

What Do You *Really* Get with 3 Bids?

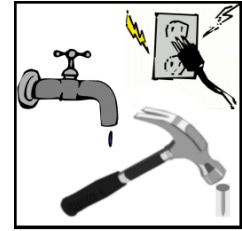
When it comes to hiring a contractor (whether it's a general contractor, plumber, electrician, roofer or whatever) most people do what they've been told to do since they were ten years old. Get 3 bids and pick the middle one. Our society has decided that the high bidder is a crook (or doesn't really want the work so he *overbid* the job), and the low bidder doesn't know what he's doing (or doesn't offer good quality). Since the middle bidder is neither "too high" or "too low", he must be the right one. Some people even just pick the lowest bidder because they want to save money. Below is the truth of the matter, based on my observations and experiences over the last eight years of working in the residential remodeling & construction industry.

When confronted with competitive situations, 9 out of 10 contractors will *purposely* lowball the bid, because they know they will not get the job otherwise. When you ask for bids, you have essentially told the tradespersons that price is *the* most important thing to you (not quality, honesty or any other factor that may be important to you). As a result, you will get prices for the absolute minimum that was discussed. Everything else will be a change order *after* the job starts, and at that point you're probably stuck with whomever you've hired. These free estimates are obscurely written to mask this fact. You will ask yourself, "What's the difference among these three bids?" and the answer truly is "no one knows." In other words, you won't know *what* you're getting, but you will have 3 prices for it. Since the contractor knew he only had a one in three chance of getting the job at best, you will not get any benefit from the contractor's experience... until *after* the job has started, but then everything his wisdom advises will be a change order.

Quite often, the low bidder is what you would consider to be a cheater and a liar, if you knew all the facts. He has almost unquestionably lowballed the bid, so he's not telling you the whole truth from the beginning. The low bidder almost certainly uses the lowest priced labor that he can find. Whether someone is legally eligible to work in the United States is probably inconsequential to this man. And it is very unlikely that he does do a good job of checking out subcontractors. Will he control dust and clean properly to safeguard your home and family from lead? I doubt it. He will surely use the cheapest materials. The cabinet he purchases at the big box store looks similar to a much better constructed one that's made to last. What he buys will survive for "a while" but will cost *him* half as much. In sum, he makes his money on the difference between what he charges and what he pays for. Since he knows he's not going to get much from you, he'll make up the difference on the other end. One way or another he will make sure leaves with money in his pocket.

By the way, Rhode Island law requires a 12 month warranty. Good contractors will make things right well beyond that. Unscrupulous contractors provide a "tailgate warranty" — once the tailgate of his pickup truck goes up, that's the end of the warranty; you will not be able to get them to come back for repairs. Pay-as-you-go cell phones have made this easier than ever.

If you think all you need is an airtight contract, good luck with that. He knows more about this game than you do and he will still find the loopholes. If you're thinking about getting a contract from a lawyer, good luck finding a contractor to sign it. They won't sign what they don't understand.



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Chances are the low bidder is not paying the several types of insurance that are needed to protect a homeowner and do business legitimately. Liability insurance covers injury or material loss caused by a mistake of the contractor. If the deck that a contractor built collapses and hurts someone, liability insurance will cover the injured parties; it won't pay for a new deck. Workers' compensation insurance covers employees of the contractor who have been injured on the job. Regular health insurance, such as Blue Cross, will *not* pay for injuries while someone is working. If there is no workers' comp for that person and something happens, a personal injury attorney will very likely be knocking on your door. Please don't make the mistake of thinking your homeowner's insurance will cover you; there is a specific exclusion in your policy for this sort of thing. The lowest bidder will probably cut further corners by not getting a building permit. There's a \$500 fine for doing that... for the homeowner! Not to mention that no one will be checking his work. So I guess you *could* say "his overhead is lower", but it is at great personal risk to you and your family. He probably won't mention that in his bid.

To be clear with you, there is no insurance that you or a contractor can get for just plain bad workmanship. If the roofer didn't do a good job, your homeowner's insurance will cover the damage *inside* your home *once*, but it will not pay for a new roof.

I can summarize all this in a mathematical formula.

$$\text{Value} = \frac{\text{Quality} \times \text{Durability} + \text{Features} + \text{Communication} + \text{Professionalism}}{\text{Price} \times \text{Time} \times \text{Risk}}$$

where *Durability* is how long the product lasts, measured in years or even decades. *Features* are differences between one offering and another (e.g. granite vs. laminated countertops). *Communication* includes advice and honesty, *Professionalism* includes courtesy, cleanliness, personality and ethics. *Time* is the weeks or months required for delivery of the finished product; and *Risk* is a lack of insurances, financial instability, and subjection to fines, price increases & change orders. We all want good value for our money, but concentrating on price and not doing your homework to assess the other factors typically leads to low value for your investment.

All of this is not to say that the highest price will be the best contractor either. Maybe he *is* overpriced. So, if you can't judge a contractor by his price, how can you choose one? To answer that question, go to www.hireANYcontractor.com There you will learn how to spot bad contractors, how to find reliable professionals, and methods of checking to see if they're as good as they say they are.

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