

Lower costs, more work ***As bids come in below estimates, Mass. scrambles to use up its stimulus funds***

By Megan Woolhouse, Globe Staff | January 26, 2010

The weak economy is producing an unexpected windfall for Massachusetts officials spending hundreds of millions in federal stimulus money fixing the state's transportation system: low prices for construction work.

Winning bids on 48 transportation projects have collectively come in \$59 million below the \$226 million that state originally estimated the work would cost. The average was 22 percent below contract estimates, and state officials plan to use the proceeds from the lower contract prices to do more projects with the same amount of federal money.

"It's fantastic news," said Massachusetts Secretary of Transportation Jeffrey Mullan.

Now Massachusetts agencies are hurriedly trying to identify additional projects to fund with the surplus in order to meet the federal government's requirement that states use the money by March 3 or lose it, Mullan said. "The whole idea is to get the jobs out quickly to get the people back to work," he said.

Construction industry and state officials said there are several simple explanations for the favorable contract bids, all of which are due to the slow economy: Prices for building materials such as asphalt are down; labor is readily available, at lower wages; and contractors are willing to take less money just to be keep their crews intact and pay their bills.

Business is so slow in the construction industry that it seems any company with a crew and heavy equipment is chasing government work. John Pourbaix, executive director of the trade group Construction Industries of Massachusetts Inc., said as many as 20 companies are competing for the same state contract, triple the usual number, and that includes some that do not usually do highway construction.

"The joke right now is that with this many bidders, the only way you get a job is if you make a mistake," Pourbaix said.

But some contract awards are so far below the state estimate that they raise red flags among transportation specialists.

They warned the huge variance means either the state is not doing a good job estimating, or contractors are low-balling in the hopes of getting additional money during the job, in the form of change orders. Change orders, these specialists note, were one reason why the Big Dig construction costs ballooned.

Edward Ginsburg, a retired state judge retained by the state to investigate Big Dig cost overruns, said fluctuations in material costs can change contract estimates by as much as 20 percent. But for a bid that comes in much lower, Ginsburg said, "I would scrutinize it and say, 'How is that possible?'

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“If a contract comes in 40 percent below estimate,” he said, “somebody’s made a mistake, or it’s the same old game: Get the contract, ask for change orders, and you make [the money] up.”

One of the largest jobs funded with stimulus money, construction of a new exit ramp off Route 24 in Fall River, came in 43 percent below estimate. The state projected it to cost \$61 million; the winning contractor, SPS Construction of Salisbury, bid \$34.7 million.

A contract to rebuild Route 27 near the Westgate Mall went to a company that bid 39 percent below estimate, while another to improve intersections along Dorchester Avenue in Boston was 60 percent below the state’s estimate.

Mullan said his agency is convinced contractors are not trying to buy the job with a low-ball bid, because the low prices are so consistent from job to job.

“What that says to us is there’s a lot of competition” for work, Mullan said. “People might be hungrier.”

State Highway Administrator Luisa Paiewonsky vowed that the Big Dig contract problems will not be repeated. Unlike that earlier project, when it hired a private firm to manage construction, the state will directly oversee stimulus work. Massachusetts has hired 134 additional engineers and inspectors to watch over contracts and has created a database to monitor each overrun and its cause. State officials have set aside funds to cover overruns of no more than 10 percent of a project’s cost.

“We are very concerned about keeping the process on schedule and on budget,” Paiewonsky said. “They do sometimes go over budget, but we’re controlling everything we can.”

In the Route 24 ramp job, Massachusetts officials said they overestimated the cost of materials and labor, and that the SPS Construction bid passed extensive reviews by both state and federal highway officials.

SPS Construction did not return calls for comment.

One contractor said his firm was better prepared to do work at a lower price. P.J. Keating Co. won three bids on three stimulus contracts, including a project on Route 6 in Westport and resurfacing projects along Route 2 in Fitchburg and Lincoln. The company’s winning bids were between 5 and 14 percent below state estimates. Keating president Jim Reger said one reason was that his company purchased new construction equipment that can do the job much faster.

“We can cut the time working on the paving project in about half,” Reger said.

A contractor on another job said the state overestimated how much it would cost. Nunes & Sons Construction’s winning bid of \$874,000 to repave a portion of a highway in rural Northfield was 37 percent below the state’s projection. Co-owner Armand Nunes said state employees anticipated higher costs for theft, vandalism, and moving materials around, which are problems in more urban environments but not in rural Northfield. Inspectors eventually identified some additional steps to reduce costs, Nunes said, with the final result that the job was finished for even less than his company bid.

“I think the state has gotten in so much trouble in the last few years with the Big Dig,” Nunes said, that “they’re a lot more involved and concerned about taking a good look at and reviewing” projects.