



Tool Capitalization & Tracking Survey

**Institute of Certified Construction industry
Financial Professionals**

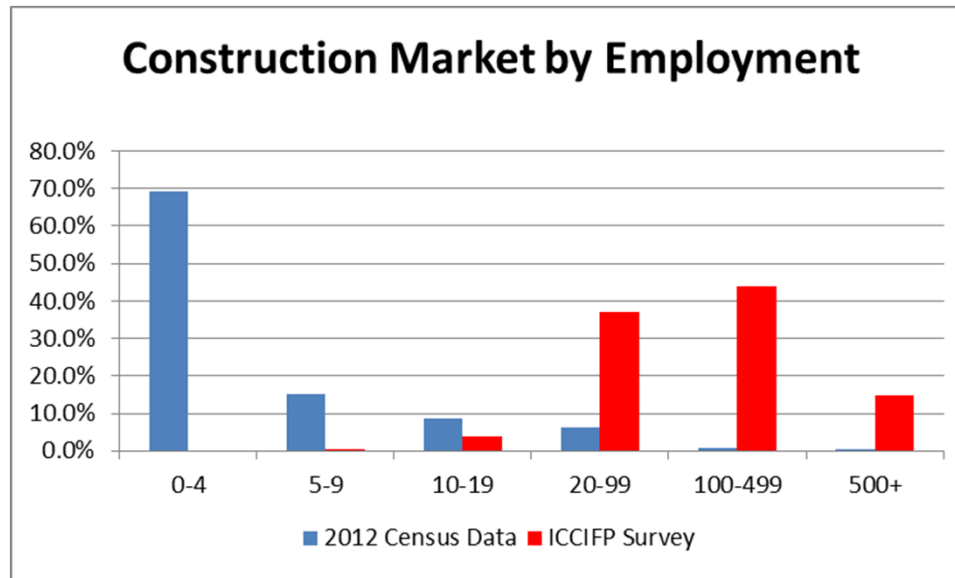
June 15, 2015

By Chuck Elyea, CCIFP



Methodology

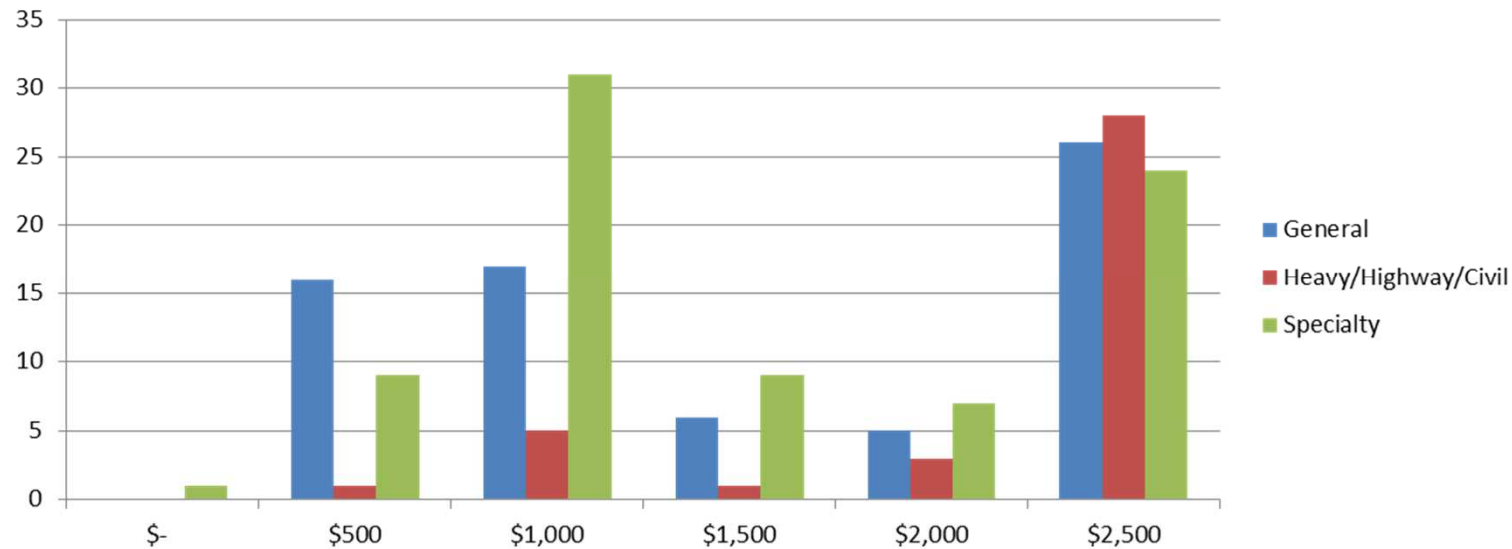
The survey was posted June 5, 2015 on the CFMA Café reaching approximately 7000 members and emailed to 925 CCIFPs. We closed the survey on June 15th with 189 respondents as follows:



General	70
Heavy/Highway/Civil	38
Specialty	81
	<hr/>
	189

Since the sample was targeted at CFMA membership and CCIFPs, the results are skewed towards larger contractors and do not represent the market in general.

Over what dollar amount do you capitalize tools?

