



British
Columbia
Construction
Association

Construction File: Pre-qualification of Contractors

It has been a decade since BCCA last issued a [Construction File on Prequalification](#). The original information is still relevant but changes in the industry are having an impact that must be noted.

Erosion of Industry Capacity

Although there has been an increase in pre-qualification, the capacity in the industry to successfully evaluate contractors has decreased and the availability of experienced construction procurement resources has diminished, limiting the capability of owners to do prequalification in a fair, open and transparent manner.

The combination of fewer resources and more prequalification is limiting growth in the industry. For example, contractors have developed niches, resulting in little opportunity for newcomers to enter the market place.

In the long term, reduced workforce capacity could limit open competition for public sector projects. Competition will instead narrow to those contractors working in their established niche.

New Guidelines and Processes for Prequalification

BCCA recently amended its Policy for Prequalification of Contractors to include two important tools that were developed to assist with prequalification:

1. CCDC 29 – 2016 Guide to Prequalification: a guide to use once it's determined a prequalification process is appropriate.
2. The BCCA Guideline: Procurement Pre-Qualification Checklist. A step by step guide to determine if prequalification is appropriate.

BCCA External Policy for Prequalification of Contractors

The Policy: *BCCA and its Regional Construction Associations recognize that there can be a need for Pre-qualification in some circumstances. Generally the ability of the Contractor to secure the necessary bonds is the sole criteria by which Contractors should be pre-qualified. Where the use of the [Pre-Qualification Best Practice Checklist](#) indicates that a pre-qualification is appropriate, the use of the [CCDC 29 A Guide to Pre-qualification](#) should be implemented to ensure a fair, open and transparent pre-qualification process for General Contractors and Trade Contractors.*

BCCA places such value in bonds as the sole criteria largely because bonding is still the best indicator of a contractor's capacity, capability and financial ability to perform the work. This is increasingly true today due to the conditions described above in regard to industry capacity.

The Bid Bond is provided by a third party who has the interest of both the Owner and Contractor in mind. A Surety Industry representative reports that "Bonding companies have become far more diligent in their risk selection processes over the last five to ten years. Many sureties now employ sophisticated credit modelling paradigms that can simultaneously assess a wide array of contributing factors. The enhanced sophistication and complexity of their approach has taken them far beyond the quaint and one-dimensional consideration of the "three C's" (cash, capacity and capability).