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Breakdown -has hidden costs.

It's a story familiar enough to make grown men and women cry. A truck breaks down, and the load is ruined. I saw a load of lettuce coming east from California after 10 hours in the desert sun (after the reefer quit). Pretty disgusting. Even the rabbits weren't interested!

That's half of the story for customers. Another truck had a load of colorant for plastic (a plastic resin containing concentrated color mixed with the plastic pellets for injection molding of colored products). This truck had a minor failure that resulted in a roadside breakdown.

Unfortunately, the driver was in a dead cell area. He used CB relays to get word to a repair facility. His JIT (Just-in-time, where you have to deliver a component of a product at a specific time) window closed, and the missing shipment shut the manufacturing process down. The problem for the shipper was that it was the first shipment of a \$40 million contract for a new customer in a new industry. Ouch!

Breakdowns are not only not okay, but they also cost way above the repair costs. In some industries, the 'other' costs are 10-100 times greater than the repair costs. The costs of a breakdown could be considered like an iceberg. Above the water line are the repair costs, including parts, labor, and outside vendors.

The 'other' costs are below the water line (90% of the iceberg). Here is a mental exercise. Take the last few breakdowns and make some educated guesses. If you do, you may be surprised.

Cost of Breakdown What is the total cost for a couple of recent breakdowns?

#### ITEM

### COSTS FOR BREAKDOWNS

- □ Operator or driver (crew) idle time
- □ Cost of lost production or lost revenue from having the unit out of service.
- □ Rental of replacement capacity
- □ Extra travel time for mechanic
- Extra repair time due to field conditions
- □ Cost of disruption to other activity that is left
- Extra costs due to core damage
- Extra damage to associated parts
- □ Extra costs of outside vendor parts and labor
- □ Spoilage of product
- □ Customer delay penalties
- □ Refunds of shipping costs
- □ Loss of goodwill
- □ Cost of overhead related to the original assignment
- □ Impact of disruption on morale

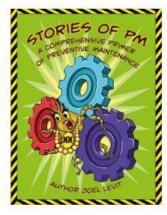
Total costs associated with the breakdown:

The amount of money can be staggering. A chart like this is one of the best arguments to improve the PM effort, buy a computerized PM system, or get training for your shop employees.

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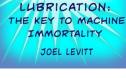
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