

**BARRIERS TO UTILIZATION OF DBES BY PRIME
CONTRACTORS IN NEW JERSEY DEPARTMENT OF
TRANSPORTATION CONTRACTS**

Qualitative and Quantitative Results

Submitted to:

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INTRODUCTION

The New Jersey Department of Transportation (NJDOT) receives Federal funding via the United States Department of Transportation (USDOT) for various transportation projects throughout the State. Federal regulations stipulate that at least 10 percent of these Federal funds must be expended with Disadvantaged Business Enterprises (DBEs). DBEs are for profit small businesses in which socially and/or economically disadvantaged individuals 1) own at least a 51 percent interest and 2) control management and daily business operations. Socially and economically disadvantaged individuals are members of racial and ethnic minority groups, women, and other individuals on a case-by-case basis. A firm must also meet certain minimum size standards in order to be considered a small business. The goal of the DBE program is to support these firms enough so that they can eventually enter the mainstream construction and consulting industries.

State and local transportation agencies must establish annual goals for the participation of DBEs, as well as continually review individual contracts to establish project specific DBE subcontracting goals. In the State of New Jersey, the NJDOT annually submits a numerical DBE goal to the USDOT, Federal Highway Administration (FHWA) for the upcoming fiscal year. Individual project goals are set based on identified DBE subcontracting opportunities. The Division of Civil Rights/Affirmative Action (DCR/AA) is the NJDOT division responsible for administering the DBE Program.

In addition to establishing goals, transportation agencies who receive USDOT funds must also certify firms as eligible to participate in the DBE program. In order to streamline the certification process and as required by Federal regulations, in 2005 the NJDOT entered into a reciprocal arrangement with New Jersey Transit (NJT) and the Port Authority of New York and New Jersey (PANY&NJ) and formed the New Jersey Unified Certification Program (NJUCP). The NJUCP is a reciprocity agreement between the three certifying agencies—NJT, NJDOT and the PANY&NJ. Under the initiative, a DBE may submit a single application to any one of these agencies and be certified as an eligible DBE for all of them. Firms that are certified as DBEs by any of these agencies are automatically included in the NJUCP database, which contractors can use to find eligible DBEs to work with to meet their contracting goals.

Currently, there are about **200** DBE firms participating in the NJUCP that can potentially perform services for the NJDOT. These firms are typically small, generally have limited resources and often have limited experience with the requirements for administering, documenting, and/or fulfilling contractual requirements on consultant and construction projects. Of DBE firms participating in the NJUCP, 70 percent have never received a contract with a primary NJDOT contractor, and 80 percent have never received one with the NJDOT directly. At present, there are approximately 200 Prime Contractors who perform various professional and construction services for the NJDOT. Generally, these contracts are large enough to present opportunities for subcontracting to DBE firms.

PURPOSE

Given that the majority of DBE firms have not received contracts with either the NJDOT directly or through a NJDOT Prime Contractor, the NJDOT required a needs assessment research to identify why more DBEs are not receiving contracts. NJDOT contracted with Taurus Market

Research (Taurus) and Macro International, Inc. (Macro) to conduct this research. The Taurus/Macro team was retained by the NJDOT to conduct a qualitative and quantitative analysis of barriers to utilizing new Disadvantaged Business Enterprises (DBEs) in NJ DOT contracts.

OBJECTIVES

The objective of this research is to perform a needs assessment among both DBEs and Prime Contractors to identify barriers:

- Faced by DBEs in obtaining NJDOT contracts and recommendations for how to overcome these impediments;
- Encountered by DBEs in securing subcontracts from Prime Contractors and recommendations as to how to overcome these obstacles;
- Encountered by Prime Contractors in utilizing the services of DBEs and recommendations as to how to overcome them.

The quantitative approach used survey data to identify the barriers faced by DBE firms and Prime Contractors. The qualitative approach used one-on-one interviews to develop recommendations for how to overcome the barriers identified in the surveys.

QUANTITATIVE METHODOLOGY

In March of 2008, Macro conducted the mail survey of DBEs and Prime Contractors/Consultants. Macro selected a sample of Prime Contractors (contractors), Prime Consultants (consultants), and DBE firms (DBEs) from a database provided by the NJDOT. The sample for the three groups combined resulted in a total of 682 firms.

Three mailings were completed over the course of four months, each with a one week telephone follow-up. A maximum of four contact attempts were made to each firm. Of 682 surveys, 309 were returned, for an overall response rate of 45 percent. The highest response rate was among DBEs, at 53 percent, followed by Consultants at 44 percent, and Contractors at 38 percent. The returned surveys were data entered and tabulations were developed based on groups of interest to the NJDOT.

Table 1. Response Rate by Sample Group

	Sample Size	Returns	Response Rate
Contractors	274	105	38%
Consultants	135	60	44%
DBEs	273	144	53%
Total	682	309	45%

QUALITATIVE METHODOLOGY

The State selected the DBEs and Prime Contractors from the database of completed surveys to be interviewed. Taurus/ Macro worked with the State to determine screening criteria (i.e. number of years certified, number of contracts awarded, size of firm, location, etc.) to participate in one-on-one interviews. A random sample of DBEs and Prime Contractors were screened from the list provided by the State. In order to yield a total of 40 completed face to face interviews (20 DBEs and 20 Prime Contractors) we screened from a pool of approximately 80 potential respondents.

Members of Taurus's recruitment unit recruited the DBEs and Prime Contractors. To ensure attendance, respondents were each given a \$50 honorarium. After agreeing to participate in the interview, the respondents were sent an information packet that confirmed the time and date of the interview, the location, and directions to the location. Prior to the interview, the respondents were called to verify that they would be attending.

The interviews were conducted during June, July, and August 2008. The primary purpose of the interviews was to gather information to be used in making recommendations for 1) helping DBEs overcome barriers to bidding or participating as subcontractors; and 2) helping Prime Contractors increase their utilization of DBEs.

A total of 40 one-on-one interviews were conducted with Prime Contractors and representatives of DBE firms. The objective was to speak with companies that had served as Prime Contractors on NJ DOT contracts, including those who had and had not used a new DBE company within the past three years; and to speak with representatives of DBE firms that had been used as

subcontractors on NJ DOT contracts, as well as DBE firms that had not been used as subcontractors. All interviews were audio-taped, and the interviewers also took notes during each interview.

Separate interview guides were developed for each of the four respondent categories seen in the table below:

Table 1: Respondent Groups

Prime Contractors who had used a new DBE within the past 3 years	5
Prime Contractors who had not used a new DBE within the past 3 years	12
DBEs who had been used by a Prime Contractor	16
DBEs who had not been used by a Prime Contractor	7

EXECUTIVE SUMMARY

Taken together, the quantitative and qualitative studies revealed several common issues for prime contractors and DBEs. The most salient issue is a lack of relationships between the two. From the perspective of prime contractors, respondents to the interviews indicated that they would not use a subcontractor unless they had a good referral or a proven reputation. Similarly, two factors emerged during the survey of prime contractors as most important when selecting a subcontractor: 1) experience—33 percent of contractors and 35 percent of consultants said this was the most important thing; and 2) reputation—the most important among 33 percent of consultants and 24 percent of contractors.

From the perspective of DBEs, interview respondents felt that having a track record with specific Prime Contractors was the most important factor to getting subcontracts. When asked why they had not performed any work for Primes on NJ DOT contracts, several respondents in this group mentioned the lack of prior relationships with Primes. The survey of Prime Contractors found that three-quarters of Prime Contractors who had been satisfied with the work of a first time DBE maintained a business relationship with the firm. However, DBEs that have subcontracts may not rely only on prior business with Prime Contractors. The interviews revealed that the most striking difference between DBEs who had gotten subcontracts in the past three years and those who had not was the level of marketing activities: DBEs that did more marketing got more contracts.

In the interviews, another barrier expressed by both Prime contractors and DBEs was staffing. From the perspective of Prime Contractors, many DBEs do not have enough staff to accommodate the needs of the subcontract or to respond to requests in a timely manner. Indeed, the survey results showed that most DBEs are very small—only one-third of respondents had more than 16 employees. From the perspective of DBEs, the paperwork associated with NJ DOT or any government contract was a large responsibility.

Both Prime Contractors and DBEs expressed concerns about risk and considered it a barrier to entering into contracting relationships. From the perspective of Prime contractors, using a DBE (particularly a new DBE) comes with a great amount of risk. Interviewees said that the risks in using a new DBE—in terms of the reputation of the firm, and the impact on costs and profitability if there are errors—are just too great. Ultimately, they are responsible for making sure that the job gets done, and they need to ensure that their subcontractors are reliable and accurate. From the perspective of DBE interview respondents, their risks come from not being paid by the Prime contractor in a timely manner for work they have done.

