



Bidding on Contracts

How to be successful without gambling





Tendering

Most contracts issued by Government and business are done in the form of a tender.

A tender is:

An offer in writing to supply goods or services at a fixed price.

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Northwest Territories **GOVERNMENT TENDER**
Public Works and Services
Hon. Floyd K. Roland, Minister

**AS & WHEN SNOW REMOVAL
- FT. RESOLUTION -**

GNWT, Public Works & Services is accepting offers for the provision of snow removal for various owned or leased facilities commencing October 08, 2004 and terminating April 30, 2005. Sealed offers must be submitted on the forms provided and received by the Department of Public Works & Services, Suite #301, 76 Capital Drive Hay River, NT X0E 1G2. Offers will be received until:

3:00 PM LOCAL TIME ON OCTOBER 06, 2004

Contractors may obtain the forms from the above address as of **September 22, 2004**.
Inquiries to: **Dan Bodvarson,
Maintenance Co-ordinator
Hay River, NT
Phone: (867) 874-7016**

LOWEST BID NOT NECESSARILY ACCEPTED

**Government of the
Northwest Territories**

Mackenzie Valley Pipeline Office
The Department of Resources, Wildlife and Economic Development is seeking dynamic, motivated, team-orientated personnel for its Mackenzie Valley Pipeline Office (MVPO) in Hay River. The MVPO will provide a comprehensive, coordinated Government of the Northwest Territories' (GNWT) planning approach to the pipeline project.

Director, Planning and Coordination
The Director, as a member of the Departments' senior management team, is accountable to the Assistant Deputy Minister, Planning and Coordination Office, for managing



Types of Contracts

G.N.W.T.	Territorial Campgrounds Janitorial Services New Home Construction / renovation Tank Farm Maintenance Winter Road Maintenance "As and When" electrical, painting , etc.
Nav Canada	C.A.R.S. station operation
Local Governments	Water Delivery & Sewer Services Garbage Services Janitorial Dry Wood - Cordwood "As and When" Services
Federal Government	Various Materials / Supplies / Services
Private	Housing Repair

Bidding To Do List

- Pick up bid early (review and plan)
- Figure out your expenses
- Confirm costs with suppliers (in writing)
- Decide on your profit
- Setting your price
- Fill all the forms out and get signatures
- Submit bid (before closing)





Get Bid and Review Qualifications

Pick up the tender early in order to review and prepare. Most tenders ask for a minimum set of qualifications. These can include:

- A business license
- Proof of WCB Registration (Clearance)
- \$2,000,000 general business liability
- Trade Certification or qualifications



The Numbers (cont.)

In calculating the correct price to bid on a tender, you should account for ALL of your costs. These include:

- Labour **(Direct)** ← **Part of COGS**
- Materials **(Direct)** ← **Part of COGS**
- General Expenses (attributable to contract but not on per unit basis)
- Overhead Expenses (Indirect and will be spent regardless)

Note: Direct costs are variable...they increase as production increases. General expenses include items such as travel and automobile expenses. Overhead includes items such as: marketing costs, office administration, and utilities. Fixed costs generally associated with general and overhead costs do not increase with production.



Variable vs. Fixed

The reason we may want to view variable and fixed costs separately is to allow us to consider a range of prices.

Tools we can use include “breakeven point” and “contribution margin”.

The contribution margin is the amount remaining, after variable costs are paid, to contribute towards the fixed costs (on a per unit basis).

For example: If sales were \$250 per unit and variable costs were \$200 per unit, the contribution margin is \$50. In other words, every unit we sell, contributes \$50 towards our fixed costs.

Breakeven is the point at which sales cover all fixed costs and you begin to make a profit.



Variable vs. Fixed (cont.)

Example: Your cost of goods (direct material and labour) is \$200 for producing a cord of wood.

If our fixed costs were \$3,000 the breakeven point would be 60 units (calculated by dividing 3,000 by our 50 dollar CM)

Thus, we may sell anywhere above \$200 to cover our variable costs and contribute something towards our fixed costs. If we want to actually make a profit we will need to sell more than 60 units at \$250. Breakevens can be calculated for various prices.

The reason we might consider bidding low in some cases is just to cover a portion of our fixed (and maybe sunk) costs.

