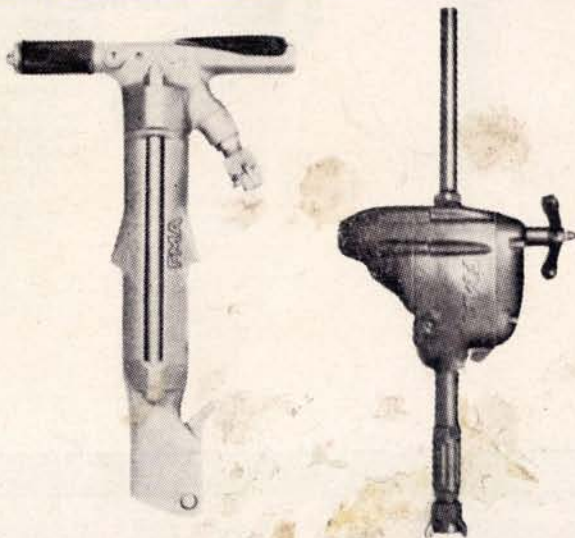


VOL. 2, No. 2
JUNE, 1969

HIRE

OFFICIAL JOURNAL OF THE HIRE ASSOCIATION





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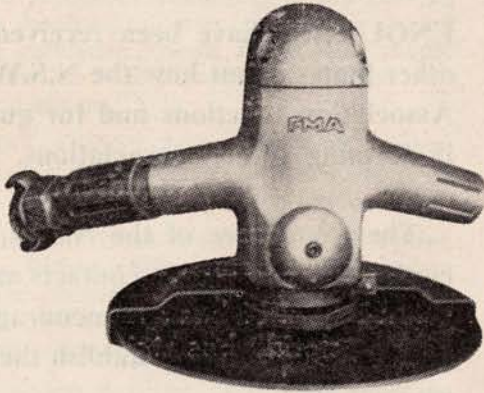
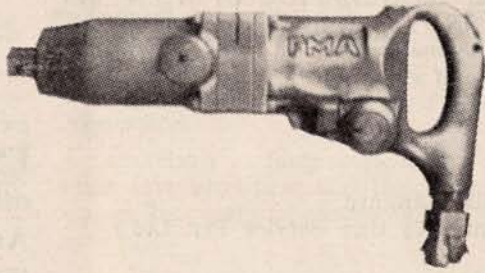
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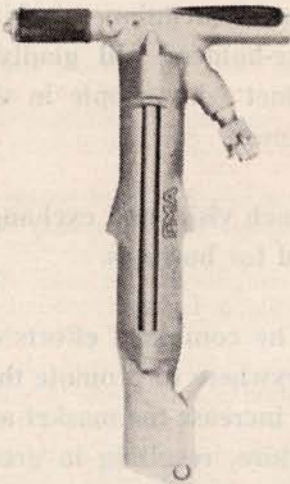
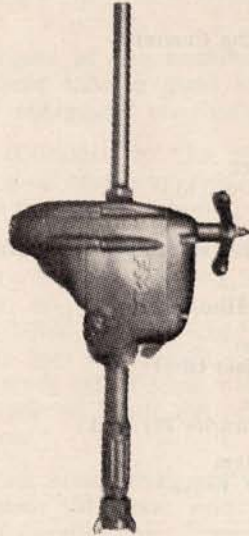


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YOUR ASSOCIATION

Our President says:

THE HIRE ASSOCIATION OF N.S.W. was formed in 1967, by a group of hire business men and women. Its aim is a progressive profitable and ethical hire industry.

President:

Neville Kennard
(Kennard's Hire Service Pty. Ltd.)

Vice-President:

Gordon Esden
(Silverwater Plant Hire Pty. Ltd.)

Treasurer:

Arthur Ball
(Handyman's Hire Service)

Hon. Secretary:

Greg Page
(Page's Hiring Centre)

Committee:

Chris Pannell
(Coates & Co. Ltd.)

Mrs. Peggy Levy
(Formal Wear Hire Service Pty. Ltd.)

John Ellis
(Broadway Hire Services)

Ron Newton
(Newton Plant Hire)

Ron Wallis
(Walco Industries Pty. Ltd.)

Max Hamilton
(Avis Truck Rental)

**"HIRE" is the Official Journal of the
Hire Association of N.S.W.**

"Hire"

Published by Keith Breusch Pty. Ltd., of
140 Phillip Street, Sydney. 2000.

Advertising inquiries: 221 2272.

GO NATIONAL?

ENQUIRIES have been received from other States about how the N.S.W. Hire Association functions and for guidance in forming similar associations.

The Committee of the N.S.W. Association welcomes these contacts and will be pleased to assist and encourage people in other States to establish their own associations.

A national "Hire Association of Australia" is, of course, an eventual necessity and the time should not be too far distant when this will happen.

In the meantime inter-State visitors to Sydney are welcome to contact the Hire Association of N.S.W. and its office-holders will gladly put them in contact with people in similar lines of business.

Such visits and exchange of ideas are good for business.

The combined efforts of Hire people everywhere to promote the Hire concept will increase the market and the demand for hire, resulting in greater opportunities for all of us.

NEVILLE KENNARD.

someone's looking over our fence finds the grass is green, but . . .

● **HIRING** rates in Sydney are quite reasonable and acceptable according to top ranking building contractors who make this added pungent comment: "Some hirers who charge lower rates invariably supply inferior or outdated equipment."

● **FIRST CLASS** equipment and efficient maintenance were the essentials demanded by builders and, generally, this service is given.

● **ONE GROUCH** worthy of examination was the hiring charge for weekends when equipment cannot be returned on Fridays and it was suggested that consistent hirers were worthy of some consideration.

It is always a prime need in business to know what the customer thinks of services and equipment so Hire went off pounding the beat from construction job to construction job to get first-hand impressions.

Hiring, it was found, has become an essential requirement in the building trade.

Said Mr. Michael Butler, of M. B. Butler Pty. Ltd.: The great complexity of equipment required by builders today makes it absolutely necessary to hire equipment (which is used spasmodically) in order to avoid enormous capital outlay.