Finally, both Prime Contractors and DBE respondents felt that more monitoring and certification should take place to ensure that 1) all DBEs are qualified to do the work; and 2) all DBEs are actually minority owned businesses instead of “pass through” operations. Prime contractors in both the survey and the interviews felt they would be more willing to use a DBE, particularly a new DBE, if there was some rating or vetting process by which they could be assured of quality work. DBEs felt that they often have to compete with firms that are DBEs in name but are not actually owned by members of disadvantaged groups.

CONCLUSIONS AND RECOMMENDATIONS

1) Hold a workshop for Prime Contractors and DBEs

The majority of respondents to both the survey and the interviews expressed interest in a DOT-sponsored workshop to bring together DBEs and Prime Contractors. Prime contractors felt it would allow them to explain the administrative, logistical, and financial aspects of working on these contracts and DBEs welcomed the opportunity to have a venue where they could introduce themselves to potential Primes. Workshops such as these may address the barrier of lack of relationships between Prime Contractors and DBEs.

For new DBEs, Prime contractors specifically requested that NJ DOT provide some outreach training regarding basic knowledge about the contracting business—how Primes like to be approached, what information they need to make smart business decisions, what NJ DOT's expectations are, and what the Prime Contractor needs and expects from subcontractors. Ideally, this training should occur before they actually are used as a subcontractor on a NJ DOT contract, and should include assistance with setting up pricing and systems and processes for contract management and performance monitoring. Not surprisingly, DBE survey respondents requested workshops with the same kinds of information. The topics of most interest to them include contract-related information, accounting and tax information, marketing information, and doing business with the government. This training may also address difficulties with administrative functions that DBEs expressed in interviews.

2) Provide new incentives and publicize existing incentives to use DBEs

Half of the prime contractors who participated in the interviews were not aware of the new NJ DOT DBE Incentive Program. Clearly, this program needs increased publicity in order to be effective. Further, respondents to both the interviews and the surveys had suggestions for additional incentives: 1) financial incentives; 2) relaxing certain requirements relative to the Prime Contractor's performance rating and the risk assumed by the Prime; and 3) devoting a smaller percentage of the contract to subcontracts if first-time DBEs were used as subcontractors. Implementing this recommendation would address the barrier of perceived risk on the part of the Prime Contractor.

3) Better publicize bid express and other modules by which Prime Contractors and DBEs can find each other

One of the common difficulties that both Prime Contractors and DBEs expressed was difficulty finding opportunities to work together. DBEs expressed trouble finding opportunities in a timely manner and Prime Contractors expressed trouble finding DBEs that provide the specialty services that they require subcontractors for (e.g. inspections, geotechnical/surveying, electrical work). Almost half of all Prime Contractors surveyed used Bid Express, although fewer were aware of the small business section. Bid express was only used by 1 in 10 DBE survey respondents and few were aware of the small business section of this enterprise. However, 75 percent of DBEs expressed an interest in it. Publicizing this channel of communication may benefit both Prime Contractors and DBEs in finding opportunities to work together.

4) Set aside small contracts that DBEs can compete for as Prime Contractors

Both Prime Contractors and DBEs suggested that NJ DOT unbundle some of the current larger contracts to set aside smaller contracts that can be awarded directly to DBEs. They said that this would give the DBE an opportunity to comply with DOT's contract requirements without putting the reputation and record of an existing Prime Contractor at risk. From the perspective of DBEs, this would allow them more experience with NJDOT projects, making them more attractive to Prime Contractors on larger contracts. Further, smaller contracts would demand less staff and be better suited to smaller entities as most DBEs are, addressing the staffing barrier.

5) Increase oversight of DBE requirements and qualifications

Both Prime Contractors and DBEs felt that ownership and management of DBE companies be scrutinized more closely to ensure that the companies delivered quality work, and really were "disadvantaged." Further, some DBE interview respondents urged the NJ DOT to enforce its DBE requirements more closely so that Prime Contractors adhered to the spirit of the DBE subcontracting requirements.

QUANTITATIVE FINDINGS

PRIME CONTRACTORS AND CONSULTANTS

COMPANY SPECIALTY

Among contractors responding to the survey, general contracting (37%) and excavation (29%) were the two most frequently reported businesses. For consultants, the main businesses reported by respondents were civil engineering (77%) and environmental engineering (28%).

Industry		
	Contractors	Consultants
Base: Total	(105)	(60)
	%	%
Architecture	-	13
Civil Engineering	2	77
Demolition	9	-
Electrical Engineering	-	12
Electrical Contracting	6	-
Environmental Engineering	-	28
Excavation	29	-
General Contracting	37	-
HVAC	-	7
Landscaping	6	5
Painting	9	-
Plumbing	21	-
Sewer Services	13	3
Traffic Control	8	3
Trucking	6	-
Underground Construction	22	3
Other	53	40

YEARS IN BUSINESS

The majority of contractors (70%) and consultants (72%) have been in business for 21 or more years. Only about one-in-ten of all firms surveyed have been in business for 10 years or less.

Years in Business		
	Contractors	Consultants
Base: Total	(105)	(60)
	%	%
10 years or less	10	8
11 – 20 years	20	20
21+ years	70	72

INVOLVEMENT IN PUBLIC CONTRACTING

Among contractors, about six-in-ten (61%) say their business is predominantly public contracting (contracting with public agencies such as local, state and Federal governments). Contractors who are not primarily involved in public contracting said they are involved in the commercial, industrial, and residential sectors. For consultants, two-thirds (68%) reported that their business was predominantly public contracts. Consultants not primarily involved in public contracting said they were primarily involved in private and commercial sector contracts.

Public Contracting		
	Contractors	Consultants
Base: Total	(105)	(60)
	%	%
Mainly in Public Contracting	61	68
Not mainly in Public Contracting	39	32
Base: Not Mainly in Public Contracting	(41)*	(19)*
	%	%
Other Sectors		
Commercial	34	26
Residential	19	21
Industrial	22	11
Private	17	37
Utility	7	16
Construction	7	5
Engineering	--	21
Hospitals	7	--
<i>*Caution: Small base</i>		

USE OF SUBCONTRACTORS

Few contractors and consultants regularly use subcontractors. The majority of contractors and consultants have had less than five NJDOT contracts that used subcontractors in the past ten years (68% and 55%, respectively). Only about one-in-seven contractors or consultants have over 20 projects that involve a subcontractor (13% and 15%) in the past ten years. Among contractors, one-in-five do not subcontract out any of their work (18%). About one-third subcontract one to 10 percent of their projects (32%). For consultants, they are most likely to subcontract between 11 and 30 percent of their contacts (70%).

Use of Subcontractors		
	Contractors	Consultants
Base: Total	(105)	(60)
Number of Contracts	%	%
Less than 5	68	55
5 – 9	11	12
10 – 20	6	15
Over 20	13	15
Number of Contracts		
None	18	-
1 – 10%	32	25
11 – 20%	23	43

Use of Subcontractors		
	Contractors	Consultants
21 – 30%	11	27
31 – 100%	17	5

Types of Work Subcontracted

Most contractors and consultants that do use subcontractors use them for specialty services. Among contractors, the most often subcontracted work is electrical (48%), followed by landscaping (22%) and paving (20%). Among consultants, just over one-half (55%) subcontract for surveying, followed by environmental (23%) and geotechnical inspections (22%).

Types of Work Subcontracted		
	Contractors	Consultants
Base: Total	(99)	(60)
	%	%
Concrete	16	--
Electrical	48	7
Inspection	--	5
Landscape	22	2
Plumbing	8	--
Paving	20	--
Surveying	--	55
Guide / Guard Rail	16	--
Construction Inspection	--	17
Environmental	--	23
Geotechnical Inspection	--	22
Traffic	--	12
Air Noise Inspection	--	7

Factors Considered when Selecting a Subcontractor

Respondents were asked what factors, other than price, were considered when selecting a subcontractor for the first time. Two factors emerged as of primary importance to both groups. The primary factor considered when selecting a subcontractor is experience—33 percent among contractors and 35 percent among consultants. The second most important factor for both groups is reputation—33 percent among consultants and 24 percent among contractors. Consultants were nearly equally concerned about quality (32%). Nearly one-in-five contractors listed ability to compete/perform as their next most important consideration.

