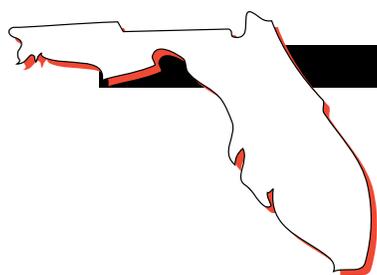


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Florida

For a Third of the Price, Who'd Be Without It!

Competitive Bidding for Petroleum Cleanup in Florida

by Brian Dougherty

It was one of those projects you don't really want. You don't think it will work, but you need to do your best to make it work. In 1996, the Florida legislature mandated that the Department of Environmental Protection (DEP) initiate a pilot program on bidding for petroleum site cleanup services. We went along because we had to, not because we thought it was a good idea. Now, four years later, it seems like maybe bidding is a good idea. Our experiment with competitive bidding for petroleum-contaminated site cleanup services has demonstrated not only

that it works, but that it gets the job done for one-third of the price of preapproved cleanup work. (That's one-third of the price, not one-third less).

To date, the department has accepted six bids for petroleum cleanup services: five for site assessment work and one for PFP cleanups. The results are easy to see. (See Table 2.) Florida has saved an estimated \$815,671 (64%) by bidding the work rather than doing it under our preapproval program.

Table 2. Summary of petroleum cleanup program bids.

Type of Work	No. of Sites	No. of Responses	Cost for Requested Services (Total for all sites)		Cost Difference Between Preapproval and Bid	
			Bid Award	Preapproval Estimate	Difference Preapproval-Bid	Percent Reduction
Assessment	11	24	\$ 22,500	\$ 41,800	\$ 19,300	46%
Assessment	10	27	\$ 32,751	\$ 95,000	\$ 62,249	66%
Assessment	7	34	\$ 24,900	\$ 108,260	\$ 83,360	77%
Assessment	10	16	\$ 34,075	\$ 95,509	\$ 61,434	64%
Pay-for-Performance Cleanup	3	11	\$ 227,550	\$ 665,500	\$ 437,950	66%
Assessment	26	11	\$ 123,768	\$ 275,146	\$ 151,378	55%
Total			\$ 465,544	\$ 1,281,215	\$ 815,671	64%

What About Quality?

An obvious question at this point is, What about the quality of the work? Do you still get good work at such bargain prices? The answer is yes. The quality of the work performed under the bidding pilot has been as good as typical work under preapproval. That is not to say that there have not been any problems with the work. We did have to provide a few reminders that the scope of work was a bid specification that had to be performed exactly and completely. But all of the problems were resolved satisfactorily.

The Advantages of Bidding PFP

Bidding a PFP cleanup has distinct advantages over negotiating the same cleanup. The one-time bid to establish the price for the cleanup rules out any need to negotiate the price. When you bid the cleanup, the burden for determining the best, most efficient strategy for the cleanup is placed squarely on the consultant. The consultant must price the job as competitively as he or she can.

Bidding the cleanup avoids the common negotiating pitfalls associated with estimating the cost of the treatment technology, estimating total cleanup time, and estimating the monitoring time. In a negotiated PFP, these estimates tend toward the high side to provide as much contingency as possible. This tendency is not necessarily bad, and the need to cover contingencies is real, but it can be difficult and time-consuming to whittle the contingency down to a level that is acceptable to both parties.

Getting the Specs Right

Bidding the cleanup work did initially require considerably more administrative overhead than it would have under conventional preapproval. Much of this additional effort reflected our "learning curve" in developing a precise specification and learning the administrative procedures. Most of this effort is now behind us.

The single most time-consuming aspect of preparing the invitation to bid is the development of the exact bid specification. As is common for bid work, the specification must be exact and precise. In this regard, we found that the assessment bids were more difficult to spec than the

PFP bids. The PFP bids were easier to prepare because it is fairly straightforward to write a bid specification for a completed cleanup.

The assessment bids were more time-consuming to prepare because the exact locations and depths of wells had to be specified. Then, because it is nearly impossible to predict exactly how much work will be required to complete the assessment, the specification development effort had to be repeated for each subsequent scope of work.

After our first couple of bids, we found a way to eliminate the need for follow-up bid specifications. We did so by developing a fee schedule that sets forth a precisely defined minimum scope of work that will be awarded. If the minimum amount of work is insufficient to complete the assessment, then we can award the additional work necessary to complete the assessment, using the fee schedule. This approach eliminates the additional overhead of having to prepare and offer a new bid. Bidding the cleanup work will always require a more formalized approach than preapproval, but the net overhead ends up being about the same.

Two Thumbs Up

Bidding petroleum cleanup services has yielded tremendous cost savings with no decrease in the quality of work. The administrative overhead was a burden at first, but we have already made many improvements to our internal processes to reduce that burden. The fee schedule approach will further reduce the administrative overhead for assessment sites. This reduction in administrative overhead, coupled with the dramatically lower prices, suggests strongly that bidding petroleum cleanup services is an unbeatable way to manage Florida's petroleum cleanup program. ■

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