



The

Broadcasters' Desktop Resource

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... edited by Barry Mishkind – the Eclectic Engineer

Contract Engineering **Out On Your Own - 101**



By Clay Freinwald

[August 2016] Contract Engineering is not for everyone. But if you are ready for a change in your life, Clay Freinwald offers help in setting up your business plan.

In the past, we have discussed the changing relationship between engineers and managers, and how the “new way” of doing things puts more pressure – and often less money – toward the technical side, requiring the engineer to think about and react to the “culture” of a given station/company.

Now, we will explore the changing relationship further, especially as the engineer takes the initiative to make – and control – the changes.

LOOKING AT THE TRANSITION

If you do decide to venture outside of the conventional employer/employee relationship and move into contract work, a couple of things need to be stressed.

- 1) Your relationship with your client is now viewed quite differently
- 2) Remember that your relationship is now “business to business” and no longer “business to engineer.”

- 3) If you want respect from a business – you too must be “business-like.”
- 4) The guidelines and basis for the relationship now should rely on a well thought-out contract between you and your client. (Operating without a contract simply is dangerous.)

One common weakness that can lead to failure is when a technical person fails to appreciate the need to sharpen their business skills.

Contract engineering is more than just showing up at an equipment failure with a truck full of gear. If you are familiar with creating service contracts, you know what the ingredients should be, if not – *play it safe and get help*. Otherwise, consider taking a course in small business administration at a local college. By learning these things from the “get-go,” you will avoid a lot of problems that could be costly.

SELLING THE CONCEPT

Over the years, I have met a lot of engineers that are deathly afraid of sales – with the mere mention of the word causing them to grab their tool box with a death-grip.

It is true. Funnily enough, you are likely OK with selling the owner/manager on a particular brand of transmitter – but reluctant to use those very same skills to promote yourself to the potential client.

The way to overcome this issue is, first, to learn how to sell yourself. A lot of sales is about enhancing the value of something in the mind of the buyer. Perhaps a short course in self-image psychology could pay dividends?

BEFORE YOU LIFT A TOOL

Now, when you get ready to work for your first client, it is time to make a contract.

The foundations for the agreement are the business terms that describe what is expected from both parties. Usually this can be developed by carefully recording what each party would like to see addressed in an agreement in a face to face meeting. Such agreements should be designed to protect both parties from all forms of negative behavior including, for the engineer, the most dreaded: being taken advantage of – or – not getting paid!

Help in constructing a contract that is fair to both can come from a number of sources ranging from searching on-line to borrowing language from another in the field. You may even wish to do a “Plain English Version,” on one page, but saying you respect each other and will be careful might not be enough to protect you should an antenna burn up while you are doing maintenance.

WRITE ONCE, CHECK TWICE

Once you have drafted your agreement, the client will want to review it, including perhaps having their legal department weigh in.

When they have completed this work – have the final agreement reviewed by your lawyer or other person that is schooled in contract law. Remember inking a bad deal only enhances how bad it is.

YES, IT IS A BUSINESS

Just because you are pretty much the boss and employee in your new business does not make the financial aspects less important. You cannot just charge a low hourly rate, toss all the money in a drawer, and take it to the bank once in a while. Do that, and you will not last long.

Similarly, just as you know the US Treasury takes a chunk of what you earn, there are expenses that will require you to set an hourly rate that is reasonable, but covers your expenses.

With that in mind, let us consider some areas that need attention to stay solvent. There will be professionals in some of these areas whose expertise will prove valuable to you. Do not be afraid to use them.

LICENSES

One of the first things to do is get licensed. Not from the FCC. Your city or state will likely want you to have a business license. This is especially true if you are doing the kind of work where taxes are involved.

In some states or cities, you may also need to have a Low-Voltage License to do work on many items involved in the broadcast industry.

TAXES

In my state I have an obligation to collect Sales Tax on all work that I do, and my clients have an obligation to pay it. Your state or local government may also have Business & Occupation Taxes.

Then you have an obligation to pay what you have collected to the State. This involves book-keeping.

And do not forget Federal Taxes. Unless you are also a whiz at dealing with IRS regulations, this can get real complicated, really fast. Personally I have a firm reviews how I handle taxes and files with the State on my behalf, thereby

providing an additional degree of insurance to keep me out of trouble.

Your tax advisor can be of significant help in not only making sure that you pay taxes correctly, but on how to structure your business to ensure that you are not paying more than you should. He will help you understand such issues as what can and cannot be claimed as business expenses, what can be deducted etc.

INSURANCE

Your client may well, with considerable justification, require that you be insured.

After all they are now trusting you to do the right thing in your activities, and should you accidentally do something that cost them money, both parties will want protection. In today's world a Million Dollar liability policy is often a starting point. Do shop around; and do not be surprised if what you do is a relative un-known with your insurance broker.

Furthermore, do not overlook medical insurance if you are no longer covered by an employer. This too requires a good deal of shopping around and/or working with an expert in the field that will steer you in the right direction.

OPERATING EXPENSES

Operating an independent business can be rewarding. There are a lot of operating expenses that you must track. As you may have concluded, you will now have expenses that you did not have before.

To start with: the cost of getting from point A to point B.

For example, every time your vehicle moves, it costs you money. You will likely want to make sure that those and all other possible expenses are being paid for by a client. You should also keep a record of expenses on this category.

When out of town, lodging and meals are also deductible, but require good record keeping.

You may be, perhaps for the first time, having to purchase your own cell-phone or 4x4 vehicle, tools and test equipment, etc. All of these expenses will have to be factored into your cost structure. Additionally, so will your profit that will have to equal a number sufficient to meet your living expenses.