Factors when Selecting a Subcontractor		
	Contractors	Consultants
Base: Total	(94)	(60)
	%	%
Ability to Complete / Perform	18	10
Experience	33	35
Reliability	13	7
Quality	16	32
Reputation	24	33
References	14	20

Required To Meet A DBE Subcontract Goal

The majority of contractors and consultants surveyed have been required to meet a DBE subcontract goal (67% and 77%, respectively). Of those who met a DBE goal, contractors had a more difficult time identifying DBE subcontractors than consultants (30% vs. 17%). The primary issue with identifying a subcontractor is that there is simply a lack of them.

REQUIRED TO MEET DBE GOAL		
	Contractors	Consultants
Base: Total	(105)	(60)
	%	%
Not required to meet DBE Goal	33	23
Required to meet DBE Goal	67	77
Base: Met DBE Goal	(70)	(46)
	%	%
Problem Identifying DBE Subcontractor	30	17
Specific Problems Mentioned	(21)*	(8)**
	%	#
Lack of subcontractors	86	4
Can't achieve DBE goals	19	--
Price	5	1
Other	--	3

*Caution: Small base

Awareness of NJDOT DBE Incentive Program

Exactly four-out-of-ten of both contractors and consultants surveyed are aware of the NJDOT DBE Incentive program. Of those who are aware, about one-third of both contractors (31%) and consultants (32%) feel this program provides adequate incentive to use a first-time DBE. Of those that provided an answer, the majority felt that there was a lack of experienced DBEs for the work that was required.

Awareness of NJDOT DBE Incentive Program		
	Contractors	Consultants
Base: Total	(105)	(60)
	%	%
Not Aware of Program	60	60
Aware of Program	40	40
Base: Aware of NJDOT DBE	(42)*	(24)*
	%	%
Provides Adequate Incentive	31	32
Does Not Provide Adequate Incentive	69	68
Reasons Why Not	(9)*	(5)*
	#	#
Need for experienced DBEs	4	4
Unsure of Incentives	1	1
Other	4	--

* Caution: Small Base

Experience with a First-Time DBE Subcontractor

Contractors and consultants had very similar experiences with DBEs in this program. Less than one-third of contractors or consultants had used a first-time DBE subcontractor (31% and 30%, respectively). Two-thirds of both contractors and consultants who had used a first-time DBE found the work to be satisfactory. Across both groups, among those who found the DBE work to be satisfactory, three-quarters reported maintaining a business relationship with the DBE firm.

Experience with a First-Time DBE Subcontractor		
	Contractors	Consultants
Base: Total	(105)	(60)
	%	%
Ever Used a First Time DBE Subcontractor	31	30
Base: Used a First Time DBE Subcontractor	(32)*	(18)*
	%	%
Work Was Satisfactory	69	67
Work Not Satisfactory	31	33
Specific Problems With Work Performed	(9)*	(6)*
	#	#
Inexperience of DBEs	3	3
Quality	--	3
Scheduling	3	--
Other	3	--
Maintain Business Relationship	76	71
Did Not maintain Business Relationship	21	29
Reason relationship Not maintained	(6)*	(5)*
	#	#
No longer work in area	3	--
Quality	--	4
Other	3	1
* Caution: Small Base		

Type of Incentive Needed To Participate in the NJDOT Incentive Program

Respondents that have not participated in the DBE incentive program were asked what type of incentive would cause them to seriously consider using a first time DBE subcontractor. The majority of contractors cited some sort of financial incentive, while consultants were more varied in their answers and more often asked for more information about the DBE.

Incentives to Participate in DBE Program		
	Contractors	Consultants
Base: Total	(66)	(41)
	%	%
Ability to be a prime	--	5
Training hours	--	5
Financial incentive	20	5
References	6	5
Selected on more projects	2	7
Better ratings / information	6	12

Incentives to Participate in DBE Program		
	Contractors	Consultants
DBEs don't affect rating	5	5
Past performance	10	5
Do not subcontract	4	--

Suggestions on How to Increase Usage of DBEs

When asked what suggestions they have on how to increase the usage of DBEs, one-third of prime contractors were unable to make a suggestion. Among contractors, the most common suggestion was pre-qualification or rating of DBE firm quality. For consultants, the most common suggestion was to provide incentives for using new DBE firms.

Suggestions to Increase Use of DBEs		
	Contractors	Consultants
Base: Total	(62)	(33)
	%	%
More information	6	--
Incentives for new DBEs	--	15
Pre-qualifications	11	--
None	35	30
Other	50	55

Willingness to Participate in Mentor-Protégé Program

Respondents were asked whether they would be willing to participate in a mentor-protégé program with a DBE. Most contractors (68%) said that they would not be willing to participate. The reasons given by this group included not doing enough work for NJDOT to make this worthwhile, not having enough time to participate, and not having enough information about the program. A little less than half of all consultants (47%) said that they would be unwilling to participate in such a program. Time constraints and being a subcontractor themselves were the main reasons cited by this group.

Willingness to Participate in Mentor-Protégé Program		
	Contractors	Consultants
Base: Total	(105)	(60)
	%	%
Willing To Partner	42	53
Not Willing To Partner	68	47
Reasons Not Willing to Partner	(33)	(17)
	%	%
Not much work	30	12
Takes too much time	20	18
Affect on company	6	--
Not familiar with program	15	12
Already a subcontractor	6	18
Size	--	6
Other	23	34

Willingness to Participate in an NJDOT-Sponsored Workshop

Respondents were asked if they were willing to participate in a NJDOT-sponsored workshop event designed to partner prime contractors and consultants with DBE contractors and consultants. About one-half of contractors (53%) and 70 percent of consultants surveyed said they would participate. More consultants (47%) would prefer such a workshop took place in central New Jersey, about an equal amount of contractors preferred Northern, Central, and Southern New Jersey as locations for the workshop. Most respondents from both groups preferred workshops to be held in winter months, presumably when there are fewer contracting opportunities available. As for a preference for a particular day of the week, Tuesdays through Thursdays are preferred. Both contractors and consultants have a preference for the workshop to be held in the morning. In terms of the length of the meeting, contractors prefer the meeting to be one to two hours, while consultants would prefer a longer meeting (three to four hours). One-quarter of contractors are willing to attend a DBE workshop, while among consultants, it is a bit higher (35%). Of those willing to attend, 19 percent of contractors would be willing to pay up to \$99, and 35 percent of consultants would be willing to pay up to \$149. Contact by mail or e-mail is the preferred mode of communication among both contractors and consultants.

NJDOT-SPONSORED WORKSHOP		
	Contractors	Consultants
Base: Total	(105)	(60)
	%	%
Would Participate in NJDOT Workshop	53	70
Location of Workshop		
Northern New Jersey	23	28
Central New Jersey	27	47
Southern New Jersey	23	22
Month		
January	37	32
February	45	40
March	20	30
April	7	20
May	4	13
June	5	13
July	5	12
August	3	10
September	4	13
October	6	18
November	7	13
December	3	13
Day of the Week		
Monday	13	22
Tuesday	26	48
Wednesday	34	50
Thursday	27	53
Friday	15	25
Saturday	6	5
Time of Day		
Morning	51	65
Afternoon	18	15

NJDOT-SPONSORED WORKSHOP		
	Contractors	Consultants
Evening	4	10
Length of Meeting		
1 – 2 hours	45	30
3 – 4 hours	19	47
5+ hours	2	3
Willingness to Attend	25	35
Willingness to Pay		
Up to \$49	7	12
\$50 – 99	12	10
\$100 – 149	3	13
Notification		
Mail	49	50
Phone	4	3
Fax	7	5
E-mail	37	65

Bid Express Member

Just over one-half of contractors are Bid Express members (55%), as opposed to just 15 percent of consultants. Of those who are not Bid Express members, only 15 percent of contractors and 35 percent of consultants are interested in becoming one. Among Bid Express members, just over a quarter of contractors (26%) purport to be familiar with the Small Business Network Tab.

BID EXPRESS MEMBER		
	Contractors	Consultants
Base: Total	(105)	(60)
	%	%
Bid Express Member	55	15
Not a Bid Express Member	45	85
Base: Not a Bid Express member	(47)	(51)
	%	%
Interested in Becoming a Member	14	35
Base: Bid Express Member	(46)	(1)*
	%	#
Familiar with Small Business Network Tab	26	--
Used of Small Business Network in Bid Express		
Base: Used Small Business Network in Bid Express	(105)	(60)
	%	%
Experience with Small Business Network	(6)*	--
	#	#
Did not receive responses	1	--
Good	2	--
Not good enough	2	--
Not enough people	1	--
<i>*Caution: Small base</i>		

Disadvantaged Business Enterprises (DBEs)

Company Specialty

Among DBE firms surveyed, the most frequently mentioned specialty is civil engineering (21%). About one-in-ten mention general contracting (11%) or environmental engineering (9%). All other specialties are mentioned by six percent or less of respondents.

