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Companies Pretty Up Prices to Win Stimulus Projects

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Department stores are marking down their spring collections. Broadway shows are offering discount tickets. Now road work is on sale, as well.

Construction companies, hungry for work in the dismal economy, have slashed their prices to try to win the first round of public works projects being paid for by the federal stimulus package.

Pennsylvania officials said contractors competing for their first round of road and bridge projects had offered bids 15 percent lower than the state had expected. Utah officials said some of their bids were coming in 25 percent lower than expected. And a bid to build a [4.7-mile extension of Interstate 49](#) from Shreveport, La., toward the Arkansas state line came in at \$31.1 million, about \$4.7 million less than the Louisiana Department of Transportation and Development had estimated the project would cost.

“The bids are coming in lower than we would have imagined,” [Transportation Secretary Ray LaHood](#) said in an interview, adding that the low bids should provide good value to taxpayers. “I think there’s a huge appetite for these projects, and people are raring to go. There’s pent-up demand for people to get these bids and get the work.”

If the low bids keep coming and the price of construction material stays low, the Utah Department of Transportation hopes to get more work done with the stimulus money than expected, said Nile Easton, a spokesman for the agency. “We’re hoping that we can actually stretch that money,” he said.

The low bids are the result of supply and demand: there are plenty of construction workers out there and not much demand for their work lately. Many construction operations suffered when residential and commercial building evaporated as the recession hit, and then again when public

works tapered off as many states cut back. So they are eager to get back to work, even if it means they must charge less to do it.

Of course, the whole idea of the stimulus law was to pump a lot of money into the economy quickly. State officials said they would have no problem spending all the money they are receiving from the federal government; if projects continued to cost less than expected, they added, they would simply tackle more of them.

“I think it’s a good deal for taxpayers, and taxpayers need a good deal right now,” Patrick Cooney, a spokesman for the Oregon Department of Transportation, said last week after coming back to work from a furlough day to save the state money.

Some argue that low bids should raise red flags. Barry B. LePatner, a construction lawyer, said that unless states performed independent estimates to find out the true costs of their projects, they risked awarding contracts to companies whose low bids did not reflect the true cost of the work. In such cases, he said, it is common for a company to try to undercut its competition with a low bid and then, once it has won the job, try to eke out a profit by putting in numerous change orders that drive up the price and delay the project.

“You have already started down the road to nowhere,” said Mr. LePatner, whose book [“Broken Buildings, Busted Budgets”](#) argues that reforms are needed to curb the cost overruns that plague the industry.

States are gearing up to begin work now that spring and the construction season are at hand. By last week, 34 states had been given the go-ahead for nearly 1,000 projects worth \$3.4 billion, transportation officials said.

Officials in many states see the low bids as a sign that they are in a buyer’s market. A few years ago transportation officials in Utah, concerned that there was little competition for their construction work, put together a team to try to entice more companies to bid for the jobs. Now, as the first stimulus projects get under way, they are getting a half-dozen bids for each job — and many are coming in at 25 percent below their estimates.

“Boy, it’s a great time to be putting projects out,” Mr. Easton said.

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