

# CONTROLLING TOOLS CAN SAVE BIG BUCKS

Almost by default, controlling and managing tools means having a system, probably computerized, to track them. Until a few years ago, only a handful of companies or government entities recognized the need for and benefits of an Automated Tool and Inventory Control and Tracking System (ATICTS). The remainder of businesses and government entities had numerous reasons for not having an ATICTS.

Often, the first reason for not having a tracking system was that the size of tool inventory was not known. Each year tools had been purchased, but without any tracking system, their total value was not known. Also, without a central tool

control area, tools could be bought by several areas or divisions. In fact, tools could be scattered and under no one person or entities' control. It is not uncommon, when beginning an ATICTS, to find inventories that are three to four times what was estimated.

Another reason why tools haven't been tracked is that they are regarded as a cost of doing business, so 'you just charge them to a job' and don't worry about them. This reason is steeped in the feeling that tools represent items too small to be tracked economically. An ATICTS requires a tool room staffed by check-out attendants. Some tools cost less than one dollar, and the overhead of tracking them

seems too great. However, if the real cost of tool inventories is known, this argument disappears. For this article, numerous businesses and government entities were interviewed, and the rule of thumb seemed to be that if there were 100 people checking out tools, then an ATICTS was justified.

The benefits of an ATICTS can be realized with some effort on the part of the company or entity. A centralized tool room, if not already present, needs to be built and staffed. And, those who were interviewed for this article advocated the use of bar codes for check-in and checkout. This can entail some start-up costs, but the benefits can be large.

There seemed to be a



Todd Shipyards, Seattle, Washington

common theme regarding several benefits that those who responded to this article claimed.

The first major benefit was simply knowing where all the tools are located. While there are several economic advantages to knowing where your tools are, the primary one mentioned was being able to get the correct tool to the job immediately. This meant that the end products were built better or in a more timely fashion, saving time and money. In addition, quality was improved. Knowing exactly where tools are located helps produce a quality product.

Not only is a better product produced, but at a lower cost. The proven cost savings can be dramatic. Several users reported savings of 50% for lost tooling, which more than paid for the entire system. Users also reported that just by tracking consumables or expendables, usage was greatly reduced, which resulted in immediate hard dollar savings.

Those who used bar codes said that their inventory control was substantially easier, and many stated that they were able to reduce the time needed for checking tools in and out. One user said that historically, his lines were 1/2 hour each shift to check tools in and out. A bar-code ATICTS system took only 5 minutes per shift. By itself,

this productivity gain paid for the whole system.

An example of someone who saved \$700,000 in a single fiscal year with an ATICTS is Todd Shipyards in Seattle, Washington. Todd is a shipbuilder for the U.S. Navy and commercial customers like the Washington State Ferry System. Over the last 10 years, the U.S. military has substantially cut back in ordering ships. This has meant that shipyards have faced very hard times. So it has been with Todd. Its workforce grew and shrank by thousands of workers, and tool control was not a priority. In fact, Todd had a fully automated tool control system in the 1980's, but when employment fell, they only went through the motions of using the system. Check-in and checkout became very sloppy, bar codes were not used, and inventories were not maintained.

Enter Larry Pitts in 1997, who took charge of Todd's warehouse and tool rooms. He saw the problems and decided to correct them. First, he analyzed the automated tool control system that they had (supplied by Data Enterprises of the Northwest, a Bellevue, Washington company) and concluded that it was a superior system--only it wasn't being used.

Mr. Pitts investigated numerous installations of Data Enterprises' ATICTS 2000, and came to the conclusion

that each customer had realized substantial cost savings and was happy with the system. He contacted Data Enterprises, and asked for their help. Data Enterprises installed ATICTS 2000, a Windows-based version of Todd's original ATICTS system, on an NT server.

In order for Todd to succeed, it had to clean up its files and ensure that everyone was using the system properly. One weekend in 1997, Todd had all tool users come to work to find and turn in all tools. They uncovered over \$112,000 in tools and consumables! Then, they barcoded the tools and entered them into ATICTS.

On Monday, the tools were checked out to employees, departments, etc. All employees had the importance of the system explained to them, and they were cautioned that those who didn't cooperate could be terminated. By 1998 the results were in: Todd had saved over \$700,000 in tooling from what they had purchased the year before.

As Larry Pitts says, "We have farther to go, but we now know that tool control works, and can pay big dividends".

*Reprinted from "Tracking and Shipbuilding News"*