



The Business Side of the Sheet Metal Business

Presented to Second Year Sheet Metal Apprentices

Why This Program?

- Created by SMACNA National
- Targeted towards Non-Management employees
- Emphasizes the need to be competitive and cost conscious
- True costs of operating a Sheet Metal business
- Actual Local wages and fringes
- Not an estimating seminar
- Class participation a MUST!





Part 1: Getting Started

- Participant Survey
- The Scenario
- Company Structure
- Individual Bids
- Marketing & Contract Options





Part 2: The Basics



- Actual Payroll Labor Costs
- Other Job Costs
- Overheads
 - Shop
 - Administrative
- Total Labor Costs +Overheads





	JOURNEYMAN	65% APPRENTICE
Union Wage:		
Wage	\$30.12	\$19.58
Vacation	+ 3.01	+ 0.98
Total Wage	\$ 33.13	\$ 20.56
Union Benefits:		
Health & Welfare	\$7.64	\$4.97
Local Pension	+ 6.55	+ 4.26
National Pension	+ 1.00	+ 0.65
SASMI	+ 1.46	+ 0.93
Other Funds	+ 1.47	+ 1.44
Total Hourly Benefit Package	\$ 18.12	\$ 12.25
Social Security (FICA):	•	
Total Wage	\$ 33.13	\$20.56
	X 7.65%	X7.65%
	\$ 2.53	\$ 1.57
Unemployment Insurance:	•	
Total Wage	\$33.13	\$20.56
	X 6.50%	X 6.50%
	\$2.15	\$1.34





Workers' Comp. Insurance

- •What does Workers' Compensation take care of?
- Standard Labor Class Rates
- EMR: Experience Mod Rating
- •Why manage the EMR?
- Our cost page 12





Hourly Wage Summary

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Other Direct Job Costs

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- Bonds
- Permits
- Subcontractors
- Rentals
- Drayage







Bid Bonds

Guarantee to honor Bid Price and to provide P&P bond

- Usually 5% of bid price
- Typically no cost to obtain
- Default penalty: 5% of the bid price





Performance & Payment Bonds

Protect OWNER from CONTRACTOR'S:

- Failure to complete a project
- Failure to pay venders, subcontractors or labor costs (wages & fringes)
- Premium cost: 1% 2% of contract value
- Paid by OWNER; included in the bid





Shop Overhead



- Develop Hourly Costs for S/M Shop
- Depreciation = Cost/Useful Life
- Equipment Cost = \$138,000
- Useful Life = 5 Years
- Annual Cost = \$27,600
- Cost per Hour = Cost/Manhours
- Hourly Cost = \$6.90





Automation

- •Investing to compete \$70,000
- New Equip Cost = \$208,000
- •New shop cost/yr = \$41,600
- Expected savings 35% of time
- -4,000 mnhours x 35% = 1,400 hrs
- Hourly labor cost = \$56.30



AUTOMATION:

Old vs. New Cost

- •Old Cost = \$27,600 + 4,000 hrs x \$56.30
- •Old Cost = \$252,800
- New Cost = \$41,600 + 2,600 hrs x \$56.30
- New Cost = \$187,980

Yearly Savings = \$64,820





General & Administrative Overhead

- Salaries, benefits, vehicles, building, office, insurance, professional, other costs
- Interest expense
- •Total Cost = \$380,000 annually
- Cost per hour(10 employees)
- •Hourly cost = \$19.00





Total Labor and Overhead Costs

(Pg 18)

- Field Labor \$56.30 + \$19.00
 - \$75.30/hour
- Shop Labor = \$56.30 + \$25.90
 - \$82.20/hour





Total Costs without Profit

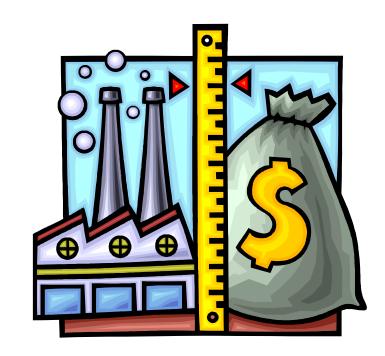
= \$16,276.80





Profit

- After all expenses are paid
- Necessary for growth and investment
- SMACNA Financial Survey
- National Average =3.1% before taxes







Financial Speak

- Balance Sheet
 - Assets, Liabilities & Net Worth
- Largest Asset?



- Is Net Worth always positive?
- Income Statement
 - Monthly and Annual Scorecard





Operations & Planning

AN OPERATIONS EXERCISE

Please Participate!





Puzzle Photos Here





Operations & Planning

What did we learn?

Planning & Job Scheduling





Pre-Construction Planning

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- Be in the lead
- Plan before executing
- Efficient use of reasources
- Plan for safety
- Easier and more enjoyable
- Customers' perception





Change Orders

- An <u>authorized</u> order to perform revisions to design or needs
- Document: logs, signed tickets
- Unwanted and inevitable
 - Interrupt job flow, increase management time, decrease morale
- Full cost recovery is contentious
- 25% added hours on average



Changing Work Volume

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Insert table





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Non-Union vs. Union Labor Cost

- -\$34.27 vs. \$56.30 per hour
- Union is 1.6 times more costly

•What's our response?

 Training and craftsmanship, planning for efficiency, safety





Conclusions

Awareness

- Cost & Competition
- The Management Side
- Profitability perception change
- Failure is simpler than it appears
- •We're in this together to retain and recapture work.



