



Crane Service

BUSINESS PLAN

CHESTERFIELD CRANE SERVICES

9055 S. Main,
Moroco, ID 48181

August 2, 1993

Chesterfield Crane Service is seeking a capital infusion in order to expand its operation. It intends to increase its workload by adding a 50-ton capacity crane to its equipment line. The following plan provides an example of a business plan used to substantiate the need for additional equipment .

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PURPOSE/OBJECTIVE

This is a request for a \$200,000 loan (SBA guaranteed if required). The purpose is to expand CHESTERFIELD CRANE SERVICES which has been in business since August 1989 serving hoisting needs with an 18 ton capacity crane.

The loan proceeds will be used for:

- Acquisition of a 50 ton crane (model TMS 475 50 ton Grove Hydraulic Crane),
- Approximately 4 months of working capital to place it in service and penetrate the higher hoisting capacity market serviced by 50 ton cranes.

This acquisition of a 50 ton crane, added to the current capacity of the company's existing 18 ton crane, is intended to take advantage of additional work frequently requested by customers who have the need for both 18 and 50 ton crane capacity to meet their job requirements. Having a variety of cranes opens a new market of customers who frequently use cranes and desire to use one company for all of their hoisting needs. The second crane will also bring in additional work for the currently owned 18 ton crane. The capacities of both an 18 ton and a 50 ton crane will enable the company to serve up to 80% of the hoisting market in the geographic region that the company serves.



BUSINESS BACKGROUND

Owner Background

Mr. Louis W. Chesterfield has been in the crane business since April 1979, starting out as an apprentice crane operator whose duties included crane operating, maintenance, job acquisition and coordination, and account collection for a Northern Idaho steel company, C. C. Iron Company. Mr. Chesterfield joined the union, went through the apprenticeship program and obtained union journeyman crane operator status while at C. C. Iron Company operating this steel company's 18 ton crane and 18 to 45 ton cranes which the company bare leased (leased without an operator). In 1988, Mr. Chesterfield achieved journeyman 10 year status with the union. Ten year status meant that either he was able to solicit his own work or interested companies could call for his services directly without picking the next available person in rotation from the list in the union hall. In 1989, Mr. Chesterfield then moved on to journeyman crane operator with Pikel Crane Services—Northwest Rigging, in Boise, Idaho (an affiliate company of Pikel Financial Corporation), the largest crane service company in the Northwest, operating 18 to 80 ton cranes, and then started CHESTERFIELD CRANE SERVICES on August 1, 1989 with the acquisition of an 18 ton crane. (A resume of Louis W. Chesterfield has been prepared and is available upon request.)

Start-Up, History and Management of Chesterfield Crane Services

In August 1989, CHESTERFIELD CRANE SERVICES commenced operations as a sole proprietorship upon the acquisition of an 18 ton TMS 180 Grov Hydraulic crane.

Management

Management responsibility for the company, both financially and day to day operations, rests with Mr. Louis Chesterfield. (See Owner Background above.)

For day to day bookkeeping requirements, the Company utilizes Wellborn Bookkeeping Services of Boise, Idaho. Further accounting and tax matters are handled through the Accounting Office of Sarah Thomas, CPA, 555 Maria St., Boise, Idaho 89448, phone (555)577-1999. Legal counsel for the Company is Bob L. Meyer, 372 East 2nd Street, Boise, Idaho, 89702, phone (555)572-8079. CHESTERFIELD CRANE SERVICES provides, at hourly rates, a compact crane, a professional operator, and any associated services needed to fulfill the hoisting requirements of the job.

Currently, Mr. Chesterfield is the sole operator. Upon acquisition of a second crane, it is anticipated that Mr. Chesterfield will be the primary crane operator over 90% of the time. When jobs dictate the utilization of both cranes simultaneously, an additional experienced 10 year status journeyman union crane operator will be retained from the union hall on an hourly basis. At this time such additional hourly personnel are paid at the rate of \$33.00 per hour (includes wage and union fringe benefits). The crane operator's time is directly related to time that the crane is on the job and on the billing meter.

Except for major engine and major hydraulic repairs, Mr. Chesterfield performs all mechanical, maintenance, and crane repairs.

Initially, presently, and in the foreseeable future, the company services all of Idaho including Boise and surrounding areas.

In addition to steel erection and general hoisting, specialty services include crane services utilized in commercial construction, public works construction, highway construction, heavy equipment installation and removal for the mining and manufacturing industries, custom housing, residential and commercial roof and truss installation, and log home erection.

Initially, the success of CHESTERFIELD CRANE SERVICES was based on three factors:

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BUSINESS DESCRIPTION

- Mr. Chesterfield's established reputation and experience as one of the most competent crane operators in the local area for competence, safety practices, reliability, dependability, and cost effectiveness in performing jobs.
- Customer service.
- The niche filled by a small 18 ton crane.