All of this record keeping is not to be taken lightly: I have seen more than a few contractors shoot themselves in the financial foot because of poor record keeping.

SO WHAT SHOULD I BE CHARGING? –

Determining what to charge is like pricing a lot of things – The basic factors are: (1) What are my costs, and (2) How much can I charge.

As an independent business person you will quickly come to appreciate the concept of fixed expenses or, at least, knowing what a cost will be before you commit. You probably do not purchase many items where you have no idea of what it will cost until the end.

So is it with your clients. Even if you are used to charging by the hour, a client will want to know about what the bottom line will be. If I am, for example, doing a transmitter installation, I will quote a fixed cost and follow it up with a job description of what I will be doing and what could take place that would result in additional charges.

Knowing this is why I have had good success structuring my fees around fixed amounts. Clients very much appreciate knowing what their costs will be and I enjoy knowing what my income will be.

Not only does this make budgeting easier, but it reduces the amount of time I have to spend with my book-keeper's hat on.

MARKET RATE

Unless you are buying an established business, you are going to need to find out what the market rate is.

Sometimes it is easy, as some local folks will explain the going rate. You will need to charge more than the landscaper and less than your brain surgeon (you did have brain surgery as you came into the broadcast industry, did you not?).

Keep in mind there are always some who are doing business in an area that operate on a shoe-string and become known as “low-ball” experts. Often these folks will seek out the client that is also in the “low-ball” business and they will work well together. Later on, it will usually appear they deserve each other.

It is entirely up to you whom you want to work for. Clients or broadcast stations are like any other business. There are those that are successful and there are those that are not, there are those that pay their suppliers on time and those that are in arrears with many.

Personally, I have some goals when it comes to clients. I chose those that,

- Treat me honestly and fairly.
- Always pay me on time.

THOUGHTS ON EMERGENCY WORK

Over the years I have learned a thing or two about emergency call in work,

- 1) I feel, absolutely, no obligation to respond to anyone that I do not have under contract.

For example, consider the dreaded 3AM phone call after you have stayed up late. If it is a client, my response is: “I’m on the way.” If it is not, I have no problem telling them to call someone else.

- 2) Make sure that emergency call-ins are spelled out in your contract. Similarly what happens if you are out of town, on vacation or are tied up at another job?
- 3) Consider the 4-hour minimum. This is likely what the guy that repairs the copy machine does. I have found that it works wonders for screening out the random call from someone that would rather not think through a simple problem.

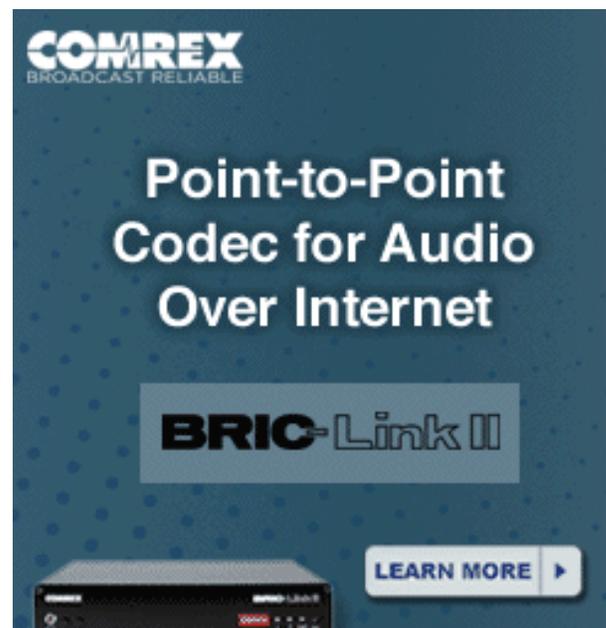
PURCHASING AND PARTS

You can either supply the parts your need or keep that separate from your time.

I like to separate my labor from the purchase of parts or other items necessary to accomplish a task.

In short, if I need repair parts I have the client / station order them. There are a several good reasons for this tactic:

- (1) I avoid the paper work. As you will discover, time is money and time spent handling paperwork is often not that profitable.



- 2) If you purchase the item for the client, you are using your capital (instead of theirs) in the process tying up your money while waiting to get paid.
- 3) If do make purchases, you will have to mark them up to cover your cost of doing business thereby increasing the cost to your client.
- 4) Then there are the tax obligations that add more paperwork to your equation.

Depending upon the client, I will assist the client by:

- 1) Ordering the part, to insure accuracy.
- 2) Having it shipped to my location to reduce travel expenses.
- 3) If necessary, I will purchase small items and add them to my invoice as an out of pocket expense.

REQUIREMENTS WORK BOTH WAYS

Do not be afraid of requiring that a client does not:

- Operate legally or within FCC, OSHA, FAA etc. rules.

- Maintain a safe working environment.
- Agree to purchase required parts or equipment.

POKER

As you get more experience, you will find some situations are much like a card game: you need to know when to old 'em and when to fold 'em.

Never be afraid to walk away from a bad-deal; make sure your contract gives you that ability. Remember, there is little honor working for a bad operator and that being able to look at yourself in the mirror is a good thing.

A good reputation is something that is worth more than money can buy, and a good reputation from good players is something to strive for. I have been in this the same market for over 55 years, and have worked hard to create and maintain a good reputation. I can attest that it has been worth it.

*Clay Freinwald, a frequent contributor to **The BDR**, is a veteran Seattle market engineer who continues to serve clients from standalone stations to multi-station sites.*

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