

Pre-qualification For Construction Services

*Using A
Qualifying System
In Publicly Bid
Projects*

CarolinasAGCC
Building Your Business
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

Pre-qualification is a process of evaluating and determining the competency of companies that appear qualified to perform construction services that meet the owner's expectations for such services. Pre-qualification systems may be used during all levels of a construction project.

This brochure discusses the elements of a pre-qualification system and the benefits public owners may realize by utilizing an appropriate and fair procedure.

A task force of construction professionals representing all facets of the construction industry, including prime, general contractors, subcontractors and material/equipment suppliers, prepared the contents of this brochure. This task force has many years of experience in public construction and is well qualified to articulate the benefits of using a properly designed pre-qualification system.

Pre-qualification is generally held as an acceptable and legal method of determining a list of firms that possess the qualifications to perform work on a specific project in the public bidding arena. Local bidding and procurement regulations may impact pre-qualification systems and should be reviewed by the owner of the construction project prior to implementing a pre-qualification process.

State and local governmental bodies may use pre-qualification systems to qualify general contractors and subcontractors. General contractors may use pre-qualification systems to qualify subcontractors and suppliers, and subcontractors may use pre-qualification processes to qualify lower tier subcontractors and suppliers.

The benefits of using qualifying systems are equal at all levels of a construction project.

Pre-qualification CONCEPTS

The concept of pre-qualification of contractors is not new, but has become popular in recent years. Pre-qualification is sometimes considered to be an alternative contracting method. The process is considered to be an alternative in that it varies from the long-standing and traditional process of taking bids from all firms who hold the appropriate construction licenses and can acquire any required bonding for the project. It should be clear that pre-qualification only varies from traditional bidding procedures in that the process creates a list of construction service providers who are qualified to perform the proposed work at a performance level that meets the owners expectations. The actual selection of the contractor on public work should remain based on the competitive bid process where the lowest qualified and responsible bidder should be awarded the contract.

To understand the benefits of using a pre-qualification system, there are four basic concepts that should be taken into consideration in the design of all pre-qualification systems. These concepts are as follows:

Pre-qualification is good for the construction process

Pre-qualification addresses the needs and expectations of all parties to the construction process. No one is well served if an un-qualified contractor or subcontractor is awarded the work. General Contractors, owners and designers should use pre-qualification as a means of insuring that the project is built on time, within the budget and at the quality level the owner expects.

Owners Expectations

Pre-qualification systems should explain the owners' expectations for the construction process and

completed project. Expectations of the contractor, subcontractors, materials used and workmanship should also be clearly stated.

Communication/Feedback is essential

Pre-qualification processes should be based on qualitative/quantitative criteria. Information that is subjective should not be used to pre-qualify. State and local law may impact the pre-qualification process and the information that can be used to make the final decision to allow a firm to submit a construction bid. For example, in publicly owned projects where pre-qualification is used to determine the list of contractors bidding a project, the final decision on awarding the contract should be based on the competitive bid process. In private or negotiated work, the owner may make a final decision on the contractor based on subjective criteria (the owners preference). The same concepts apply to General Contractors who are pre-qualifying subcontractors. In all cases communication/ feedback are critical to the concept. Owners and contractors should communicate why a contractor was or was not selected. This information will assist the pre-qualifying firms in improving their capabilities and standing in pre-qualifying for future projects.

Pre-qualification does not include final contractor selection

The contractor selection process is completed in two steps: pre-qualification and selection (or award) of the contract. Pre-qualifying contractors results in a "short list" of firms to be considered or allowed to bid on a project. The selection of the contractor should be based on the competitive bid process where the lowest qualified and responsible bidder is selected. Pre-qualification should not be used as the single method of making the final selection of a firm and awarding the contract for construction services.

ELEMENTS of a Pre-qualification System

Pre-qualification systems may be known or referred to by several different names. These include but may not be limited to a pre-qualification questionnaire, a request for qualifications (RFQ) and a qualifications statement.

All pre-qualification systems should be designed to be objective rather than subjective in their evaluation process. Many pre-qualification statements use a point system to rate the qualifications of each applicant for each element being considered. The method of evaluating the qualifications of a firm should be clearly documented in the general information or instructions to the applicant included with the pre-qualifications questionnaire.

The owners' expectations for the construction process and the final construction product should be well defined and documented in the instructions to the applicant.

The design of a pre-qualifications system should place emphasis on qualifying construction service providers rather than on disqualifying firms.

Pre-qualification systems should clearly define and document the communications processes that will be utilized. Communication is essential in any qualifying process; applicants need the ability to get clarifications and answers to questions. In order to ensure that a fair and objective process is implemented, the qualifying agency may need to relay clarifications and answers to questions to all applicants. Clear documentation of the evaluation process must be communicated to applicants who do not qualify to avoid the appearance of subjectivity and to assist the applicant in developing their resources for future projects.

In the design of a pre-qualification system for publicly bid construction services, the following elements should be included and are considered to be fair and objective measures of the applicant's qualifications:

Experience: The contractor's direct or relevant previous experience in completing similar work should be considered.

Resources: The amount of resources the project will require compared to the total resources the contractor has available should be considered. Resources include: financial, manpower, lists of management personnel, backup management personnel, resumes, key personnel lists, equipment, bonding and insurance capacity, information/communication systems used and the capacity to complete the work.

Litigation: The past and current history of the company record of litigation, claims and conflict resolution should be considered.

Safety Qualifications: The company safety record, safety training programs, safety awards earned and EMR (Experience Modification Rating Factor) should be considered.

Expected BENEFITS Realized from a Pre-qualification Process

Risk is an inherent element of all construction projects. Risk includes, but is not limited to, projects being completed on time, with the expected cost and of a quality and functionality that meets the owners' expectations. The objective of pre-qualification systems is to mitigate as many of these risks as possible. A properly designed pre-qualification system and a fair and objective evaluation process will result in a list of qualified, well informed service providers who can meet the expectations for the project.

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About Carolinas AGC

Carolinas Associated General Contractors (AGC) is the nation's largest AGC chapter. More than 3,300 members in North and South Carolina perform or support 75% of commercial and industrial construction (buildings, highways/bridges, utility facilities) in the two states.

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