



THIS MATERIAL REPRESENTS THE CONSIDERED OPINIONS OF THE BUSINESS PRACTICES COMMITTEE AND THE BOARD OF MANAGEMENT OF THE CORPORATION OF BC LAND SURVEYORS REGARDING REASONABLE STANDARDS FOR FINANCIAL COMPENSATION AND CONTRACTING OF PROFESSIONAL SURVEY SERVICES. INDIVIDUAL SURVEYORS SHOULD ALSO CONSIDER ANY UNIQUE ASPECTS OF THEIR INDIVIDUAL PRACTICES IN ORDER TO DEVELOP APPROPRIATE FEE SCHEDULES.

BCLS

Business Practices Committee BULLETIN

A business primer

Our "Guide to Fees" is published as a little booklet of only a few pages of succinct information. As part of this Committee's mandate we have reviewed this booklet to assist us with preparation of a survey estimate worksheet. It is hoped that a survey estimate worksheet will be of assistance to our members' business practices, and we would like to share some of our thoughts about how we are developing such a worksheet.

On the Introduction Page of the Guide booklet are the sentences:

"The following guideline has been formulated for the services indicated for jobs of minimum complexity. It must be recognized that frequently there will be situations where these fees are inadequate to properly compensate the surveyor."

... and we question what might be the exact definition of "minimum complexity", and we also were uncertain about how much money would be required to "properly compensate" the surveyor.

On Page 4 of the booklet there are very specific directions:

"Certain sections of the Regulations respecting professional conduct ... provide additional guidance ...

... Members shall ... when determining fees or tendering services ... shall observe the following: ...

... (3) No member shall offer or provide professional services for a fee which, as a result of being unreasonable low, may lead to the diminishing of professional standards or performance ...

... (4) No member shall make any fraudulent or exorbitant charge for his services."

The meaning of the "shall" word, as used in these statements, is clear enough, but we needed clarification about what is meant by the words "unreasonably low" ...

or the word "exorbitant". We agreed that clarification would assist our fellow members in their business practices, and also may serve as a crucial tool for our Corporation to conduct audits respecting professional conduct.

This Committee hopes to ensure that all members are absolutely clear about these issues, so we pursued the matter further.

On Page 5 of the booklet are the sentences:

"It is normal practice in industry to multiply the actual rate paid an employee by 2.7 and to use the resulting figure as the rate charged for that employee's time spent on a project. This factor is used in order to compensate the employer for his payroll cost, fringe benefits, overhead and profit."

... and we considered an example calculation of this:

1. Instrument person actual rate	= \$20/Hrs
therefore, rate charged 2.7 times \$20/Hrs	= \$54/Hrs
2. survey assistant actual rate	= \$15/Hrs
therefore, rate charged 2.7 times \$15/Hrs	= \$40.50/Hrs

... thus, this particular 2-person field crew, without vehicle and equipment, would be charged-out at \$94.50/Hrs for work and travel time spent on a project.

The next entry on Page 5 of the booklet is:

"Expendable survey supplies are necessary for the completion of an assignment. Included are such items as drafting materials, flagging tape, spray paint, lumber, survey posts, Land Title Office plans and special items required by job conditions. These items are normally charged at cost plus a service charge."

... and we considered a simple legal survey for an example of these costs:

1. drafting materials	\$20
2. flagging tape	\$2
3. spray paint	\$2
4. lumber	\$2
5. survey posts	\$24
6. Land Title Office plans and title	\$40
7. special items	\$5
Total costs for expendable supplies \$95	

8. service charge at 15%	\$14.25
Total costs plus a service charge \$109.25	

... thus, this particular sample project would be charged \$110 for expendable survey supplies.

The next entry, on Page 6 of this booklet, is:

"Certain items of equipment are charged at a daily or hourly rate. Included are items such as vehicles, electronic measuring equipment, power saws, radios, boats and motors, computers, etc."

... and we considered a sample method of evaluating these rates as follows:

1. Vehicles cost us approximately \$9,600 per year to own and operate (\$3,600 capital payments, \$1,200 maintenance and repairs, \$1,200 licence and insurance, \$3,600 fuel). Assuming a fully chargeable year of 2000 hours reduces that cost to about \$5/Hrs.

2. Suppliers of survey equipment advise that a rule-of-thumb calculation for rental rates is:

monthly rate	=	10% of retail cost
weekly rate	=	1/3 of monthly rate
daily rate	=	1/3 of weekly rate

We considered that, for equipment owned by a surveyor, it is reasonable to calculate a monthly rate, and then modify the rule-of-thumb by proportioning directly to daily or hourly charge-out rates. As an example, assuming that your total station costs \$12,000 retail, a daily rate would calculate as 10% of \$12,000 divided by 20 working days equals \$60/Day, which, for an 8 hour day, means a charge-out rate of \$7.50/Hrs. Power saws, radios, a level, and a pin finder, etc. may add another \$5,000 to a field equipment inventory, which, by applying the modified rule-of-thumb method, should account for an additional \$3/Hrs. Therefore, survey and other equipment would add \$10.50 to the hourly charge-out rate.

3. Computers (including software, plotters and other support hardware) would normally be accounted for in office production, and assuming an investment of

\$10,000 retail, and applying the same modified rule-of-thumb calculation, office production hours should include \$6/Hrs for this equipment.

We considered a simple accounting method to pull this together into hourly rates for a 2-person field survey crew complete with vehicle and equipment:

2-person field crew	=	\$94.50/Hrs
vehicle	=	\$ 5.00/Hrs
survey & other equipment	=	\$10.50/Hrs
Total		= \$110.00/Hrs

... and computerized office production is similarly accounted for as follows:

technician	=	\$54/Hrs
computers	=	\$ 6/Hrs
Total		= \$60/Hrs

We would invite you to consider your own variable costs, such as what you pay your staff, or how much you spend on vehicles and equipment, and substitute your costs into the above example calculations to determine charge-out rates for your own business.

With these examples, we would offer our opinions to answer the questions posed earlier:

1. "Minimum complexity" means that when the above, or very similar, accounting methods have been applied to a given project's requirements, the amount so derived is not more than the published value in the Guide to Fees booklet; and

2. "Properly compensate" means that when the above, or very similar, accounting methods have been applied to a project's requirements, the total amount so derived is invoiced to the client; and

3. "Unreasonably low" means any fee charged to a client that is significantly less than the total amount as derived by the above, or very similar, accounting methods; and

4. "Exorbitant" means any fee charged to a client that is significantly more than the total amount as derived by the above, or very similar, accounting methods.

We feel that any significant departures from these examples would require very precise reasoning for justification. With a philosophy of reasonable compensation at the heart of this matter, we would ask the final important question:

IF YOU ARE NOT BUDGETING FOR THIS IN YOUR CURRENT FEE SCHEDULE OR CHARGE-OUT RATES, WHAT ARE THE CONSEQUENCES?