Complex Bid Documents Undermine the Process

By Richard Hewitt
FSAWWA Contractors Council

Over the past 15 years, bid forms and the documentation required to accompany a bid have become increasingly complex and lengthy. The result is increased cost to the owner. An easily quantified cost that owners incur is the cost to go to the second or third bidder when a bid is rejected for being non-responsive. There is also a "not so obvious" increase in cost as contractors are forced to spend more and more time filling out complex bid forms, as opposed to analyzing subcontract and supplier's scopes and optimizing pricing.

Bid day for a general contractor in the water and wastewater market is usually quite a hectic experience. Most subcontractors and suppliers do not provide final pricing until bid day, and since 60 to 70 percent of the cost of a water/wastewater project can be subcontractors and suppliers, 60 to 70 percent of the total cost of a project is still open on bid day. Furthermore, finalized pricing for the following specialized items is often still open in the final hour before the bid is due:

- Major Process Equipment
- Process Piping, Valves, & Fittings
- Electrical Subcontract
- Instrumentation & Controls Subcontract

Since these items can sometimes represent over 50 percent of the total cost of the project, 50 percent of the project cost is still open in the final hour of the bid.

If there are 100 cost items to close, assuming an average of three vendors per cost item, there are 300 different quotes/quotes needing accurate analysis on the final day of the bid. The contractor compiles all these options based on the risk, prices that risk, finalizes the costs, completes the bid form, and calls the bid runner who is waiting at the location of the bid opening and reads off all the information to be filled in on the bid form. The bid runner then turns in the bid within 10 minutes of the due time.

A typical timeline for a $20 million treatment plant bid due at 2 p.m.:
- 8 a.m.—70 percent or $14 million still open
- Noon—90 percent or $10 million still open
- 1 p.m.—35 percent or $7 million still open
- 1:30 p.m.—20 percent or $4 million still open
- 1:45 p.m.—Contractor stops taking pricing from subs and suppliers and begins finalizing pricing

The critical time is the last hour, and contractors try to simplify and streamline the final hour as much as possible. A major portion of the last hour of a bid is completing the bid forms and transferring the information via phone to the bid runners. Obviously the more complex the bid form, the more difficult the closing will be and the more potential for error. An incorrectly filled-out bid form is a very common reason for bids being found non-responsive, and the timeline illustrates why it happens quite frequently.

Owners who require "simplified" bid forms receive the best pricing possible and also limit the potential for bids to be rejected because of incorrectly filled-out bid forms. A simplified bid form does not necessarily mean that the owner has to receive less information. The owner still has several options available to obtain the required information while keeping the bid form easier to complete. The following items can be simplified in the bid form:

- Multiple Copies—It is becoming more common for owners to require four or even sometimes eight copies of a bid. As described above, contractors read information over the phone to bid runners, who complete the bid forms usually 10 minutes or less prior to bid time in the parking lot of the bid opening location. In this situation, making additional copies is not as simple as using a copy machine. Not only does making additional copies by hand increase the chance for error, it takes more time which means contractors have to stop taking pricing earlier, thus missing out on potentially thousands if not hundreds of thousands of dollars in price cuts.

The simplest solution to this problem would be to drop the requirement for multiple copies.

- Electronic Copies—Another trend the past few years has been the requirement on an electronic copy of the bid documents to be turned in with the bid. The nature of the bidding process for water/wastewater projects makes it clearly impractical (and impossible) for bidders to provide electronic copies. A simple solution is to require the electronic copy to be provided within a certain timeframe after the bid closing with the stipulation that if there are any discrepancies, the original turned in at bid time will prevail.

- DM/DBE Listings and Percentages—Many owners currently have DM/DBWE programs in place. The analysis of DM/DBE scopes and quotes can be quite complex. Contractors are required to spend quite a bit of time optimizing their usage of DM/DBEs, and because of the bid time constraints, a thorough analysis quite often is not practical. In some cases, owners are requiring signed letters of intent with the bid. Again, this is not practical and ultimately leads to increased costs for the owner. In some cases, contractors will not be able to optimize qualified DM/DBWE usage or because the low contractor is deemed non-responsive due to errors on a DM/DBE form, forcing the owner to spend more money on the second or third contractor.

A simple solution is to require contractors to commit to a certain percent of DM/DBE participation at bid time and follow up with the required documentation within 24 hours.

- Schedule of Values—The best situation for contractors, and the one that will result in the best pricing to the owner, is to provide only one LS price because it not only requires less writing during the final minutes of a bid, but it also lowers the chance of a calculation error. If the owner requires a schedule of values or a more detailed breakdown, this can be requested after the bid.

Ultimately, owners will realize a savings. Not only will contractor overhead costs bid a project be decreased, but direct costs to the owner will decrease as contractors will have more time to analyze and optimize pricing, as opposed to being bogged down filling out bid forms correctly.
Over the past 15 years, bid forms and the documentation required to accompany a bid have become increasingly complex and lengthy. The result is increased cost to the owner. An easily quantified cost that owners incur is the cost to go to the second or third bidder when a bid is rejected for being non-responsive. There is also a “not so obvious” increase in cost as contractors are forced to spend more and more time filling out complex bid forms, as opposed to analyzing subcontract and supplier’s scopes and optimizing pricing.

