



Down Under Company Scoops Up Equipment Deals

by Libby Maurer

Why an Australian manufacturer shipped two used machines from the U.S.

You've just invested in a piece of used equipment for your shop...in Australia. How will you get it? How long will it take? Getting component manufacturing equipment from point A to B requires coordination, expertise, time and care. The healthy offering of used equipment available in the marketplace means machines are being relocated to new places all over the U.S. and Canada, and sometimes even overseas! The U.S. housing downturn and recession means this equipment is not only readily available to manufacturers overseas, but the costs involved in the process have come down significantly.

Wonthaggi, Australia is a coastal town less than two hours' drive from Melbourne on the southeastern tip of the continent. It is home to Capeview Building Products, a manufacturer of roof and floor trusses and wall frames. The company recently bought two pieces of used equipment from 84 Components in Tampa, Florida and Knoxville, Tennessee. Wood Truss Systems, Inc., facilitated by Jay Halteman, brokered the deal.



Mark Warren, General Manager of Capeview, located the equipment on Halteman's website and saw exactly what he wanted. Warren said a combination of a growing market and fierce regional competition spurred an overhaul of the company's production operation. "This equipment is the next step in terms of automation for us. We needed something to increase our per-man production output," he said.

Trifecta of Conditions Increases Buying Power of American Goods

Rock bottom machine prices, affordable overseas freight and favorable exchange rates have made transporting used equipment to Australia, New Zealand and even South Africa more feasible. "It's a substantial savings when you consider all three things," Halteman said. In addition to more than 100 U.S.-Canada transactions, Wood Truss Systems has executed 14 overseas transactions to Eastern Europe, parts of Asia, South America, South Africa and Australia.

"Unfortunately there's a lot of late model used equipment available for sometimes as low as 50 cents on the [U.S.] dollar," Halteman said. Simply put, shop closures attributed to the downturn/recession starting in 2008 have flooded the used equipment market, driving down the value of machines that were once selling for nearly twice what they are now.

Second, the U.S. dollar is not as strong as it once was against international currency. Because of this, manufacturers overseas are enjoying more buying power with their currency. As of this writing, the Australian dollar is worth .91 American dollars. That means an Australian company buying a \$1 million used machine today pays just \$1,100,000, whereas the same transaction would have cost 10-25 percent more several years ago. Companies in New Zealand, South Africa and Canada face a similar currency advantage.

When shipping goods overseas, freight charges often amount to a substantial portion of transaction's cost. Substantial enough, according to Halteman, to be a deal breaker for some companies. But the decline in international trade has made shipping far more affordable recently. "Fewer shipments around the world have brought the cost of freight down quite a bit," said Halteman, estimating shipping fees have dropped 20-30 percent from a year ago.

Warren said unlike the current state of the U.S. market, Australia's homebuilding industry has remained very strong. "We've had no downturn to speak of. We've had continued growth each year," he said, noting his company has about six solid weeks of work on the books.

"We've definitely taken advantage of selling overseas. There are some very viable companies who have opportunities for new business that we don't have in the U.S.," said Frank Kelcha, division controller for 84 Components. "The sale of this equipment benefits us by getting some cash flow back into our company." Kelcha says 84 has also sold equipment from closed facilities to operations in South Africa and Chile.

Off to Sea

Curious about what happens when an exchange of goods goes international? Halteman says the multitude of arrangements and paperwork are required to meet international shipping regulations are quite extensive. However, the process



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happens remarkably efficiently.

In March, Halteman and Warren struck a deal, agreeing to a "door to door rate:" the selling price plus the total cost of loading and freight from the equipment's origination point to delivery at Capeview's facility. "Door to door is the most common way of writing a deal because the buyer doesn't have to worry about transporting the equipment at all," said Halteman. Capeview purchased a trackless gantry system being stored disassembled at an 84 location in Atlanta. (The system originated from an 84 shop in Gibsonton, Florida.) The machine was packed into five shipping crates. The company also bought a trackless floor truss machine from a closed 84 plant in Knoxville, which needed to be broken down and was

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packed into just one crate.

While domestic machines can be moved via truck or rail, overseas shipments have very strict packaging, loading and transport regulations. It is often wise or even necessary to contract with a shipping logistics company to ensure that the proper protocol is followed. The need for an export license, a government-issued license required to send certain items to foreign countries, is another good reason to use an exporter. Excluding shipments from the U.S. to Canada or Mexico (thanks to NAFTA), most overseas equipment shipments require an export license. In this case, Halteman brokered with an exporting company called CEVA Logistics to coordinate the overseas freight. CEVA helped Halteman coordinate ship dates, prepare paperwork, and provided the appropriate shipping containers. "A company shipping on their own will have to do a lot of legwork. I wouldn't want to risk getting fined for not following protocol," Halteman explained.

CEVA sent trucks with shipping containers to Atlanta and Knoxville. The seller is usually responsible for packing the machines in them. "A company like 84 will take a look at the dimensions of the machine and weight limitation of each crate. It takes quite a bit of coordination to do that," he says. The typical container size for this kind of equipment is 40'; 20' containers are occasionally used for overflow materials. As soon as the crates are sealed, the truck leaves for port.

