Asset Utilization: More Important Today than Ever Before

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Photo courtesy of Gas Innovations

The prices of hot-rolled sheet steel used in the manufacturing of industrial gas cylinders have increased to their highest levels. Many reasons are offered for these increases, including the rising price of the raw materials, escalating energy cost, and the reduced valuation of the dollar. Some ore suppliers have documented increases of over 60 percent in the past year. The freight costs and fuel surcharges associated with getting the raw materials and finished products to market are also increasing. We all agree that cylinders are more valuable and more expensive than they have ever been, and there is little sign of relief on commodity or cylinder prices.

All cylinder owners are now making special efforts to track, identify, and improve cylinder utilization rates. When we purchased cylinders at one-half of their current costs, our capital budgets were one-half. Today, we must utilize expensive assets more effectively and cylinder utilization is an important way of doing this.

Whether we narrow our product package breadth, improve our customers' turn rates, or speed up our turnaround time for the temporary-out-of-service (TOS), our cylinder utilization must improve.

The first step is to know your population breakdown. Terms like in-service, TOS, dock-stock, swing-volume, customer balance, fill or utilization rate and many others become commonplace as cylinders become more costly and, to some extent, less available. You also need to know the difference between product turn-rates, such as the difference between a specialty gas and an industrial or medical gas. The best performers will know which cylinders they fill the most times in a year and what their return is on that asset.

We already hear of some of the majors creating a "world bank" for tracking cylinders and other related assets. This is their first step in "knowing" where the cylinders are and how well they are being utilized.

The qualifying or recertifying of cylinders will see new pressures for improved turnaround times as cylinders become more valuable as well. The traditional method of re-qualification, hydrostatic testing, remains the industry's most common practice. However, the more recent technology, Ultrasonic Examination (UE), is gaining favor with many in the industry. (See *CryoGas International* feature on cylinder testing, "Of Sound and Water," August/September 2007, p. 26.) Especially accepting of the new technology are the specialty and medical gas cylinder owners and packagers. They see improved turnaround on TOS cylinders and longer valve life. They also see an improved aluminum cylinder life, especially those with stainless steel valves.

The hydrostatic testing, a destructive test, requires the emptying of the contents, environmental treatment as necessary, de-valving, filling the cylinder with water, re-valving, and then the drying and re-treatment of the cylinder for refilling. In contrast, the Ultrasonic Examination is a non-destructive test, which can re-qualify the cylinder without emptying the contents or removing the valve. UE may also represent a timelier turnaround in the TOS cylinder.

Whichever method of re-qualification is chosen, and however cylinder populations are tracked, with the increase in value and longer lead times of supply, cylinder utilization must improve for the best performers in the industry. The returns on this improvement will be enjoyed for years.

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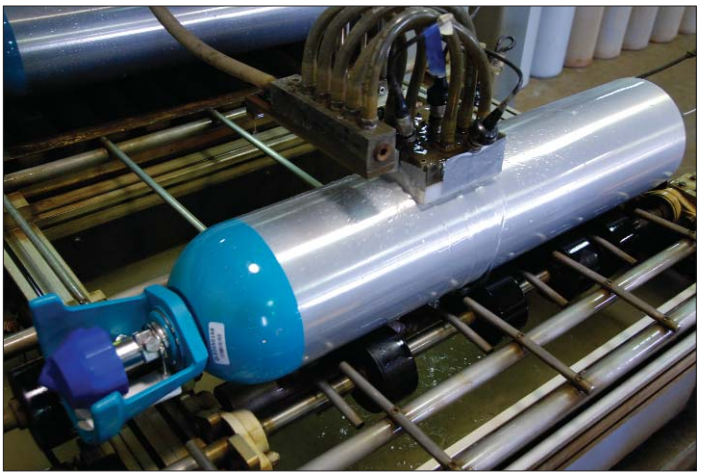

Ultrasonic Examination (UE) is gaining favor over traditional Hydrostatic Testing due to improved turnaround on TOS cylinders and longer valve life.

Ultrasonic Examination (UE) enables cylinders to be requalified without the need for valve removal or the discharging of cylinder contents.