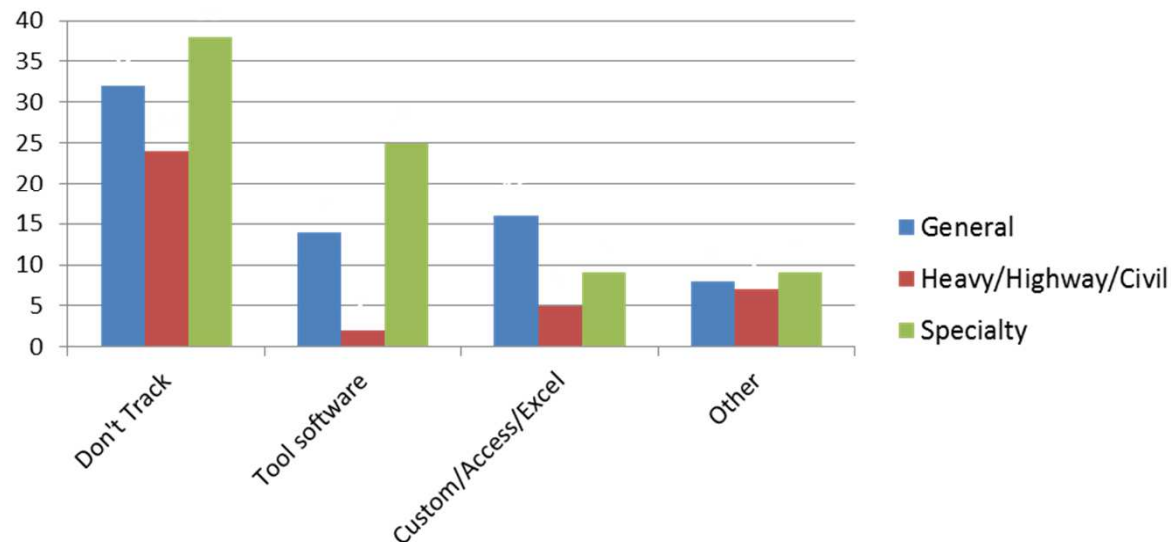
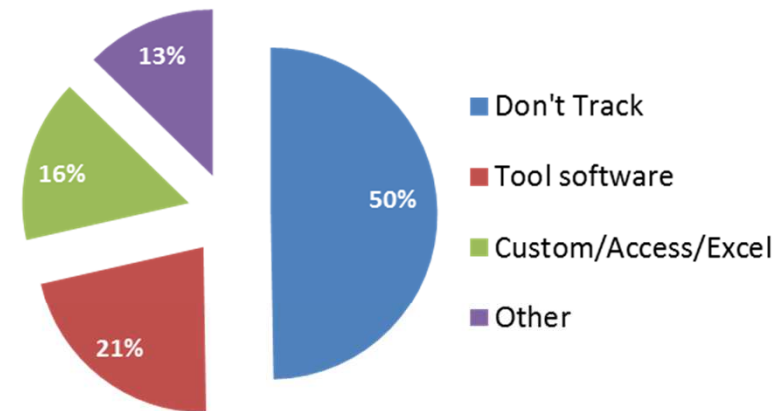


41% of all respondents said that they capitalize tools over \$2500. Heavy Highway contractors were most likely to capitalize at this level since they have higher dollar value assets.

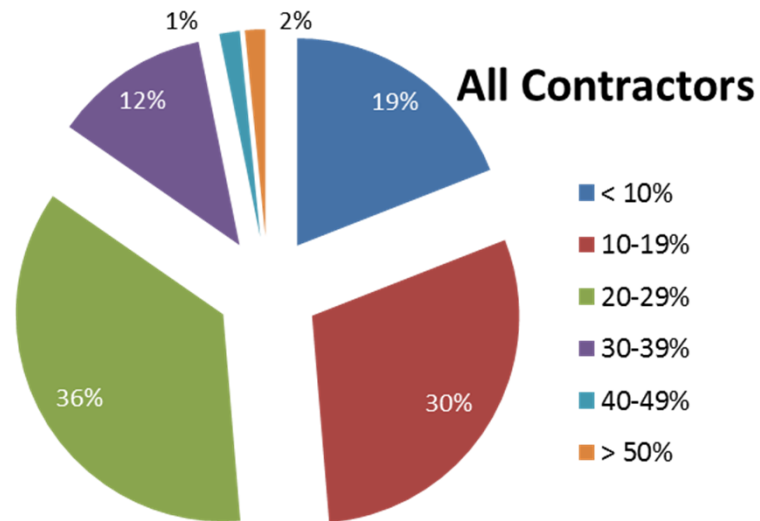
How do you track tools that are not capitalized?

50% of the respondents do not track non-capitalized assets. Specialty Contractors are most likely to use tool tracking software while Heavy Highway contractors are the least likely since they are more concerned about high-dollar value equipment.