The competence and customer service factors are closely related. Providing timely job estimates and bids are a standard necessity to success in the construction field. But CHESTERFIELD CRANE goes a step further in customer service by providing free preliminary job site checks.

The job site check is, in part, defining the hoists required by the job (loads, placement, distances, heights, crane placement site, crane rigging requirements, load placement methods, and safety considerations). This phase of the job site check is defining, with the customer, what the crane will be doing and how. The next phase of the job site check is defining with the customer the planning and coordination of the customer's resources needed to efficiently work in conjunction with the crane. This includes the scheduling of the customer's equipment, material deliveries, and labor, and their tasks to be performed upon arrival of the crane. Having all of these matters discussed, planned, and coordinated before-hand through the preliminary job site check results in efficient all around job performance for the customer by avoiding costly delay and stand by time of labor, trucked deliveries, and crane services.

Because the preliminary job site checks result in all around cost efficient job performance for the customer, CHESTERFIELD CRANE obtains a substantial amount of repeat business. In comparison, much of the competition simply take a call, and dispatch a crane to the job site to encounter whatever coordinated, or uncoordinated, conditions exist at the job site, billing all of the crane's time, whether it be actual hoisting time or stand-by time. Through that extra step of customer service in providing the preliminary job site checks, the customer base of CHESTERFIELD CRANE SERVICES has come to appreciate that more work gets done in less time with CHESTERFIELD CRANE.

Unmet Needs Operating Current Niche

The Company's reputation has resulted not only in steady repeat business for 18 ton capacity crane services, but has also resulted in consistent customer demand for the Company to provide 50 ton capacity crane services. One common example occurred in November 1991 on the construction of the new Idaho State Library project in Boise Idaho. CHESTERFIELD CRANE SERVICES was on this job at one point hoisting steel for a subcontractor, Garth Iron Works, utilizing the current 18 ton crane. Later, the general contractor for the project, Owen Construction, having earlier observed CHESTERFIELD CRANE'S performance in steel erection for Garth Iron and being impressed with the performance they saw, requested CHESTERFIELD CRANE'S services to finish the general hoisting needs on the job including roofing materials. These needs, however, all required load and reach capacities of a 50 ton crane and were beyond the capacity of CHESTERFIELD CRANE SERVICES' currently owned 18 toncrane. CHESTERFIELD CRANE SERVICES is on many of the larger projects utilizing its currently owned 18 ton crane but frequently in the position of having to refuse work on these same projects requiring 50 ton crane capacity. Reference is made to the Market and Forecast sections for further analysis of the amount and dollar volume of 50 ton crane capacity needs for CHESTERFIELD CRANE to service.



BUSINESS OBJECTIVES AND GOALS

Immediate goals

- To continue to maintain and improve service and revenue based upon the company's existing niche in the compact crane category with existing equipment — 18 ton crane work.
- To generate additional revenue and profit by moving into the next higher niche served by the medium-high hydraulic crane category utilizing a 50 ton crane.
- To attain the equipment mix (a small compact 18 ton crane and a medium 50 ton crane) to enable the company to obtain both the light and medium hoisting work common on most construction projects.

Expected Results

These goals should result, within 2 years, of a doubling of income and net profit without the need for incurring additional full time personnel costs.

Intermediate goals

- To further increase market share, revenue, and net profit in hoisting services in the 18- to 50-ton crane capacity market.
- To further increase revenue and net profit from by 12% by 12/31/96.
- To add office staff, yard operations, equipment, and crane operators as hoisting demand and profit levels dictate.

Expected Results

To be a hoisting services company with a mix of 3 to 5 cranes, employing 2 to 4 competent crane operators, able to handle 90% (all but the largest projects requiring heavy capacity cranes) of the hoisting work within a 150 mile radius of Boise, Idaho, with a \$150,000 cash reserve for contingencies, generating gross annual revenues of at least \$500,000 and net profits of at least \$100,000.

The long term (10 years) goals are to become a medium sized company, generating \$2,500,000 in annual revenue, \$500,000 annual profit, 7 to 10 cranes of various capacities with the ability to handle 80% of the market's hoisting needs, with 7 to 15 employees.

THE MARKET AND THE COMPETITION

Perspective/Overview

The crane business, as a whole, operates with hoisting capacities of 8 to 300 tons, and boom (reaching) capacities of 30 feet to in excess of 300 feet.

8 to 15 ton cranes generally service hoisting requirements for heating and air conditioning units, wood trusses for housing, and other general, small, light duty work.