Mr. Butler said there were two all important reasons why hiring was a better proposition. In the first place the capital outlay was not warranted and in the second place there was the added cost of maintenance and storage over long periods with risk of obsolescence.

Emphasis was placed by Mr. Butler on the need for first class maintenance of equipment hired.

In the main the hire people did this but occasionally the builder received equipment that was not in first class order.

"We no longer do business with that type of hirer," he said; "however, this experience was rare with his company."

On hire charges Mr. Butler said he thought they were reasonable when dealing with a hirer who maintained the equipment and had readily available the spare parts or replacement needed when things went wrong — a not unusual experience in a pretty tough trade.

Then he emphasised this point: "The cheap-

est hire in most cases is not the most economical.

"Invariably a hirer who undercut another must save elsewhere and this, in most cases, was in the quality of equipment and servicing," he added.

As they say in the police courts "corroborative evidence" was given by **Mr. Ian Kiernan, Managing Director of I.B.K. Constructions Pty. Ltd.**

Hire rates weren't cheap, he said, but, providing he obtained good equipment hire definitely was worthwhile. He dealt almost exclusively with one company, though he did occasionally need to get additional equipment elsewhere.

One aspect of the business, he felt, that hirers should have a good look at was the return of equipment on Friday.

Some consideration, he said, should be given to good clients of a hirer if equipment could not be returned right on time.

Illustrating his point, he said an example was when a floor sander was hired for a week returnable on Friday. If, for some valid reason, it could not be picked up or returned then some sort of consideration or discount could be made rather than make a full charge for the weekend when the machine was idle and in store.

Mr. Brian Shackleton, of Pettit and Sevitt, project home builders, said his firm were hirers of scaffolding, compressors, tools, dozing equipment, brick elevators, shutes and so forth. Generally they were happy with the hiring services and availability of equipment.

The firm had no complaints about the hiring rates but the closest supervision was needed to see that equipment was returned in the quickest possible time. Wastage could occur on time hired.

Brian said his company was extremely selective in the hiring companies they did business with and in the equipment they hired.

Then he hammered home the evil of price cutting: "We have found that some hirers who charge lower rates invariably supply inferior or outdated equipment."

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"the little men" of hire go higher!

• **THEY call them the "little men" of the Hire business but they don't stay little for long — provided, of course, that they work hard, maintain their equipment and give that personal, courteous service that wins friends and increases customers.**

Take the success story of Mr. Ray Barwick who started in Hire as a part time job in a big backyard at his home in Lidcombe which soon became too small for him.

In 1961 Ray was a contented home-man happy in doing the odd jobs about the house. Often he was stuck for some piece of equipment — the long ladder for the roof, the concrete mixer for the path — the type of equipment a man uses once or twice in years.

It was then he discovered that he was not the only do-it-yourself man in Lidcombe, that there were hundreds of others who liked "pottering" and improving their allotments and home and that, like him, they didn't want to lay out money on necessary things which would most likely lay idle in the shed or the yards rusting away instead of wearing away.

So Ray thought about the idea of a Hire service. He talked it over with a few friends, found them enthusiastic; in fact they were so pleased with the idea that they urged him to "get cracking" without delay because they knew Ray was honest and willing to work and help.

The success story became obvious from this point. Ray's first customers became his public relations men as they talked to other do-it-yourself friends.

In a short time the backyard and sheds could not contain the Hire equipment, instead of a part-time job Ray became fully and profitably occupied in Hire and was compelled to move from Lidcombe to 107 Park Road, Auburn, where he built a large machinery barn and office and installed a delivery service.

From the do-it-yourself man service came further expansion — the home builder, then the contractor with building projects and so on and so on until today Ray is a very busy man Hiring types of machinery and equipment but always giving the same courteous service and advice, supplying only the best and most modern plant.

Now he has to employ a full-time repair man, engage an accountant and call in his brother Cyril to cope with the expanding trade.

Diversification is an "in" word in business today and Ray caught on to an unusual idea.

In his early days he was concerned only

with the man about the house. Then he saw how the mothers were faced with problems associated with house parties so he now provides hiring equipment for parties and social functions — and this too has expanded from the home to the office, factory and community functions.

"And the future is full of promise and challenge," said Ray. "There is a great future in the Hire industry, in fact it has no end so long as the Hire man gives honest service, maintains first-class equipment, is courteous and helpful and is willing to work hard."

★ ★ ★

Another happy success story from amongst "the little men" of Hire is that of Mr. Alex Hamilton, an Englishman who came to Australia 11 years ago and who quickly saw the possibilities of developing a Hire service, especially in the building trade.

Alex was always associated with buildings in some way. He had his own business in England decorating churches and such like public places and when he came to Australia he worked as supervisor for a large paint contractor.

While at this job he was able to survey the building trade in detail and concluded that here was a field for success in Hire. Gradually he built up a machinery depot concentrating on builders' platforms, hoists, concrete mixers, ladders, brick elevators, concrete vibrators, floor sanders, pumps — until today he has a complete range of builders' equipment.

Why did he pick on Hire as a business? Well, he knew the trade and he noted the need and he found there were in 1963 only six Hire firms listed in the telephone directory.

It was a well calculated business risk, he said, and it has paid dividends. Now he trades as All Sydney Hire Service and, although based at Villawood the business serves "All Sydney" with customers all over the metropolitan area. His main hirers are home unit builders in the Waverley, Bondi, Randwick and Maroubra areas.

"It's been six years of hard work," he said, "but it was worth the sweat and toil and the future looks good. Hire will eventually develop into a huge business as people are now becoming more Hire minded."

One of Alex's happy recollections is that of a wheelbarrow. He hired it out in 1967 and hasn't seen it since but it's still a rental item that has returned him \$300 in two years — which makes us think that Alex Hamilton really came from Scotland!

About People

A visitor from New Zealand was recently in Australia visiting the Eastern States. He is Peter Brookefield, Managing Director of Hire Pool Rental Centres, the largest Hire company in N.Z., operating nine branches in Auckland and Wellington.

Peter is one of the most knowledgeable Hire men around and could show the way to most Australian hire people. It just shows that our sister across the Tasman is not as naive as we may suppose.

