

Bid Listing

Background: The government's procurement policy relies on a competitive bid system in which the lowest responsible and responsive bidder prevails and is awarded the bid. For construction, the lowest bid submitted by a prime or general contractor also reflects the lowest bid submitted to them by specialty contractors. In today's construction market, prime contractors subcontract almost all work to specialty contractors, often up to 100 percent of a project. The subcontractors' bid price therefore ultimately determines the cost of the construction project.

Because of controversial practices known as "bid shopping" and "bid peddling," some entities within the construction industry have abused the competitive bid system by listing one or more specialty contractor(s) in order to secure the contract. Then, once the bid has been awarded, the prime or general contractor will "shop" or "peddle" the project to a lower bidding specialty contractor(s) who will perform the work at a lower cost than the submitted bid and allow the prime or general contractor to pocket a larger profit. When bids are shopped or peddled, the quality of the construction, and in some cases the integrity of the entire project, can be jeopardized.

Because of the increasing popularity of competitively negotiated contracts – contracts awarded on the basis of many criteria, often other than low bid – in the Federal construction marketplace, some Federal construction projects are no longer awarded solely on the basis of cost. Bid listing is therefore essential to the successful completion of Federal projects and an important mechanism to assure contractors credibility and performance.

There is currently no mechanism in place to require prime or general contractors on Federal projects to use the subcontractors listed on their bids. As such, there is no assurance that the performance or cost criteria for which the bid was actually awarded will be met during the completion of the project or that the specialty contractor(s) listed on awarded bids will actually perform the work.

PHCC Nevada Position: Bid shopping and bid peddling are abhorrent business practices that threaten the integrity of the competitive bidding system that serves the construction industry and the economy so well. PHCC supports legislative language that will assure quality construction and prevent certain abusive contracting practices by requiring each bidder for a Federal construction contract to identify the subcontractors that the contractor intends to use to perform the contract and to require the contractor to use the subcontractors listed on awarded bids to actually perform the work they are listed to perform.

Government Relations Committee Approval:

Board of Directors Approval: Feb. 2, 2009