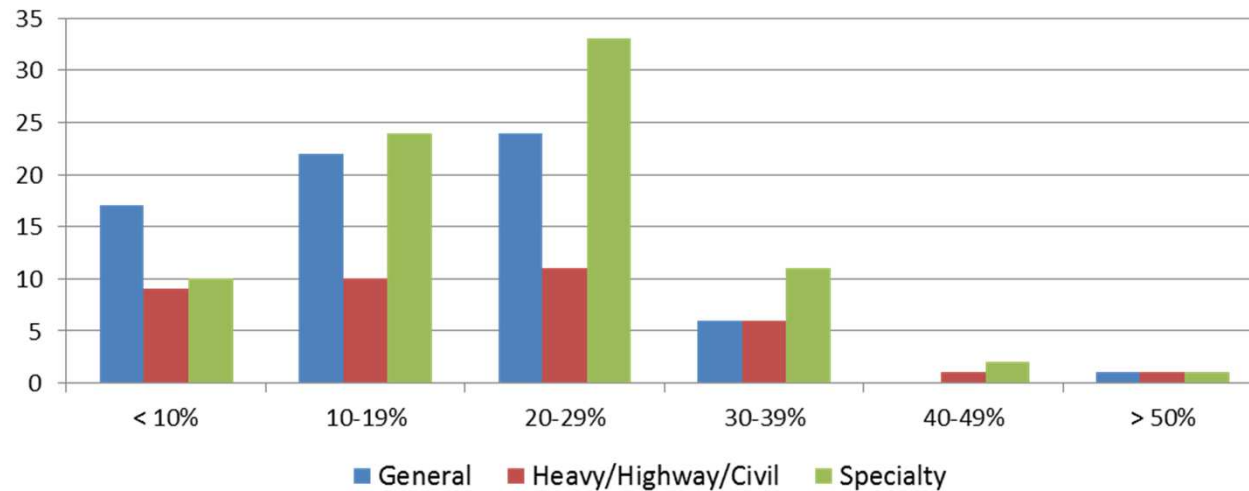
All Contractors



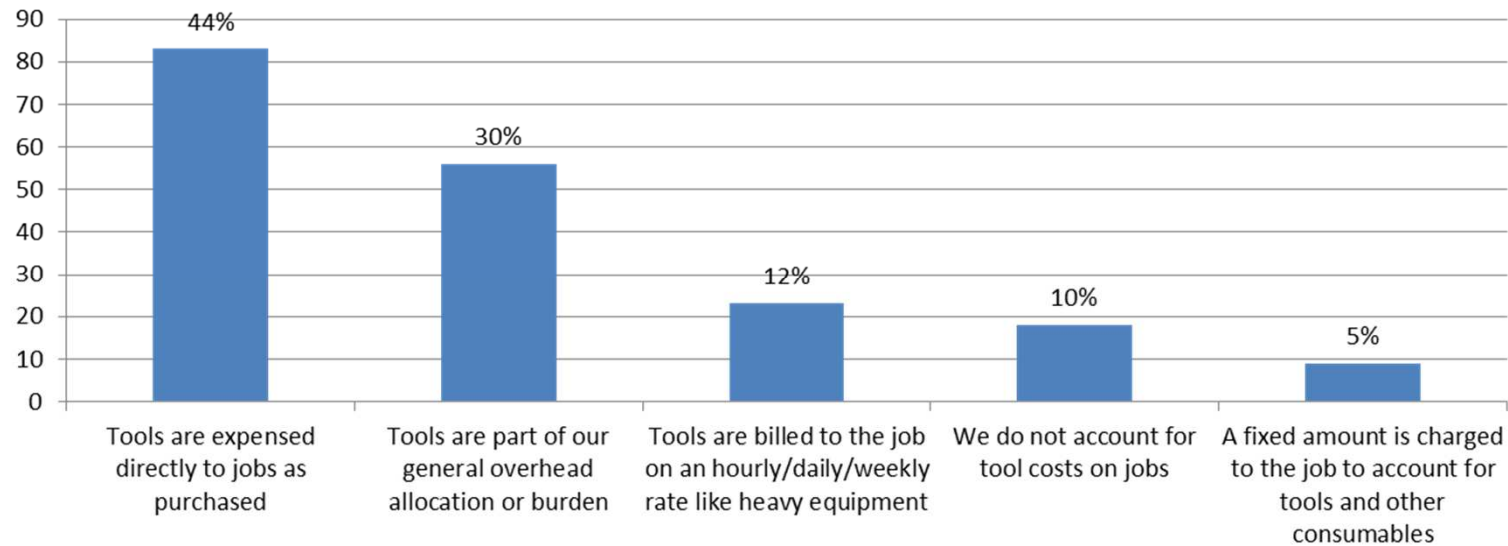
What is your estimated tool replacement rate?



Two thirds of contractors replaced 10-30% of their tools on an annual basis. Specialty contractors led with the highest replacement rate.