Ken Paran, Manager of Vibrator Hire Service Pty. Ltd., needed to hire medical services recently to have his appendix removed. His comment "and they say Hirers charge!" However, he is back on deck once more minus appendix.

★ ★ ★

Winning the distance honours for this year's Las Vegas Convention was Noel Weeks, who came all the way from Auckland, New Zealand. After studying a world map, it seems he came some 7,000 miles to attend the American Rental Association.

Mr. Weeks is associated with Peter Brookefield, who owns Hire Pool Rental Centres in New Zealand. He presented the Association with a special Maori blanket, which was awarded as a General Assembly door prize.

★ ★ ★

Just back in Australia after spending two weeks visiting California Rental Yards is "Jock" Mitchell. Jock was on his way home from his native Scotland and decided to find out what the Rental business was all about.

What he saw was worth a thousand words, he says. He has rejoined Kennard's Hire Service as Workshop Manager.

★ ★ ★

Keen to keep up with overseas trends several members are heading off soon. The Terleys from "Man About Town", Avis's Max Hamilton and Association President Neville Kennard are reported to be packing their bags.

★ ★ ★

A customer enquiring for a particular type of machine over the phone, described it as follows—

It hops up and down like a kangaroo, thumping on the ground, and uses kangaroo juice.

He wanted a "Wacke" Rammer.

★ ★ ★

Any ol' clothes?

Message from the U.S. Rental Equipment Register—

Ownership, as a use-device for manufactured goods, may be on its way out for some kinds of equipment, but not for the more personal consumer products like clothing—right? Wrong!

The Great American Revolt Against Permanency, which has given the rental industry much of its impetus, has found an important new outlet in the disposables industry. Almost every type of clothing—from seldom-used or once-used items like wedding gowns, to items as basic as underwear—has joined the growing list of throwaway products that now represent a \$500-million-a-year sales volume.

Moral: never underestimate the market value of convenience.

Our turn next?

"Rent it at this hotel, leave it at that hotel." That is the concept behind Hilton Hotels' bid for a piece of the increasingly competitive car rental market.

Beginning in Los Angeles, the new rental car network will gradually spread to Hilton Hotels in San Francisco, Seattle, and Hawaii, and ultimately nationwide. Thomas C. Morrow, formerly vice president-marketing for Avis, is executive vice president for Hilton Rent-A-Car.

★ ★ ★

"Franchisees"

"Members are advised not to sub-rent to non-members," stated a recent bulletin of an East Coast (U.S.A.) soft goods rental dealer association.

"Now we have a proliferation of franchisees in the suburbs who have no desire to become members, have very little inventory to service party needs, but want to use our facilities as a warehouse to obtain business."

★ ★ ★

New hire centre

Australia's most modern and complete Hire Centre has been opened by Kennard's Hire Service Pty. Ltd. at Alexandria.

Situated at 200 Botany Road, it is aimed

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to bring the vast range of equipment which Kennards offer to builder, handy man and industry of the City, Eastern and Southern Suburbs.

Almost half an acre of land is available for the storage and display of equipment, with smaller tools, workshop and office housed in a modern building.

Drive-in customer parking and easy loading facilities, make customer service fast and easy.

A fully equipped cleaning and service area and workshop will ensure that equipment is always in first-class, clean condition.

The design and layout is the result of trips to the U.S.A. by Directors Neville and Andrew Kennard to study the fast-growing Hire and Rental business there.

The new centre will be an asset to the area providing equipment and service of the highest calibre. Coupled with their other branches at Greenwich and Rydalmere, Kennard's now provide Hire Service close to any building site or industry in Sydney. Radio controlled delivery and service is available for the full range of tools and equipment—the earth-movers.

Government jobs

Conservative as they usually are and lusting

after ownership of plant and equipment, governments are now appreciating the economics of a well planned rental system.

The Department of Main Roads illustrates the value of rentals. Mr. L. S. Flack, chief mechanical engineer of this department stated recently that during 1968-69 the department paid 7% of total funds made available to it to plant hirers, contractors and combined contractor/hirers.

In 1935, he said, the department hired only four items of plant, two of which were from councils. However, figures examined for the past seven years showed that the amount of hire paid ranged from \$750,000 in 1962 to \$6,233,000 in 1968.

This, Mr. Flack said, "showed a strong movement towards the hire of plant."

There were "many reasons" which could be put forward in favour of the Department hiring more plant.

These included reduced capital outlay, allowing funds to be channelled to other work.

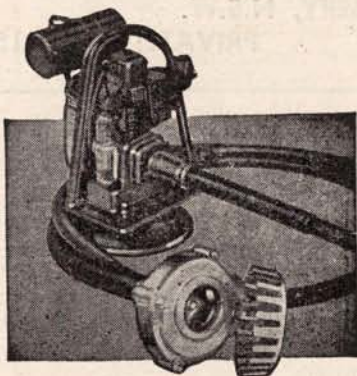
Hiring also permitted the use of most suitable type of plant for each phase of the job without having excess and idle plant on the job.

Continued page 16

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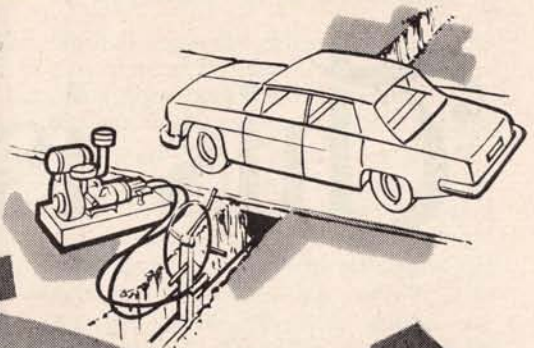
WILLIAM ADAMS
A COMPANY LIMITED
IN ALL STATES OF AUSTRALIA

