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Subject: Elliott CEO Writes Column for Turbomachinery International

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Tony Casillo – Guest Column

Partnering with OEMs, Long Term SERVICE AGREEMENTS FOR COMPRESSORS AND STEAM TURBINES CAN HELP USERS IMPROVE RELIABILITY AND EFFICIENCY

Partnering is the rage only when resources are scarce. It becomes a courteous way of saying: “I want some of what you have got.” More often than not, “three bids” (at least) is the rule. But some vendors have made conscientious efforts to identify their strategic needs and have established long-term relationships with customers for their equipment supplies. Others are partnering to shorten the supply chain and reduce administrative costs. Partnering requires a win-win situation, otherwise the use of the term is misleading.

In the rotating machinery business, partnering has made some headway in the new-equipment segment. Users have identified suppliers with particular expertise in an application or a type of machine and have availed themselves of formal, long-standing relationships.

In the service area, partnering has taken the form of Long Term Service Agreements (LTSAs). These are particularly popular in gas turbine installations in mechanical drive and power generation. However, the situation is different in process plants. The gas turbine is usually subject to an LTSA, but the compressor it drives is seldom covered. Process plant owners often say that compressors are so reliable that they don’t need looking after. And therefore they don’t need LTSAs.

Indeed, our expectations of reliability with extended Mean Time Between Overhauls for compressors and steam turbines are high. Improvements in design, diagnostics, auxiliary systems, and process controls have made accidents rare.

Applying to compressors

Nonetheless, a case exists for LTSAs to be applied to process compressors and steam turbines. Some of the reasons are found in the users’ own organization.

In the last ten years, we have seen vast consolidations among users, as well as the OEMs. I don’t need to mention the familiar names that have disappeared from both sides. This was in response to over-supply in the industry. The result is that personnel and expertise have been squeezed out.

Users have hastened this departure by what I call the MBA-zation of the business. Of course, we needed discipline and good business practices — no argument on that. But, in the process, the technical competence that kept plants operating has been gradually squeezed out and

replaced by a hope and a prayer; and three bids, when something is needed. The current expansion frenzy has only added to the overload of existing staff.

But what about the machines themselves? Process plant compressors and steam turbines, by being more reliable than gas turbines, don't get the same attention as gas turbines, and therefore have a greater opportunity to become out of date. Gas turbine LTSAs offer room for product improvements as they happen; compressors and steam turbines do not get the same treatment. As a consequence, the latter become obsolete shortly after they are installed. Reliability and performance improvements happen when and if someone in the user organization remembers to look at them.

Compressors and steam turbines are usually designed for conditions that almost never occur during operation. Consequently, users can fail to achieve two of today's most important requirements — reliability and efficiency. LTSAs for compressors and steam turbines can be structured to encompass these basic requirements, as well as the more prosaic needs of regularly scheduled shutdown maintenance. A rotating machinery OEM can be an effective service provider for such an LTSA.

OEMs have a history of expertise, and deep and wide experience in the use and design of their equipment. They have a pool of engineering talent that cogitates on the subject day in and day out. OEMs also have an organization to provide service support for their products. That's a start, but more is required.

To be an effective partner in longterm service, an OEM must have a group of technical experts dedicated solely to problem solving in the field, analysis of operation, product enhancement, and rerating. They should be capable of applying their expertise to rotating machines in general. This is the beginning — the brains of the operation.

On the operational side, an extensive and capable field service division is mandatory. This requires expertise in a variety of disciplines including mechanical, structural, electrical and control engineering. OEMs need to have the organizational structure to support complete field intervention to minimize downtime. Lastly, they should have a chain of support facilities to minimize the logistical problems of distance, time and frontiers.

The user — the other side of the partnership equation — also has requirements to fulfill. The most obvious are good records of the operating history of plant and equipment. This is crucial information. Also obvious is the need for good documentation that shows what the equipment was and how it has evolved.

Users also need to incorporate new management and accounting systems that will allow them to calculate financials in a way that they are not used to. This could prove to be a difficult requirement to fulfill.

Long term improvements cannot be made as long as we use short measuring sticks. I have often seen corporate initiatives break on the shore of local operational needs, and, conversely, local initiatives drown in corporate indifference. LTSAs would only work if local and corporate management are united in their objectives and trust one another to get on with their respective jobs. This last requirement applies to both OEMs and users. In order for this to work, both need to make full disclosures and trust each other with facts. Both parties need to think out of the traditional classical straightjacket that we often call "good business practices."

The case for a new way for handling the long-lived compressors and steam turbines is strong. We now have drivers (reliability and efficiency) to propel us into action. Will we do it?

In the end, work culture is the hardest thing to change. But change can start easily by just one man saying: “Hey, here is a better way and I want it for my area of responsibility.”

Author

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