



How Do You Determine the Value of Your Professional Services?

The Consulting Foresters of British Columbia (CFBC) strives to give value to its members and the broader forest sector. In order to put into perspective the situation that the forestry consulting industry currently faces, BCFP is pleased to re-print the following article from the CFBC newsletter regarding determination of forestry consulting rates.

WHAT IS A VALID METHOD OF DETERMINING a charge-out rate for a professional? Rates must reflect the experience, skill and productivity of the individual and the value he or she brings to the client. A registered forest professional in private practice may already have a feel for what should constitute a fair personal income. This intuitive figure may be arrived at in a number of different ways, such as through comparison to other professional groups and/or past jobs.

For discussion purposes, we are going to explore two other methods of determining professional services charge-out rates.

Comparative Rate Multiplier Method

Deciding what should be a fair income should not be totally subjective. So, given that much of the consulting work in 2010 is related to government, we have selected as a base rate the salary earned by a more senior registered forest professional working in government at an LSO3 level, which is approximately \$38.75 per hour (roughly equivalent to \$70,000 per year). An additional 7% can be added to this figure as cash or time equivalent, resulting in a figure of \$41.46 per hour.

From our discussions with the Consulting Engineers of BC, we found it is common for private engineering firms to apply a multiplier between 2.5 to 3.0 times that of a government employee salary in order to account for a range of costs and benefits associated with employment and overhead costs. Using the example above, this would translate into an hourly rate of between \$103.66 and \$124.40 for professional forestry consulting services.

Other professional bodies, such as the Association of British Columbia Land Surveyors (ABCLS), also apply this multiplier factor. On their website, the ABCLS has published a series of bulletins developed by their Business Practices Committee. Through their own analysis and investigations, the ABCLS has found that a multiplier between 3.0 and 3.5 is required in private practice. Following their example, this would ultimately set our rate between \$124.40 and \$145.13 per hour for professional forestry consulting services.

Exact Cost Method

A second way of setting a professional consulting services rate is to consider the salary base rate (as above) and factor in the exact operating costs of running a business on an annual basis, then dividing this value by the number of working hours there are in a year. Some typical operating costs include:

- Business license
- Professional liability insurance
- Commercial general liability insurance
- WorkSafeBC premiums
- BC Forest Safety Council – SAFE Certification premiums and training
- ABCFP annual membership dues
- CFBC annual membership dues
- Vehicle payments (lease or ownership)
- Vehicle operating costs (fuel, oil, tires, chains, safety radio, etc.)
- Vehicle(s) insurance
- All-terrain vehicle, snowmobile, boat and associated safety gear, operating expenses and purchase plans
- Field equipment and supplies
- Accounting and bookkeeping fees
- Legal fees
- Website development and maintenance
- Corporate taxes
- Provincial sales tax / Goods and Services tax / HST
- Employment insurance
- Canadian Pension Plan
- Continuing education, professional development and conferences with associated travel, meals and accommodations
- Mandatory trainings such as Wildfire Suppression S100, first aid and transportation and endorsement.
- Office space (rental or ownership payments)
- Communication services such as internet, telephone, fax and cell phone
- Contract accommodations, meals and expenses
- Advertising and promotion
- Promotional swag
- Bank charges, line of credit carrying charges
- Bid deposits
- Books, manuals and subscriptions relevant to your area of expertise
- Computer, scanner, printer (and ink!)
- Office supplies such as paper, pens, etc.



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We start with the base rate of \$41.46 per hour (as for an LSO3, above), then factor in typical annual operating costs of \$80,000 to \$150,000 for a sole proprietor consulting company.

To determine how many hours are in a year, we assume eight hours per day (even though very few consultants work only eight hours per day!), five days per week and 52 weeks per year, which equals 2,080 gross working hours per year. Subtract the following:

- Statutory holidays – 10 days per year (80 hours)
- Vacation time – 12.5 days per year (100 hours – a mid-point between 10 to 15 days per year; note this amount typically grows over time or with seniority)
- Sick time – average six days per year (48 hours)

Thus the actual available working hours per year equals 1,852 (2,080 – 228 or roughly 89%).

The exact cost method must also take into account the efficiency of the forestry consulting company. We estimate 80%, which accounts for things like administrative time, developing tenders (not all are won), market research, volunteer work, down time, etc. Every company will have its own estimate, but 80% is a very conservative value. We arrive finally at 1,482 hours per year (1,852 x 80%).

Therefore, our professional forestry consulting services charge-out rate, using the exact cost method, is:

Professional Services Fee
 = BASE RATE + OPERATING COSTS
 = \$41.46 per hour + (\$80K to \$150K per 1482 hours)
 = \$41.46 per hour + (\$52.98 to \$101.22 per hour)
 = \$95.45 to \$142.68 per hour
 (or \$763.60 to \$1,141.44 per 8-hour day)

This exact cost example applies to a sole proprietor consulting company. Obviously, with multi-employee consulting companies, the model changes as you add the new costs associated with employees

while spreading some of the fixed costs over more hours. The end result, however, remains similar.

Rate Summary

COMPARATIVE RATE MULTIPLIER METHOD

Engineer Multiplier: \$103.66 – \$124.40/hour
 Land Surveyor Multiplier: \$124.40 – \$145.13/hour

EXACT COST METHOD

\$95.45 – \$142.68/hour

We believe that the rates calculated above are both reasonable and comparable to other professions, regardless of the method applied. We also know that *they are not even within the ball park* for the sector in which consulting forest professionals offer their primary services. This is a serious problem, for without the ability to generate a healthy living standard and maintain and attract highly skilled people with fair compensation for their efforts, our sector will continue to erode, regardless of market cycles.

We suggest, as a start, that the CFBC and the ABCFP coordinate their efforts to create a fee schedule for forest professionals in the private sector, much like other professional bodies have completed. A salary survey planned for later this year will provide key information for such a fee schedule.

Lastly, we challenge those practising in the consulting sector to take a serious look at their professional services rates. At what rate are you valuing your services? And what are you foregoing when rates are painfully low? 🍋

The CFBC is a non-profit professional organization representing the business interests of forestry consultants in BC. CFBC's mission is to promote a healthy forest sector which will, in turn, lead to a healthy forestry consulting sector. It is our vision to be recognized as the leading organization representing the interests of the forestry consulting sector. For more information, please visit us at www.cfbc.bc.ca.