ASSOCIATION MEMBERS

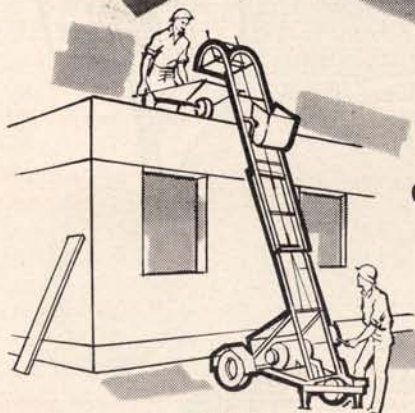
- A. B. Maxwell Office Machines, representative B. M. Hoffman, office machines.
- Acme Hire Services (M. A. Scholtz) general building equipment and power tools.
- All Sydney Hire Service (Alex Hamilton), general building equipment and power tools.
- Anglo Canvas Pty. Ltd. (R. Lindley), Tarpaulins.
- Avis Truck Rental (M. R. Hamilton), Trucks.
- Ray Barwick Hire Service (Ray Barwick), light building equipment, power tools and party equipment.
- Bolands Radio Cranes Pty. Ltd. (M. Boland), Cranes, 1-10 tons up to 65ft. jib.
- Braybon Hire Pty. Ltd. (Keith Braybon), generating sets to 10 KVA.
- Bretts Hire & Repair Services Pty. Ltd. (Charles Twaits), tarpaulins, tents, cricket matting and canvas goods.
- Broadway Hire Services (John Ellis), power tools.
- Builders Plant Hire Pty. Ltd. (Gordon Parsonage), general building equipment.
- Captain Canvas Pty. Ltd. (James A. Dixon), tarpaulins.
- Chain Saw Hire Services (G. F. Mawer), chain saws.
- Coates & Co. Ltd. (C. M. Pannell), general building equipment.
- Concord Plant Hire Pty. Ltd. (Arthur Cordukes), general building equipment.
- Concrete Sawing & Grinding Services (Consaw Pty. Ltd.) (David Latham), concrete sawing and grinding.
- Conform Hire Pty. Ltd. (J. N. Ross), mobile cranes, builders hoists, concrete and formwork equipment.
- Crawford Electrics Pty. Ltd. (H. M. Crawford), electrical equipment.
- Cruis Craft Boats Pty. Ltd. (Max F. Jones), boats and cruisers.
- Everready Hire Service Pty. Ltd. (C. M. Cooney), general building equipment.
- Formal Wear Hire Service Pty. Ltd. (Mrs. Peggy Levy), dress suits and clothing.
- Great North Hire Service (Guy Keon), boats, trailers.
- Halvorsen Boats (Carl Halvorsen), cruisers, launches, boats.
- Handymans Hire Service (Arthur Ball), light building equipment and power tools.
- Hertz of Australia Ltd. (Alan Greenwood), trucks.
- Kennard's Hire Service Pty. Ltd. (Neville Kennard), general building equipment and power tools.
- Macbro Plant Hire Pty. Ltd. (Max Watson), general building equipment.
- Man About Town (S. & R. Terley), dress suits.
- Maritime & Industrial Services Pty. Ltd. (C. Pearson), all types welding plants, Argon welding equipment, H. tools.
- Mobile Concerte Hoisting & Pumping Co. (Brian Callaghan), concrete hoisting.
- Mobile Hoist Pty. Ltd. (N. Ford), concrete hoist.
- N.A.V.A. Pty. Ltd. (Richard W. Stericker), films, projectors, accessories.
- Newton Plant Hire (R. Newton), general building equipment.

Continued page 20

MACDONALD MOLE Under-the-road DRILL
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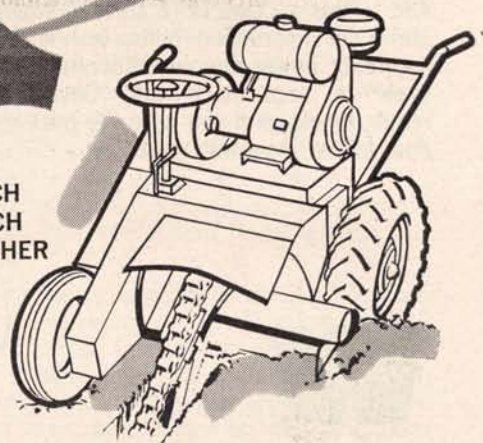


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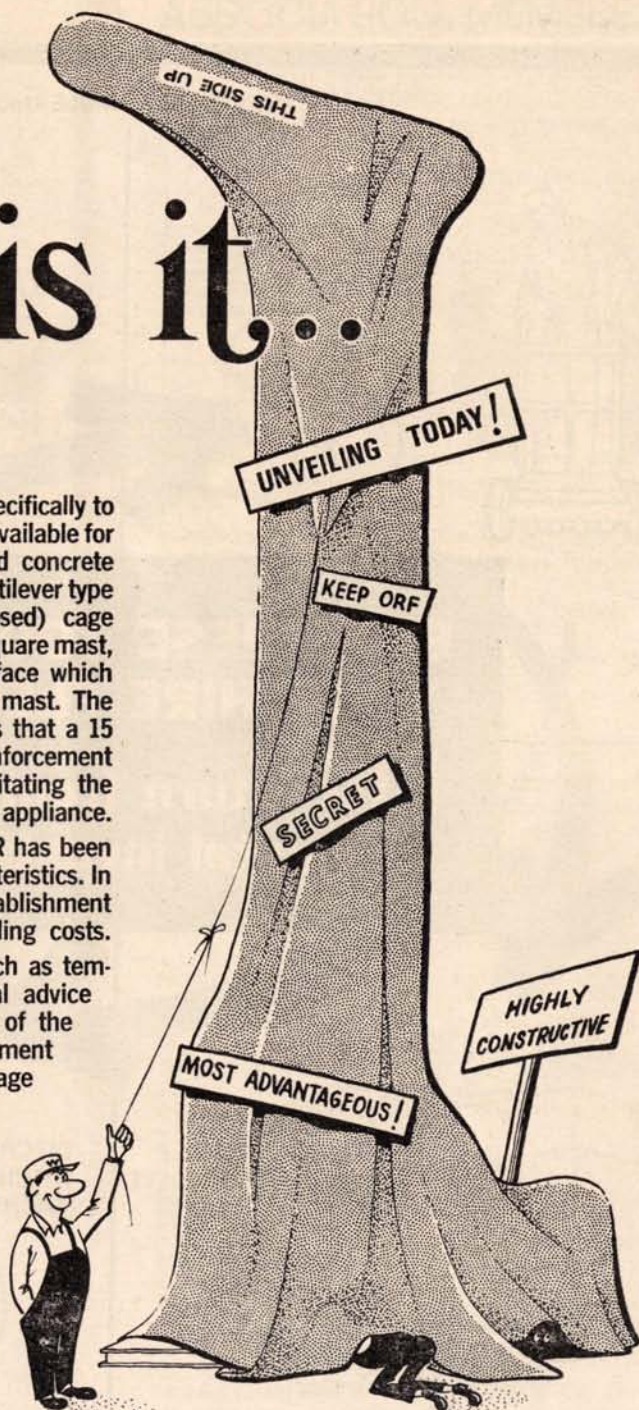
Add to this a **COMPLETE** service, such as templates for foundation bolts, technical advice regarding power supply, attachment of the tower in accordance with Government requirements, and you have the package deal you've been waiting for . . .



