



ANTI-BID SHOPPING

POSITION:

Because the practice of bid shopping amounts to a financial incentive for prime contractors to cut corners on federal construction and undermines the government's interest in obtaining full value for taxpayer dollars, Congress should prohibit bid shopping on federal construction and impose sanctions on a business that is shown to have engaged in bid shopping. Ideally, legislation should include language that requires bid listing.

ISSUE:

Bid shopping occurs when prime contractors ask, require or otherwise pressure subcontractors to lower bids for subcontract work after winning prime contract. Prime contractors profit by awarding work to subs that provide bids lower than those listed on the contract, then pocket the difference.

FACTS:

- Bid shopping creates a windfall profit for the prime contractor on a job, while cheating the customer of full value for his construction dollar. On a federal project, bid shopping deprives taxpayers of the full benefits of fair competition.
- Bid shopping is a common practice on federal construction jobs. It is one of the major reasons why so few quality subcontractors are willing to submit bids on federal work. The ethical subcontractor not only loses out on a job on which he or she was the lowest responsible bidder but also loses out on the costs of preparing the estimate.
- Bid shopping cheats the government by creating cost-value disparity on the finished product. Reducing a bid price after bid day requires cutting costs primarily in the areas of materials and/or labor, two significant factors in determining a structure's overall quality and value. In this situation, the government is no longer getting what it paid for.
- Another form of bid shopping is a practice known as "reverse auction." In this situation, the bids are posted on the internet and each subsequent bid must be "x" amount lower than the previously posted bid. Legislative language can address the problem defining bid shopping as not only when a contractor shops around a subcontractor's bid but also when an owner discloses a competitive bid in order to get a lower prime contractor's bid.

STATUS:

Bill in 108th Congress introduced by Congressman

Paul Kanjorski (D-11-PA) required that each invitation to bid, or request for proposal issued by the government for construction contracts of \$1million or more, include language explicitly prohibiting the practice of bid shopping. The language also stipulated penalties for violating this prohibition. The legislation would make the practice of bid shopping terms for suspension and debarment from consideration on future federal contracts. No legislation has been introduced in the 110th Congress.

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