

STUCK WITH LOW BID? MAKE THE MOST OF IT!

by

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I often hear: "Don't talk to me about best value contracting, CM, CM-GMP, Design-Build or any of those other construction delivery vehicles; I'm stuck with low bid." Whenever I hear this, I want to take the person aside and discuss how to make the most of the low bid process. Many of us are required by law or company policy to deliver construction via the low bid process. Many of the rest of us award most of our contracts to the low bidder for other reasons including personal preference, market or political pressure, or conservation of resources.

The low bid process has some benefits.

It is probably the least resource consumptive of possible contractor selection methods, at least initially. Owners only need to have a set of bid documents prepared; contractors only need to come up with a number, and have it be the low bid. Then the fun begins, or you might say, the learning process begins; for, if the owner has not invested time and effort in learning the plans and specifications, he will be forced to do so as questions come from the contractor, his subs and suppliers. And the contractor who has invested only minimal time in developing a low bid, is also often cast into a learning process including what he missed that made him low bidder. Other contractors invest more time and even prepare lists of potential change orders; and, if successful, bring the first ones to the pre-construction meeting. Clearly a path to conflict!

Also, low bid is the most objective construction delivery vehicle. All others have some degree of subjectivity. This can be of concern to many constructors; other-than-low bid requires a high degree of trust that the owner will be fair in consideration of all selection factors other than price. That trust is not always easy for constructors.

Contrast this with the many other construction delivery vehicles, particularly those with processes that require the owner and contractor to become familiar with the contract documents by preparing a lengthy, detailed technical proposal, and evaluation of all submitted proposals by the owner. Both learn much from the process, both about the project and each other. The result is often both a more accurate price and a better relationship during project construction.

Is there a way to bring the advantages of the other processes to low bid? A way for owner and contractor to learn more about each other? A way to shore up that low bid number to get it closer to reality, to the benefit of both the owner and the builder? Of course there is! In fact, I suspect there are many ways. My purpose here is to provide a couple to jump start your thought processes; to cause you to think how best to take advantage of being "stuck with low bid."

First, to help get the bid close to the actual cost. Most low bid processes allow bidder prequalification. I invite you to leverage that freedom. Examine your prequalification process. How can it be enhanced to cause both you and your bidders to learn more about the project, and thus encourage them to better price it? Most processes specify, but do not limit, prequalification requirements. Take advantage. Ask all would-be-bidders to give you a technical proposal as part of qualifying to bid. Vary the extent and your expectations of the technical proposals with the value of the job, but ask for a detailed schedule, a quality control plan, a description of obstacles the bidder sees, adjustments he'd like made to the plans and specs, his MBE/WBE plan, references, etc. This investment always pays the owner and successful bidder; the reward to other bidders is knowledge that competitors were serious enough to prepare the required technical proposal, and not just win by low-balling the price.

Next, have a pre-bid meeting, and demand that your A/E team do a detailed presentation of your project to prospective bidders.

And, provide a formal method for the contractors to ask for clarifications and issue addenda so that all bidders will have the same information. Keep that playing field as level as possible.

As for getting to know the players better, one process is to generically qualify a pool of bidders for projects for some specific number of years, and then allow only that pool to bid some or all projects. Over a relatively short time, owners become increasingly familiar with a restricted field of bidders such as this; and each time they update the pool, they can add new potentials, and remove poor responders.

All of this takes up front work, but none of it is rocket science; and since there are already COAA members who make the most of being stuck with low bid, let them help you do the same.

Talk with your peers about this and other issues of concern at our COAA San Antonio conference, November 9-11, 2005.