

file
Office CorrespondenceFEDERAL RESERVE
BOARDDate June 6, 1936To Chairman EcclesSubject: Attached memorandum on constructionFrom J. M. Daiger
*J. M. Daiger*costs.

16-872

I think you will be interested in reading the attached memorandum, which was given to me by one of the men at FHA. If it accurately reflects a general situation, then it would indicate that the increasing volume of private building is making contractors indifferent to opportunities to bid on government contracts and making the cost of governmental red-tape pretty high in relation to private building costs.

RE: Cost Checking on PWA Projects

A Mr. Smith, assistant to Mr. Charles Meyett, Chief of Construction Costs, PWA, interviewed me yesterday regarding costs of various commodities entering into their projects.

It appears that over a period of about a year cubic foot prices, including builder's profit on competitive bidding, indicated an advance from forty-one cents a cubic foot to the most recent letting the Jane Adams Project in Chicago to fifty-eight cents per cubic foot. These prices are based on the PWA layouts and specifications and are two and three story, fireproof, walk-up type.

Mr. Smith had a chart with breakdowns by trades, rooms and apartments. Some of these charges seemed entirely out of line. In the brick masonry item their cost of \$52.00 per M laid as against our cost in New York area of \$33.00 to \$35.00 per M laid.

They seem to be entirely concerned regarding the great advance in the pipe trades which over this period of time advanced well over 50% on an average.

About a year ago they found that a heating system consisting of two pipe steam vacuum, exposed radiation, central plant, oil burners and mechanical stokers from the Steamfitter's Contract cost \$1.50 per square foot of radiation. Our comparative then was \$1.30 per square foot.

Since that time, and on the letting of some six or seven projects, these prices have advanced in stages of 15% to 20% over the previous figures until the last letting "The Jane Adams Project" shows a cost on the above heating system of \$2.80 per square foot of radiation. Our maximum in New York market is \$1.80 per square foot of radiation.

The same condition reflects on the plumbing contract which reflects an addition of \$15.00 to \$20.00 per fixture, or about \$90.00 per fixture set. Our present day cost per fixture in the New York area averages \$70.00 per fixture set.

The electrical work reflects a \$15.00 to \$16.00 charge per conduit outlet against our present New York value of \$7.00 to \$7.50 per outlet.

In discussing this subject I gave Mr. Smith some unit prices on heating and plumbing cubic contents and cubic foot costs of several recently estimated projects, and have received a telephone call from him stating that he has plotted this information on a chart and finds our

figures are very consistent and reflect a high degree of accuracy in the takeoff. I have asked him for a copy of this chart, also a copy of his breakdown on their projects which he will give me on his next visit, which will be in a day or two.

My reaction to the condition at which PWA is genuinely alarmed is as follows:

1. Too rigid a specification.
2. Too severe and arbitrary attitude to inspection and the lack of consideration of the type of structure under contract.
3. The large amount of red tape and requirements that the contractor must put up with, and naturally will add to the bid cost to cover these items.

These items I feel sure are the main cause of the following conditions which Mr. Smith discussed:

On the first project they had any number of contractors anxious to bid. A year ago they had an average of ten bidders. During the year it has been reduced to only four contractors, each of whom was personally invited and interviewed, all saying they did not want any more PWA jobs, but each was prevailed upon to submit a figure. This may be the cause of the last job being let at fifty-eight cents per cubic foot.

A recent job of PWA located in the South was advertised for bids over a six-weeks period and on the opening day no bid was received.

Cost Engineer