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Collaboration to Improve Access to Surety Credit For Small and Emerging Contractors

By: Kevin Rowe, Regional Manager, North Bay & San Francisco Bay Area Districts

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Associated General Contractors (AGC) of America is again working with Chico State to help the construction industry and small contractors. The collaboration, known as The Surety Connection Project, is designed to help foster the use of open standards to allow interoperability and data processing between public agencies and construction companies. Using prototype applications, the students at California State University Chico will identify as many unique data fields as possible and work with the AGC and XBRL US to have formal xml tags assigned and then cross referenced so that data from different systems can be easily shared for more efficient and cost effective processing. Caltrans has adopted the agcXML standard on their procurement website so that system developers can design their applications to directly import the Caltrans bid data.

We are excited about the potential of an industry wide adoption of open standards, said Rich Stone of Caltrans. As one of the nation's largest public works agency we are careful not to impose proprietary systems on our contractors, or to provide exclusivity of endorsements to any vendors. By adopting the agcXML standard any system vendor can import our information directly into their system without constraints. As we continuously upgrade our systems we strive to improve access to information, and reduce costs, which this project helps us achieve, said Stone.

K. Dixon Wright, alumni of CSU Chico, said the surety industry has been working hard to improve access to surety credit, but a major hurdle has been the fact that smaller contractors do not generate enough premiums to compensate for the high cost of administering surety programs, meaning qualified contractors may be denied because they are not profitable clients. With technology now reaching a point where communication and underwriting information can be effectively transmitted and electronic bonds can eliminate a significant portion the administration costs, small and emerging contractors can become sought after clients. Reducing the high cost of administering surety credit and increasing the amount and quality of information is only possible, said Wright, when each system can share information and open standards makes that possible.

Our goal, said Wright, is to demonstrate how a public agency can utilize open standards for improving project communication and advertising its upcoming bids so that any contractor system can import it. The contractor can then forward that project data to their respective surety broker so that any system used by the broker can receive that project data, process it, and forward it on to the public agency as a paper bond, or in the future, as an electronic bond. The underwriting doesn't change, said Wright, just the costs associated.

The US Department of Transportation Office of Small and Disadvantaged Business Utilization has developed an eight week Bond Education Program that is provided in cities throughout the country, said Scott Leslie, Project Director, and each program is put together by the local volunteers and reflective of their communities

While this may be demonstrated for its impact for small and emerging contractors, the fact is open standards has potential for any number of efficiencies that extend far beyond small contractors and will have a positive impact on all contractors and sureties regardless of their size.

The students will work to build open source common applications that system developers are free to copy and incorporate that have all the data fields needed to identify those data fields that still require a formal xml tag. They will then go through the process of securing a unique tag for each specific data field for agcXML and XBRL so at the end of the project there will be a data dictionary which includes all the data fields identified with their respective xml tag for the two xml systems. With that cross reference, and reliable set of defined data fields maintained by AGC and XBRLUS, system developers can work on ways to improve efficiency and drive down costs, without preferential treatment or endorsement of any product or service.

We believe the work undertaken by the students will prove invaluable to the industry and all the entities responsible for creating and maintaining an xml dictionary, but most of all it should be an incredible educational opportunity, said Jerry Hight, Assistant Dean, College of Engineering, Computer Science, and Construction Management at CSU Chico. These students will learn to appreciate the nuances and detail that are behind computer systems while working to solve real world issues, and they will no doubt encounter conflicts and resistance as they strive to find consensus and deliver a final product.

Open standards become even more effective with interoperability, said Michelle Savage of XBRL US, the

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financial industry standards organization. We encourage the student's effort to undertake the challenge of developing a working cross referenced dictionary between agcXML and XBRL and we hope it fosters more efforts to utilize open standards.

We, as an industry, have to work together to improve access to surety credit for small and emerging contractors, said Wright, and this is a step industry leaders are taking in that direction and we are proud to be part of that effort.

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