Bid day for a general contractor in the water and wastewater market is usually quite an hectic experience. Most subcontractors and suppliers do not provide final pricing until bid day, and since 60 to 70 percent of the cost of a water/wastewater project can be subcontractors and suppliers, 60 to 70 percent of the total cost of a project is still open on bid day. Furthermore, finalized pricing for the following specialized items is often still open in the final hour before the bid is due:

- Major Process Equipment
- Process Piping, Valves, & Fittings
- Electrical Subcontract
- Instrumentation & Controls Subcontract
- DM/DBE Listings and Percentages
- Electronic Copies

Since these items can sometimes represent over 50 percent of the total cost of the project, 50 percent of the project cost is still open in the final hour of the bid.

If there are 100 cost items to close, assuming an average of three vendors per cost item, there are 300 different quotes/quotes needing accurate analysis on the final day of the bid. The contractor compiles all these into one list of quotations based on the risk, prices that risk, finalizes the costs, completes the bid form, and calls the bid runner who is waiting at the location of the bid opening and reads all the information to be filled in on the bid form. The bid runner then turns in the bid, usually within 10 minutes of the due time. Here’s a typical timeline for a $20-million treatment plant bid due at 2 p.m.:

- 8 a.m.—70 percent or $14 million still open
- Noon—50 percent or $10 million still open
- 1 p.m.—35 percent or $7 million still open
- 1:30 p.m.—20 percent or $4 million still open
- 1:45 p.m.—Contractor stops taking pricing from subs and suppliers and begins finalizing pricing

1:30 p.m.—Finalizing begins: giving bid form information to bid runner via phone
1:55 p.m.—Bid runner completes bid form and turns in bid

The critical time is the last hour, and contractors try to simplify and streamline the final hour as much as possible. A major portion of the last hour of a bid is completing the bid forms and transferring the information via phone to the bid runners. Obviously the more complex the bid form, the more difficult the closing will be and the more potential for error. An incorrectly filled-out bid form is a very common reason for bids being found non-responsive, and the timeline illustrates why it happens quite frequently.

Owners who require “simplified” bid forms receive the best pricing possible and also limit the potential for bids to be rejected because of incorrectly filled-out bid forms. A simplified bid form does not necessarily mean that the owner has to receive less information. The owner still has several options available to obtain the required information while keeping the bid form easier to complete. The following items can be simplified in the bid form:

- Multiple Copies—It is becoming more common for owners to require four or even sometimes eight copies of a bid. As described above, contractors read information over the phone to bid runners, who complete the bid forms usually 10 minutes or less prior to bid time in the parking lot of the bid opening location. In this situation, making additional copies is not as simple as using a copy machine. Not only does making additional copies by hand increase the chance for error, it takes more time which means contractors have to stop taking pricing earlier, thus missing out on potentially thousands if not hundreds of thousands of dollars in price cuts.

The simplest solution to this problem would be to drop the requirement for multiple copies. Another option would be to require all contractors to provide copies of their bid within a certain timeframe after the bid closing with the stipulation that if there are any discrepancies, the original turned in at bid time will prevail.

- Electronic Copies—Another trend the past few years has been the requirement for an electronic copy of the bid documents to be turned in with the bid. The nature of the bidding process for water/wastewater projects makes it clearly impractical (and impossible) for bidders to provide electronic copies. A simple solution is to require the electronic copy to be provided within a certain timeframe after the bid closing with the stipulation that if there are any discrepancies, the original turned in at bid time will prevail.

- Limit the Subcontractor listing to “Major Sub Only”—It is not practical (or sometimes possible) to name all subcontractors on the bid form. At bid time, many subs have incomplete scopes and it is impossible to tell at the time which subcontractor actually has the most competitive pricing with the correct scope. Subcontractor listings should be limited to a certain value (i.e., list all subs $200,000 or greater, etc.).

- Subcontractor Address, Contact Name, Telephone & Fax—Writing in this information becomes tedious and takes up valuable time in the last 15 minutes of the bid. This information can be provided easily to the owner at a later date with the contractor providing only the sub’s name at bid time.

- Subcontractor Value—As stated previously, subcontractor bid day scopes can change drastically from a final scope, thus changing the cost. It would be best to drop the requirement to list the exact value. A possible option is to require the contractor to list an approximate percentage to a certain amount of DM/DBE participation at bid time and follow up with the required documentation within 24 hours.

- Listing of Suppliers—Listings should be limited to major suppliers. The “circle sheets” that require the contractor to circle the suppliers from a list are commonly used and are the best and easiest to use. A blank list that requires the contractor to write in the name, address, and value should be avoided.

- Schedule of Values—The best situation for contractors, and the one that will result in the best pricing to the owner, is to provide only one LS price because it not only requires less writing during the final minutes of a bid, but it also lowers the chance of a calculation error. If the owner requires a schedule of values or a more detailed breakdown, this can be requested after the bid.

During current economic conditions, everyone is trying to get the best value. Increasingly, owners are faced with tight budgets, so getting the best pricing from qualified contractors is paramount. An understanding of what contractors are faced with on bid day can help owners tailor their bid forms and requirements so they still receive the information they need but in a more accurate, efficient way.

Ultimately, owners will realize a savings. Not only will contractor overhead costs to bid a project be decreased, but direct costs to the owners will decrease as contractors will have more time to analyze and optimize pricing, as opposed to being bogged down filling out bid forms correctly.