

Bidding: One Of The First Steps To A Successful Contracting Business

The average contractor has knowledge and skills in many phases of construction learned from first-hand experience; however, when starting a new business, the contractor must also become a business manager. Managing a contracting business begins with good planning and solid bidding.

“Good planning is one of the most important but most often neglected management duties,” said Contractors State License Board Registrar Gail Jesswein.

A bid, the contractor’s estimate of what it will cost to do a job, generally should include:

- Direct Costs
- Indirect Costs
- Overhead
- Profit

Direct costs generally consist of labor costs and benefits, materials,

sales tax and freight costs, permits and other fees, charges on borrowed funds, equipment owned or rented, and insurance.

Materials required are determined from takeoffs and converted to costs on an estimation form. Prices should be obtained from published price lists and quotes from suppliers and subcontractors. Labor costs are calculated according to work classification. These costs include not only the hourly wage rate, but also payroll taxes, health and welfare benefits, vacation pay, and required insurance.

Indirect costs customarily include general maintenance, fuel and lubricant costs, and small tools.

Overhead costs normally include office rental, supplies and wages, advertising, bad debt, storage charges, and any other general