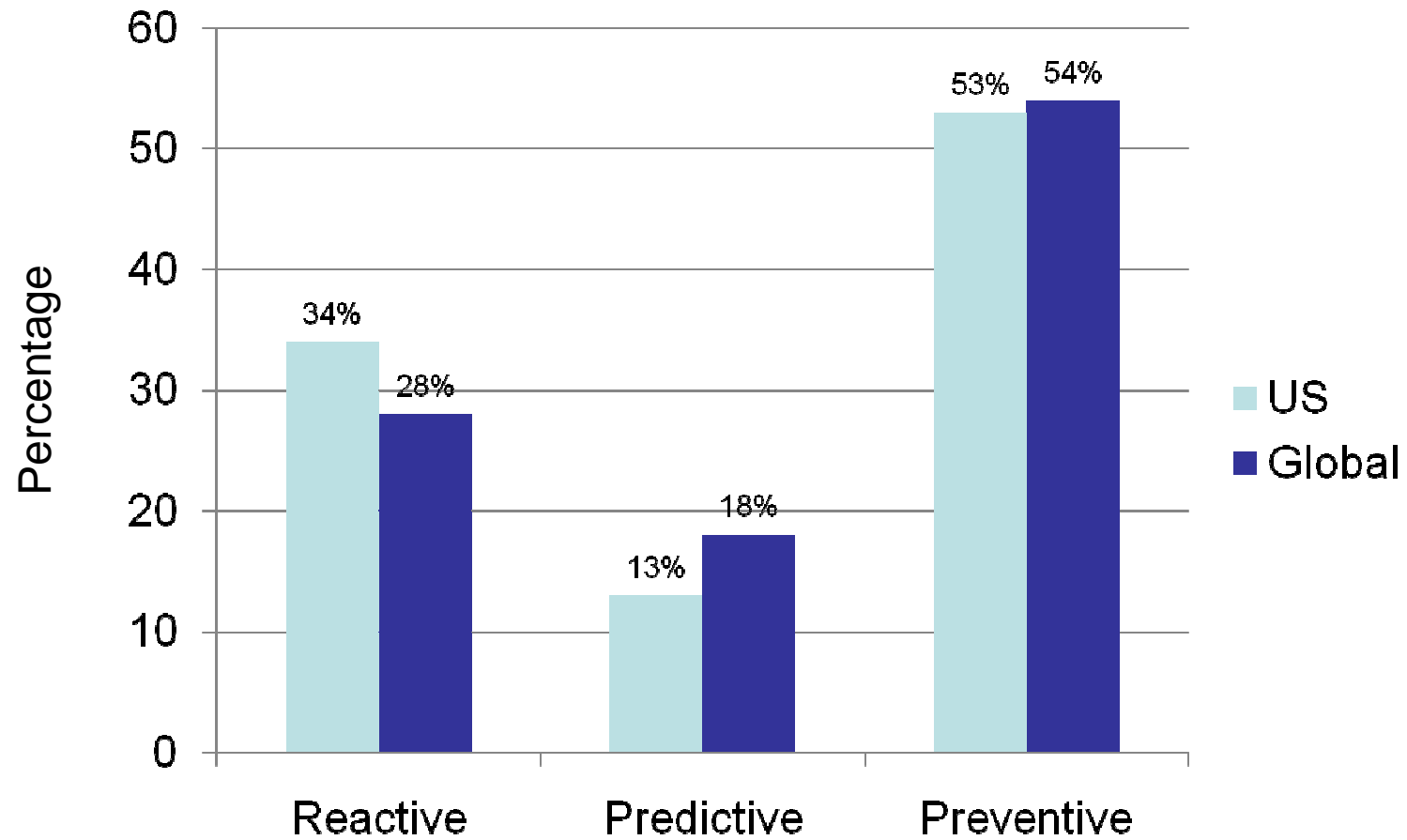
- **History**
- **Statistics**
- **OEE**
- **Where Are We Going?**
- **Is Outsourcing Right for You?**
- **What to Outsource**
- **Total Productive Maintenance**
- **Outsourcing Considerations**
- **Advantages of Outsourcing**

History



Statistics

% of Maintenance \$ Spent



Statistics

- **“A serious lack of skilled workers will begin in 2005 and grow to 5.3 million by 2010 and to 14 million by 2015”.**
- **40% of all maintenance workers in North America will retire in the next 5 years.**
- **44% of manufacturers will increase outsourcing of maintenance.**
- **Essential for maintenance to move from reactive to a significantly proactive in nature.**

OEE

- **Operational Equipment Efficiency is a tool that combines multiple manufacturing issues and data point to provide information about the process**
 - Availability – Being available when production is scheduled.
 - Performance – How much waste is created when operating at less than optimal speed.
 - Quality – Time that was wasted by producing a product that does not meet quality standards.
 - $OEE = \text{Availability} \times \text{Performance} \times \text{Quality}$
- **World Class OEE:**
 - Availability = 90.0%
 - Performance = 95.0%
 - Quality = 99.9%
 - Overall OEE = 85.0%

- **Industry Average Comparison**
 - Food and Beverage – 61.7%
 - Consumer Packaged Goods – 54.9%
 - Industrial – 55.5%
 - Pharmaceutical – 30.8%

Where Are We Going?