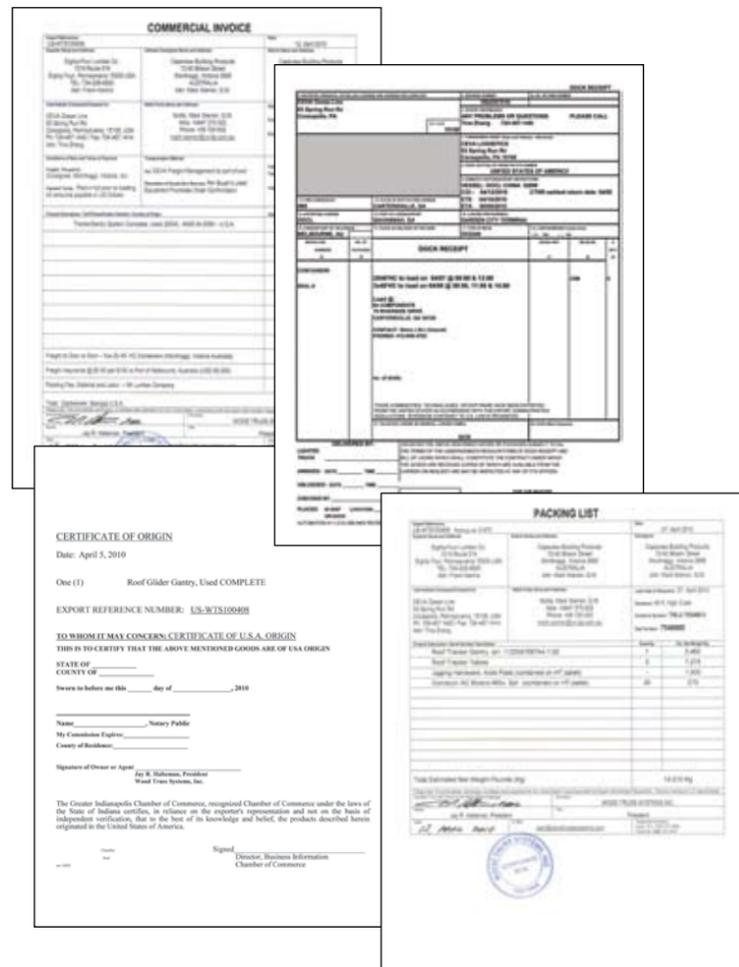
Post-911 Precautions

In a post-911 era, more restrictions on containers have been enforced. For instance, when a container arrives at the originating location, it must be filled within a two-hour window. A representative of the shipping company monitors the process.

"That container can't sit overnight. The idea is it's more secure to have a time limit. The longer it sits, the greater potential for someone to put something bad in it," says Halteman. He says containers don't sit idle at port either. "They're on the move the whole time."

Before the ship leaves port, several pieces of documentation must be in order: a certificate of origin (certifying that the machine(s) are of U.S. origin); a commercial invoice outlining the items purchased, their sale prices and documentation of freight insurance; and a packing list detailing all items, their weights, and counts for each container. A critical part of this process is assigning a harmonized tariff number (HTN) to the goods. The Harmonized Commodity Description and Coding System is a method for classifying internationally traded products. Tariffs are assessed on a product's

HTN. Every product traded in the world is given an HTN. CEVA helped Halteman organize this paperwork, and then he turned it over to them for processing.



Halteman received notification when the ships left the U.S. port. Ocean transport to Australia takes roughly six weeks. On the other end, Capeview received notification when the ship was about a week from reaching port.

Warren said when the containers arrived in Melbourne, customs agents inspected each of the six containers, which meant unloading the contents of each one. They were then inspected for pests and contraband. Capeview was charged for unpacking and repacking the containers. "But other than that, getting it here was very simple. Nothing was damaged in shipping," said Warren. Finally, Capeview was assessed a tax for the incoming goods using the HTN.

In terms of installing its new machines, Capeview relied on instructions from the original equipment manufacturer. 84 went out of their way to accommodate Capeview, generously providing them with extra manuals and jiggling hardware. "These machines have completely transformed our operation. They allow us to increase through-put by two-thirds.

Small Industry, Big Economic Impact

Interesting as it is to follow the path of such specialized equipment moving from one side of the world to the other, perhaps even more interesting is that the weak U.S. housing market has made it possible for an Australian company to make upgrades. "This is an example of how the changing U.S. economy affected even our small industry around the world," Halteman said.

Even though shutting down an operation and liquidating its assets is an unpleasant part of doing business, 84 made the best of it. "They have squared their shoulders and been extremely conscientious," Halteman commented. Kelcha said, "We all wish the industry was stronger right now." But, he added, "We're fortunate that there are livelier markets out there to buy this equipment." And although they've not met in person, Warren says the same about Wood Truss Systems. "I can't speak highly enough of them," he said. "I never saw the equipment...even though it came from the other side of the world." **SBC**

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