

# Shifting patterns

## sustain industrial relocations

The evolving mosaic of global manufacturing activity and ever-increasing industrialisation across the developing world are helping to sustain demand for used plant and machinery, writes *Phil Hastings*.

**P**redictably, the key attraction when purchasing used equipment, as opposed to buying new, is cost, whether relocating equipment internally within a company's own organisation or acquiring it from a previous owner or trader. In some cases, faster availability also comes into play.

The significance of those factors was confirmed by USA-headquartered International Process Plants (IPP), which purchases and resells plant and machinery worldwide across industries including chemical, petrochemical, pharmaceutical, refining, power generation, paper and plastics.

"Companies buying used plant and equipment can get a plant operating in half the time it would take if buying new, and at 50-60 percent of the cost of new," claimed Ron Gale, IPP president.

Evidence of the continuing strength and geographical spread of the global used



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– Jeroen Rijk, Ritchie Bros.

industrial equipment market was provided by Jeroen Rijk, managing director EMEA, South and Central America, for worldwide industrial auctioneer Ritchie Bros.

### Strong market

"Supply and demand can vary in different regions depending on local conditions, but if you look at the global picture, generally it balances out. Currently, there is a good flow of used equipment supply in the market as many companies around the world are renewing their fleets," he commented.

Rijk added that a wide range of plant and machinery features in the auctions and other sales channels run by Ritchie Bros – "anything from enormous crawler cranes and big trucks to excavator buckets".

The lion's share of those sales, though, he continued, involves 'everyday' equipment such as wheel loaders, excavators, dozers, dump trucks, truck tractors, trailers, rollers,



Modpack works with a range of industrial customers to relocate used plant machinery.

forklifts, access platforms and others.

“What has changed over the last few years is that quality, young used equipment is increasingly in high demand,” stated Rijk. “Many plant and machinery manufacturers are still struggling to meet the demand in the market for new equipment and with work across a range of industries picking up after several years, there is not a lot available in the market today.”

### Online sales

Rijk went on to claim that the global market for used industrial equipment is being further boosted by online sales.

“With the advancement of technology, the growing acceptance of transacting online and modern logistics solutions, it is easier than ever before to buy a piece of machinery from a greater distance,” he said.

“The same applies on the selling side of the process. For example, using our databases and algorithms, we can see if it makes more sense to sell an item in its local market or to ship it to a high demand market elsewhere in the world.”

Even so, volumes of heavy lift and other project cargo generated by the used industrial plant and machinery sector remain small compared with new equipment logistics business. IPP’s Gale said that 95 percent of industrial capital projects involve the installation of new plant and equipment. The secondhand business is also fragmented, with few clear, long-term overall trends apparent.

Brad Hooper, business development director for Modpack, said one of the company’s core business sectors involves working with multinational manufacturers to relocate some of their production plant and machinery to other parts of the world.

“We work with a couple of the largest tobacco companies in the world to either put new production lines in or take old lines out and relocate them. We have done similar things for a soft drink manufacturer where we moved industrial plant from Eastern Europe into Africa,” he commented.

“There is also a fair amount of used equipment being moved from the UK to Eastern Europe and we are currently talking to a company in India which has bought some equipment in the UK that needs to be decommissioned, dismantled, packed, shipped, reassembled and recommissioned in India.

“So the industrial plant relocation sector is very much a multidirectional business in terms of where the equipment is going but I have not seen any data that helps show

where any particular trends lie.”

Sometimes, particular events or individual manufacturing sector trends can trigger a new source of increased demand for the relocation of industrial plant and machinery.

Right now, one of the most significant events in that context is Britain’s planned departure (Brexit) from the European Union (EU) next year which, according to forwarders working in that market, is boosting industrial plant and machinery relocation activity in several ways.

### Brexit boost

Jürgen Weyhausen, director projects for Germany-headquartered Alexander Global Logistics, for instance, said that his company’s overall industrial relocation business has “increased tremendously over the last year, boosted in part by Brexit”.

Examples include moving “a couple of large industrial manufacturing plants out of the UK for multinational companies, one UK-based, the other a German company, for relocation in the EU”.

Weyhausen said the establishment of “close links” with a major European dismantling and reassembly company four years ago boosted Alexander Global’s presence in the industrial plant relocation market. “This enabled us to offer companies a complete industrial plant relocation package,” he stated, adding that he is expecting to see more of that type of business out of the UK.

“In that market as a whole, there are approximately 200 such projects being evaluated at the moment,” he claimed. “They are across almost all manufacturing sectors.”

However, another forwarding executive, who did not want to be quoted by name for business reasons, queried whether all the



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pound, the UK export market is buoyant at the moment so there has been an increase in manufacturing activity. As a result, there is still a lot of investment coming from mainland Europe into the UK.”

**HLPFI**

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Alexander Global Logistics

companies currently reported to be considering a relocation of manufacturing activities out of the UK to other EU countries are actually doing so because of fears over the potential impact of Brexit.

“There is a view that some companies are in fact using Brexit as an excuse to justify a relocation of production capacity to one of the lower-cost countries elsewhere in the EU, which they wanted to do anyway,” he suggested.

Modpack’s Hooper also highlighted another positive aspect of the Brexit situation in relation to industrial plant relocation business – the boost to UK exports and related manufacturing activity resulting from the fall in the value of Sterling against many other currencies following the country’s vote to leave the EU.

“It is possible Brexit is generating some increase in plant and equipment being relocated from the UK to other EU countries, but we are currently seeing assets moving in both directions with companies also relocating to, or investing in, the UK,” he commented.

“With the lower value of the