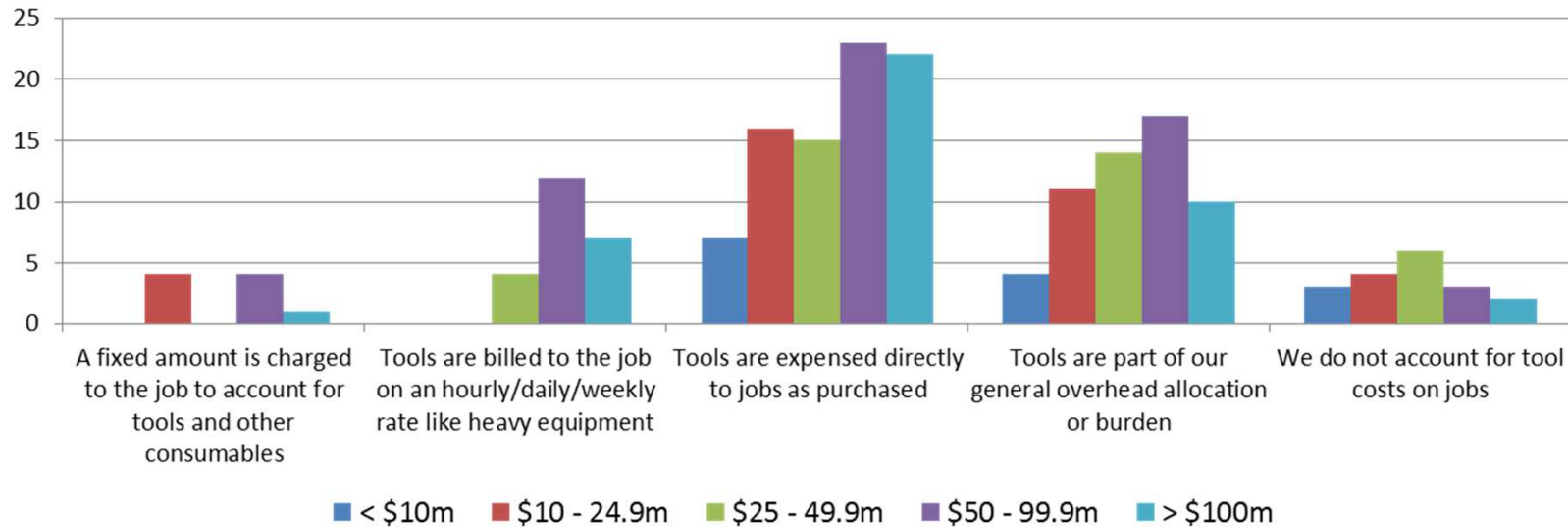


How do you account for project tool cost?



Although nothing is a surprise, this is where the survey results get interesting. Since tools are not fully consumed on one job, and presumably used again over several jobs, it makes sense to charge tools to overhead and use an allocation factor, only 30% of contractors use this method though while an additional 5% use a fixed allocation. However, simplicity rules and 44% expense tools to the job as purchased and 10% do nothing.

How do you account for project tool cost?

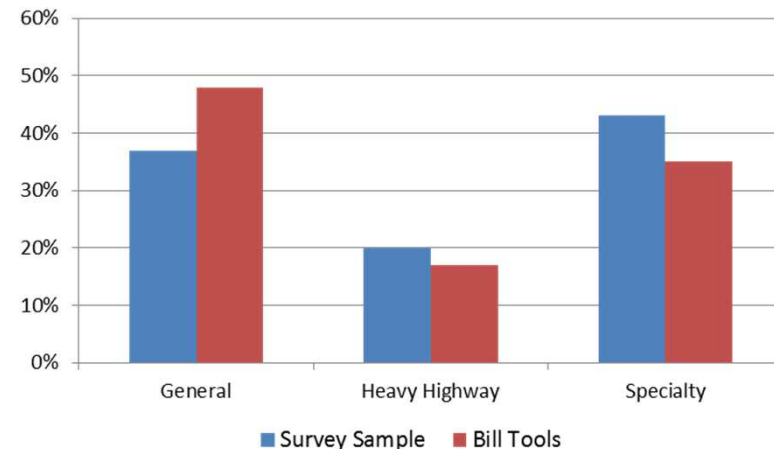
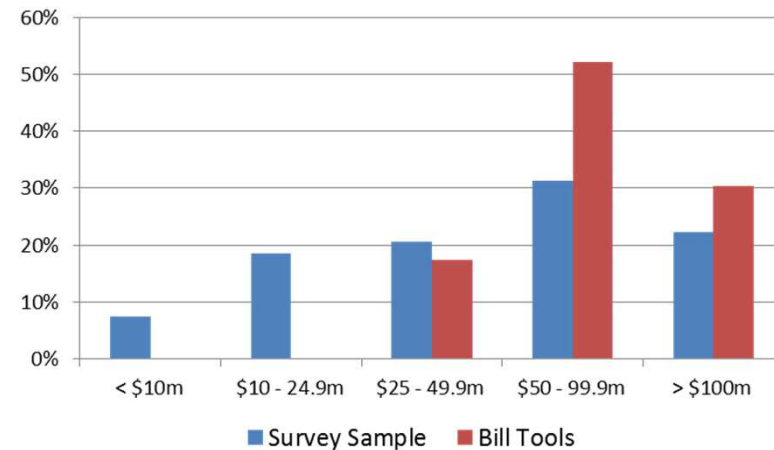


There did not seem to be much variation in costing methodology based up a contractor's size.

How do you account for project tool cost?

