



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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B-146342

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MAR 27 1972



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Dear Senator Fannin:

This is in reference to your request of February 23, 1972, that we make a study of the possible savings in construction costs as a result of the 31-day suspension of the Davis-Bacon Act from February 23 to March 29, 1971.

In accordance with our letter of March 17, 1972, confirming previous discussions in your office as to how we could best satisfy your request, we are enclosing for your consideration informal working paper schedules analyzing certain information obtained by the Department of Labor on the impact of the suspension on construction projects for which bids had been received prior to the suspension and rebids were obtained following the suspension. Our schedules show pertinent data for the initial bid and the rebid for all such projects on which the initial low bid was \$10,000 or more and the same contractor had submitted both an initial and subsequent bid.

The following explanations are relevant to an evaluation of the data obtained by the Department of Labor.

At the request of the Office of Management and Budget, the Department obtained detailed information from 23 Federal agencies on the results of re-advertising and rebidding construction contracts following the suspension of the Davis-Bacon Act. The General Services Administration had issued a directive on February 25, 1971, which called for rebids on projects on which bids had been opened but awards had not been made prior to the suspension.

On the basis of the data received from the agencies that were involved in construction work representing about 400 projects, the Department advised the Office of Management and Budget on August 11, 1971, that the impact of the suspension was difficult to measure, citing the following factors.

1. The period of just one month in which the suspension was in effect was not long enough to permit measurement of the impact with any certainty.
2. The fact that rebidders knew the amounts of original bids may have contributed more to any changes in bids and bidders than the fact of the suspension.

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3. Whatever impact the suspension had varied widely both by locale and by type of construction, but more importantly by the extent of unionization in a particular area. Agency personnel agreed that in highly unionized areas the impact was at most a negligible one. In predominantly nonunion areas the impact may have ranged from negligible to substantial.
4. Although rebids by the original lowest bidder and other bidders differed from the original bids, there was no definite pattern to these rebids. In several cases the rebids were lower, while in other cases they were higher. Again, the problem was not knowing what weight to give to the impact of the suspension and what weight to give to the publicizing of the original bids.

Our analysis of the information obtained by the Department of Labor showed that for 253, of a total of 338 readvertised projects, an initial low bid of \$10,000 or more was received. For these projects, 914 initial bidders submitted rebids of which 504 showed decreases ranging from .1 percent to 10.2 percent; 215 showed increases from .1 percent to 64.5 percent; and 102 showed no change from the initial bid amount. On the 288 projects, 262 of the initial low bidders submitted rebids. However, we found that 49 percent submitted a higher second bid and 35 percent submitted a lower second bid; the remaining 15 percent showed no change between their first and second bids.

The following factors should be considered in examining the data in the enclosed detailed analysis.

1. In 26 instances the low amount shown in the initial bid column was not the lowest bid because a lower amount was submitted by a contractor not rebidding. These cases are identified on the schedules by an asterisk. In 46 instances the low amount shown in the rebid column was not the lowest rebid because a lower amount was submitted by a contractor not previously bidding. These are identified by double asterisks. The low bids in these cases are not shown on the schedules because there were no prior or subsequent bids with which to compare them.
2. The information received by the Department did not identify which bidder actually was awarded the contract. Therefore, any decrease shown on the schedules between the initial bid and the lowest rebid may not be indicative of the actual savings in contract costs resulting from the suspension because of the possibility that the lowest bidder may not have received the contract award.

Although the information might be interpreted as generally supporting a conclusion that the suspension of the act had the effect of decreasing the amounts of the second bids, 35 percent of all bidders and 64 percent of the initial low bidders either increased or did not change their bid amounts. This inconsistency is not readily explained and tends to support the factors cited by the Department in its August 11, 1971, letter to the Office of Management and Budget that the impact of the suspension was difficult to measure.

We trust that this information will be helpful. We will be pleased to discuss with you whether further efforts in this matter would be productive.

Sincerely yours,

R.F.KELLER

Deputy <sup>1</sup> Comptroller General  
of the United States

Enclosure .

The Honorable Paul J. Fannin  
United States Senate

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✓	Congressional Interest closed
	Report due on or before _____
	Open commitment

*W. Brown  
for M. Henry  
3/23/72*

*24 Rebel for H Exchange 3/23/72*

*files 3/23/72*

*A. Keller  
3/24/72*



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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MAR 27 1972

Dear Senator Fannin:

This is in reference to your request of February 23, 1972, that we make a study of the possible savings in construction costs as a result of the 34-day suspension of the Davis-Bacon Act from February 23 to March 29, 1971.

In accordance with our letter of March 17, 1972, confirming previous discussions in your office as to how we could best satisfy your request, we are enclosing for your consideration informal working paper schedules analyzing certain information obtained by the Department of Labor on the impact of the suspension on construction projects for which bids had been received prior to the suspension and rebids were obtained following the suspension. Our schedules show pertinent data for the initial bid and the rebid for all such projects on which the initial low bid was \$10,000 or more and the same contractor had submitted both an initial and subsequent bid.

The following explanations are relevant to an evaluation of the data obtained by the Department of Labor.

At the request of the Office of Management and Budget, the Department obtained detailed information from 23 Federal agencies on the results of re-advertising and rebidding construction contracts following the suspension of the Davis-Bacon Act. The General Services Administration had issued a directive on February 25, 1971, which called for rebids on projects on which bids had been opened but awards had not been made prior to the suspension.

On the basis of the data received from the agencies that were involved in construction work representing about 400 projects, the Department advised the Office of Management and Budget on August 11, 1971, that the impact of the suspension was difficult to measure, citing the following factors.

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