

ASSOCIATED *advantage*

PROVIDING INNOVATIVE SOLUTIONS WHICH CREATE SUSTAINABLE VALUE FOR
THE STORAGE AND RETRIEVAL OF INVENTORIES WITHIN THE
SUPPLY CHAIN

Fleet Management....The Cost Saving Solution You Can't Afford Not to Have

Material handling is now, more than ever, a strategic goal rather than a tactical activity. Businesses are under increased pressure to reduce inventories, improve order-to-delivery cycles, and adapt to changing buying patterns and behaviors. Software and information technology are converging with material handling equipment, providing customers with more efficient and easier to maintain equipment.

During these economic conditions many companies are under pressure to cut costs but still maintain output. One area that has significant cost savings is optimizing existing material handling systems and equipment. By implementing a fleet management program, many companies are reducing downtime, extending product life cycles, and decreasing capital expenditures.



Effective fleet management focuses on reducing system inefficiencies, embracing planned maintenance and effectively managing your fleet to reduce your overall costs. A concern for many companies is getting the best performance out of existing material handling systems and equipment without increasing wear and tear or maintenance costs.

Industry surveys confirm that 94% of lift truck owners do not consistently monitor costs associated with their fleet. Unfortunately, these companies often incur inflated costs as there is little insight into the true drivers of maintenance and operational expenses. The situation is further complicated as few companies have mechanisms to determine fleet replacement timing or equipment utilization. As a result, lift truck fleets increase in size with the addition of supplemental rather than replacement units. Cost increases in maintaining the inefficient older equipment are compounded by the price of this supplemental equipment and certainly the required costs to operate and maintain those units. It becomes quickly apparent why companies without a fleet management program pay 10% to 20% more in maintenance and operating costs than those with active fleet management programs.

Maintenance reporting is the foundation of virtually every fleet management program. Increasingly, lift truck owners now expect more than informational reports requiring subsequent internal time and effort to leverage into action steps. The true benefit to the end user is not the compilation of information, but the accurate interpretation of the data into actionable recommendations. Further, it is critical to determine whether ongoing issues are root cause problems or merely symptoms which will continue if the source is not addressed. Fleet management professionals offer the experience and resources to make these determinations. Their findings are often presented visually in charts or graphs depicting metrics such as cost per hour, utilization rates, avoidable expenses and equipment vintage. Drill down reports by location, department, model and unit allow clear visibility into each dollar spent on the fleet.

Enhanced fleet management evaluates the application in which the lift truck operates. As lift trucks exist to move product, factors impeding the optimization of throughput are analyzed. These include dispatching, operator training, inventory slotting and order packaging. It is important to note the efficiency of these functions not only impacts productivity but also maintenance costs as well. Once analyzed, fleets can be right sized for the application which often is the most important benefit of fleet management. For reference, conservative estimates have \$30,000 of labor and operational costs being saved annually for every lift truck reduced from the fleet.

Whether your fleet is large or small, Fleet Management programs offer real world potential to generate significant returns for today's lift truck owners.

Write-Off Your Capital Equipment Purchases

Positive Cash Flow by Reducing Federal Income Taxes for 2011

On December 17, 2010 President Obama signed into law the Tax Relief Act of 2010. This new law has key tax saving provisions for U.S. businesses and will provide critical resources to help businesses continue to drive economic recovery and create jobs. Under the new law, bonus depreciation rules increase from 50% to 100% for qualified purchases effective September 8, 2010. In addition, the Section 179 write-off limit remains unchanged at \$500,000 with a \$2.0 Million limit, while offering billions more in lending support, tax cuts, and other opportunities for entrepreneurs and business owners.



What does this mean for your business?

This is translated to positive cash flow by reducing federal income taxes for 2011!

How? Qualified capital expenditures placed in service September 8, 2010 through December 31, 2011 qualify for a federal tax deduction equivalent to 100% of the acquired value, without limit! The bonus depreciation deduction decreases to only 50% effective tax year 2012.

Also, the Section 179 write off for small business remains the same for 2011 at \$500,000 with a \$2.0 Million limit. However, the write off amount reduced to \$125,000 with a \$500,000 cap for 2012. Qualified capital expenditures include but are not limited to forklifts, warehouse systems and inventory storage equipment. The capital asset must be placed in service before December 31, 2011 to qualify for either tax treatment.

Example:

	<u>2011</u>	vs.	<u>2010</u>
- Qualified Asset Value	\$500,000		\$500,000
- Bonus Depreciation & First Year MACRS Deduction	\$<500,000>		\$<285,725>
- Deduction % to Asset Value	100%		57.1%
- Estimated Federal Income Tax	\$0		\$72,854
Tax Savings & Cash Flow Benefit	\$72,854		

Containing Service Costs Through Good House Keeping

Tips To Minimize Unnecessary Forklift Repairs

Maintaining good housekeeping practices in the warehouse is often associated with improvements in safety, productivity, and morale. However, cost savings related to forklift repairs and downtime is often overlooked. Debris such as strapping, stretch wrap, and broken pieces of pallets play havoc on the tires, linkages, and moving parts of a forklift. When a forklift is driven over areas of damage on the warehouse floor it will cause stress to tires, drive units, and weldments as well as physical stress to the operator.

OSHA requires us to practice good housekeeping in two different regulations (29 CFR 1910.22(a) and 1910.141 (a)). They focus on the importance of keeping the work area clean and neat and the aisles clear.

