



The Business of Bidding

Why are agencies setting mandates for Internet bid submission?

By Will McClave

What began in 1997 as a vision—paperless, sealed Internet bidding for highway construction projects—has evolved into a standard for 30 state highway agencies and numerous local agencies. Now, less than 12 years later, many agencies are saying no to paper and implementing Internet-only bid submission systems. How did this happen



so quickly? Are contractors ready to bid online?

BIDDING IN THE BEGINNING

A handful of state transportation agencies were willing to pioneer Internet bidding in the late 90s. With regular monthly bidding opportunities, they were looking for ways to streamline a paper-heavy process and eliminate bidding errors. Plus, the monthly pilgrimage to the capital for the bid opening was starting to take a toll on the contractors. Bidders were finding they needed to bring staff and computers to get their bids prepared—sometimes for multiple days. Agencies ultimately realized the cost, since those expenses were typically rolled up into the bid. When navigating through severe weather, trips to the capital were longer and even more expensive. Some state transportation agencies were already encouraging bidders to use simple bid preparation software for preparing their paper bids and submitting them on a diskette, so the concept of saving and submitting that electronic bid file over the Internet was only an additional step.

then download bid files from the agency to which they want to submit a bid. The bid files posted by the agency contain the item number, a short item description, and the quantity so that the bidder only has to enter unit prices and the computations are done automatically. Once completely filled out, bids are submitted via the Internet to a secure Web lockbox. They are held in the lockbox until the scheduled public bid opening. Bidders can edit and replace bids an unlimited number of times until the bid opening, making it easy to accommodate last minute pricing changes. Quality bid services are certified by independent authorities such as VeriSign®, the leading provider of security and infrastructure services, ensuring bidders that their information is safe.

Contractors receive additional conveniences from Internet bidding Web sites through the availability of add-on services, making them a one-stop-shop for all bidding needs. For instance, a bidder can access a bid tab analysis service for information on historical item pricing. Or, get online access to plan sheets where plans can be viewed and printed, or order large sets and have them delivered. All of this can be accessed from one Web site.

Also available for prime contractors is the ability to request and exchange subquotes with subcontractors through online communities. Conversely, subs can reach out to plan holders and provide unsolicited quotes. The interaction opens up new ways for primes and subs to connect and get better pricing. This type of exchange can be especially helpful if the job comes with a Disadvantaged Business Enterprise (DBE) goal, since good faith efforts are recorded and documented.

INTERNET BIDDING PROCESS

How does Internet bidding work? Contractors download free bid preparation software and

INTERNET BIDDING ACCEPTANCE

How did this process get adopted so quickly by contractors? Once they saw how

ABOUT the AUTHOR

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easy it was, contractors actually preferred bidding from home and the popularity grew. Some reasons include reduced travel expenses, built-in checks for errors and omissions, and online verification of bid bonds. The contractors' widespread acceptance of the new bidding method made it easy for agencies to implement it; even more so since they realize benefits as well. They get error-free bids and can process bids instantly. Bid openings used to take hours and require temporary staff; today they take minutes and real-time results are posted online.

Agencies adopted Internet bidding quickly; in 2002, there were nine agencies using Internet bidding services, and by 2005, it jumped to 20. Today, 30 state/provincial highway agencies accept online bids, and nearly 5,000 highway contractors subscribe to online bidding services.

As of January of 2009, 13 state highway agencies have mandated that all or most bids be submitted online, including Florida, Indiana, Louisiana, Michigan, Minnesota, New Jersey, North Carolina, Nova Scotia, Ohio, South Carolina, Tennessee, Vermont, and Virginia. Some of these agencies will still accept paper bids for small projects, but will charge a processing fee for the extra paperwork involved. Agencies are able to easily justify mandates since the cost savings of Internet bidding is so significant.

