

Your Equipment Rates: Where to Start

Executive Summary

Whether in an estimate setup or change order negotiation scenario, if you do not know your equipment rates, start with a *baseline* cost.

You know your equipment rates?

You own ten, one hundred, or even a thousand or more pieces of rolling stock. Do you know what they cost you on a yearly or hourly basis? The best way to determine the true cost is by good cost accounting. Each piece of equipment is numbered and the cost of labor, parts, fuel, lubricants, et cetera are all meticulously coded to the piece of equipment. That's a tough road.



Equipment costs are so important on bid day.

Equipment rates are very important in that they can become the sole reason you win a job on bid day. If you own the equipment, then a cut can be taken to reduce the "expense" of the ownership component of the cost. So, in other words if you have a bid with \$1 million of ownership cost in the equipment component of your bid (and you own this equipment), this is a great place to get stupid (i.e. cut cost from your bid and get low on bid day). But before this bid day cut, how do we establish the hourly cost of a snorkel lift, a gradall, a crane, or even a pickup truck?

Estimating - sources for equipment rates.

If you're setting up an estimate system for the first time, consistency in the rates is key. Why? Well, because when you get your act together and realize that, generally speaking, the Blue Book Rates or the Caltrans rates or the USACE rates that you loaded into your system were, say, 15% high, it's easy to take a 15% cut across the board on these rates.

Change order negotiation - sources for equipment rates.

When it comes time to negotiation change order work, your contract likely provides direction on the rates to use. Often times in the public works arena, you're directed to use FHWA (Federal Highway Administration rates). The bottom line for change order rates is that you're likely going to have to use a 3rd party-produced rate. Some examples of rates you can use to (a) set up your estimating system or (b) use in change order negotiations include:

Blue Book Equipment Rates (includes FHWA hourly rates

<https://equipmentwatch.com/>

**Caltrans equipment rental rates – this is the California
“Department of Transportation” rate listing**

<https://dot.ca.gov/programs/construction/equipment-rental-rates-and-labor-surcharge>

Army Corps of Engineers – document number EP1110-1-8

<https://www.usace.army.mil/Cost-Engineering/EP1110-1-8/>

Which one is best?

Equipmentwatch.com is spendy but is mandated by a lot of owners (the Blue Book Equipment Rate or the FHWA rate). It has a very nice printout that you can attach to a change order request package. Also, it allows you to group your fleet in the software which is nice. Caltrans is free and contains many rates, which are generally in line with Blue Book rates. Lastly, the Army Corps of Engineers rates are good; however, many contractors don't like them because they're too low.

My Story

Come on, it's just me and you here reading this little paper. Do you really know your equipment costs? The answer: "no, not really Scott. I say I do, but we don't do enough cost tracking to truly know." And if you've confided in me with your little secret here, your secret being that you really don't know your equipment costs, well, you are not alone. By far.



Most people boast that they know their costs, but they don't. So, in the case of a contractor setting up their equipment costs for the first time when I start them off in estimating, I always recommend Blue Book. The other two suggestions are good as well: Caltrans and Army Corps of Engineers.

It'd be better if you worked to collect the necessary data from your own fleet to dial into your equipment rates, but absent true costs, at least go with one of the pre-canned calculations. At least you'll have a consistent starting point.

Work Safe!