

AGE/CON FACTSHEET

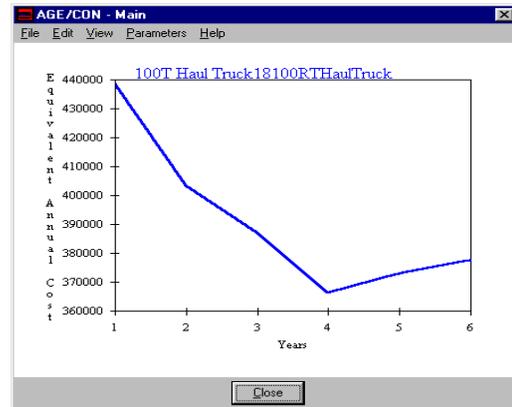
Optimizing Economic Life Decisions for Fleets and Mobile Equipment: Use of AGE/CON

The AGE/CON software is designed to assist owners and operators of mobile equipment establish the economic life of their assets, as well as assist in determining the optimal decision for difficult repair versus replace situations along with monitoring an individual equipment to establish its optimal replacement time.

The longer an asset is kept in service the lower is its ownership cost, but there is a conflicting cost trend, that of an increasing operations and maintenance cost. The goal of AGE/CON is to establish unambiguously the year at which the total cost takes its lowest value. That then is identified as the assets economic replacement age.

The Data You'll Need

1. Purchase price of the asset
2. Trend in operations and maintenance costs — possibly fuel, tires, lube, oil, parts, labour
3. Trend in trade-in or disposal value of the asset at different replacement ages
4. Interest rate appropriate for discounting to take into account the time-value of money
5. Tax rules (if applicable)
6. Utilization trend of the assets - for example are they steadily used year to year, or are new vehicles highly utilized with older vehicles being used to meet peak demands
7. Inflation rates (if applicable)



The Output You'll Get

The AGE/CON software will enable you to establish the optimal time to dispose of an asset such that the Equivalent Annual Cost (EAC) is minimized. It will enable you to display the results graphically, undertake a variety of “what-if” analyses, such as changes in assumptions about interest rates, resale value trends, O & M cost trends and so on.

Age of Vehicle(s)	O&M Cost	Resale Value	Resale Rate(%)	EAC
1 Year Old	188,858	450,000	64.2857	438,858
2 Years Old	217,770	300,000	42.8571	403,314
3 Years Old	329,963	275,000	39.2857	387,197
4 Years Old	279,279	250,000	35.7143	366,468
5 Years Old	300,000	150,000	21.4286	373,174
6 Years Old	350,000	100,000	14.2857	377,645

If you have no data and have just purchased

new equipment AGE/CON will enable you to monitor the EAC as each year passes to enable you to identify when its optimal replacement age is likely to occur.

If you are faced with a major repair, and need to decide whether or not to proceed with the repair, or advance the planned replacement time, AGE/CON can be used to establish the most economically advantageous choice such that the long-run EAC is minimized.

Your Supplier

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