

Natural and Man-made Disasters

The Role of the Rental Industry



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Introduction

Business continuity and emergency planning is taking on a new urgency with the economic and human costs of the 2005 hurricane season just beginning to be understood. The equipment rental industry has an important role to play in the planning for, and recovery from, natural and man-made disasters. Government entities and corporations of all sizes can benefit from integrating rental equipment and contractor supplies with their disaster planning initiatives.

The 2005 hurricane season exposed the limitations of reacting after the fact to a disaster that is clearly beyond the scope of the rental industry to address on its own. But the rental industry must continue and improve its efforts to be a major component of the emergency response mechanism, for altruistic as well as commercial reasons. The rental industry can, to a certain extent, anticipate customer needs for likely scenarios, but the customer has to commit to disaster and contingency planning— so that the rental industry can inventory, stage and deliver needed equipment and contractor supplies according to the type of disasters being contemplated. At United Rentals, Inc., we are working to refine processes to prepare for emergencies, drive awareness for the need to prepare in advance, develop partnerships with first responders, including training, logistics and deployment – so that we have the ability to react when the unforeseen becomes reality.

Hurricanes and weather-related emergencies are statistically predictable events, although their severity and exact areas impacted can vary widely from season to season. Such general predictability enables the creation and maintenance of an emergency response plan by the rental equipment industry (especially within larger entities) to mitigate the personal and business costs of emergencies.

Earthquakes, mudslides, forest fires and brush fires, more typical of the West Coast, while not as predictable as weather on the East Coast, together occur with enough frequency to also enable disaster planning for business.

Terrorism adds a new dimension in disaster and relief planning, including unknown risk of environmental contamination. Much of the planning, equipment/ contractor supplies pre-positioning and communications infrastructure described in this paper are applicable to government and business response to terrorism, as these events often include the need for replacement/rental equipment and contractor supplies to restore essential services and ensure the safety of the general public.

Typically, storms on the Eastern Seaboard and Gulf Coast create disruption of utility services to businesses and consumers, causing them to seek alternative energy supplies. The most usual case is short-term outages of power, water and/or landline phone services, and often these disruptions are more a nuisance than a disaster. Nevertheless, even short-term power outages cause harm to businesses and discomfort to consumers. Preparedness for the expected events

The National Accounts Service Center operates around the clock to coordinate the movement of equipment, supplies and information.



can benefit all affected, and with such systems in place, the rental industry can more effectively and rapidly respond to life-threatening disasters such as two-thousand five's Hurricane Katrina. The process of thinking through potential disruptions of needed resources, and working toward preparedness itself, creates a self-fulfilling prophecy – if you're ready, you're ready. Impacts on your business, employees and customers will be minimized. And, if you haven't thought through these eventualities, you're not prepared and impacts will be greater. A simple example – if your facilities are in the Southeast, should they be pre-wired to accept generator power, even if a generator is not permanently installed onsite? This simple and low-cost preparedness step could save precious time if power is disrupted to your buildings.

United Rentals has established best practice procedures and allocated resources to help it respond to emergencies on a national and local basis. At the core of the company's emergency response process is our state-of-the-art National Accounts Service Center, located in Shelton, Conn., which operates round-the-clock, with systems and staffing recently expanded to make United Rentals' emergency response even more robust.

The service center's bilingual staff coordinates the movement of rental equipment, contractor supplies and related information, for example, providing dispatch and contents tracking for everything in motion between the more than 740 United Rentals branches, regional contractor supplies warehouses, suppliers and customers via United Rentals' Intranet – making mass communication available in real time. In a major disaster, just the logistics of getting the right products to those with urgent needs is a major priority.

Out in the field, branches coordinate among each other and regionally, using a permanent teleconference arrangement. Local branches first ensure their own ability to operate, and then quickly move to assess local requirements and bring in needed resources for the community around them. Throughout North America, United Rentals contractor supplies distribution centers carry inventory to support our core business and adjust inventory levels in anticipation of seasonal weather trends, making for quicker response to branch and customer requests.

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A Five-Level Hierarchy of Needs

In reviewing the emergency response needs of municipalities, utilities, business and consumers, United Rentals has developed a “hierarchy of needs” that relates to the response of the rental industry to disruptive events. They are:

Level I – Worker protection

Provide protection for emergency, utility and construction workers. First responders need to be protected from injury, so they do not add to the stress of the relief infrastructure. Basic contractor supplies including hard hats, gloves, respirators and dust masks, protective eyewear, outerwear, boots, etc. are needed. The individual needs will vary depending on the type of event and climate; inventory can be pre-positioned based on geography and likelihood of particular events.

