



Are Revision Rates Where They Should Be?

After a recent trip to the repair shop, I was shocked to find out how much it costs to have relatively minor procedures done to my car. However, once I saw the itemized bill, it all became crystal clear: The cost of parts was minimal, but the labor rate charged by my mechanic was over 90% of the bill!

Hourly rates are similar for home repairs, heating and air conditioning repairs, and doctor visits.

It is time we, as an industry, evaluate our revision rates and see if they are in line with other professional services.

In 2000, the NISD published a survey that contained statistical information reflecting the range of revision rates charged by over 300 steel detailers across the United States and Canada. At the time, roughly half of the survey participants charged between \$36 and \$45 per hour for revisions, and about a quarter of them charged up to \$60 per hour.

As an industry, we need to take a long hard look at the financial, scheduling, and personal impact that revisions are having on our process.

Financially speaking, not only are there direct costs associated with revisions, such as the time spent re-detailing and checking work that has probably already been completed, there are other costs that are not as easy to pin down.

What is the cost of operating capital? When a project is delayed due to revisions, it can hold up invoicing for weeks. This often increases the burden on the detailer to float a loan on the project until both the main project and the revision hours are complete. Revisions can also delay invoicing on other projects because your personnel are tied up on a project that needs fixing.

What is the cost of overtime caused by revisions? Often, when a project revises, it affects the ability to work on other projects in a timely manner, which can lead to an increase in overtime expenses.

There is a sad reality in our business that when a project revises, we are not able to change all of our other schedules to accommodate the revision. Sometimes we can slide the

schedule out on the revising project, but other customers want their projects on time.

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Based on the survey taken in 2000, if revision rates were tied only to the inflation rate, it would be normal to expect current revision rates to be up about 16%. It would be interesting to see what it would be if we were to do a 2006 survey. However, the inflation rate should not be the only factor driving revision pricing.

Revision rates should reflect labor impact. Lloyd Jones, President of Innovative Steel Detailing, Inc. reported that 8% of their revenue is from revision time, but almost 12% of their man-hours are attributable to revisions every month. How do we compensate ourselves and our employees for *their* lost time due to revisions?

Revision rates should reflect the impact to overall schedules. Revisions affect all of the projects in our offices, not just the one we get to charge for.

Revision rates should also reflect the interest charged on lines of credit. There are genuine costs associated with delayed billing that most small business owners have difficulty recouping.

One thing is certain when times are lean; detailers are squeezed for every penny and have to struggle for survival. But revisions are here to stay, and we should be compensated accordingly for lost time, lost revenue, increased costs and scheduling issues.

The trends are certainly moving up from the last survey posted by the NISD. It is time that we all re-evaluate the impact that revisions have on our operation and bring the rates up accordingly.

Should it be out of line for us to charge hourly rates based on the complexity of the revision? If repairmen, mechanics, plumbers and doctors can command premium dollars to fix things, shouldn't steel detailers be able to charge as well?