18 to 25 ton cranes generally service general hoisting needs such as trusses, custom homes, smaller commercial, material unloading from trucks, and setting concrete barrier rails for highway construction. These cranes have a higher capacity than the smaller cranes, but are still compact and mobile enough to operate in tight working spaces common on most construction sites. They set up fast and transport quickly from the home base site to the job site. That is important to the contractor customers because they are charged from the time the crane leaves its base site to its return, portal to portal.



30 to 50 ton cranes are used for situations requiring a longer reach. These cranes are usually on the job site for longer periods of time and perform heavier hoists, placed higher and further out from the crane's center of gravity. For example, most steel erection requires crane hoists of several different sizes and weights of steel beams from inventory stacks of beams placed on the ground at various locations on the job site and placed into various parts of the building as it is constructed with the crane remaining in a fixed location.

Cranes of 80 ton capacity and over are used for very heavy hoisting needs such as concrete tilt-up building construction, high rise steel construction, train derailments, drag line and clam shell work.

Equipment Mix

As demonstrated in the Boise State Library job above (in the Business Background, Niche section), many construction projects require various hoisting capacities. Thus most hoisting companies in the market have a mix of cranes to be able to capture all of the hoisting work required on any given project.

Cranes are used in all phases of the building project lifting main structural members, materials for all trades, setting machinery, setting rooftop heating and air conditioning units. The weight of the object to be lifted and the distance from the crane that the object will be placed, determine what size crane is needed to do the job.

The Competition

Described below are the 5 primary competitors in this geographic area within a 150 mile radius of Boise, Idaho.

Pikel Crane and Rigging

Mr. Chesterfield worked for Pikel as a crane operator, truck driver, and oiler from 1/15/89 to 7/1/89. Pikel Crane is very large, owning close to 200 cranes and a trucking company, with offices in Boise, Meredith, and Gella. In the Northern Idaho area, they primarily serve a 150 mile radius with approximately 20 cranes with 10 to 300 ton capacities. David Sheldon is Pikel Crane's Boise office manager and salesman. Pikel Crane is very professional due to the union operators they utilize — some having 40 years experience. These are the top crane operators which customers want. Pikel Crane feels that they have a monopoly and treat customers as such. Adding costs after the crane is on the job is very common. Most commercial construction is union, so being union brings them these jobs. Having union wages brings them the top operators.

Stansell Construction

This company is owned by Harry Stansell. Stansell does some work in Boise, but primarily does non-union commercial jobs in Smithson, Idaho. Harry's son, Mike Stansell, handles the equipment for the company. Stansell has cranes from 12 ton to 150 tons primarily used for their own construction needs. Stansell is also in the crane rental business. Being non-union eliminates a large part of the market from them. Further, paying low wages for operators gets them inexperienced operators that scare off a lot of customers. In addition, non-union contractors do not want to use Stansell's crane services because Stansell, also being a general non-union contractor, is in direct competition with their potential crane rental customers. These rental customers are also non-union general contractors engaging in commercial construction. Stansell's main crane rental customers are the mining industry, Capital Power Company, subcontractors who primarily install heating units, and truss companies.

Falbo Crane

The owner of this company is Bob Falbo with his main office in Meredith, Idaho. His son, Tony Falbo, operates the Reno office. The Meredith office operates on very little overhead. Falbo Crane's Meredith operations have 3 cranes ranging from 18 to 30 tons. They employ 1 union operator. Tony does not operate the



cranes. They are a very low key outfit with a few regular customers. They do not try to get much work beyond their regular customers. Falbo Crane appears to specialize in machinery moving and millwright work—the placing of boilers and heavy piping. Mr. Chesterfield has operated Falbo Crane's rigs on a bare rental basis during his employment with C. C. Iron.

A & BC Crane

This company is competitive in both union and non-union jobs. This company, out of Sparks, Idaho, is owned by Bob James and son Chris James. They, in my opinion, aggressively engage in "cut-throat" competitive practices. This firm started in 1983 or 1984 with one 25 ton crane and now operate four cranes ranging in capacity from 8 to 80 ton capacities.

Calamari Crane

Owner is Craig Blewski who has one 18 ton crane that he bare leases.

The Market

One of Chesterfield Crane Service's main customers, Slovum Steel, (formerly C.C. Iron) employed Mr. Chesterfield for 11 years. Jim Slovum, the owner of this company, gave Mr. Chesterfield a chance to start CHESTERFIELD CRANE by giving him his current 18 ton crane in the good faith expectation that he would be paid \$35,000 after CHESTERFIELD CRANE got established and financing was obtained.

