

BUSINESS CASE FOR THE TARGET 12

By Target Hospitality and Client

SITUATION

When activity ramped up in The Permian Basin, one of the world's leading exploration and production companies arrived on the scene. While the opportunities were great there were many challenges to overcome. One particular hurdle was the lack of a permanent workforce. With unemployment less than 3%, workers were being recruited across the entire U.S. Housing became an issue for this temporary workforce. Initially, the company was able to make do with the hotels, motels, trailer parks and apartments it could find in the small towns of West Texas. However, the housing market quickly tightened which drove up prices to over \$300/night. Also, the uncertain housing situation made it difficult to sign on some of the best workers. Lastly, the absence of a consistent and positive off-the-clock environment created a less productive workforce with high attrition and a sub-par safety record.

SOLUTION

Leading up to 2015, this company set out to overcome the fierce competition for labor and solve its productivity problems. In addition to retention bonuses and more thorough safety education, proper housing was a big part of the solution. For this, it contracted with Target Hospitality to build and service dedicated workforce lodges located

close to its drilling projects. Today this network of communities is still effectively housing the bulk of its workforce in The Permian while providing the following improvements which have increased productivity through security, nutrition, rest, relaxation and a positive workforce environment:

- Professional security with zero tolerance for drugs, alcohol, firearms, guests and cohabitation.
- Four-star food providing high nutrition and 4000 calories per day, available 24/7.
- Comfortable private rooms with individual temperature controls, flat-screen TV/DVD player, oversized towels and The Hibernator Sleep System™ with a pillow-top mattress, high thread count sheets and overstuffed pillows.
- State-of-the-art recreation and fitness centers and visiting personal trainers.
- Campus-wide high speed WiFi.
- Convenience store with free DVD rentals for use in their rooms.
- Conference rooms for group safety and organizational meetings.
- Lodges close to worksites, helping to reduce drive time.
- A positive all-inclusive environment designed to prepare its workforce for peak performance the next day.

RESULTS: POSITIVE ROI IN 2015

- **Employee retention:**
Originally losing 500 men vs. 170 men in 2015.
- **Retention increased by 66%**
(or 330 men for a 1000-man workforce)
- **Safety record improvement by 50%**

330 men x \$35,000	\$11,550,000
<i>(cost to hire and train an employee)</i>	
All-inclusive room rate:	\$40,150,000
<i>(\$110 X 1000 men X 365 days)</i>	
Less retention savings	\$11,550,000
Effective cost	\$28,600,000
Effective room rate	\$78.35
<i>(28.6M/1000/365) per man</i>	

Disclaimer: All figures above are estimates based on information supplied by third parties. Your figures will vary based on a number of factors. Please contact a Target Hospitality Sales Representative for further information.