COMPANY'S SPECIALTY	
	DBEs
Base: Total	(144)
	%
Company's Specialty	
Architecture	4
Civil Engineering	21
Demolition	4
Electrical Engineering	4
Electrical Contracting	4
Environmental Engineering	9
Excavation	6
General Contracting	11
Landscaping	6
Paving	6
Traffic Control	6
Trucking	4
Underground Construction	6
Other	9

License Types

The most commonly held license is for a professional engineer (31%). Exactly one-in-ten have a surveying/mapping license. All other types of licenses held are mentioned much less frequently.

Other responses for types of licenses included the following:

- Irrigation and pesticide,
- Traffic control,
- Roadway construction,
- United States Coast Guard, and
- State-certified real estate appraiser.

LICENSE TYPES	
	DBEs
Base: Total	(144)
	%
License Types	
Electrical	4
Professional Engineer	31
General Contractor	6

LICENSE TYPES	
	DBEs
Surveying/Mapping	10
Asphalt/Concrete	6
Architect	4
Traffic Control	4
Other	18

Company's Years In Business

The majority of DBE firms have been in business for 11 years or more (76%). Almost one-third have been in business for 21 years or more (30%). Most companies that have not benefited from being a DBE have existed for at least 11 years (73%), one-third of which for 16 to 20 years (31%).

COMPANY'S Years in Business	
	DBEs
Base: Total	(144)
	%
Company's Age	
0 – 5 years	7
6 – 10 years	17
11 – 15 years	22
16 – 20	24
21+ years	30
Base: Have not Benefited from being a DBE	(48)
0 – 5 years	10
6 – 10 years	17
11 – 15 years	21
16 – 20	31
21+ years	21

Public Contracting Involvement

About two-thirds of DBE firms are mainly involved in public contracting. Those not primarily involved in public contracting are most likely to be in private sector projects.

Private sector contracts who work for DBEs are as follows:

- Goldman Sachs,
- Private auto insurance and worker's comp for the State of NJ,
- Private distribution and manufacturing industries,
- Pfizer pharmaceuticals and Johnson and Johnson, and
- Private engineering firms.

PUBLIC CONTRACTING INVOLVEMENT	
	DBEs
Base: Total	(144)
	%

PUBLIC CONTRACTING INVOLVEMENT	
	DBEs
Mainly in Public Contracting	62
Not mainly in Public Contracting	38
Base: Not mainly in Public Contracting	(55)
	%
Other Sectors	
Residential	10
Commercial	16
Private	36
Schools	7
Industrial	13
Government / state	29
Consultant firms	5
Engineering	7

Firm's Size (Dollars)

About seven-out-of-ten DBEs surveyed (73%) have revenues of \$500,000 or more.

FIRM'S SIZE	
	DBEs
Base: Total	(144)
	%
Under \$99,999	8
\$100,000 – 299,999	10
\$300,000 – 499,999	8
\$500,000+	73

Firm's Size (Employees)

About a third of DBEs have fewer than five employees (34%). Another third have between five and 15 employees (34%), while another third have 16 or more employees (31%).

In terms of seasonal employees, exactly half of the firms have fewer than five. About a quarter of the firms have from five and 15 seasonal employees (24%), while 15 percent have 16 or more.

NUMBER OF EMPLOYEES	
	DBEs
Base: Total	(144)
	%
Number of Regular Employees	
Under 5	34
5 – 10	23
11 – 15	11
16 – 20	9
21+	22
Number of Seasonal Employees	
Under 5	50
5 – 10	18

NUMBER OF EMPLOYEES	
	DBEs
11 – 15	8
16 – 20	7
21+	8

Branch Off Another Company

The vast majority of DBE firms (94%) have not branched off from another company.

BRANCH OFF ANOTHER COMPANY	
	DBES
Base: Total	(144)
	%
Not Branched off from another company	94
Branched off from another company	6

Length of DBE Certification

Almost half of DBEs (49%) have been certified with the NJDOT for more than ten years. Only 15 percent have been certified more recently (within the past three years). Almost eight-of-ten companies that have not benefited from being a DBE have been DBE-certified for over five years. The majority of those companies have been certified for over ten years (42%).

LENGTH OF DBE CERTIFICATION	
	DBES
Base: Total	(144)
	%
Length of DBE Certification	
Less than 3 years	15
Over 5 years	33
Over 10 years	49
Base: Have not Benefited from being a DBE	(48)
Less than 3 years	23
Over 5 years	35
Over 10 years	42

Whether Benefited from being a DBE

Six-out-of-ten DBEs claim to have benefited from being a certified DBE. The way in which it has benefited them is that they get more jobs/contracts (46%). For the one-third (37%) who say they have not benefited, the primary reason mentioned was that they did not get any jobs.

WHETHER BENEFITED FROM BEING A DBE	
	DBEs
Base: Total	(144)
	%
Have Benefited	63
How Benefited?	(67)
	%
More Jobs/contracts	62

WHETHER BENEFITED FROM BEING A DBE	
	DBEs
DBE Coverage	22
Networking	7
Other	9
Have Not Benefited	37
How Not Benefited?	(45)
	%
Not enough work	24
Outside NJ	16
Size	7
Information	4
Prequalification requirements	9
Lack of Opportunities for DBEs / small companies	11
Other	29

NJDOT Pre-qualified (Construction Contractors)

Of DBEs that are construction contractors, 26 percent are pre-qualified.

NJDOT PRE-QUALIFIED (CONSTRUCTION CONTRACTORS)	
	DBEs
Base: Total	(144)
	%
Yes, pre-qualified	26
Pre-qualified	(37)*
	%
Paving	16
Utilities maintenance	14
Streets / road / sidewalk maintenance	22
Concrete	19
Steel	14
Electric	14
No, not pre-qualified	74
Not pre-qualified	(25)*
	%
Not necessary / time	28
Not enough money	12
Distance	8
No work	12
Too much paperwork	8
Other	32
<i>* Caution: Small Base</i>	

Problems Trying To Become Pre-Qualified

DBEs who have attempted to become pre-qualified said lack of work and lack of time are the main reasons why they are not qualified.

PROBLEMS TRYING TO BECOME PRE-QUALIFIED	
	DBEs
Base: Not Pre-Qualified	(21)*
	%
No time	48
Do not subcontract	19
Size	43
Lack of Work	48
* Caution: Small Base	

Cost-Based Approved or Pre-qualified

Of DBEs that are consultant/professional services contractors, about one-third (32%) of them are pre-qualified.

COST-BASED APPROVED OR PRE-QUALIFIED	
	DBEs
Base: Total	(144)
	%
Yes, cost-plus basis approved/pre-qualified	32
No, not cost-plus basis approved/pre-qualified	68
Reasons not cost-plus approved/pre-qualified	(34)
	%
Not aware	18
Too much work	12
In the beginning phase	6
No DOT projects	6
Not needed	6
Not Applicable	26
Other	26

NJDOT Contracts

Almost half of DBEs (49%) have fewer than five NJDOT contracts. Twenty-one percent claim to have 10 or more projects.

NJDOT CONTRACTS	
	DBES
Base: Total	(144)
	%
Under 5	49
5 – 10	12
10 – 20	8
21+	13

Reasons for not Working with the NJDOT

DBEs that have not worked with the NJDOT cited primarily that they have encountered a lack of opportunities. This question is an open-ended question in the survey instrument with “lack of opportunities” as a code for different types of responses. Some of those include:

- We have not found anything in software development to bid on.
- NJDOT does have contract of bids for custom machine parts.
- There is not any construction management for small jobs.
- There is a problem with amount of contracts. Bigger firms get one big annual contract instead of being broken down into smaller contracts for smaller firms.
- There are no DBE goals for bridge painting construction inspection projects.

REASONS FOR NOT WORKING WITH the NJDOT	
	DBEs
Base: Total	(80)
	%
Reasons why DBE has not work with the NJDOT	
Location	4
Information	8
Work in another state	3
Lack of opportunities	19
Size	1
Not applicable	34
Competition	1
Other	30

Work with Other Transportation Agencies

About three-quarters of DBEs work with other transportation agencies, primarily NJ Transit and Port Authority.

