

Aerial work platforms and cranes: Should I buy, lease or rent?

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Determining whether to buy, lease or rent an aerial work platform or crane can be an intimidating decision. Not only must you choose the right piece of equipment, but then you must find the best way to finance it. This can seem daunting early on in the process. But given the many financing options available, it is easier than ever to lift loads and position people.

Deciding which financing option makes the most sense for your business will depend on a number of factors particular to your own application. What matters most when deciding whether to rent, lease or buy is a strong understanding of those circumstances, a firm grasp of what your equipment will be used for, and a perspective that takes into account the entire lifecycle of the machinery you're considering.



A CASE FOR OWNERSHIP

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Low interest rates, accelerated tax depreciation and an increasing array of financing options make buying an aerial work platform or crane a decision worthy of some serious consideration. The purchasing of such equipment should be considered in the long-term, with particular attention paid to a product's durability and ability to retain value. Buyers should consider the total cost of ownership, not only the upfront price. Deciding on a particular piece of equipment should also only happen after carefully considering technical needs such as working height, lifting capacity, side reach and productivity options.

Aside from purchasing a piece of equipment not suited to your organization's current and future needs, there's perhaps no greater mistake than trying to cut costs by underspecing the machine. Choosing equipment that is designed to ensure long-term reliability will help to ensure that the equipment retains its resale value, one of the most significant perks of ownership. It is important to consider the entire lifecycle of a piece of equipment, rather than its price tag alone.



Customization, where available, is another strong incentive for owning this type of equipment. It allows owners to customize the perfect truck for their application rather than relying on an off-the-shelf solution. Working with an experienced manufacturer that caters to unique needs is an ideal way to make sure that an aerial work platform or crane is the most versatile tool in your toolbox. Working with and relying on an experienced engineering staff can help to ensure that you're imagining all of the possible applications and potential limitations of your equipment.

Unlike renting, owning equipment provides for signage and branding options that allow aerial work platforms and cranes to act as marketing materials for their owners. In fact, owning and maintaining versatile, customized equipment illustrates financial stability of the owner as well as the quality of work they may expect. As with a cab company that invests in only the best-in-class luxury sedans, there's a reputation value involved in owning impeccable service vehicles that says a lot about its owner.

BUYING PROS:

- » Custom equipment can be tailored to perfectly fit your needs
- » Branding enhances professional image
- » Eliminates availability concerns that arise with frequent renting
- » A portion of the cost can be recouped at resale
- » Low interest rates and bonus tax depreciation make this more cost effective than ever



WHY RENTING WORKS



Renting an aerial work platform or crane is an often attractive proposition. If the work that necessitates the equipment is infrequent, for instance, or if it's uncertain how frequently such work will come along, then renting can be a logical approach. For companies occasionally lifting loads or positioning personnel, access to the right piece of equipment is still essential, but doing so on rare occasions may not be enough to justify buying the equipment outright.

Similarly, if the work frequently makes different demands of the equipment, such as personnel positioning one week and heavy load lifting the next, renting the right equipment each time can save time, and therefore money, for crews. Owners might not want a highly specialized piece of equipment in all cases. This hurdle can be overcome, though, by working with an equipment manufacturer able to find a custom solution capable of various applications in various environments.



When renting occurs too frequently—when the fees from doing so approach what the operation may spend on a monthly payment as determined by a financing plan, for instance—then it can become a case of lost equity. The argument is similar to what a potential home-buyer must consider when deciding whether to purchase or rent. Payments will have to be made in either case, but buying involves the accrual of equity which can likely be recouped later, whereas the other (renting) does not. Hence, frequency is a very important factor that should be considered when renting.

RENTING PROS:

- » Less overhead cost than with buying or leasing
- » Eliminates maintenance and other cost-of-ownership expenses
- » Allows for a high-degree of flexibility in the equipment used for lifting and aerial work
- » More conveniently positions people or lifts loads, leading to return on investment by saving time



EXPLORING LEASING OPTIONS

It's fairly unlikely for owners to pay cash upfront for a business investment as significant as an aerial work platform or crane. Instead, various financing options are available to allow businesses to conserve capital while investing in the growth of their business. Since well-built service trucks tend to have very long service lives, financing allows for the cost of the equipment to be spread out over a long period of time. Some of these alternative payment options can be powerful incentives for purchasing equipment in their own right. **Section 179 of the IRS tax code**, for instance, covers tax deductions for machinery and equipment acquired for business use and also covers lease agreements.



OTHER ALTERNATIVE FINANCING OPTIONS INCLUDE:

- » **Rental-purchase option agreement (RPO)** - These agreements, typically signed at the moment of the original equipment rental, give the renter the option to purchase the equipment at any time during the rental with some portion of the rental fees credited to the price of the equipment. This can act as a hedge for the type of renter mentioned above, who may be unsure of how often the type of work necessitating a particular type of machinery will surface.
- » **A fair market value lease (FMV)** - FMV leases offer lower monthly payments than traditional financing and typically include a provision that allows the lessee to purchase the equipment from the lessor at the end of the lease agreement for what is determined to be "fair market value," hence the name. These agreements can free up capital for other business endeavors and carry with them some definite tax benefits.
- » **A terminal rental agreement clause lease (TRAC)** - TRAC leases are similar to FMV leases in that they are typically accompanied by lower monthly payments and include a provision for the lessee to purchase the equipment once the lease reaches maturity. These leases differ in the sense that they allow for the lessor to opt for higher payment installments in order to secure a lower purchase price after the lease has ended.

These and other options are available beyond traditional financing to help businesses invest in their equipment. It's always worth talking over options for purchasing equipment with a financial advisor to find out what other incentives may be available.



PUTTING IT ALL TOGETHER



Thanks to various strategies for purchasing equipment, securing these benefits for your own company no longer necessitates a huge outlay of cash up front. These options allow for smaller companies to make investments in developing their business and help keep more funds liquid for day-to-day business operations.

Customization, perception, low interest rates, tax write-offs, round-the-clock availability and resale potential are all factors that incentivize the buying or leasing of aerial work platforms and cranes. When these factors align, an incredibly strong case is made for the purchasing of equipment outright. There are some conditions—when the work requiring the use of such equipment is intermittent, for instance—where renting is the more attractive option. But for companies in the business of lifting personnel and material full time, the benefits of owning one truck, or a fleet of them, cannot be ignored.



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