Level II – Traffic control and transport

Most disasters affect surface transportation systems, to a greater or lesser extent. Roads become impassable, new routes must be established, rail and other transportation infrastructure must be closed and traffic re-routed. Traffic control technologies, signage and barriers are needed immediately to cordon off unsafe areas and provide alternative routes, where possible. Transportation must also be provided to bring workers to affected areas, and in dire circumstances, to evacuate citizens. Hurricane Katrina demonstrated the extreme case for transportation needs, with citizens evacuated to shelters stretched to capacity, foodstuffs and supplies not reaching needy areas and workers and volunteers unable to reach the most severely affected areas.

Level III – Provide support, contractor supplies and tools for relief and rescue

With rescue/relief workers properly outfitted, affected urban/suburban areas cordoned off and transportation in place for evacuation, relief foodstuffs and workers, the next level needs are for support, contractor supplies and tools to equip and feed teams providing relief and rescue services. Specific items including ladders, ropes, hand tools, dumpsters, gasoline and diesel fuel, chain saws, pumps, generators, lighting, portable heaters, water, food, first aid, and more are needed for the workers to do their jobs – and the requisite items vary widely with the type of emergency being responded to. During most disasters, these items are not very far away, but must be transported to the workers onsite in an organized manner and be available as needed. Hurricane Katrina stressed supply lines as its path of devastation was so wide and deep – and its impact on state and local agencies so great that they were rendered unable to respond. Interestingly, certain parties (notably journalists) were able to move throughout most of New Orleans after the levees failed...so too, could rental company delivery vehicles if they are unaffected by the disaster or brought in from surrounding areas. A blanket letter secured from Department of Homeland Security, FEMA, state police, U.S. military and other authorities would enable rental company vehicles to operate in emergency zones with greater freedom and effectiveness.

In addition to maintaining inventories and pre-positioning goods in advance of need, the rental industry must work its supply chain.



Level IV – Capital equipment to move mountains and save lives

Construction equipment, including bulldozers, dump trucks, loaders, rough-terrain forklifts, generators, pumps, light towers and more are needed to facilitate recovery and rescue operations. In addition, specialty devices, such as diamond-blade chain saws and hydraulic circular saws, may need to be airlifted in to support mass casualty situations. Some needs cannot be anticipated in advance, and rental companies are among the first to get calls for the “unusual but needed urgently.” In addition to maintaining an inventory of capital goods and pre-positioning goods of all kinds in advance of need, the rental industry must work its supply chain. Its leaders must maintain relationships with a wide range of potential suppliers, develop supplier information resources and put procedures in place that provide managers with the ability to quickly make financial commitments so that needed goods can be sourced and delivered rapidly.

Level V – Information

Again, Hurricane Katrina has proven instructive. Information breakdowns affected the early FEMA rescue and relief efforts. Interestingly, consumer-generated media in the form of blogs often provided the best information as to where people were, what they needed, and which neighborhoods were wet or dry, and which were intact or devastated. For the rental industry, knowing what inventory is available, what is needed, and how quickly needs can be matched to resources is a primary requirement. In addition, procedures are needed to ensure effective communication within the rental company (among its many people, branches, contractor supplies distribution centers and corporate headquarters) as well as with its customers. An operations center, expertly staffed and open 24-hours, is essential to understanding the gravity and scope of a disaster, gathering customer requirements and providing information on availability and deliveries. Moving forward, modeling of the disasters likely to be faced in each region and the best way to supply needed goods and services enable the rental industry and its government and industry partners to be more effective in preparation for, and response to, disasters of all kinds.

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Disaster Preparedness and the Community

On a local and regional basis, rental equipment and contractor supplies can mean the difference between a coordinated and rapid response to disaster, or an inefficient effort that places undue risk on first responders while limiting the effectiveness of rescue and restoration services. By building working relationships with the organizations, utilities and governments that manage response to disaster, the rental industry can be a catalyst for superior results – which often can be counted in lives saved.

United Rentals is an active participant within Florida Power & Light's power restoration planning and operations processes. Each year, FPL has a "storm dry run," during which thousands of FPL employees practice procedures and simulate the stresses on people and infrastructure – and communications with United Rentals is an integral part of that initiative. According to Jaime C. Holland, sourcing specialist at the FPL Group, "It is an operational relationship with strategic significance. There are everyday needs for support of our construction and maintenance operations, and then, when disaster strikes, the close working relationship we've developed yields important benefits. During storm restoration, that's where you really appreciate the value of the way we work together."

The commercial relationship between the companies is carried out on two bases – normal and storm operations. And, being in Florida, the storm contracts are used frequently. "We selected United Rentals to provide most, if not all, of our rental equipment for staging sites, which are key to the restoration of power. For a major storm, such as Hurricane Wilma, we can have as many as 20 staging sites that must be ready as soon as a storm passes to receive, supply and support as many as 800 trucks each, and they must be immediately made safe and productive. We use rental signage to identify sites to crews, forklifts and pallet jacks to load and unload trucks, and lights, generators, signage and fencing to make a site safe and secure. Before United Rentals, we would have to meet our requirements from a number of suppliers, none of which could supply all of our needs. A key differential is United Rentals' depth and bandwidth – speed of response is critical to the public – they measure us by how fast we can get the lights on and get things back to normal."