His goal was to help a former employee start what he felt was a needed service for him and other businesses in the area. Chesterfield Crane Service is the first to be called when they need 18 ton crane hoisting services. In addition, Blue Mountain Steel does a lot of commercial construction requiring 50 ton crane capacity. Because of their close relationship, Chesterfield Crane Services will continue to have the opportunity to provide Blue Mountain Steel's hoisting needs. A chart of the opportunities lost in 1991 due to Chesterfield Crane Services lacking 50 ton crane capacity for this single company has been prepared and is available upon request.

Confidential

In addition, a personal friend of Mr. Chesterfield's, a sales manager in Boise, allowed him to review his crane rental sales for the 4th quarter 1991. His support and thoughts towards CHESTERFIELD CRANE expanding into the 50 ton capacity class were positive and unexpected. When Mr. Chesterfield first met this individual, he was a salesman for American Equipment in Meredith. American Equipment is a Grove Crane dealer and services center. They discussed effective market depreciation on the 1980 TMS 475 50 ton Grove. His thoughts were that this model is twice the crane as compared to the newer models and that the TMS 475 is likely to appreciate rather than depreciate. The company that he works for has two 50 ton Grove cranes, a 1981 Model 475, and a 1991 Model 700.

According to the 4th quarter crane rental sales for this company, 42% of total gross crane rental revenue for one quarter was derived from 50 ton crane capacity. This is in a full service crane company having a full range of crane capacity from 12 ton to 150 ton. For one quarter, this company rented its 50 ton cranes for 584 hours

This non-union company's operators are paid approximately \$11.00 per hour. This appears to be the major factor in their ability to charge only \$125 per hour for their 50 ton crane services. Slovum Steel purchases 50 ton crane services for \$150 per hour. Currently, Pikel Crane of Reno charges their 50 ton cranes out at \$150 per hour. CHESTERFIELD CRANE SERVICES should remain competitive in this market charging \$125 to \$150 per hour for 50 ton crane capacity. Charts have been created outlining the above figures and are available upon request.

The financial forecasts herein are based upon CHESTERFIELD CRANE SERVICES charging \$135 per hour for 50 ton crane capacity.



CHESTERFIELD CRANE SERVICES will be an effective competitor in the 50 ton capacity crane market. Even with the additional loan costs, overhead will remain contained such that the Company still has the pricing flexibility to charge between the lowest, \$125 per hour, and the highest, \$150 per hour, rates in the market. Immediate further business from Slovum Steel is highly likely due to the close business relationship that exists. Additional workload will come from accounts established over the last three years due to this Company's reputation. Mr. Chesterfield also has family members in the steel business (Chris Bennett, superintendent; Scott Bennett, general manager; Tom Bennett, structural steel erection foreman; Ray Bennett, foreman). These family members have at various times worked for steel companies such as Marvin Iron Works (Boise, Idaho). This relationship allowed the reputation of CHESTERFIELD CRANE SERVICES to spread quickly and created the opportunity for Mr. Chesterfield to provide hoisting services to Marvin Iron Works. Other foremen he has worked with over the years while at C.C. Iron are spread throughout other steel companies in the area. Those who contacted Mr. Chesterfield show interest in CHESTERFIELD CRANE obtaining larger cranes. In the past two and a half years CHESTERFIELD CRANE was not awarded larger jobs due to the lack of 50 ton capacity. This customer base will be personally contacted and informed that this Company can now handle those needs. Further, these customers and the size and amount of their hoisting needs are growing.

Additional advertising includes the yellow pages, promotional hats, plastic telephone book covers, and ads in the Boise Builder. Business is conducted in a professional manner as thorough attention is paid to customer service through job site checks. Cranes and trucks are always clean, sharply painted, and professionally lettered. All of this has led to strong first impressions backed up by cost efficient and safe performance. This company will continue to be successful operating in Idaho, a state that is rapidly growing in terms of business and construction. These factors, tied together, require crane services with a variety of capacities and thus makes the purchase of larger cranes essential to stay competitive.

EXPANSION

As CHESTERFIELD CRANE grows and expands, its operational needs will also expand. Additional yard space and shop size will be needed along with additional equipment and staff (crane operators, mechanics, office help). These additions will be added gradually as needed and business dictates. The same customer service factors that Mr. Chesterfield believes in will have to be shared by his employees. This is very important because these beliefs and values are what established CHESTERFIELD CRANE and made it successful and in demand. Safety, basic crane operation principles, and the job at hand must be priority in their minds at all times.

FINANCIAL DOCUMENTS

The following information regarding CHESTERFIELD CRANE SERVICES has been prepared and is available upon request:

- Statement of Sources and Uses of Funds
- Projected Income and Cash Flow Statements for worst, middle and best case scenarios
- Actual Income Statements
- Financial information for the past three years, including balance sheets, statements of income and verification of such numbers.
- Tax returns for the last three years.
- Appraisal on home.
- Letters of intent from colleagues.
- Photographs of an 18-ton crane.