

Contingency Doesn't Exist When Low Bid Wins

Executive summary. When an owner determines the method of award is that the low bid wins, they shouldn't expect contingency in a contractor's bid. Here's what they should expect.

What is contingency? If you go to google.com and type in "definition of contingency" you get this: [QR]



- (a) A provision for an unforeseen event or circumstance, and
- (b) An incidental expense

In construction procurement when the owner awards based on low bid, contractors don't do "(a)", and "(b)" is just a lie.

Exceptions. A contingency should only be expected by the owner for conditions expressed in the documents. For example, most airports require badging, security, and/or training for driving on the tarmac. If the Contract states that training is required, but the duration is not sated, it should be expected that each employee will have to attend a training of a certain duration and the employer will be expected to pay for this training. Therefore, a contingency is expected to be carried at a reasonable amount of time per employee.

An owner shouldn't expect a contractor to carry blasting costs when the geotechnical report shows zero rock. Even if the Engineer says, "it's typical that rock is here in eastern Missouri, you ought to carry some contingency for blasting", a prudent contractor will say "that may be true sir, but your documents said nothing about hard rock conditions nor the need for blasting or traditional or non-traditional mechanical means of rock excavation. Therefore, based on the documents you told me to bid with, I excluded rock excavation of any kind."

My story. Much of my career over the past four years has been working with owners, so I have spent time explaining concepts like this one. A contractor's estimate is more detailed than many owners believed it would be. And a contractor includes only what is drawn and explained in the documents.

Work Safe!