WORK WITH OTHER TRANSPORTATION AGENCIES	
	DBEs
Base: Total	(144)
	%
Work with other transportation firms	
No	24
Yes	72
Other transportation firms	
	%
Delaware DOT	8
Delaware River Port Authority	13
NJ Transit	47
NY/NJ Port Authority	41
Maryland DOT	3
MTA	11
NYDOT	24
Penn DOT	24
NJ Turnpike Agency	9
NYC DOT	11

Needs of Company to Develop Beyond Current Capacity

The main reason for working with other transportation agencies is the opportunity for more work (27%). This open-end response in the survey instrument included some of the following responses:

- Need of public work contracts that cover the cost of prevailing wage and union scale.
- Need of work in construction, project management, inspection, cost and quality estimation.
- Need of more work to develop greater capacity.
- More projects that advertise with increased DBE percentage.

WORK WITH OTHER TRANSPORTATION AGENCIES	
	DBEs
Base: Total	(96)
	%
More employees / larger facility	6
Set asides	6
More Work	27
Bid opportunities	4
Money	9
Information	8
Not applicable	3
Workshops / networking / conferences	6
None	7

NJDOT-Sponsored Workshop

Three-out-of-ten DBEs have participated in a workshop related to their business (31%). Exactly three-fourths of DBEs are very/somewhat interested in participating in a NJDOT sponsored workshop. The topics of most interest to them include contract-related information, accounting and tax information, marketing information, and doing business with the government. DBEs who responded with “contracting” as a topic of interest in NJDOT-sponsored workshops were coded as such. Examples of their responses are:

- Interested in Government contracting along with doing business with proper contacts.
- Doing business with government contracting to develop and finance your business.
- Looking for contracts that are within my bonding range to grow one’s business to qualify for larger bonding work.
- Help with negotiating contracts and knowledge on contract law.
- Need help meeting with prime contacts for professional service contracts.

The response “Accounting / Tax Issues” was an answer DBEs could choose from. There are no reasons under it since DBEs only responded with “Accounting / Tax Issues.”

NJDOT-SPONSORED WORKSHOP	
	DBEs
Base: Total	(144)
Participate in Any Workshop	31

NJDOT-SPONSORED WORKSHOP	
	DBEs
Would Participate in NJDOT Transportation Workshop	
Very interested	37
Somewhat interested	38
Not very interested	14
Not at all interested	9
Topics of Interest Related to Technical Needs	(97)
	%
Accounting	2
All of the above	3
Business plan	12
Contracting	33
Business w/ government	19
Business w/ NJDOT	3
Financing	7
Government contracting	14
Marketing	26
Meetings	4
Not Applicable	7
Topics of Interest in Administrative / General Workshop	(73)
	%
Accounting / tax issues	32
All of the above	7
QuickBooks	12
None	18
Finance	7
Not Applicable	16
Other	8

Of those willing to attend an NJDOT-sponsored workshop:

- Northern and Central New Jersey are the two locations most favored by DBEs, 35 and 31 percent of the time respectively.
- DBEs favor the months of January (43%) and February (47%) for the month of the DBE workshop.
- Four-of-ten DBEs prefer the workshop to be held on Wednesday or Thursday.
- Almost half prefer the workshop to be held in the morning.
- At least 80 percent of DBEs are willing to devote one to four hours on a workshop.
- Almost half of DBEs prefer to be notified by e-mail or mail.
- About 40 percent are willing to spend up to \$99.

NJDOT-SPONSORED WORKSHOP	
	DBEs
Base: Total	(144)

NJDOT-SPONSORED WORKSHOP	
	DBEs
	%
Participate in NJDOT DBE Workshop	72
Location of Workshop	
Northern New Jersey	31
Central New Jersey	35
Southern New Jersey	21
Month	
January	43
February	47
March	33
April	20
May	21
June	17
July	17
August	18
September	20
October	27
November	22
December	20
Day of the Week	
Monday	28
Tuesday	35
Wednesday	40
Thursday	40
Friday	33
Saturday	27
Time of Day	
Morning	54
Afternoon	31
Evening	19
Length of Meeting	
1 – 2 hours	44
3 – 4 hours	39
5+ hours	8
Willingness to Attend	58
Base: Willingness to Pay	(83)
Up to \$49	23
\$50 – 99	14
\$100 – 149	8
\$150 – 199	6
\$200+	8
Notification	
Mail	49
Phone	6
Fax	22
E-mail	56

Bid Express Membership

One-out-of-ten DBEs are Bid Express¹ members. Of those who are not members, about one-half are interested in becoming a member.

Only 13 percent of DBEs are familiar with the small business network tab, while just 7 percent use the Small Business Network² in Bid Express.

BID EXPRESS MEMBER	
	DBEs
Base: Total	(144)
	%
Bid Express Member	10
Base: Not a Bid Express Member	(100)
	%
Likelihood to Become a Bid Express Member	49
Base: Total	(144)
	%
Familiarity with Small Business Network tab	
Yes	13
No	87
Use of Small Business Network in Bid Express	
Yes	7
No	93

¹ Bid Express is an online information service for transportation bidding that publishes bid-related information from state transportation agencies to vendors and also allows secure bid submissions from vendors to state transportation agencies.

² The Small Business Network of Bid Express facilitates the interaction between prime contractors and subcontractors (including DBEs), allowing them to exchange subquotes and communicate about projects.

DBE Experiences with Contracting/Subcontracting

Overview of Respondents

The interviewers spoke with 23 representatives of DBEs, 16 were from firms that had been used as a subcontractor by a Prime Contractor on a NJ DOT contract. Seven of the respondents had not been used by a Prime. For the most part, those who had been used by Prime Contractors said that they had been in business for quite awhile, and that a fair amount of their business was built upon existing relationships.

- “I’ve been working in the field for 23 years,” said one. “I do a good job, so I get repeat business.”
- “Previous work. Word gets around. We’ve built a good reputation,” said another.
- Yet a third DBE representative said, “I had an established business reputation before the DBE list.”

In contrast, most of the respondents who had not been used as a subcontractor indicated that they had not been in business for long periods of time, although one did say that he had been “in business since 1990.” Moreover, the DBE firms that had not gotten any subcontracts on NJ DOT contracts to date tended to be general contractors more than specialists in a particular field. Because Prime Contractors prefer to subcontract out work that they cannot do, lack of specialization in new DBEs may be one part of the problem. “We like to sub work that we don’t do ourselves. For geotechnical work, we use _____. We [also] subcontract work like air and noise studies,” said one Prime.

The types of work done by the DBEs for these Prime Contractors also varied considerably. While one respondent said that their firm did primarily bridge inspection and traffic assessment management, another one installed signs, did highway striping, and supplied items like traffic cones to the Prime Contractor. One firm did a variety of civil engineering tasks for numerous client firms; another dealt primarily with landscaping, providing seeding services and plantings to larger highway projects. Further, many of the DBE firms that received contracts had worked for some of the same major contractors, so it was clear that Prime Contractors were using a variety of DBE firms to satisfy their subcontracting requirements. Of the 16 DBE firms that had done subcontracting for Prime Contractors on NJ DOT contracts, one firm was mentioned by five different DBEs; one firm was mentioned by four of the respondents; four were mentioned three times; six were mentioned twice; and 45 additional firms were mentioned at least once. These sixteen DBE firms combined had done work for a minimum of 82 Prime Contractors.

Differences between respondent groups

All of the DBE firms we talked to had been approved for subcontracting work by NJ DOT. The most striking difference between DBEs who had gotten subcontracts in the past three years, compared with those who had not, was the level of pro-activity of the companies that had been used as a subcontractor, compared to the “not used” category. Those who were successful in getting subcontracts said that they made contact with potential Primes as a part of their general marketing strategy, as well as in response to specific RFPs. Those who had not been successful to

date said that they were “on the lists,” but their apparent assumption was that potential Primes should contact them, rather than the other way around.

Virtually every DBE that had been used by a Prime Contractor recently reported active marketing efforts, including:

- Cold calls to potential Primes,
- Sending information (and conducting follow-up calls) to potential primes,
- Attending professional meetings, and
- Actively searching for upcoming funding opportunities in a variety of sources.

“I have salesmen that go out and pound the pavement to get work.”

“We give seminars in the field at professional conferences.”

“A lot of cold calling, sending them information, word of mouth...”