United Rentals works closely with Oregon's Tualatin Valley Fire & Rescue to enhance the department's ability to respond to accidents, fires and natural disasters. A friendship between a United Rentals branch manager and a Community Services employee turned into a symbiotic relationship that has advanced the lifesaving capability of TVF&R, while adding a valued and ongoing client relationship for United Rentals.

According to Mike Duyck, battalion chief at Tualatin Valley Fire & Rescue, "United Rentals set up training exercises that have allowed us, through some trial and error, to figure out which tools have the best applicability to common rescue operations. This type of exercise has influenced not only our department, but the

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for at least 14 days.**

industry has moved to use tools in much the same way that we innovated.

“For example, a Sawzall® can be very handy in vehicle extrication. United Rentals had a heavy duty blade for the Sawzall that worked well and held up longer than other blades. Other fire departments starting using them, and now there is a fire and rescue version of the blade. Diamond chain saws and diamond blades for circular saws also have great applicability. We can keep a frequently-used tool, such as the diamond-bladed chain saw on our trucks and augment our capability with emergency calls to the United Rentals branch to bring needed items to a scene. In fact, we’ve developed a pre-programmed list of equipment for specific scene types. We’ll call United Rentals and ask for ‘masonry construction cache of equipment,’ and they know exactly what tools, blades and contractor supplies to bring to a scene. We even keep them on our Nextel® walkie-talkie network so we can get to them right away.

“And while our purpose is to save lives, it also helps that United Rentals is a low cost provider that passes on its unmatched purchasing power to us,” concluded Duyck. “That way, we know we are getting a great value, and are using taxpayer funds wisely.”

Business Continuity Planning Considerations

Emergency planning experts recommend that businesses in disaster-prone areas prepare to be self sufficient for at least 14 days – at home, that means having water, canned goods and the ability to maintain some control of temperature. For office-based businesses, an alternate site plan may be necessary, where all essential services to run a business are re-created (phone, computers, Internet, etc.) For other premise-based businesses, the ability to maintain operations may hinge on stand-by power generation until utility services are restored. Damage to facilities may require the hiring of contractors, who themselves will need contractor supplies, tools and support from the rental industry. Key to continuous operations during any significant interruption of utility and other services is a good business continuity plan – one that can be easily accessed and implemented when conditions warrant.

Regional utilities and the rental industry can do more to mitigate the impact of large storms. One possibility is the creation of a cooperative equipment pooling arrangement that would pre-position trucks, generators, chain saws, traffic control technology systems and more – and move them among regions according to anticipated need. Hurricane season is from June 1 to November 30, and when making landfall in the United States, primarily affect the Middle Atlantic, Southeast and Gulf Coast states. In the winter, the Northeast experiences storm-related power outages regularly. A CEPA arrangement among the utilities in these regions, in cooperation with the rental industry, could have a positive impact on restoration times by ensuring needed equipment is close by and available in sufficient quantities to meet demand.

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Outside factors, too, have an impact on the ability of government and industry to respond to disasters. A good example is the supply of generators when disaster strikes. The financial pressure on manufacturers to reduce costs means that there is very little excess inventory in the distribution system. Unexpected demand from a natural disaster can decimate stocks of needed rental equipment and contractor supplies. In response to two thousand four's hurricanes, FEMA purchased 95% of all portable generators in Florida, making it nearly impossible for consumers to find them at retail. According to the Associated Press, in 2005, residents of the Texas refinery towns hit hardest by Hurricane Rita were blocked from returning to their homes because of the danger of debris-choked streets, downed power lines and a shortage of ice and generators.

The Rental Industry is Part of the Solution

Man cannot yet control violent weather systems that threaten economic and physical hardship, but we can plan to mitigate the effects of storms on our cities, businesses and homes. Through its ability to plan and pre-position needed contractor supplies and equipment, the rental industry has a unique role to play in the recovery from disastrous events

Industry and Markets

Tool and equipment rental is currently a \$22 billion dollar industry in North America, of which our company has approximately a 12% share, leaving considerable room for growth. Furthermore, it is estimated that only 35% of construction equipment is rented in North America, compared to 60% to 80% penetration in more mature rental markets overseas. Rental industry experts project revenues of \$31 billion and 50% penetration by 2010, given a sustained recovery in private non-residential construction.

As the industry leader, United Rentals has the opportunity to grow its share of the existing market and capitalize on organic growth in demand. Our 13,500 employees serve construction and industrial customers, utilities, municipalities, homeowners and others. Today's contractors are looking for strong partners to help them capture business in a highly competitive environment. To maintain our current advantage, it is imperative that United Rentals continues to build value to customers and deliver that value in practical terms. For example, as convenience becomes increasingly important, our brand's "one-stop" reputation for rental and retail equipment, contractor supplies, emergency services, training and maintenance carries more weight than ever before.

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