RESPONSIVENESS AND LOCALITY ARE THE KEYS TO SERVICE SUCCESS

Mike Lordi, the new Chief Operating Officer at Elliott Group, discusses the rapid growth of Elliott's Global Service (GS) business

Why has the service business become such a vital part of oil & gas?

Over the lifetime of equipment, it is estimated that a customer spends $5 to $15 on services for every dollar spent on the initial purchase. This equipment goes out in the field and stays in operation for as long as 50 years so buying the machine is really only the beginning.

What big changes have you seen in recent years?

A downstream olefins machine is going to run for seven years today before it has a major maintenance overhaul compared to three years in the past. But due to attrition and retirements, few facilities today have the personnel in place to adequately manage these outages. That's why GS is now the largest business unit within Elliott. It has grown from about 25% of the business to about 50% over the past six years. Our current volume is 130 turnaround projects per year — enough to keep 1,300 GS employees very busy.

What are the key elements of a successful service operation?

Responsiveness and a local presence are the most important aspects. You have to be willing to act fast in oil & gas. If a customer needs something, you have to be able to deliver. That's why we keep our phones manned with tech support experts 24/7. And we have also established a Quick Action manufacturing center that runs around the clock to create the needed parts.

How about the local aspect?

We have 18 service centers spread around the world. This includes eleven in the Americas, four in Europe and the Middle East and three in Asia. Most recently, we established new service centers in China (30 staff) and India (50 staff, with plans to add manufacturing capabilities) so we can provide a strong local presence, and we are in the midst of constructing a service center in Saudi Arabia. The simple answer is that companies are demanding local capability. The more you can do in a country, the more business you will get.

Tell us more about the machines you service?

Roughly half are Elliott machines and the others came from other OEMs. We don't do much in the way of gas turbine service; our focus is on centrifugal compressors, steam turbines and pumps. We also have significant service and rerate experience with compressor fleets that others have abandoned, often as a result of mergers and acquisitions. We are able to send engineers to the field, redesign components and complete repairs. At other times, we might leave the old casing intact and put an Elliott compressor inside.

What has changed the most over the last five years?

Our clients have not always been as engaged as they are now. They tended to treat service in a more transactional way. Today, they view the service relationship as more of a partnership. In some ways, this is driven by demographics. Older machines might have their second or third generation of operators looking after them. So a lot of the initial expertise has left the building. That's causing them to bring us in much earlier than before and to ask us what is the best approach for what they want to achieve.

What can you do for these older machines?

Technology has come a long way over the last 40 years. We have much better seals, more effective ways to contain fugitive emissions, better materials and coatings. So it is often possible to uprate aging equipment.

There is real interest in this in these times of tighter purse strings. Often, it is possible to uprate an old compressor or steam turbine for far less than the cost of a new machine. Further, that machine can be operational in months as opposed to lead times of up to two years for a new compressor or turbine.

What steps have you taken to make major overhauls more efficient?

We have staged large containers around the world that contain the necessary tools, lifting gear, slings and so on that are always required onsite. This greatly aids in our responsiveness. We have also developed our own in-house expertise in many areas so we don't have to subcontract more than a small fraction of the work. This means we are able to cover almost any eventuality with Elliott personnel.

How do you deal with parts management?

Historically, parts management has been an area which has defeated many a deadline. Customers often kept parts lists in a database, but when it came time to use that part, they would find that it had disappeared, or that the part had been upgraded and was no longer useable. This is no small matter. Imagine finding out that you are missing an inter-stage seal or bearing that you thought was on site. It could easily take 12 weeks to order and receive that part for an outage scheduled to begin in only four weeks. So we take a very active interest in our parts inventories .We verify that they have the parts they think they have, and that the parts are current. We go so far as to take the spare parts off of their hands and store them in a fully cataloged parts kit. This prevents components from going missing in the confusion of a major overhaul. At the end of the job, the kit box comes back to us with the old parts in it. We refurbish the bearings and other parts, replenish the kit and put it back into inventory. This removes much of the anxiety associated with outage planning.