



LIFE CYCLE COSTING

With today's tight budgets, governmental agencies can't afford surprises when it comes to the purchase of capital equipment.

GUIDE TO PURCHASING EQUIPMENT

Insist on the total cost before you buy.

CATERPILLAR®

NO SURPRISES



Government agencies everywhere are being squeezed by falling revenues and tight budgets. Agencies are being asked to do more with less, and the workload doesn't stop just because budgets are tight. Maintaining productivity is absolutely vital. When you need to keep basic services going with diminishing resources, you can't afford surprises. The last thing you want is unexpected repairs and maintenance costs, or unforeseen downtime eating away at your operating budget.

Taxpayers expect you to get the most value for the money with your equipment purchases, and you can't do that without taking into account the total costs of operating the equipment over its entire life cycle.

Life Cycle Costing evaluates owning and operating expenses throughout a machine's working life. It puts numbers on the uncertainties of the real world – a world where equipment needs to be repaired and maintained and depreciated, and where sudden surprises can wreak havoc with your budget. Life Cycle Costing takes into account all the costs of operating a piece of equipment, not just the initial purchase price.

More and more agencies are applying Life Cycle Costing in the bidding process. It consists of analyzing bids in terms of total cost, rather than initial purchase price. It's a surprisingly simple process.

- 1** Begin with the make and model of the equipment and the selling price.
- 2** Subtract the trade-in amount or the fair market value of the equipment being replaced.
- 3** Now you have the initial purchase price.
- 4** Add the guaranteed repair cost over the anticipated period of ownership.
- 5** Add the scheduled maintenance costs over the same period.
- 6** Next, include a guaranteed resale value for the equipment.
- 7** Finally, your total life cycle cost for the equipment is established.

Using this process can help you set budgets, predict expenses, establish an equitable process for selecting equipment and, of course, save money. This process will also provide the security of knowing there will be no surprises.



LIFE CYCLE COSTING BID WORKSHEET



1 Make and model of **equipment** being bid:

_____ F.O.B. _____

\$ _____
(price)

2 Less trade-in:

_____ F.O.B. _____

- \$ _____
(price)

3 Initial purchase price:

= \$ _____

4 Repair expense for the established period of ownership:

+ \$ _____

5 Scheduled maintenance for the established period of ownership:

+ \$ _____

= \$ _____

6 Guaranteed minimum repurchase option at completion of contract term (covered by performance bond for amount of bid figure in this item):

- \$ _____

7 Life Cycle Cost (Item #3 + Item #4, + Item #5 - Item #6) Total:

= \$ _____

BASICS OF LIFE CYCLE COSTING



- Initial investment is the price that can be substantiated by the manufacturer's published price list at the time of the bid. Any trade-in would reduce the net initial investment.
- Scheduled maintenance includes such things as oil changes and lubrication, and other required routine service. This can vary greatly from machine to machine.
- Repair parts and labor are very important. Some machines require earlier and more frequent repair parts and labor than others. A specified maximum should be set for the contract period.
- Downtime can be especially costly. Consider the serviceability of the equipment. Design can dramatically affect the time it takes to troubleshoot and ultimately repair your machine. It is also important to understand the dealer's capability with regards to parts and other services which may be needed to keep your investment on the road.
- Guaranteed repurchase value: Depreciation can be the greatest cost of all. A machine that's not engineered for the long haul can depreciate in value rapidly. To eliminate this unknown and to protect your investment, write into the specifications a guaranteed minimum repurchase value for the machine at the end of the contract period.

INSIST ON THE TOTAL COST



Life Cycle Costing adds a new dimension to purchasing. This concept not only retains, but actually strengthens the competitive bidding low cost philosophy essential to any government agency. All major costs are established in advance.

Life Cycle Costing gives governmental agencies a standard for evaluating the quality and total cost of equipment being considered for purchase. It will save you guesswork in budgeting and will save tax dollars.

Life Cycle Costing not only promotes supplier accountability, but provides you the highest quality product with the lowest total cost allowing you to do more while spending less.

For more information on
Life Cycle Costing, contact your local
Cat dealer or visit our web site at
GovBidSpec.com.

SAVE TIME & BUDGET DOLLARS

GovBidSpec.com



With resources stretched thin, your staff's day is packed with assignments. They simply don't have the hours available to devote to time-consuming tasks.

That's when Caterpillar's governmental web site—**GovBidSpec.com**—can help your agency save not only time but budget dollars as well.

GovBidSpec.com is your single source of information for the North American governmental buying process, helping your staff efficiently specify equipment needs by developing a well-defined Request for Proposal (RFP).

BENEFITS OF GovBidSpec.com

- Access to quick information about all Cat® product families and Life Cycle Costing resources.
- Efficient tool for all users, regardless of their computer expertise or prior experience developing Requests for Proposals (RFPs).
- Technical specifications are written in bid-language format, reducing the time and effort required for developing a custom bid request.
- Quick access to product and financing information also speeds the proposal development process.
- Provides the ability to access your local Cat® dealer for additional information regarding future equipment purchases.



the SIMPLE LIFE

Customizable bid specifications easily accessible online.

When it's time to solicit bids for the purchase of equipment, your agency typically knows the functions a given machine must perform, its approximate size, features, and work tools that would be needed.

If you know what you want, it's a waste of your valuable time to download the entire machine specification with all the options, and then modify it to fit your needs.

Caterpillar has introduced a customizable bid specification option at the governmental web site **GovBidSpec.com**. With this

feature, you select the machine model you are interested in, work through the configuration options one at a time, and download a bid specification in either Microsoft Word or Microsoft Excel format. The bid specification exactly matches your needs with very few modifications required.

To speed the process along, you also have the ability to send your configuration request directly to your Cat Dealer for a price quotation.

Do It Yourself

Accessing the customizable bid specification option is a snap.

Simply visit **GovBidSpec.com**, select the machine family and model you are interested in and click on the "Build & Quote" option on the right hand side of the page.

The next step is choosing the options you'd like from the various drop-down menus. At the end of the process, you can download your newly created specification from a link at the top of the screen.

To see for yourself how simple it is to customize your equipment bids, log onto:

GovBidSpec.com.