- **Drive to reduce maintenance costs – smaller specialized in-house work force.**
- **Outsource maintenance tasks that are not defined as core competencies.**
- **Outsource and optimize spare parts inventory to move assets off the books.**

Is Outsourcing Right for You?

- **Do you lack time, resources, and experience to develop an advanced factory maintenance program?**
- **Do you find it difficult to recruit, train, and retain technically competent maintenance personnel?**
- **Do you effectively analyze maintenance problems, determine their root cause, and drive continuous improvement?**

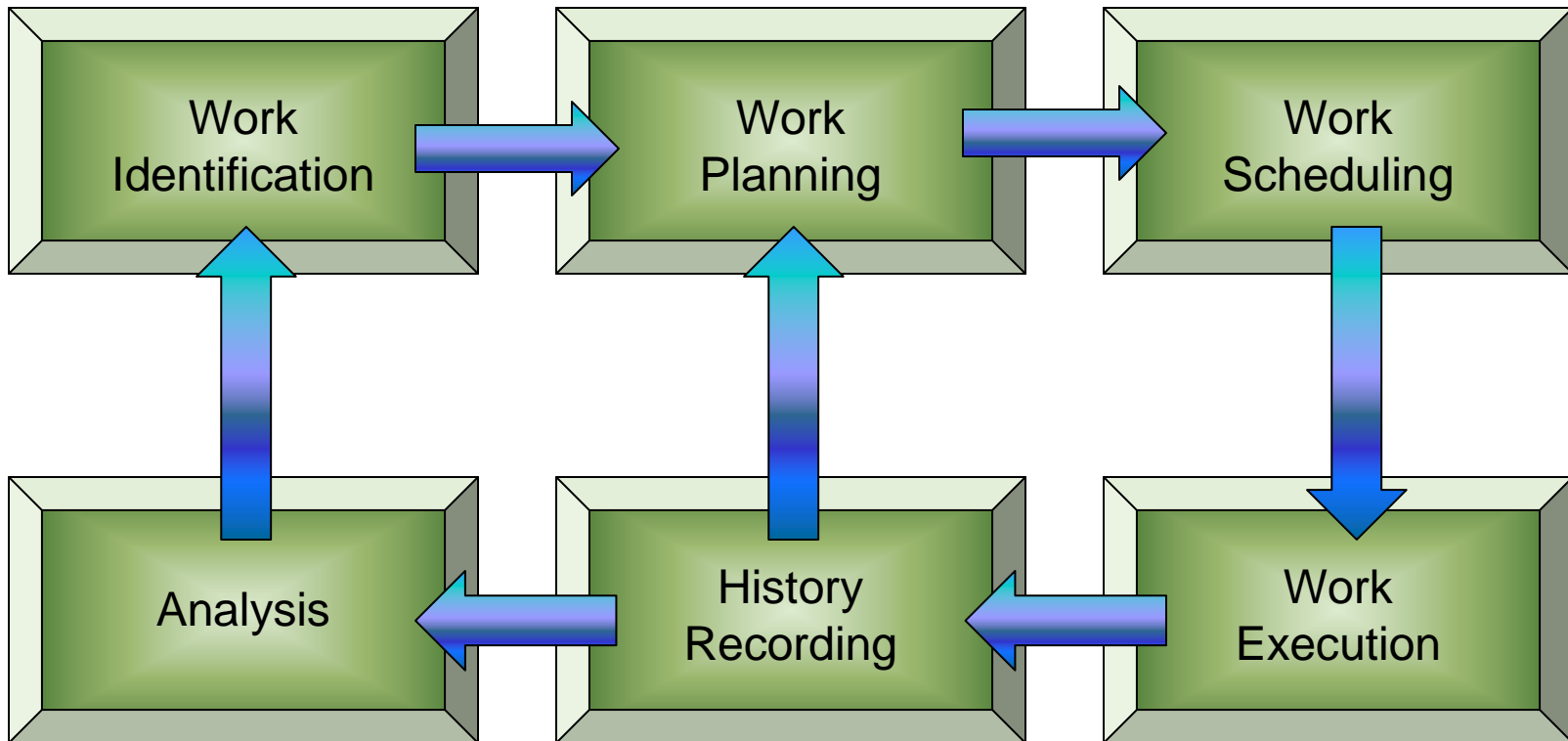
Is Outsourcing Right for You?