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what makes up the market of the rental operator?

WHO ARE the customers in this growing hire business? This and many other questions are posed and answered in this article which contains extracts from an interesting and stimulating report on "What is your market and how to get it, written by Kenneth Maricle, of the Marketing Faculty of Arizona State University, which could have been written in Australia about the Australian hire trade.

No businessman can sit back and wait for his customers to find him. The first job of every businessman — and especially the hire operator, a relative newcomer to the world of commerce — is to define his market and to choose those segments of it that he will pursue.

Are some types of customers more valuable than others? When is it wise to limit your service? When is it wise to expand? The answers to these and other questions constitute your marketing program.

First, then: who are the customers of this growing hire business, or what makes up the market for the rental operator?

Any market must first have people. The people must have wants, or problems to be solved. Finally, they must also have the money or credit to satisfy these wants. But just having the wants and the money is not enough; the customer must also be willing to spend his money for the satisfaction of his wants.

These potential customers may or may not know what products or services will best do the job for them.

The dealer who seeks a market must do two things, (1) determine the needs and (2) change these static needs into consumption activity.

Recognising needs. Very few consumers are skilled purchasing agents. They are inclined to make rather hasty choices among immediately available products. The dealer performs a vital function in society when he (1) identifies specific wants and needs and then (2) searches for the best possible products to satisfy the market he serves.

Stimulating the willingness. It is not enough that this distribution specialist find and offer problem solutions to the consumer. He must aggressively communicate the knowledge of his offerings to individuals in the market. If he does this efficiently, the potential consumers in his market will be stimulated to make use of his service.

The national economy depends on the consumption generated by marketing firms, and the hire equipment store has become an important element in the channels of distribution.

The Market in Flux. What does the hire operator see when he looks out at this market in which he must compete? He sees a market that is alive, dynamic, and ever changing.

If the operator is to perform efficiently, he must understand the forces that contribute to market change. Some of these forces are obvious while others must be uncovered by careful research. Nearly all of these forces, however, are beyond the control of the individual hire operator. His task is to adjust and adapt.

The Uncontrollable Market Factors. One writer grouped market determinants under the headings of social, economic, technological, competitive, governmental, and foreign influences. These forces have one attribute in common, and that is constant change.

As an example of *social* influence, where it was once the American Dream to own a big car, society now admires the successful man who leases a high-priced "status automobile."

An *economic* influence has been the increase in the cost of living, such that many people have moved from big homes into smaller quarters. These families are now without storage facilities for infrequently used items like carpet bowls, wheel chairs, or power tools.

In industry a rapidly improving technology has made the cost of equipment obsolescence unbearable for the small contractor.

Business seeks to adjust also because the government has ruled that hire charges are deductible.

Next, an investment tax credit shifts the benefits back in the direction of ownership. The changes described above are typical of the forces responsible for the favorable business climate the hire operator now enjoys. Like the investment tax credit, however, not all market determinants favor the hire/lease business.

Constant Vigilance. The successful hire operator must maintain a constant watch to observe and interpret market changes. Every morning when he opens the store, this man faces a new world. If he fails to recognise this fact, he will probably make costly mistakes.

The economics of rental

There is scant place for the slow-paced country store except as a tourist attraction.

The Need to Predict. It is not enough to recognise the changes in the market; it is also important to plan to meet future changes. For example, inventory adjustments take time and require the shifting of capital investments. Consumer satisfaction means having the right product at the right time in the right place, but new products do not arrive with the wave of a magic wand.

The operator who can predict a change in demand is able to adapt to market shifts before his competitors.

The Need for Information. Useful predictions are best made on the basis of reliable information, constantly gathered from many sources. Employees, customers, suppliers, news media, associations, and trade publications are among the best sources. In the hire store a continuing flow of facts should be a major managerial concern.

Identifying Opportunities. It is an economic fact of life that the successful businessman is copied by his competitors at every turn. A business leader needs an inexhaustible source of creative ideas. Understanding the market and developing the ability to predict change opens a fruitful source of these ideas.

The Benefits of Change. In any given business environment changes in demand, new social values, or other market influences open new avenues to profit.

The hire dealer should look on market change as a potential opportunity to gain competitive advantage. He does this by offering greater satisfactions to new demands before his rivals even recognise the change. The further in advance the change can be predicted, the better prepared the operator will be to introduce successful innovations.

Diversification. One way the firm can adapt to change is to diversify product offerings into new areas of predicted demand. This is best done if the operator selects areas of diversification where his managerial skills and hire expertise will have the greatest effect.

Reduce or Expand. This is not to say that diversification is always good or possible. In many cases capital restraints or limitations of managerial control make it necessary for the rental operator to hold his offerings fairly stable.

If this is the case, he may need to eliminate

a product line when he adds a new and potentially profitable service.

On the other hand, advance planning can make it possible for the operator to secure increased capitalisation if he feels his current offerings are too profitable to be discarded.

