

## ENVIRONMENTAL REMEDIATION CONTRACTING: CRITERIA FOR SELECTING A QUALITY CONTRACTOR

Last month we chatted about the perspective of a consultant looking to hire an environmental remediation contractor. In this month's blog post we will discuss what factor an environmental remediation consultant would use to go about selecting the best contractor to execute remediation work. We bring two industry veterans, Greg Blomquist and John Savage, into the conversation to understand, what is important in the selection criteria. Together Greg and John have over 60 years of remediation contracting knowledge to impart on this selection criteria.

The first and most important criterion that we must touch upon is a **relationship**. Relationships and trust are essential, so that the client can trust that the contractor has their best interest and the projects best interest, central, at all times. If a client has felt nicked and dimed by a contractor at some point; having a relationship and comfort level with the contractor helps to alleviate some of those hesitations. Cost will always weigh into these discussions, but comparison of apples to apples and cost will always remain an important criterion. However, a great contractor that compresses the schedule, is up front and honest and returns value to the project will always win out in relationship-based decisions. Trust must be built so if that relationship does not exist between the Client and contractor on the front end, what are some of those issues that help define the criteria of selecting a great environmental remediation contractor? We will discuss a number of issues that need to be evaluated in that decision, including, past performance, industry reputation, financial means to bond a project, experience in the specific scope being executed, experience of the project manager with the specific scope, capability to perform most of the tasks in-house without subcontracting, and the availability of specialized equipment potentially necessary to perform the scope. Let us dive into the discussion!

The second criterion, **past performance**, is potentially the greatest indicator of future success. We all know this, but the ability to pull past performances apart and pick through can be a daunting task. It also involves giving the contractor time to put together the request for qualifications (RFQ) or the request for proposal (RFP) commensurate with the project size. By allowing this time, the Client will get better descriptions and in turn be able to evaluate similar project that the contractor has performed. By asking for past performance projects in the RFQ/RFP, the Client then has the ability to judge a contractor on their past projects. They can compare and contrast the level of savviness that each contractor being evaluated has performed in the past. Let's face it, if you were going to the eye surgeon, you would not go to the surgeon that has done one of these surgeries in their experience, you would go to the surgeon that has executed thousands of the surgeries. Similarly, contractors get better at executing the scopes, the more often they have seen the project. Maybe this is less essential for a small dig and haul, but on a complex project with multiple moving pieces, past performance becomes an essential marker.

The third criterion, **industry reputation**, is another criterion that should be used in the evaluation of scopes and proposals from an environmental remediation contractor. Not unlike the local handyman, personal and professional references are a fantastic barometer of success for a contractor. Either asking for references from the contractor or identifying past performance project with other consultants or industry players can be a great way to get an unbiased assessment of their previous work. In either case, acquiring a firsthand account of their work product can help the criteria assessment and make a decision matrix about if the contractor can execute that project successfully for the Client. Some contractors will tell you they can do everything, which is usually a stretch, by assessing their industry reputation, what conferences they go to, what projects they illustrate on their website, and which projects they illustrate in their RFP can really tell you a lot about their comfort zone on projects. Is their reputation in the

industry dependable and successful, or is the opinion in the industry that they always have change orders? The more specific questions you ask people about their reputation will allow you to assess what you are likely to experience.