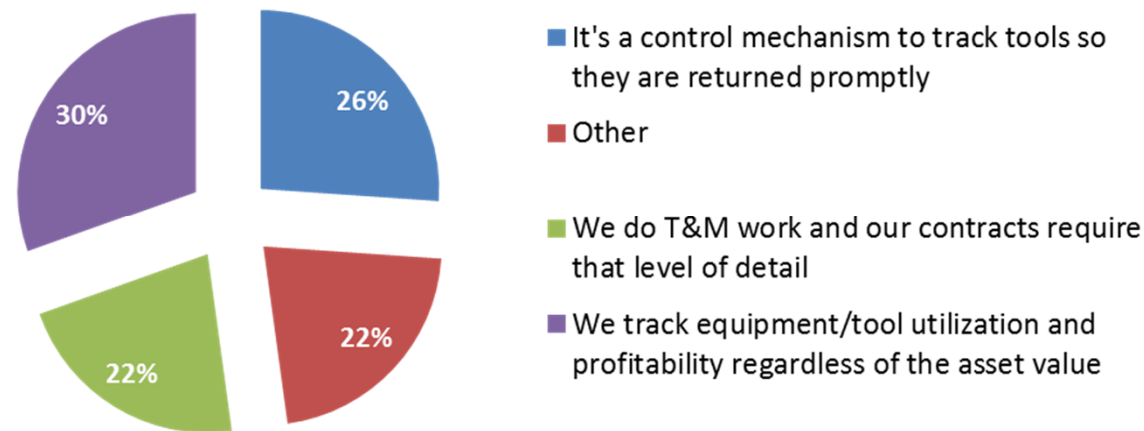
23 respondents or 12% contractors said they billed tools on an hourly, daily or weekly basis to jobs. Since this was the most intensive method of costing, we wanted to understand the who and why.

- Contractors in between \$50-100m were most likely to bill their tools (52% compared to 31% of the total sample) while none under \$25m billed tools even though they made up 26% of the total sample.
- General contractors were slightly more likely to bill tools compared to the survey sample.



Assuming you bill tools to the job via an hourly, daily, or weekly rate, what is the primary reason you do this?

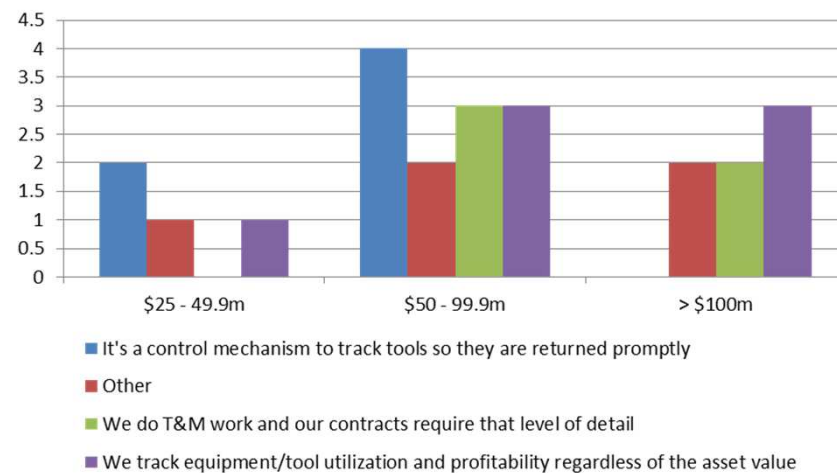
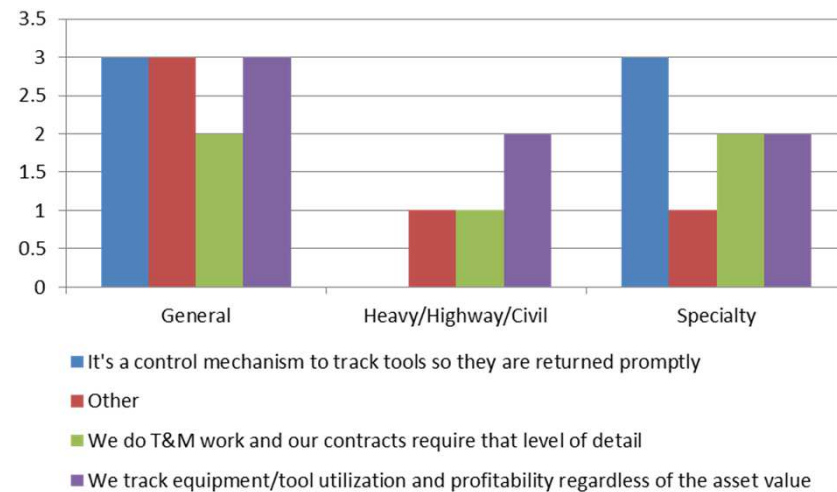
There was no overwhelming primary reason why contractors chose to bill tools – almost evenly split between the four options provided. T&M requirements would seem to be the most logical, however, it's impossible to make a value judgement on the others without understanding the respondents' individual circumstances.



(Note – we stripped out the responses from those that did not bill jobs, but answered the question anyway.)

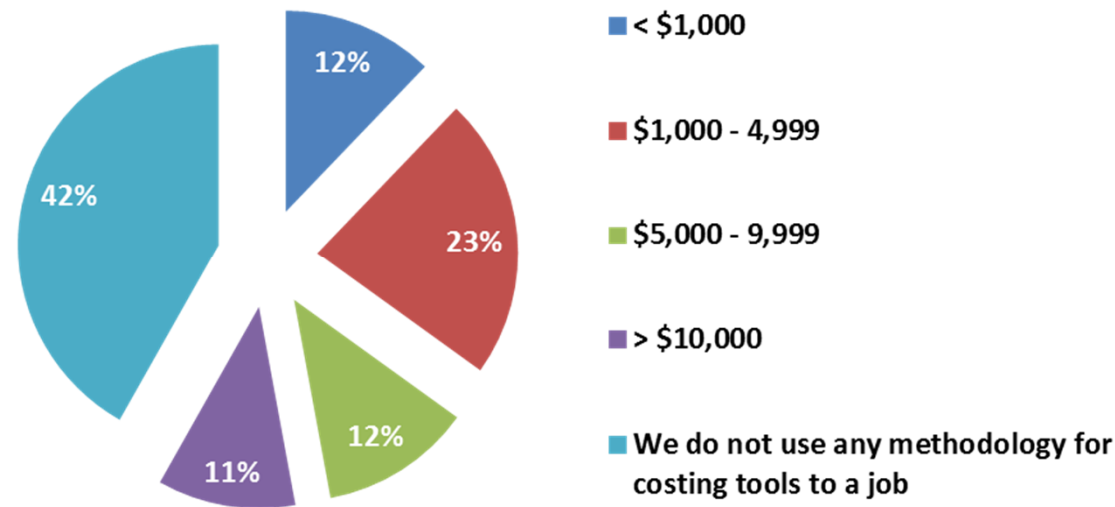
Assuming you bill tools to the job via an hourly, daily, or weekly rate, what is the primary reason you do this?