Down With the Old! Up With the New! For some reason, many low-profit-generating items seem to take on a special position in the rentalman's heart. Perhaps because of the optimism that is a part of any aggressive businessman's make-up, he is reluctant to acknowledge that certain items have outlived their usefulness.

All too many times, valuable capital is locked-in by dust-gathering, seldom-rented products. It is vital that capital resources be invested in high-turn revenue-generating merchandise.

The ruthless disposal of poor performers to permit reinvestment is a required policy if the business is to grow in both volume and long-run profitability. It may even be an advantage to discard "too" freely, since replacements are likely to have the benefit of model changes.

Kindness and Red Ink. Just as kindness to poor-paying customers is often fatal to the neighborhood grocery, low-turn inventory kept to please suppliers and employees, or on speculation, is a tremendous generator of red ink.

In order to take maximum advantage of new market opportunities, the hire operator must be prepared to "kill" non-producing lines and services without mercy.

Segmenting the Market. So far this discussion has been concerned with describing a market and its constantly changing aspects. The opportunity potential of change was illustrated. Does this mean that each hire operator must attempt to be all things to all people? This is not only poor practice but is also likely to prevent growth, and can even lead to business failure. A limited market is often potentially more profitable than a broad one.

Why Limit Your Potential? At first it may seem logical that the more potential customers a firm has, the more likely the firm is to generate maximum volume.

It is a paradox of business, however, that in many cases the firm that deliberately limits its customers is able to maximise both total revenues and profits.

Continued page 19

Mr. Hirer

There's dozens of ways of making a quid (dollar) in this world and hiring out 5BX Vibro massagers (plus the free swingers diet) is one of them.

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factors in establishing hire rates

● HIRE has received from the Earthmovers and Contractors Association a copy of an instruction bulletin on "factors to be taken into account in establishing hire rates" which in general terms, makes a splendid guide, with adaptations here and there, for most members of the hire business.

Here is a summary of the bulletin:—

The factors to be taken into account in establishing plant hire rates fall into two main categories: elements of cost to be provided for and conditions under which the machine will be operating.

Elements of cost to be provided for are ownership cost which includes machine depreciation, increase in replacement cost and return on capital invested; repairs and maintenance; tyres, cutting edges, wire ropes, etc.; fuel and lubricants; overhead expenses, profit.

Ownership Cost. Depreciation. Allowance has to be made to recover the purchase price of the machine during its working life.

The inflationary trend in our economy results in the replacement cost of a machine, at the end of its working life, being higher than the purchase price of the old machine. The increase in price refers to the additional cost of replacing the same machine without allowances for any improvements and this must be taken into account in establishing the hire rates for equipment.

Provision must be made for a reasonable return on the capital invested in the equipment based on the average investment during its working life.

Repairs and Maintenance: These include both running repairs which are incurred at short intervals and major overhauls at long intervals. The cost of both of these must be incorporated in the hourly hire rates.

Tyre maintenance and replacement is a significant element of cost in the operation of many types of machines and must be provided for in the rates.

Fuel and Lubricants cost is self evident.

Provision must be made in the hire rate for a contribution to the overhead expenses incurred in keeping equipment on the job, providing office and accounting services and generally administering the business.

Profit. Reference was made, in a previous paragraph to allowance for a return on funds invested. The profit now referred to is additional profit to which the owner is entitled and provides for income tax, reserves and dividends.

The conditions under which a machine is operating fall into two categories—the nature of the work to be done—whether it is light, average or severe from the point of view of demands on machines; the climatic and physical conditions as they will affect the number of hours per annum a machine can work.

The nature of the work to be done has an effect on the working life of the machine, the repair and maintenance cost, fuel consumption and tyre cost.

The climatic and physical conditions determine the number of hours a machine may work per annum and have a resulting effect on the ownership costs.

Outline of proposed basis of establishing plant hire rates:

It must be the object of any basis for the calculation of plant hire rates to provide a formula or a systematic method in which account can be taken of the effect of the conditions referred to in the previous paragraphs on the elements of cost and as elaborated hereunder:

Basic facts to be taken into account are the purchase price of the machine, the replacement cost of tyres.

The method envisages that before a rate is calculated decision will be made on a number of basic assumptions which have to be taken into account. These are:

The working conditions.

The expected working life in hours, having regard to the climatic and ground conditions.

The expected working hours per year, having regard to the climatic and ground conditions, labour factors and statutory holidays.

The expected rate of repairs and maintenance cost, having regard to the nature of the work.

The expected tyre life, having regard to the working conditions.

The return on the funds invested in the machine. The rate to be allowed for inflationary trends.

Basic Details to be established: Overhead expenses including administration costs; the rate of tax paid on profits; the profit required from business to provide capital reserves and dividends.

The factors stated apply to all plant hire activities.

They may be applied to each unit in a company's hire fleet by careful rearrangement to satisfy its organisational structure and accounts procedures. Accordingly, the method should be designed to employ the following costs and charges when establishing hourly hire rates:—

Ownership costs per annum:

Return on funds invested in machine, 6½% on average investment.

Provision for inflationary trends, 3½% on list price.

Direct costs per annum: Depreciation—list price related to expected working life in hours.

Fuel, lubricants, filters, repairs including workshop labour and materials and tyres — as recommended by manufacturers.

Operator — normal weekly wage plus 20% for statutory obligations plus weekly service and car allowances.

Indirect costs per annum: Trucks and drivers; Field servicemen and vehicles; insurance; cartage and craneage; supervision — as applicable.

Administration costs per annum: These costs include — staff salaries and wages, staff advertisements, long service leave, staff travelling and car expenses, bad debts, bank charges, audit fees, property rates and taxes, light, heat, cleaning, telephones, cables, stationery, maintenance of buildings and office equipment, burglary and other types of insurance, subscriptions, legal expenses, depreciation of fixed assets including vehicles, and advertising.

Gross profit per annum: This charge is based upon the average invested capital. Minimum gross profit should equal 20% of 60% of purchase price.