“We check [the DOT website] daily and see if prime contractors are listed on projects. Now we know everyone, so we call them more. But they will call us, too. Seventy-five percent, we call them. Twenty-five percent, they call us.”

“We’re on the list as a DBE firm for NJ DOT and NJ Transit. I solicited their business. They usually advertise for these jobs, and we see what we qualify for and put our names in.”

For the DBE firms who had not been used as a subcontractor by a Prime Contractor, few or none of these proactive marketing efforts were reported. When asked how they found out about potential business opportunities with Prime Contractors, this group tended to respond much more passively:

“Normally, they contact me, those who need a minority firm.”

“Typically, they solicit us for a quote, or we contact them and offer to give them a price on something.”

The DBE representatives who had not had subcontracts through DOT were asked about their marketing efforts in general.

“We don’t have any specific marketing efforts. The owner of our company is known in the industry,” said one.

“We approached a few companies. We sent about 50 letters total with our qualifications, but we got no response. We also had a web page which was not providing a response.”

Only one of the unsuccessful DBEs said that they had done any cold calling. His response was, “In the beginning, when I started the company [I did cold calling]. But not in the last seven years.” None of the others had done cold calling at all. “I don’t think I have any need for it,” said another.

Barriers to Subcontracting

All of the DBE respondents acknowledged that there were some significant barriers that new DBE firms encountered while trying to get a subcontract with a Prime on a NJ DOT contract. As might be expected, having a track record with specific Prime Contractors was the most important factor to those who were successful in getting subcontracts, and was seen as the greatest barrier to those who had not.

When asked why they had not performed any work for Primes on NJ DOT contracts, several respondents in this group mentioned the lack of prior relationships with Primes.

“Most Prime Contractors have worked with DBEs who they are comfortable with, so they don’t give us an opportunity. They keep sending me information about staff, but I don’t have staff without work.”

“No one contacts us. They use the same people all the time... They consistently use the same ones all the time.”

“The problem is, it’s very difficult to get in with the Prime consultants if you don’t know them. Even though my name is there [on the DOT list] and I have been in business since 1990.”

“I went through all the work to get this minority status with the DOT. Their Prime Contractors seem to use the same subcontractors on every job, and our prices are competitive with theirs.”

Those who did get subcontracts said:

“Our company was bought in 2001, but was started in 1990 and we already had worked with these companies. With the DBE program, we get a percentage of the work. The Prime Contractor does the majority.”

“I had an established business reputation before the DBE list. We’re listed in the DBE lists of the State of New Jersey. And knowing us, recommendation... I had bought this business from someone else, and these contractors knew me before this.”

“After thirty years, they know who I am and how to get in touch with me. Through the DOT listing, they find me.

Another barrier to all DBEs was the paperwork responsibilities associated with NJ DOT contracts. Small firms generally have a smaller administrative infrastructure, and completing the necessary paperwork for any government contract was recognized as a large responsibility among these respondents.

“The biggest problem I’m running into is looking for work. You have to fill out documents that are so cumbersome. You have to file a lot of paperwork. You have to get through a long process for work.”

As might be expected, money-related issues also represented a large barrier to DBEs, which in general have less fluidity than larger companies. DBEs who had done a lot of work as subcontractors said that Primes often were slow in paying what they owed to subcontractors, and that this often created cash flow crises that made sustaining their business even more difficult.

“The biggest thing is financing,” was one typical comment.

“A major problem is that Prime Consultants do not pay subs on a timely basis,” said another person.

Another person said that the payment period can extend for months. “I have not been paid on things as old as one year.”

A second money-related barrier mentioned was the requirement for an audited financial statement in order to qualify for some of the larger contracts. “To go above bidding on a \$2 million job, you need an audited financial statement that costs \$10,000 per year. This could be a risky, no guarantee proposition for a small company. We are spending \$1,500 per year just to electronically bid or pick up the plans.”

Another issue addressed by many of the respondents was the difficulty in identifying appropriate opportunities in a timely fashion. Several said that, by the time they learned of an opportunity, the Prime Contractor had already decided to use a competitor, and often that competitor had a prior business relationship with the larger firm.

“We never did have the opportunity,” said one DBE representative. “The issue is the Prime Contractor is not reaching out to the DBEs. If the State made the Prime Contractor rotate subcontractors, and made sure everyone was taken care of...”

Finally, several of the DBEs who participated in these interviews addressed the problem of firms that compete as DBEs, but for all practical purposes should not be categorized as such. They said that, if the playing field among DBEs is to be leveled, an important development would be to more strictly control who is certified as a DBE firm. One DBE owner said that, although she goes through a lot of time, paperwork and accounting in order to qualify as a DBE, she does not get any jobs; yet some “women-owned” businesses that have minority status are really run by men in construction who are not minorities at all. One also said that some Primes achieve their DBE goals through “pass through” arrangements with other companies, and then the work does not actually get to the DBEs.

DBE Experiences of Prime Contractors

Overview of Respondents

The interviewers spoke with 17 representatives of prime contractors. All of the Prime Contractors used DBEs to accomplish their work. However, they tended to avoid new DBEs in favor of DBEs that they had worked with, or firms whose reputations were well-established. Only five of the respondents were from firms that had used a new DBE in the past three years and 12 were from firms that had not used a new DBE in the past three years.

Experience Using New DBEs

While all of the Prime Contractors who participated in these interviews acknowledged the importance of using DBEs, their willingness to use “new” DBEs varied considerably. Some of the respondents said that they had developed strong, longstanding relationships with specific DBEs, and that from a business perspective, it was important to stay with firms they knew would do a good job. All Prime Contractors interviewed for this study, however, agreed that any new DBE firm that they would use had to have a good reputation. “We’re hesitant [to use a first-time DBE] unless we get a good referral,” was a typical comment.

Factors that were used to select a DBE subcontractor were:

- Pre-qualified with DOT (on the DBE list)
- Proven competence/ability to handle the job
- Competent staff and work experience
- Cost
- Availability
- Reputation in the industry

“We have not used a new DBE or SBE,” acknowledged one respondent. “We’ve developed relationships with firms that do qualify. Our main concern is the quality of the work we do, and the efficiency of what is done. Trying a new firm, we would be wary of those factors, so we try to avoid the problem in the first place.”

Barriers to Subcontracting

One of the most pervasive barriers was the level of risk that Prime Contractors had to accept in order use a new DBE. As the Prime, they were responsible for overall performance on the job. When using a new DBE, they faced the risk that the subcontractor would not perform adequately on their part of the job, would complete it late or not at all, or would need so much oversight that it would increase the overall cost to the Prime of completing the job. Many felt that the risk exceeded the benefit of using a new DBE.

“When you use a first-time DBE, you are putting yourself at risk of completing their work. There’s also more ‘hand-holding’ required with first-time DBEs... The benefits do not outweigh the problems.”

“We are rated for our work ethics. The Prime rating is going to suffer because of the work of a subcontractor. We typically would [try to] find another sub that is acceptable.”

“If the Department of Transportation relaxes certain requirements relative to the contractor’s performance rating and the risk assumed by the Prime, perhaps more firms would be willing to do business with a [new] DBE,” suggested one respondent.

Similarly, one of the barriers cited by the Prime Contractors was that new DBEs often underestimate the amount of work that would be required to comply with all of DOT’s requirements.

Another responded stated, “Sometimes first-time DBEs aren’t familiar with the requirements and processes – reporting authority requirements – volume of paperwork... They’re new entities. They don’t realize the standards they have to adhere to.”

Because most DBEs are relatively small, several of the Primes also said that a new DBE probably would not be able to respond as quickly to a completely new challenge from an unfamiliar Prime, and that many DBEs were too small to provide the level of staffing needed for subcontracts on DOT jobs.

“Our projects are larger projects and a lot of the DBEs listed by DOT are not qualified. They don’t have the capacity to do the job. Also, cash flow is an issue. You want a larger firm that

can handle the accelerated pace of work. DOT wants jobs done faster so you need these larger firms that can keep pace with the deadlines.”

Others mentioned that it often was difficult to find firms that had the specialized services they wanted to contract out. They acknowledged that they would prefer to use their own staff on tasks their company could perform, and to use subcontractors for more specialized parts of the projects.

“Various trades I have difficulty finding – driving and electrical work. Curb, sidewalk and concrete work, and paving. Landscape as well.”

“We work heavy highway. There are not many DBE firms that are involved in the subcontract work that we need.”