The past two criteria, past performance, and industry reputation, seem obvious, maybe less obvious, on big complex projects is the fourth criterion **financial means to execute the project**. There are really two portions of this equation, the ability to cash flow the expense of the project without revenue from the project and also the ability to bond the project, if bonding is required. This financial aspect is tricky to assess in many regards. One question to start the assessment is as easy as, “how will the contractor cash flow the project”? This is an essential question in business: if the python eats a deer that is only half the battle, it must pass the deer all the way through to finish. Meaning, on a multi-million-dollar project, the contractor needs to have enough cash to execute the project from the beginning, knowing that money for completing the project will not show up at the contractor for at best 30 days, and at worst 90 days in some cases. This financial strain on the company’s finances, can get many contractors into trouble. This also assumes that this is not the only project that the contractor has going on. Credit ratings, past performance, and performing similar sized project are one way to gauge the ability to cash flow the project. Additionally, often used in the industry is bonding. Basically, an assurance that there is a policy behind the contractor to assure that the work gets performed even if the contractor is unable to complete the project. Bonding can come in both construction bonding and environmental bonding. Construction bonding is easier, more accessible, and more executable given the larger pool of replacement contractors that can complete the job. Environmental bonding is pricier, more difficult, but is a good gauge of the faith that the bonding company has in the contractor’s ability to execute on the project. Even if the project will not be bonded, assessing the ability of the contractor to bond the project, and the ability of the contractor to bond projects bigger than the project we are assessing, tells us a lot about the financial stability of the contractor.

The fifth and sixth criteria are the **experience of the contractor executing similar scopes** and the **project manager having experience** in executing similar scoped projects is essential to gauge the future performance of the contractor. Have they executed scopes that are similar to the project you are bidding? Have they executed a deep slurry wall before, or had to sub-contract trucks to execute 300 loads a day? Having done it before is perhaps the greatest indicator of future success. Likewise, while the company may have executed a similar scope before, it is important to note whether the project manager that will be assigned to the project has executed a similar scope of work. It really takes both; a company that has the experience and financial wherewithal to execute the scope, and a savvy project manager that has the knowledge and the recall to know the pros and cons of their decisions and help the company to execute the scope similar to their past performance. Without a skilled project manager that can execute the project in an efficient way, the project will have issues even if the financial health of the company is not impacted. Similar scopes and experience of the project managers really becomes essential for execution.

The seventh criteria, **subcontracting**, is a double edge sword, depending on the project. Some subcontracting might be essential to the project, at the same time, it is preferable to have most of the project executed directly with the contractor that won the project. Breaking this down a little bit, if there are specialty portions of the project, such as system designs, slurry walls, massive amounts of trucking, then the ability of the contractor to sub-contract some of these specialty services is essential. Meanwhile, any time subcontracting occurs, there are risks with insurance, contracting, payment terms, and the like. Subcontracting is an art which can be a necessity in some instances; but in other cases, it should also raise flags. Communicating with the contractor upfront on which portions they will need to

subcontractor can tell you a lot about the ability to contract the entire project. If common equipment, or common tasks are going to be subcontracted, the Client should be leery of why, and should inquire with the contractor about the purpose of the subcontracting. Control decreases as work moves out to more companies. Be aware of the purposes behind the sub-contracting and the contractor's ability to do most of the work in-house. Mark-up on top of mark-up is not good for the project costs unless a purpose exists for it.

Finally, the last criterion one of the most important decisions on a specialty project scope to execute is the **ability and availability to get specialized equipment**. From long reach excavators for a dike wall project to deep soil trenching for a slurry wall, the contractor not only needs the knowledge to execute these projects, but they also need the availability of the equipment and or subcontractor. Portions of projects where subcontracting can be useful includes their specialty equipment, and the ability to get it scheduled for execution. These availability issues can make a difference in the contractor selection and should be investigated up front. If the project needs deep soil mixing, these are specialty type items and the ability to get the equipment scheduled, is often essential to the execution time of the project.

This is just the beginning of a rubric criteria for evaluating environmental remediation contractors' selection for a project. Considering past performance, industry reputation, financial means to bond projects, experience in the specific scope and the experience of the project manager with the scope, capability to perform most of the tasks in house without subcontracting, and the availability of specialized equipment are just some of the essential decisions points for a RFQ/RFP. Join us for a discussion about choosing an environmental remediation contractor with our industry veterans in our upcoming webinar on the criteria for picking an environmental contractor. IKON Environmental Solutions invites you to join us for our upcoming roundtable discussion on contractor selection. [Register here for the Webinar](#), and for additional information, and for help with environmental remediation contracting, contact [Andy Adams](#), [Greg Blomquist](#), or [John Savage](#).