To help control these avoidable costs, there are several practices that can be implemented in the workplace:

1. Implement an "adopt an aisle" program to promote a clean/safe work environment. Allow the adopter to have their name posted and perhaps some additional perks or awards for their efforts.
2. Ample receptacles should be available to ensure employees can easily dispose of trash.
3. Floors in high-traffic areas should be swept at least once each shift.
4. Debris such as strapping, stretch wrap, broken pallet pieces, etc. should be picked up and disposed of immediately.
5. If it is a dusty or slippery environment, establish a regular mopping or floor-scrubbing schedule.
6. Insure that all pallets and product are properly pushed back into the racking, thereby reducing the chance of a forklift hitting product that is hanging out into the aisle.
7. Periodically inspect warehouse floors, dock plates, ramps, etc. to ensure that they are in good operating condition.
8. Be sure your operators perform an inspection of the forklift (Operator's Daily Checklist) prior to the start of their shift, to identify any damaged tires, oil leaks, or shrink wrap around motors or axles. A copy of an Operator's check list is available from your local forklift dealership.

Remember that these are controllable costs that can add up quickly if proper attention is not paid to warehouse housekeeping.

Safety Corner

Fork Damage and Inspections

Forklifts play an important role in moving material to and from transportation vehicles and warehouses. Most forklifts are expected to handle a variety of jobs and last a long time. Fork inspection - looking for cracks, defects or bent parts that need replacing should occur on an annual basis as worn or cracked forks can fail without warning. A damaged fork could lead to a disastrous and potentially fatal accident.

Signs for damage include wear beyond 10 percent, bent forks, uneven forks and indications that they've been modified by cutting or welding near the tip. As part of your inspection routine, don't forget to look for the following:

Rated load capacity – Are the forks you are using rated to carry the loads they are handling? If you're not sure, you need to be.

Surface cracks – Inspect each fork top and bottom for surface cracks. Pay close attention to the heel area and the welds to the areas that attach the forks to your lift truck. These are areas that are more likely to develop cracks. If a crack is found, it must be replaced before the lift truck can be put back into service. Repair of a damaged fork is not permitted.

Straightness of the blade and shank – If either the shank or the blade has any sort of bend, the fork needs to be replaced before the lift truck is put back into service.

Excessive angle - If the shank and blade angle exceeds 93 degrees, the fork needs to be replaced.

Fork tip height variances – If the tips of your forks exceed 3% of the length of the blade, the forks need to be replaced. If you are using 48" forks, the differences in the heights of the tips of your blades can not exceed 1.44"

Positioning lock – If the positioning lock is inoperable, it must be replaced before the fork is put back into service on the lift truck.

Normal wear – Use calipers to measure the heel and the blade for wear. These are the areas that wear more quickly. Once a fork wear reaches 10%, the fork must be replaced. 10% wear results in a 20% reduction in rated fork capacity and represents a significant exposure for accident.

If you discover fork damage you will need to take the truck out of service immediately and replace the forks.



Associated Plans to Increase Workforce by 12%

Support Growing Market Demands

According to the U.S. Department of Commerce and Bureau of Labor Statistics, material handling and logistics is one of America's largest and fastest growing industries. The consumption of material handling equipment and systems in America has grown to over \$156 billion per year and employs in excess of 700,000 workers.

This growth is due to the strategic role that the Material Handling and Logistics Industry has assumed in today's business environment as companies are continually driving up demand for solutions that will enable them to improve order to delivery cycles, reduce inventory and satisfy changing consumer buying behaviors.

To support this increased demand and satisfy customer needs Associated responded with a refocused business model which drove the need to increase their workforce for 2011 and beyond.

This new business model gives them the ability to leverage their unparalleled experience and industry best practices to evaluate a company's current operations and recommend practical strategies to enhance its effectiveness and reduce overall costs.

To support this initiative effectively, Associated will be increasing its workforce by 12% in 2011. This increase will include positions within every level of the company from Service and Sales personnel to Senior Management positions. For additional information on specific positions that are available please refer to the Careers Page of their website at www.associated-solutions.com.

Michael Romano, President/CEO of Associated said, "We look forward to the growth and development of our organization. Over the past 50 years, our success has been driven by our employee's individual and collective efforts which have earned our customer's loyalty and dedication. We are excited that the new human talent will put us in an even better position to satisfy our customers' demands by bringing fresh ideas to our industry."



ABOUT ASSOCIATED:

Celebrating over 50 years of providing customers with innovative solutions that optimize storage and order fulfillment operations within their supply chain, Associated understands that handling materials in the supply chain should be more than material handling. By utilizing their unparalleled experience and industry best practices they are able to evaluate current methods and processes for storage, order fulfillment and equipment utilization and recommend practical strategies to enhance its effectiveness and reduce overall cost.

Featuring leading edge engineering and fleet management services to complement industry leading sales, service, rentals and parts. Associated has been the recipient of multiple awards in recognition of being a premier organization in the material handling industry.



Innovation • Sustainability • Reliability



ADDISON, IL

(630) 588-8800

INDIANAPOLIS, IN

(317) 821-0300

FORT WAYNE, IN

(260) 482-9556

BLOOMINGTON, IL

(309) 319-9319

EAGAN, MN

(651) 688-6175

ANKENY, IA

(515) 964-0162



ASSOCIATED
133 North Swift Road
Addison, IL 60101-1447

Do You Know...

HOW MUCH YOUR FLEET IS COSTING YOU?

Date: 5/25/2011 Time: 12:00-1:00 (CST)

Join us for a free educational webinar that will show you how to create efficiencies in your forklift fleet and reduce your overall maintenance costs. This webinar will give you insight into industry metrics from the real world perspective of an experienced Fleet Manager.

Additionally you will learn:

- How to perform productivity reviews of equipment, operator, facility layout and storage mediums.
- How to identifying hidden costs relating to overtime, damage and energy.
- How to identify and segment cost drivers into truly actionable reports.

**To register for this event please visit:
www.gotomeeting.com/register/610083256**

