



## Contracting Reform

### Background:

Small businesses are the foundation of our economy. Accordingly, the typical electrical contracting firm size is very small, and the vast majority of electrical contractors classify as small businesses. In fact, nearly 80 percent have fewer than ten employees. NECA supports legislation that helps increase opportunities for small businesses, prevent government waste and fraud, and provide a framework for growth in the construction industry. Congress must act to promote efficient federal government procurement through simple, no-cost solutions.

### Key Points:

- Reform the administration of change orders on federal construction projects. Slow processing of change order requests by public project owners and slow payment for extra and changed work are major problems threatening project success and contractor viability. As the country is facing supply chain issues throughout all sectors of the economy, it is that contractors have an expedited process to ensure they do not endure the liabilities of these costs.
- Support bid listing to ensure transparency in federal construction. Bid shopping and bid peddling are unethical business practices that threaten the integrity of the competitive bidding system. Requiring bidders to list the subcontractors in their bids (bid listing) will significantly reduce the practice of bid shopping and bid peddling on federal construction jobs.
- Prohibit utilization of reverse auctions for the procurement of federal construction contracts. Reverse auctions rely solely on driving the price of a good or service to an absolute minimum and awarding the contract to the lowest bidder, undoing years of progress in “best value” contracting. Relying solely on price requires cutting costs in the materials and/or labor, ignoring the importance of quality construction and consideration of life-cycle costs, and creating a race to the bottom.
- Establish a statute of repose for federal construction projects. NECA supports establishing a reasonable (six-year) federal statute of repose for latent defect claims. Construction contractors face a substantial degree of liability exposure well after job completion. Statutes of repose bar actions against contractors following the completion of services after a reasonable period.
- Ensure payment protections for construction subcontractors and suppliers performing under Public-Private Partnerships (P3) on federal construction projects. Unlike traditional procurement methods, the public entity signs a contract with a private partner under a P3. The public entity commits funds to repay the private partner, plus a profit, over a period of time ranging from 30 to 99 years. Even though procurement methods have evolved, construction remains a risky business. The risk makes the protections that surety bonds provide for taxpayers’ investments and payment guarantees for subcontractors and suppliers just as crucial in P3s.

### NECA Asks:

Support these common-sense reforms to improve the federal procurement system.