Labour

Many contracts are service contracts and have a large labour component

For example: if you are going to hire 5 brush-cutters at \$20/hour then that is a direct labour charge

Note: Do not forget to add the payroll burden. This is usually around 15% and includes:

- WCB (2 to 6%)
- Employer's E.I. (2.77%) & CPP (4.95%) ● Vacation Pay (4%)



Labour (continued)

When calculating labour, be sure to account for all overtime.

Overtime is anything in excess of the standard hours as defined by the NWT Labour Standards Act: 8 hours in a day and 40 hours per week.

You must pay at least 1.5 times wages on general holidays (as long as the employee has worked at least 30 days in the last 12 months for you and show up for work the day before and after the holiday)



Materials

The supplies or materials which are going to be used up during the contract. Examples:

- *Building materials as part of a renovation project on a home*
- *Janitorial supplies as part of a janitorial contract*

Note: Be sure you have confirmed quotes from suppliers and know your costs. Don't guess



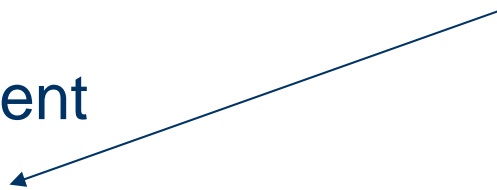
General Expenses

All other expenses (items which will be used up) that are directly traceable to the project

Examples include:

- travel
- rent of equipment
- depreciation
- office supplies

Depreciation is the amount of life "used up" on equipment and other capital items





General Expenses (depreciation)

If a vehicle is used for 6 months on a contract, a portion of the vehicle's depreciation should be allocated to the contract. The amount allocated will depend on the amount of use, etc. You must use your judgement.

Using measuring tools such as mileage or hours of use can be of assistance in figuring out the actual depreciation. Example: You believe you will put 10,000 km on your new vehicle doing the contract. How much will you claim for depreciation?



Overhead

All expenses which are part of your general operations, but not directly linked to any particular contract (unless this is your only contract !)

For example: office costs (rent, utilities, phone bill, etc.) should be allocated to each contract on some reasonable basis. If you only have one contract...allocate all to the first contract Can you name another overhead cost?

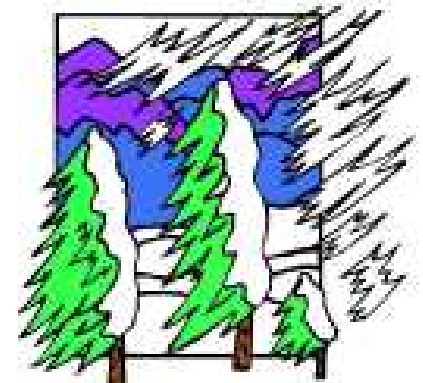
Consider Disaster



Factors outside your control could affect your ability to complete the contract on time and within budget.

- availability of labour
- weather (winter roads, rain, etc.)
- product availability
- reliability of subcontractors

Be sure to at least consider the effect these unknowns could have on your PROFIT and your ability to complete the contract !!!





What about Profit?

Profit is the economic reward for being in business and taking risks, investing your time and cash. It is what you earn after allowing for a fair payment for your time, investment, taxes and risk.

Measures of profitability:

- return on investment
- return on equity
- return on assets

A Tender

Tenders require a price. It could be:

- a fixed total price
- a per unit price
- a per hour price

And it may require a breakdown of your anticipated costs



Practice

You have been contracted to supply 50 cords of wood to Social Services. You must purchase:

- 2,000,000 general business liability
- WCB coverage
- 2 new chainsaws from Hay River (equip. and travel)

You have an old truck worth **\$5,000**. The date is September 15th and you must deliver the wood by October 30th. You already have one other contract worth **\$10,000** (do not use the truck for) and have office expenses of **\$3,000** per year (should not go up) and truck insurance (**\$1,500**). You are not registered for G.S.T. Please bid.

Costing out your project

Revenues	
less COGS	
Gross Income	
Expenses	
Office Costs	
Admininstration	
Insurance	
Travel	
Depreciation	
Miscellaneous	
Total Expenses	
Profit	

Hint: figure out your expenses first before calculating what you should be selling the wood for.

COGS will include direct labour (your workers).

Administration is basically your time spent overseeing the contract..remember to calculate this. What is YOUR time worth?



Check the newspapers

Now keep your eyes open for tender opportunities and listen for upcoming work in your community.

Good Luck.