

Pricing Rock Excavation

Tender specifications that state 'in ground as found' or 'no extra will be paid for rock' both mean the same, the risk of striking rock and the removal of it, lies with the subcontractor.

The first approach should be to qualify the tender that the clause is not accepted and rock will be charged on a cost basis. In such a case, a definition of what constitutes rock should be included. Such definitions often appear in building tender specifications.

A simple definition would include, 'when the excavation rate in cubic metres per hour, drops below that which has been allowed or could reasonably be assessed at the time of tender and special rock breaking equipment must be used.'

Alternatively, when the builder / developer insists that rock excavation must be included, take the time to assess the percentage that could be rock, and the percentage that should be normal excavation.

Here is the problem and the risk. Rock is rarely the same hardness. One cubic metre of rock may be excavated in one hour, or it could take one day. Of course, if it is blue metal, it may need to be blasted. Appreciate that three cubic metres of rock excavated, will need a six cubic metre truck to remove it, this is due to bulking.

Cost Plus Pricing

It is a method of charging a customer for all or part of a project, in this case rock excavation. Although it can be any aspect of a project that has been quoted and extra work is required. This method is common where, for some reason a fixed price is not able to be determined.

When the words cost plus are used it means the subcontractor carrying out the project will charge the nett invoice value for the materials, plant hire and equipment used. The subcontractor is entitled to add an agreed percentage mark-up for overheads and profit. The same applies for the labour component, where the actual hours worked by each person is declared and claimed at the predetermined charge out rate.

It is important to proceed with caution and claim the business overheads correctly. It is easier to spread the overheads equally over materials and labour than to have a different percentage mark-up on the materials to that of the labour.

In the event of a dispute with the final price charged using 'Cost Plus' the builder or customer has the right to ask to view the documentation and be advised of the make-up for all charges. One could be forgiven for thinking this sounds like **Do and Charge** work, but there is a difference. Do and charge is usually associated with service and emergency work where a customer requires a job to be completed at short notice and the contractor completes the work during the first visit. The extent of work may not be known prior to the call out. A broken water service or a blocked drain, are such examples.

Another difference is Do and Charge work possibly will not have an agreement related to mark-up or the level of profit. In the case of Cost Plus the builder or customer knows and has agreed in advance.

A Tip.

Too many tradespeople commence their own business, without attention to the business detail. It is a quick way to go broke.

For what it is worth I am Paul Funnell