Another Prime Contractor pointed out, “In today’s economic climate, the non-DBE/SBE firms are hurting. It’s very difficult from the business perspective to give away more work. It’s very competitive. You need to keep your own employees busy.”

One respondent also said that new DBEs often were unrealistic about pricing, and that they expected a higher profit level than was reasonable to expect.

“About four years ago we were using a first-time DBE. They were unrealistic about the profit they should make. They were expecting a 40 percent profit. They should know that, realistically, it’s five percent.”

Recommendations for Improvement

Participants across interviews had a number of suggestions for how to increase the use of new DBEs by Prime Contractors. Listed below are some of the major recommendations that surfaced from these interviews, as well as commentary upon each recommendation.

Workshop for Prime Contractors and DBEs

All of the interviewees were asked whether or not they would be willing to participate in a DOT-sponsored workshop that brought together DBEs and Prime Contractors. For the most part, responses from both DBE and Prime Contractor representatives were very positive. Prime Contractors felt that DBEs did not fully understand the constraints they were dealing with in the entire bidding/contracting/performance/evaluation process, and they felt that a workshop would give them the opportunity for a dialogue on that issue. Similarly, DBEs welcomed the opportunity to have a venue where they could introduce themselves to potential Primes.

“The more you are out there, the more you can show you are legitimate... and I believe you can get more work,” said a DBE representative who has done subcontracting work recently.

“Yes. Our philosophy is to put forth a good faith effort and help the DBEs,” said a Prime who has used a new DBE. This view was echoed by another Prime Contractor who had recently used a new DBE: “The more DBEs you have, the more to choose from. If you have more DBEs competing with one another, they will continue to do good work.”

One Prime Contractor who had not used a new DBE in the past three years, however, was not interested in a workshop of this kind. He said, “We’re comfortable working with who we have. These subcontractors we work with can handle the job and we have enough to work with. We don’t need additional subcontractors. The only way we might take a chance is with emerging

technology or a specialized area, if our normal subcontractors couldn't bid on something unusual or unfamiliar.”

Provide Bonuses or Incentives

About half of the Primes interviewed in the one-on-one phase of this study that had not used a new DBE in the last three years did not have much knowledge about the NJ DOT New-DBE Incentive Program. It is likely that better knowledge of this program across Prime Contractors could begin to improve the Department's success in utilizing new DBEs. As one respondent said, “There's an inherent weakness in the program if I'm not aware of the incentive program.”

Two specific recommendations were made for providing additional incentives to encourage Primes to use new DBEs. One respondent suggested that DOT could relax certain requirements relative to the Prime Contractor's performance rating and the risk assumed by the Prime. By relaxing some of the performance requirements, some firms might be more willing to use new DBEs versus the subcontractors they were accustomed to using. Another respondent suggested that the Prime be required to devote a smaller percentage of the contract to subcontracts if first-time DBEs were used as subcontractors.

Small Business Set-Asides

Both Prime Contractors and DBEs suggested that NJ DOT unbundle some of the current larger contracts to set aside smaller contracts that can be awarded directly to DBEs. They said that this would give the DBE an opportunity to comply with DOT's contract requirements without putting the reputation and record of an existing Prime Contractor at risk.

Provide Outreach Training to DBEs

Many of the Prime Contractors indicated that they would be more willing to work with first-time DBEs if those companies had some basic knowledge about the contracting business—how Primes like to be approached, what information they need to make smart business decisions, what NJ DOT's expectations are, and what the Prime Contractor needs and expects from subcontractors. This “Contracting 101” kind of training is what many Primes find themselves giving to new subcontractors on-the-job. If NJ DOT is committed to increasing the use of first-time DBEs, these Prime Contractors said that it would be helpful for NJ DOT to assist the Primes in training the new DBEs. This training should occur before they actually are used as a subcontractor on a NJ DOT contract, and should include assistance with setting up systems and processes for contract management and performance monitoring.

Better Enforcement of DBE Requirements

Participants had two suggestions in this area. First, several individuals recommended that ownership and management of DBE companies be scrutinized more closely to ensure that the companies really were “disadvantaged,” and were not shell companies for white male owners. Secondly, some respondents urged that NJ DOT enforce its DBE requirements more closely so that Prime Contractors adhered to the spirit of the DBE subcontracting requirements.

Appendix: Survey Instruments

NJDOT Survey of Prime Contractors & Consultants – 2007

1. What is your company's specialty? *(Please check all that apply)*

- | | | |
|---|--|--|
| ☐ Architecture | ☐ Excavation | ☐ Plumbing |
| ☐ Civil Engineering | ☐ General Contracting | ☐ Roofing |
| ☐ Cleaning | ☐ HVAC | ☐ Sewer Services |
| ☐ Drilling | ☐ Landscaping | ☐ Traffic Control |
| ☐ Demolition | ☐ Marine | ☐ Trucking |
| ☐ Electrical Engineering | ☐ Masonry | ☐ Underground |
- Construction
- | | | |
|--|-----------------------------------|---|
| ☐ Electrical Contracting | ☐ Painting | ☐ Waste Disposal |
| ☐ Environmental Engineering | ☐ Paving | ☐ Welding |
| ☐ Other (please specify): _____ | | |

2. How long has your company been in business?

- | | |
|--|--|
| ☐ 2 years or less | ☐ 11 – 15 years |
| ☐ 3 – 5 Years | ☐ 16 – 20 Years |
| ☐ 6 – 10 Years | ☐ 21+ Years |

3. Is your company's business predominantly in public contracting?

Yes

No → **What other sectors does your business function in and/or who are your primary clients?**

4. Approximately how many prime contracts have you had with the NJDOT over the past 10 years where you utilized subcontractors?

- ☐ Less Than 5
- ☐ 5 – 9
- ☐ 10– 14
- ☐ 15 – 19
- ☐ Over 20

5. On average, what percentage of your work do you usually subcontract to other firms?

- | | |
|---------------------------------|----------------------------------|
| ☐ None | ☐ 51-60% |
| ☐ 1-10% | ☐ 61-70% |
| ☐ 11-20% | ☐ 71-80% |
| ☐ 21-30% | ☐ 81-90% |
| ☐ 31-40% | ☐ 91-100% |
| ☐ 41-50% | |

Where did the question numbers go?

6. For the work you subcontract to other firms, and what type of work is it?

7. Other than price, what factors do you generally consider when selecting a subcontractor for the first time?

8. Have you ever been required to meet a Disadvantaged Business Enterprise (DBE) subcontracting goal?

- ☐ No
- ☐ Yes —→ Did you have any problems identifying a suitable DBE subcontractor(s)?
- ☐ No
- ☐ Yes Please explain what problems you had

9. Have you ever used a first time DBE subcontractor?

- ☐ Yes Was the work satisfactory?
- ☐ Yes
- ☐ No Please explain what problems you had

10. Did you maintain the business relationship?

- ☐ Yes
- ☐ No Please explain why you didn't

- ☐ No What prevents you from using a first-time DBE?

11. Are you aware of the NJDOT DBE Incentive Program?

☐ No

☐ Yes —→ **Do you think that the program provides adequate incentive to use a first-time DBE?**

☐ Yes

☐ No **Please explain why you think it does not**

12. If you have not participated in the NJDOT DBE Incentive Program and/or used a first time DBE, what type of incentive would cause you to seriously consider using a first time DBE subcontractor?

13. Do you have any suggestions/recommendations of how to increase the use of first time DBEs?

14. Would you be willing to partner with an NJDOT DBE in a Mentor-Protégé Program?

☐ Yes

☐ No —→ **For what reasons would you not?**

15. Would you be willing to participate in a NJDOT-sponsored workshop event designed to partner prime contractors and consultants with DBE contractors and consultants?

☐ Yes

☐ No

14. If you are interested in participating in a NJDOT-sponsored workshop event designed to partner prime contractors and consultants with DBE contractors and consultants, where would you recommend the training be held?

☐ Northern New Jersey ~~Specific~~ location suggestion: _____

☐ Central New Jersey ~~Specific~~ location suggestion: _____

☐ Southern New Jersey ~~Specific~~ location suggestion: _____

15. What month(s) would you recommend that NJDOT host a Prime Contractor/DBE Partnering workshop? *(Please check that apply)*

☐ January

☐ July

☐ February

☐ August

☐ March

☐ September

☐ April

☐ October

☐ May

☐ November

☐ June

☐ December

16. What day(s) of the week is best for you to participate in a partnering workshop? *(Please check that apply)*

☐ Monday

☐ Tuesday

☐ Wednesday

☐ Thursday

- ☐ Friday
- ☐ Saturday

17. When would be the best time of day for you to participate in an event?

- ☐ Morning
- ☐ Afternoon
- ☐ Evening

18. What length of time would you be willing to devote for a partnering event?

- ☐ One Hour
- ☐ 1-2 Hours
- ☐ 3-4 Hours
- ☐ 5-6 Hours
- ☐ Over 6 Hours

19. Would you be willing to pay to attend a workshop event designed to partner Prime Contractors and Consultants with DBE Contractors and Consultants?