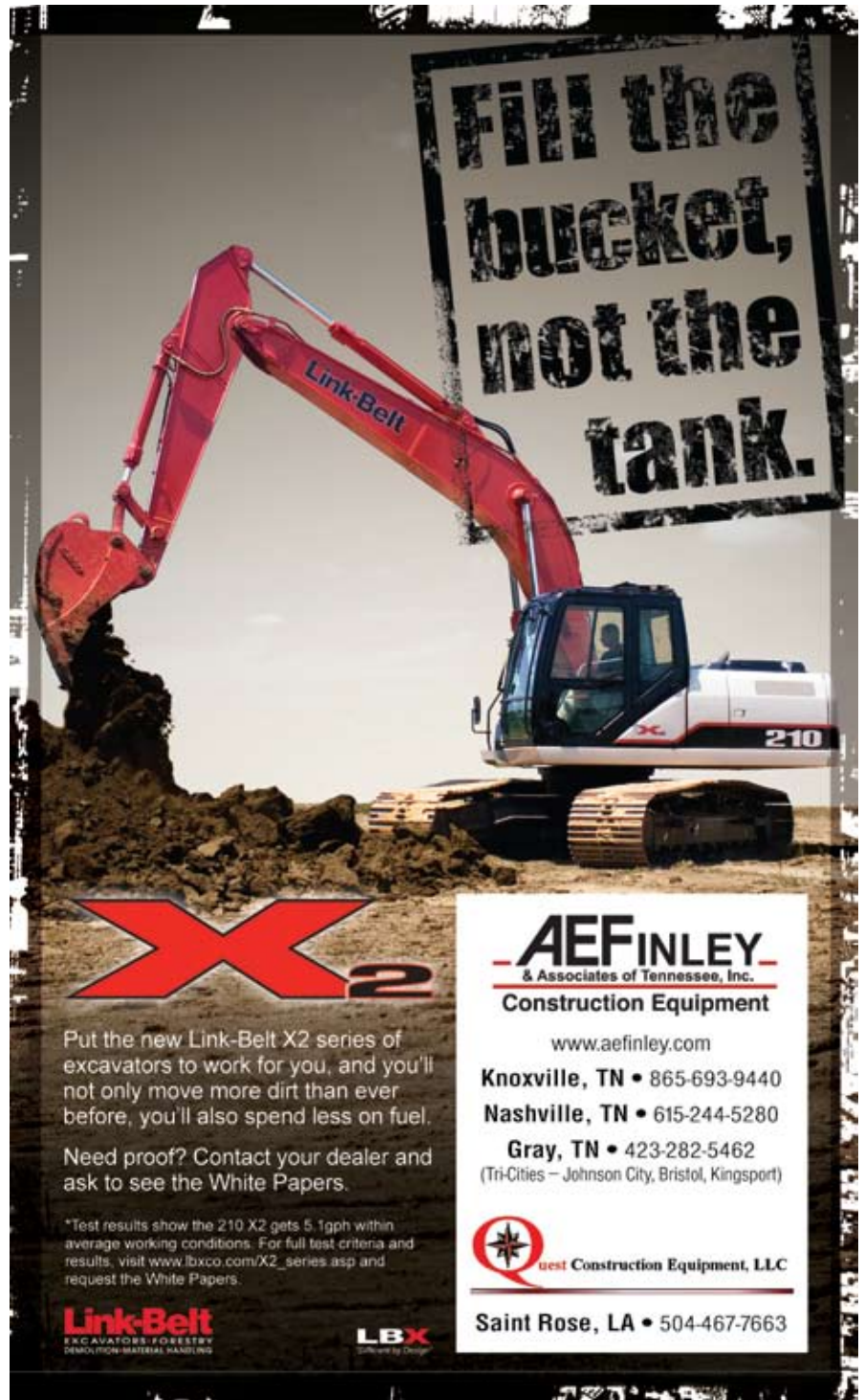
Contractors bidding to these state agencies are demanding the same bidding conveniences for local work, and more local agencies are beginning to accept Internet bids. In fact, the Louisiana legislature recently passed Act 590 requiring all political subdivisions to allow for electronic bids for public works contracts and for the purchase of materials and supplies. Louisiana agencies are scrambling to meet the requirement, but in most cases, their contractors have been bidding online for years and are anxious for the service. The legislators' attempt to regulate the process is a clear indication they recognize the time and cost savings for both contractors and agencies.

Roger Bierbaum, contracts engineer from Iowa Department of Transportation implemented Internet bidding at his agency with positive results. "Some contractors are bidding on more projects than they did in the past because they have more resources bidding from their home office than they did bidding from a hotel room. We've also heard that contractors can more easily include last minute quotes in their bids, which results in lower bid prices for the DOT."

Bierbaum has since elected to post plan sets online and post bid tab data so that contractors only need to go to one source for their bidding needs. "Having only one site on the Internet for all our services means a contractor doesn't have to search for things they need," he says. "Some new services appeal to some contractors, but not others. Iowa has not tried to give our contractors the hard sell. We inform them

of new services and let them decide if it is something useful to them."

At the end of the day, agencies want to do what's best for their bidders. Contractors can sometimes feel that preparing bids is half of their business. Using available technologies and streamlining services alleviates some of this burden so they can get down to the business of building. ■



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