- Specialty contractors were more likely to bill tools for control reasons while Heavy Highway not at all.
- None of the contractors over \$100m billed tools for control reasons.
- No contractor under \$50m billed tooled due to T&M work.



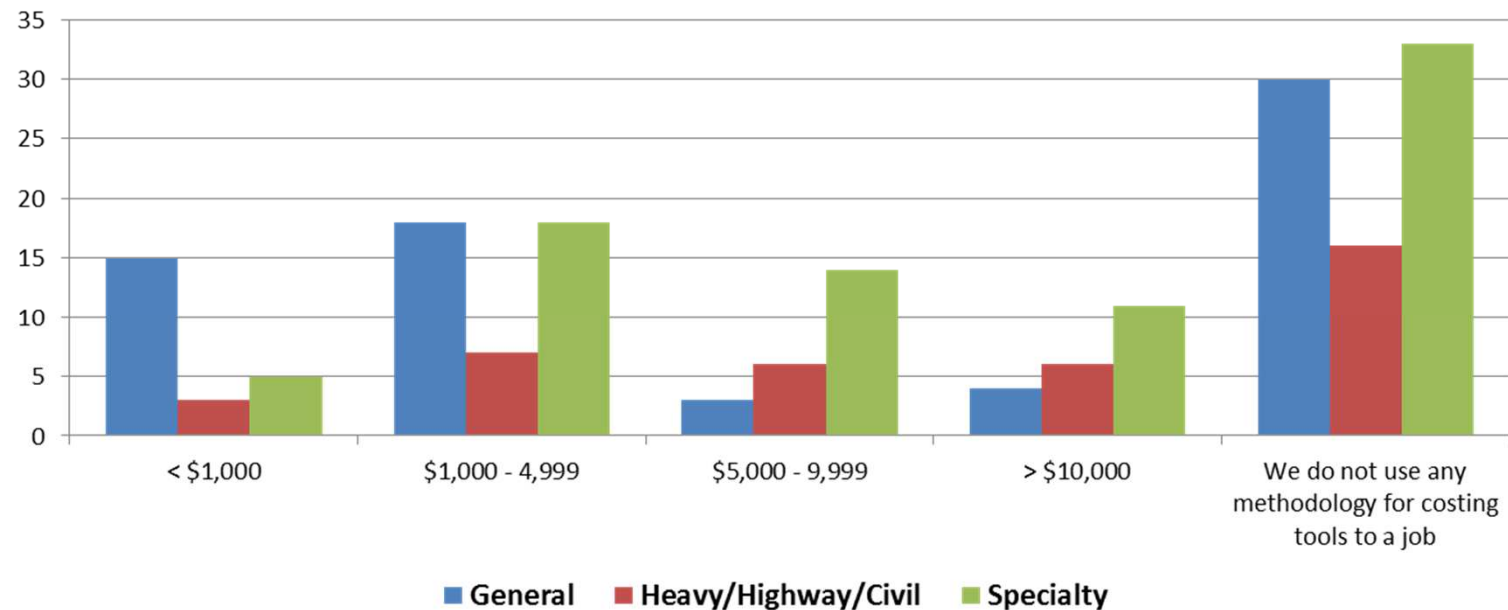
If you were doing a \$1m job, what would be your average tool cost/allocation?

Of those that account for tool costs, 81% charge less than \$10,000 in tool expense to a \$1m job.



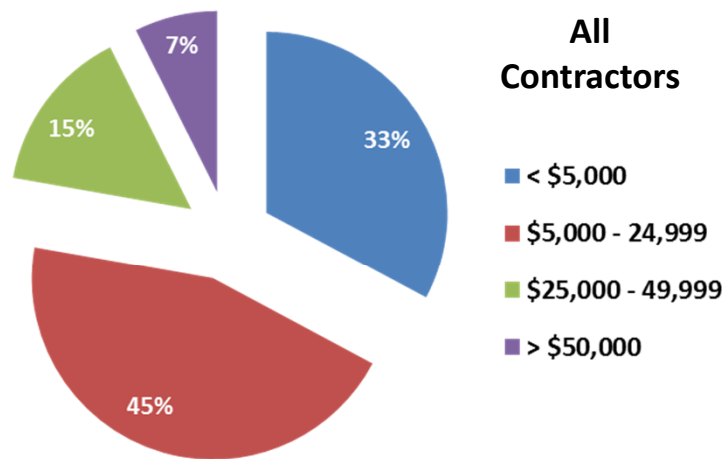
If you were doing a \$1m job, what would be your average tool cost/allocation?