- ☐ No
- ☐ Yes → What is the most you would be willing to pay for a training seminar?
 - ☐ Up to \$49
 - ☐ \$50 - \$99
 - ☐ \$100 - \$149
 - ☐ \$150 - \$199
 - ☐ \$200 - \$249
 - ☐ \$250 - \$299
 - ☐ \$300 or more

20. How would you best like to be notified about NJDOT-sponsored training workshops for prime and subcontractors?

- ☐ Mail
- ☐ Phone
- ☐ Fax
- ☐ E-mail

Thank you for your participation in this important survey. You may provide any suggestions/comments related to the NJDOT DBE Program below.

NJDOT Disadvantaged Business Enterprise Supportive Services Survey - 2007

1. What is your company's specialty? *(Please check all that apply)*

- | | | |
|---|--|--|
| ☐ Architecture | ☐ Excavation | ☐ Plumbing |
| ☐ Civil Engineering | ☐ General Contracting | ☐ Roofing |
| ☐ Cleaning | ☐ HVAC | ☐ Sewer Services |
| ☐ Drilling | ☐ Landscaping | ☐ Traffic Control |
| ☐ Demolition | ☐ Marine | ☐ Trucking |
| ☐ Electrical Engineering
Construction | ☐ Masonry | ☐ Underground |
| ☐ Electrical Contracting | ☐ Painting | ☐ Waste Disposal |
| ☐ Environmental Engineering | ☐ Paving | ☐ Welding |
| ☐ Other (please specify): _____ | | |

2. What type of licenses and/or other credentials are held by you or your employees and are necessary for your firm to perform its work? *(Please check all that apply)*

- | | | |
|--|---|--|
| ☐ Electrical | ☐ Plumbing | ☐ Traffic Control |
| ☐ Professional Engineer | ☐ Asphalt/Concrete | ☐ Excavator |
| ☐ General Contractor | ☐ Fiber Optics | ☐ Trucking |
| ☐ Surveying/Mapping | ☐ Architect | ☐ HVAC |
| ☐ Underground Construction | ☐ Drilling (i.e., wells, etc.) | ☐ Landscape |
| ☐ Other (please specify): _____ | | |

3. How long has your company been in business?

- ☐ 2 years or less ☐ 11 – 15 years
- ☐ 3 – 5 Years ☐ 16 – 20 Years

- ☐ 6 – 10 Years ☐ 21+ Years

4. Is your company's business predominantly in public contracting?

Yes

No — **What other sectors does your business function in and/or who are your primary clients?**

5. What is the size of your firm – based on gross receipts or revenues?

- ☐ Under \$99,999
- ☐ \$100,000 - \$199,999
- ☐ \$200,000 - \$299,999
- ☐ \$300,000 - \$399,999
- ☐ \$400,000 - \$499,999
- ☐ \$500,000 +

6. What is the total number of your regular, full-time (salaried) employees/positions?

- ☐ Under 5
- ☐ 5-10
- ☐ 11-15
- ☐ 16-20
- ☐ 21 or more

7. What is the average number of your seasonal employees?

- ☐ Under 5
- ☐ 5-10
- ☐ 11-15
- ☐ 16-20
- ☐ 21 or more

8. Did your company branch off from another existing company?

- ☐ No
- ☐ Yes —→ **Was the primary company a Disadvantaged Business Enterprise (DBE)?**
- ☐ Yes
- ☐ No

9. How long have you been certified as a Disadvantaged Business Enterprise (DBE) with the NJ Department of Transportation (NJDOT)?

- ☐ Less Than 3 Years
- ☐ Over 5 Years
- ☐ Over 10 Years
- ☐ Don't know

10. Have you benefited from being certified as a DBE?

- ☐ Yes —→ **How have you benefited from being certified?**

☐ No —→ Why do you think you have not benefited from your DBE certification?

11. If you are a construction contractor, are you pre-qualified to do work for the NJDOT?

☐ Yes —→ What kind of work are you pre-qualified to do?

☐ No —→ Why are you not pre-qualified?

12. If you have attempted to become pre-qualified and have not yet been pre-qualified, what are some of the problems you have encountered or experienced?

13. If you are a consultant/professional services contractor, are you cost plus basis approved or pre-qualified?

☐ Yes

☐ No —► Why are you not cost plus basis approved or pre-qualified?

14. If you have attempted to become cost plus basis approved or pre-qualified and have not yet been approved, what are some of the problems you have encountered or experienced?

15. Approximately how many contracts or subcontracts have you had directly with the NJDOT or with a prime contractor performing work for the NJDOT?

- ☐ Under 5
- ☐ 5 - 10
- ☐ 10-20
- ☐ 21 or more

16. If you haven't participated on any NJDOT projects/contracts as a prime or subcontractor/consultant, please explain below why and/or some of the problems/issues you have encountered?

17. Have you participated on any projects/contracts as a prime or subcontract/ consultant with any other transportation agencies (e.g., New Jersey Transit, Port Authority of NY&NJ, Delaware River Port Authority, PennDOT, NYDOT, etc.)

☐ Yes

☐ No

18. Have you participated in any training seminars or workshops directly related to your business or those which had the potential to increase your public contracting opportunities?

☐ No

☐ Yes **Please provide a description of training, training quality and indicate who provided the training**

19. What do you think your company needs, if anything to develop beyond its current capacity?

20. How interested would you be in attending a NJDOT-sponsored training workshop specifically tailored to the needs of DBEs involved in public transportation contracting?

☐ Very Interested

☐ Somewhat Interested

- ☐ Not very interested
- ☐ Not at all Interested

21. If you are interested in participating in training workshops directly related to the technical needs of your business and/or NJDOT contracting, what topic(s) would interest/ benefit you most (e.g., writing a business plan, doing business with the government, government contracting, marketing your business, developing and financing your business ventures, etc.)?

22. How interested would you be in attending a NJDOT-sponsored administrative/ general subjects training workshops specifically tailored to the needs of DBEs?

- ☐ Very Interested
- ☐ Somewhat Interested
- ☐ Not very interested
- ☐ Not at all Interested

23. If you are interested in participating in administrative/general subjects training workshops, what topic(s) of training would interest/benefit you most (accounting and tax issues, understanding financial statements, introduction to computer accounting programs such as QuickBooks, etc.)?

24. If you are interested in attending training seminars, where would you recommend the training be held?

- ☐ Northern New Jersey Specific location suggestion: _____

- ☐ Central New Jersey Specific location suggestion: _____
- ☐ Southern New Jersey Specific location suggestion: _____

25. What month(s) would be the best time to hold a training class? (*Please check that apply*)

- ☐ January ☐ July
- ☐ February ☐ August
- ☐ March ☐ September
- ☐ April ☐ October
- ☐ May ☐ November
- ☐ June ☐ December

26. What day(s) of the week is best for you to attend a training course? (*Please check that apply*)

- ☐ Monday
- ☐ Tuesday
- ☐ Wednesday
- ☐ Thursday
- ☐ Friday
- ☐ Saturday

27. When would be the best time of day for you to take a training class?

- ☐ Morning
- ☐ Afternoon
- ☐ Evening

28. What length of training program would you like best?

- ☐ One Hour
- ☐ 1-2 Hours
- ☐ 3-4 Hours
- ☐ 5-6 Hours
- ☐ Over 6 Hours

29. Would you be willing to pay to attend a training seminar that would benefit you and/or your company?

- ☐ No
- ☐ Yes — **What is the most you would be willing to pay for a training seminar?**
 - ☐ Up to \$49 ☐ \$200 - \$249
 - ☐ \$50 - \$99 ☐ \$250 - \$299
 - ☐ \$100 - \$149 ☐ \$300 or more
 - ☐ \$150 - \$199

30. How would you best like to be notified about NJDOT-sponsored training seminars?

- ☐ Mail
- ☐ Phone
- ☐ Fax
- ☐ E-mail

Thank you for your participation in this important survey. You may provide any suggestions/comments related to the NJDOT DBE Supportive Services Program below.
