

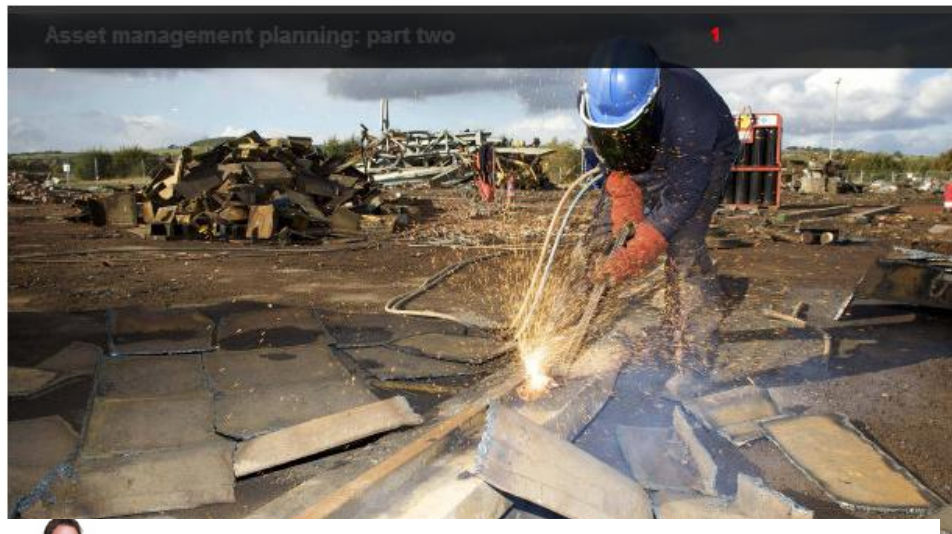
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PEOPLE & SKILLS

## Cashing in redundant assets

In this second of a two-part feature, Richard Vann continues to urge manufacturers to take a planned approach to end-of-life asset management

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15 AUG 2013 *Matthew Staff*



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It's well known that the economic downturn has forced many processing sectors to mothball, dismantle, rationalise or close down sites – with all the many implications that brings with it. In the [first part of this review](#) I explored how the proper use of feasibility studies can maximise the value of redundant assets whilst creating the safest and soundest environmental approach.

Often firms adopt a DIY approach in the belief that this will save money in the long term. But the most obvious solution is not always the best or indeed the most cost-effective. So rather than doing it in-house, businesses with redundant sites and plants should consider how specialist knowledge can make all the difference by offering fresh insights, new possibilities and certainty.

An extensive assessment of the risks, challenges and opportunities not only creates greater certainty but also ensures that whatever decisions are made maximise value to the company rather than being a further drain on assets. In fact the solutions chosen can make the difference between a decommissioning project being given the go ahead or being shelved.

Many redundant process and manufacturing plants have a value; this can offset costs or even generate cash returns which, in turn, can help finance some or all of the project. In some cases the inherent scrap metal value may result in an overall positive income for the client; in others finding a buyer for an entire plant for re-erection at a new location can attract an asset sale well ahead of expectations.

Every situation is different but the input from knowledgeable decommissioning consultants will find the optimum solution.



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For example, cast iron technology innovators Saint-Gobain PAM UK originally decided that stripping and demolishing its former Central Melting Plant and adjacent Hallam plant in Ilkeston would be prohibitively expensive. However, the plant, mothballed in 2006, began to present security and safety concerns.

Various feasibility studies highlighted the fact that the most profitable solution was actually a complete clearance of the site. The sale of scrap materials would not only generate enough revenue for this but show a surplus, too.

So knowledge is both power and profit. And yet every project is different and so a 'one size fits all' approach just will not work. The aim is always to get the best return on assets where safe and feasible. But other factors such as the age of the plant, its function, recovery costs as well as market forces and commercial competition will also influence decisions about what can and can't be reclaimed.

The demolition industry has been an ardent recycler long before it became fashionable and was arguably the first green business. From its crude beginnings bricks, slates, concrete and copper nails have provided contractors with a lucrative revenue stream. The mindset that almost everything has a value has continued to grow and has resulted in what is now a part of many businesses' planning and development strategy.

Machinery can be dismantled and rebuilt elsewhere such as one client's 6,500 tonne printing machine sold and reassembled abroad. Rising commodity prices play a part, too. Process vessels, often made from exotic alloys, can generate significant additional cash. One iron foundry owner demonstrated its environmental credentials by developing a precisely-engineered salvage system to reclaim timber, plastic and scrap metal.

Environmental pressures and extensive legislation have reinforced the 'reduce, reuse and recycle' model. Indeed EHS considerations have led to decommissioning projects showing real excellence in terms of materials reclamation.

Using specialists with the right skills can produce informed strategies ensuring a safe, legal and commercially viable outcome.

After all, decommissioning is a complex business and plant engineers and managers tend to work with a production mindset and may not be aware of the opportunities and techniques available. It takes time to produce an effective redundant asset management plan tailored for an individual project. Personnel experienced in isolation, decontamination, dismantling and demolition can help keep costs to a minimum.



Specialists can show operators that the options may not be as limited as they first imagined when it comes to shutting down a facility. Without this an operator may base a decision on the demolition price offered by a contractor. Or they may decide to simply delay a scheme without appreciating the ongoing costs of dealing with hazardous materials, deterioration of infrastructure, loss of utilities, providing security, regulatory compliance fees, maintenance costs and local authority charges.

Chemical plants present specialist challenges because of corrosive, toxic or flammable materials. One chemical company had to clear a range of hazardous inventory including nitric acid, ammonia, carbon dioxide and ammonium nitrate along with plant, utilities equipment, laboratories and office buildings – from nine separate locations within their site. Using a precise project management and teamwork approach ensured a successful completion of this mammoth task.

Similar considerations affect not just the chemical industry but a wide raft of industries from manufacturing and power production to pharmaceuticals and other sectors. And with environmental regulations getting tougher across the globe EHS is as crucial a consideration as cost.

A combination of the recession and increasing globalisation has led to the closure of numerous plants and manufacturing facilities around the world, posing major new considerations for those in charge of decommissioning. Europe with high operating costs and aging assets has seen many plants shut with even more placed under scrutiny. Many gas terminals have become fully or partly redundant as refining has reached over-capacity. Over time it became a world-wide phenomenon.

So perhaps it's time for a change of attitude for businesses. Rather than seeing idle facilities as millstones round the neck they should be perhaps regarded as 'cash in the attic' instead.