It's no surprise that Specialty Contractors had the highest job tool cost.

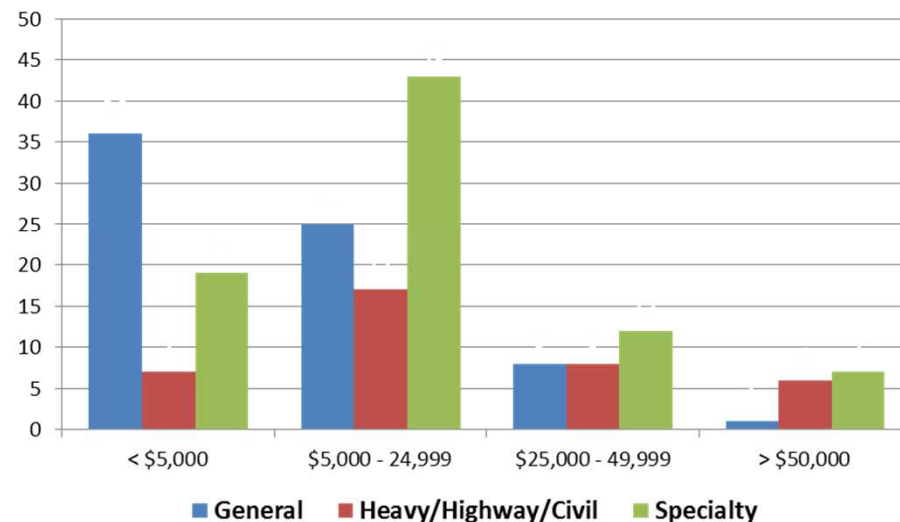


Assuming the same \$1m job, what would be your total average value of the tools used on that job?

We used 5x the ranges specified in the previous question. In retrospect we should have narrowed these ranges a bit.

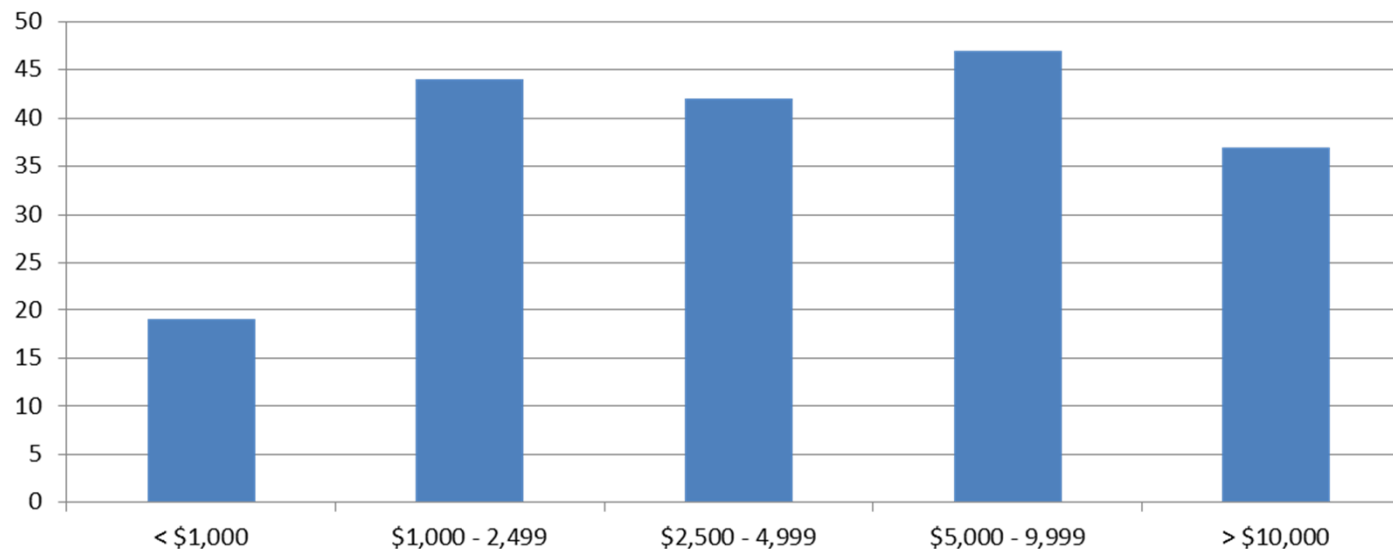


Once again, Specialty Contractors also had the highest tool value.



