



Protect Yourself:

3 Crucial Questions to Avoid Bad Subcontractors

Ever heard of a subcontractor getting work from a low bid, but when it came time to deliver, he failed and left the prime contractor holding the bag? Choosing a sub solely on the basis of an initial low bid can be a costly mistake. Unqualified or unscrupulous subcontractors can run over schedule, suffer massive cost overruns, perform poorly – or not perform at all – and the bigger and more complex their scope-of-work, the greater the risks and costs associated with it. Given a sub's influence over your success, it's critical you learn exactly who it is you're about to team with.

Whether you're selecting a concrete cutter or any other kind of service provider, ask 3 crucial questions to prequalify prospective subcontractors:

1. Are You Experienced?

Anyone can promise the world; qualified subs can show a history of actually delivering it. Get detailed reports on projects they've completed on time and within budget. Make sure cited jobs are similar to your project in terms of:

- Scope,
- Technical complexity,
- Production volume and scheduling,
- Size of operation, and
- Sensitivity to surrounding environments.

Does the sub's current staff have the experience the overall company is credited with, or is it attributed to those no longer at the firm? Check to see that individual project planners, managers, site supervisors and leading shop and field workers have performed on similar jobs of note. See what their typical project size is, what their largest project ever completed is, and make sure they're proficient with the tools and procedures they will command on your job. Don't be afraid to ask for specifics, and always get client references with current contact information.

2. Are You Safe?

Safety performance is one of the best judges of a company's reliability and commitment to quality. Begin assessing this by learning the sub's past and current EMR – a safety rating issued by its state worker's compensation bureau. Here, less is more: Look for subs that rank below the industry average of 1.00.

Review the sub's OSHA Form 300 for the past three years. If this record contains any severe or costly injuries, it may suggest a lack of attention and poor site management. Moreover, well-managed companies will have a formal safety program in place. See that there is a documented safety plan with a dedicated staff responsible for continuously monitoring and improving its implementation.



(3 Crucial Questions – Continued)

Also, the insurance coverage offered by a sub can reveal much about its attitude toward safety and risk management. Minimal coverage may signal a failure to recognize the importance of safety, while above average coverage may show that a contractor places a premium on safe, responsible operations. Additionally, better insurance bears out a sub's ability to engage in challenging, higher profile projects that are beyond common competitors.

3. Are You Trustworthy?

A firm's financial stability is a general measure of its commitment to deliver on promises. In vetting a sub, be sure neither the company nor its principals have ever filed for bankruptcy or been the target of litigation. There are many inexpensive services that can quickly supply these records online.

Also, check out the sub's credit references to gauge its relationship with key vendors. Remember, failure to pay bills in the past may affect a sub's ability to obtain needed resources on your job. In the absence of this information, seek out the company's banking contacts to confirm it can access sufficient reserves of cash or credit should the need arise.

Lastly, ask the sub's bonding agent to share its bonding limit and claims history. The agent's thorough assessment of the sub's financial strength and past performance can reveal patterns of ongoing behavior. Be wary of those who have had previous claims as this may suggest a greater chance of defaulting on your contract.

The right subcontractor can make your job easier and help ensure your project's success, while a bad one can tarnish your reputation, costing you time and money. Undoubtedly, the stakes are high. Protect yourself by demanding prospective subs first prove themselves on paper before even considering to award them work.

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