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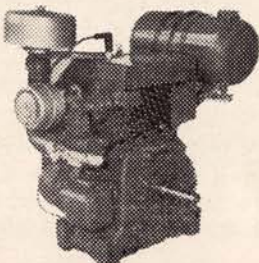
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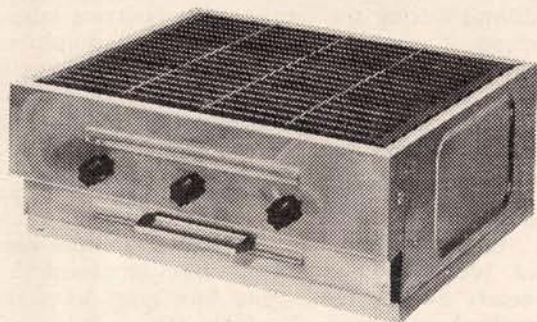
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ADVANTAGES OF A HIRE SCHEME

"THE PLANT HIRE INDUSTRY in Australia has grown to such an extent that it provides what now may be considered one of the most efficient to be found anywhere in the world."

In this way Gordon Brogden concludes an interesting article in a recent issue of "The Earthmovers." He writes:—

Those who tender for a contract must clearly visualise the type of plant necessary to carry out this work. They must decide how much of their own equipment can be used, how much will have to be purchased, and finally, what percentage is to be hired.

Most companies realise, before deciding to purchase capital plant, that a change in conditions during the course of a contract could mean a change in the type of equipment needed. Improvements in design of equipment also tend to make machines partially or wholly obsolete, substantially depreciating their market value.

A hire scheme, however, obviates these difficulties.

Over the past decade, while the initial cost of plant and equipment has increased by nearly 50 per cent, plant hire rates have remained comparatively stable.

It has been said that competition in the hire industry is so keen that rates generally are extremely low.

Thus there are enormous advantages for a potential hirer.

Many firms now are turning to plant hire, so as to simplify control over handling costs, and at the same time leave maintenance problems to the hire fleet operator.

The problem of loss of valuable operating time and the expense of hiring a replacement in the event of major breakdown or overhaul, is obviated under the hire agreement. A substitute is provided promptly thus maintaining full operating capacity at all times.

There are many advantages — the release of executive staff for duties other than maintenance; a greater use of storage space normally used for spares; a reduction in clerical work and other administrative economics.

Wider financial ramifications are also involved. Capital which would otherwise have been tied up is released for profitable investment elsewhere and the total rental is allowed as a business charge against income tax.

In the United States, over 40 per cent of all mechanical handling plant produced are for hire, and if this can be taken as a guide, it is clear that there is much to commend hire.

The larger hire fleets in this country offer a wide variety of the most modern plant from a network of service depots. The main advantages of their schemes are: —

● A large saving in capital investment — the hire charges being allowed as a business charge against income tax.

● Machines can be hired by the hour, day, week, month or year — long or short term hire is available with reduced hire charges for extended periods.

● All maintenance and depreciation are the responsibility of the plant hire company and the amount of insurance coverage is clearly defined.

● All hire plant is in peak condition and only new machines are purchased for the hire fleet.

● In the event of a breakdown or overhaul of the plant, a substitute is provided promptly thus maintaining full operation capacity at all times.

● Owners of capital plant have not only to meet the recurring expenditure for the wages of highly skilled drivers and fitters, but are also committed to maintaining large stocks of spare parts, fitters' vans and repair workshops. All these costs are borne by the hire fleet operator.

The plant hire industry in Australia has grown to such an extent, that it provides what now may be considered one of the most efficient to be found anywhere in the world.

Continued from page 7

Mr. Flack said it had proved a benefit to hire expensive plant not frequently used by the Department.

Discussing quotations and tenders Mr. Flack declared that bargaining after quotes had been closed with a view to undercutting other hirers or otherwise would not be considered.

He warned that output of hired plant would be compared with other similar plant on the job.

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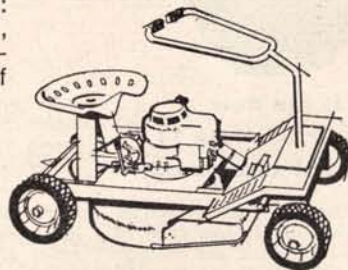
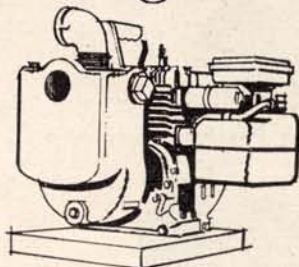
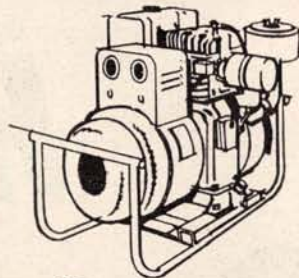
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rentalman asks customers to evaluate his operation

It takes a certain amount of courage and a sincere desire for improvement to ask your customers for criticism. You've got to be prepared to take the bad comments right along with the good ones. You must be ready to accept some rather cutting remarks which often get quite personal.

Accepting all these facts, Jack Gilliam, Santa Fe Rentals, Santa Fe, New Mexico, recently set out to get the truth, whatever it might be, from his customers.

He sent out a very complete questionnaire to 100 residents of the Santa Fe area who had done business at his store in the past six months. Those people selected were customers who were not close friends and those who had rented various kinds of equipment.

THE QUESTIONNAIRE

In preparing the questionnaire, Gilliam included questions concerning those functions which are important in operating any business.

He asked customers to rate several items as poor, fair, good or excellent. These items included courtesy and friendliness, appearance of premises, quality of service, condition and quality of equipment and explaining proper use of equipment.

After asking these questions, Gilliam got right to the point by asking the customer if he would go back to Santa Fe Rentals or to a competitor. If the customer answered that he would go to a competitor, the questionnaire asked 'why.' Following the question was a statement which asked the customer to please be frank.

Also included in the questionnaire was a section concerning equipment. One question asked customers to check from a list of items the pieces of equipment they knew could be rented at Santa Fe Rentals. Another similar question sought to find out what equipment customers knew they could purchase at the store.

Several other items were included in the questionnaire in order to learn how customers felt about business policies. They were asked to give their opinions about treatment, honest and fair dealings, rates and other pertinent information.