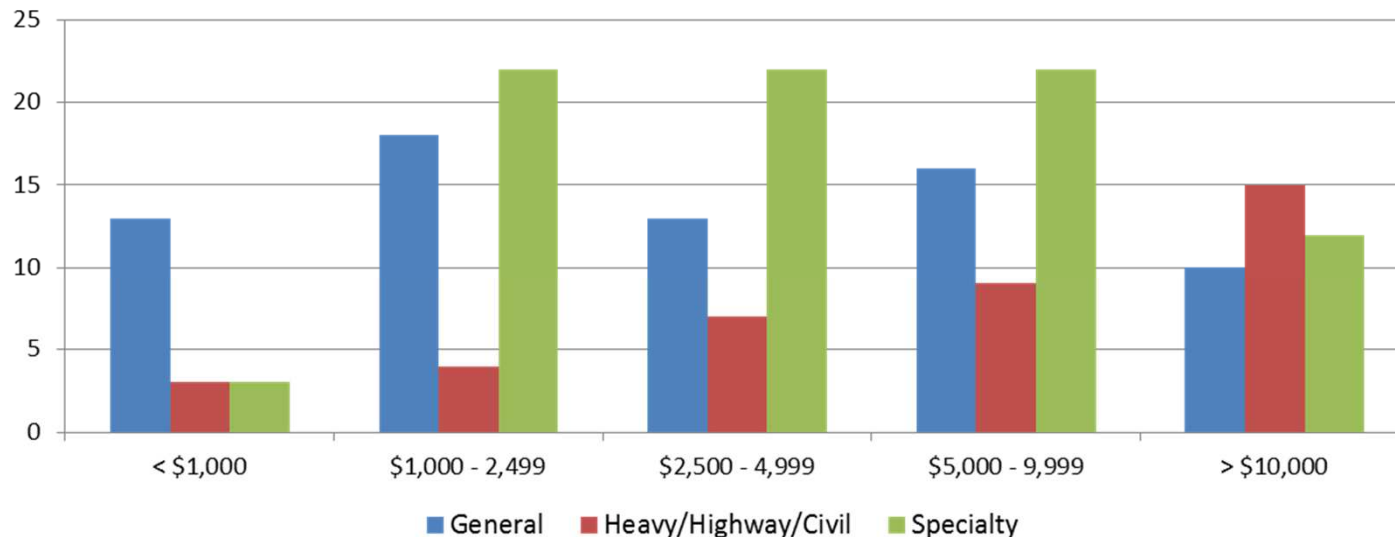
What is the average value of tools in the possession of a crew leader, superintendent, foreman or other responsible party?

There was quite a wide range of tool values held by employees. The question further specified that these tools could either be in their truck or stored in a job trailer.

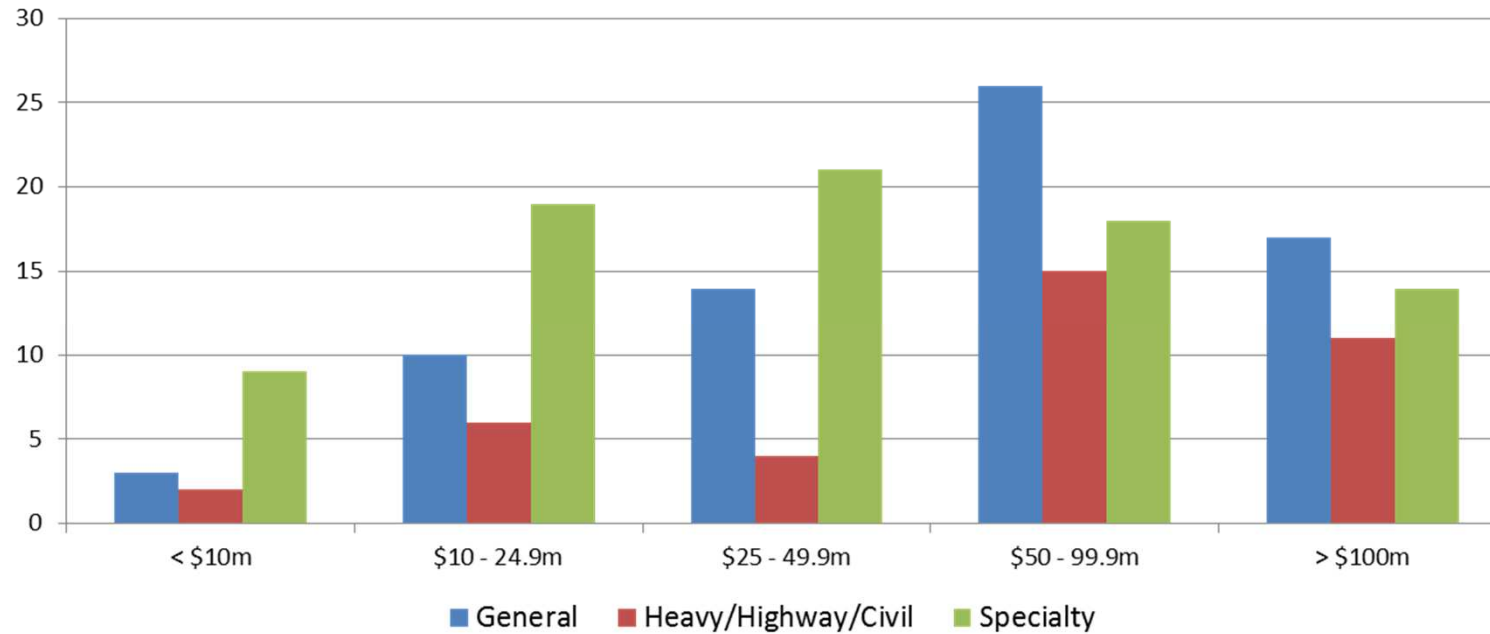


What is the average value of tools in the possession of a crew leader, superintendent, foreman or other responsible party?

There was more variability by type of contractor, with Specialty Contractors holding the highest average value per employee, but Heavy Highway was not far behind. Note the data trends as well.



Survey respondents by gross annual revenue



Survey respondents by number of employees