- **Do you analyze repairs, procurement, management, ownership, warranty administration, and total cost-to-own issues?**
- **Do you have the required spare parts when you need them, while maintaining minimum inventory levels?**
- **Do you stay ahead of technology demands?**
- **If you answered “no” to two or more, maintenance is probably not one of your core competencies – outsourcing may add value to your business.**

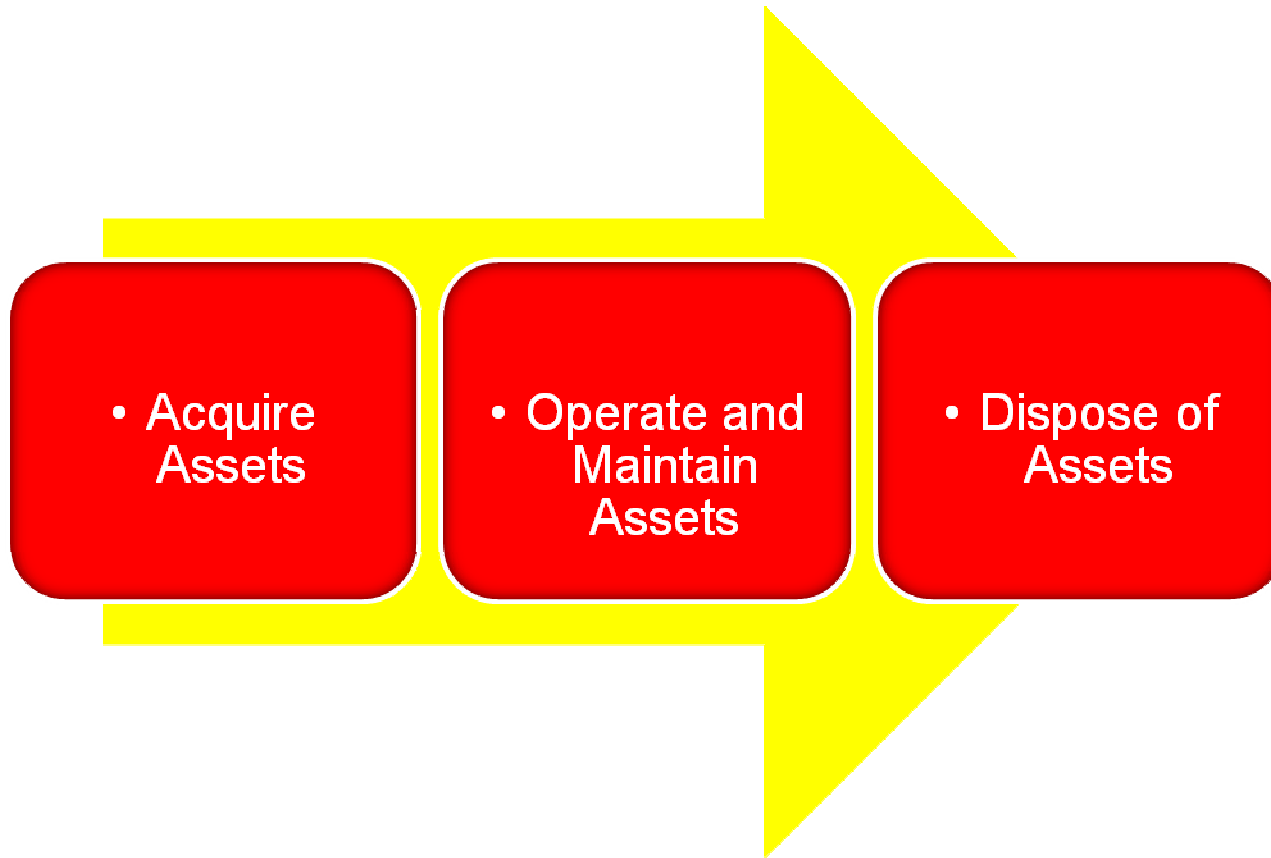
Is Outsourcing Right for You?

	Strategic	Non-Strategic
Competitive	As Is	(Needs Discussion)
Non-Competitive	Re-Engineer	Outsource

What to Outsource



Total Productive Maintenance



Outsourcing Considerations

- **Selection process can be quite different from major capital projects.**
- **Risk – Where is it?**
- **Specifications**
 - Performance
 - Guaranteed Uptime
- **Contract Type**
- **Transition Management**
 - Staff
 - Drawings
 - Computer System
 - Tools & Equipment
- **Termination Arrangements**

Advantages of Outsourcing

- **Reduced total cost to produce.**
- **Improved management focus.**
- **Minimized risks (let experts handle it).**
- **Overcoming internal resource limitations.**
- **Gain greater control over maintenance results.**
- **Planned maintenance is established as the focus of the operation.**
- **Maintenance becomes a competitive advantage.**
- **Both manufacturer and maintenance contractor desire a mutually beneficial relationship.**

Advantages of Outsourcing

- **With more and more plants using asset management systems and outsourcing vendors to help with maintenance needs, efficiency increases and diminished downtime are being realized in a variety of industries.**
- **Operators and managers are getting a fresh view on the workings of their equipment and systems as better data and better access to that data becomes more available.**
- **This lets them analyze, prioritize, and schedule maintenance needs before their systems actually fail.**
- **With the aid of OEM engineering expertise, they can turn that intelligence into cost savings.**

Advantages of Outsourcing

- **Outsourcing is a practical and cost-effective solution for the maintenance and repair challenges today's plant operators face.**
- **Outsourcing enables budget flexibility.**
- **It lets organizations pay for only the services they need and when they need them.**
- **It reduces the need to hire and train specialized staff, brings in engineering expertise from the outside, and reduces capital expense, yielding better control of operating costs.**
- **The outsourcing arrangement can change as your maintenance needs change.**