In the last question, Gilliam left himself wide open for personal criticism. He asked

customers to state how they would improve the operation if they were the manager at Santa Fe Rentals.

THE RESULTS

Of the 100 questionnaires sent out, 37 replies were received. If you ever use a direct mail questionnaire, you'll find that a 37% response is not too bad.

In evaluating the response, Gilliam found that the marks were generally very good. However, he noted several items or categories where improvement will be necessary.

Also, there were a few replies indicating very negative or poor service. Although, this type of reply was at a very minimum, Gilliam states that he will do some careful investigating concerning these replies.

WORTH THE TROUBLE?

The entire survey cost less than \$25 and Jack Gilliam feels that it will be worth many times that amount to him in the future. Several comments seemed very logical and will probably influence some changes to come at Santa Fe Rentals.

While the vast majority of the comments were positive, Gilliam states that there is plenty of room for improvement and the survey gives an idea of where to start.

A man can operate a store for years and be so close to the business he may never see obvious places for improvement.

The expenditure for such a survey is minimal compared to what you might learn from its results. Conducting this type of survey requires very little extra work but it can uncover facts that could cost your operation a great deal of profit over the years.

Continued from page 12

This is because both volume and profit depend directly on the firm's ability to offer maximum satisfaction to its customers. This is best done in a selected market, determined by the firm's financial and managerial resources.

(In next issue Maricle will discuss communications, the competitive, casual and untapped markets, "working for yourself" and the right marketing techniques.)

EQUIPMENT

PROGRESSING from a small beginning as a seller and auctioneer of furniture the firm of **Arthur Stutchbury** has progressed to a thriving hiring service for office furniture in which the prime problem is collecting the monthly dues!

It was over forty years ago that Arthur Stutchbury commenced business in Sydney selling and auctioneering furniture.

The company that he founded has passed through stages of the furniture selling business to now be a major supplier of office furniture.

Through this specialisation in office furniture we gained many requests for the hiring of office furniture, and this now forms a part of our normal day to day trading.

The same general principles apply to hiring in the office furniture field as apply to those in the associated building supply and trades.

It is reassuring for the man starting out in business or wishing to probe expansion problems, to know that he can arrange a hire arrangement to cover his office requirements, a basic necessity with any business. These articles needed may vary from economical, basic desks and chairs to more opulent suites and equipment, subject to the amount of hiring payments to be outlaid.

The risk involved by the company hiring the equipment is one of the major problems. Very infrequently have we been unable to recover furniture, but our main concern is non-payment of monthly hiring dues. It is usual that if a new group or firm is going to have problems breaking into a field, it will show up within three months. Our terms demand the initial month's hiring in advance plus cartage costs. Apart from exhibitions and trade fairs, the normal hiring period may be up to six months duration. We therefore need to watch our hirers very carefully to make sure all payments are met with punctuality.

★ ★ ★

SELF-REGULATE OR ELSE

How to avoid being tangled with red tape and government regulation:—

Clean your own house before the government steps in to do it for you. This was the gist of a stimulating talk given by Preston Jolly, Medicare official for northern Ohio, at a regional meeting in Toledo, Ohio.

According to Jolly, the government medical assistance programs consist of a relationship between the government agency and the patient-recipient. Where rented equipment is

involved, the rental dealer is merely a means to an end, as far as the government is concerned.

If the rental dealer gives good service, fine; if he does not give the kind of service the government and the welfare recipient expect, the government will not long hesitate to exert regulation on the businessman, and forcibly impose its own standards of quality, service, and prices on his operation.

The speaker's message was in the form of a friendly warning. Reputable, responsible rental dealers can only be hindered by the red tape and inflexibility of state regulations; yet they stand a good chance of being government-controlled if only a few of their less conscientious competitors generate enough customer complaints.

Whether he likes it or not, then, every rental dealer has a vested interest in good business practices throughout his industry.

Continued from page 8

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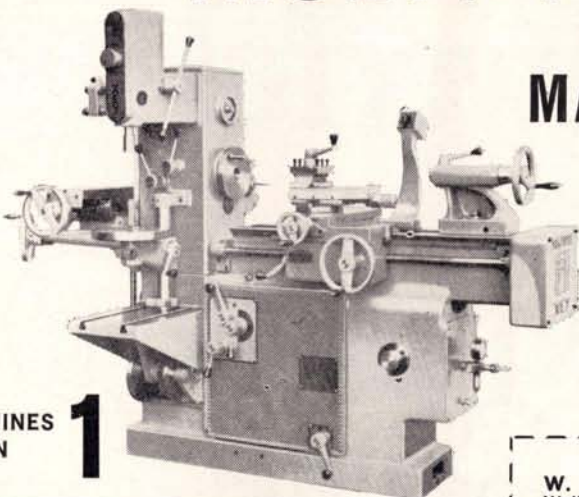
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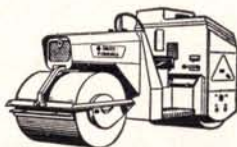
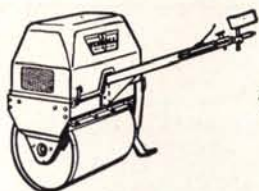
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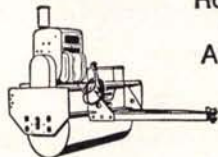
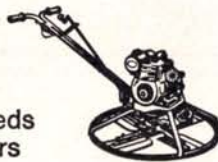
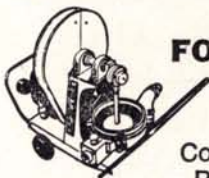
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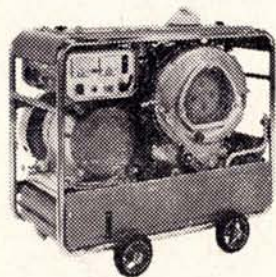
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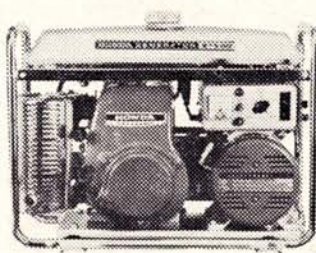


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