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THE CONSTRUCTION MANAGEMENT & **JUST** RESOURCE



The Subcontractor Solution

*Dunnet Bay
Construction is proof
that working with good
subs can make all the
difference*

The Subcontractor Solution

by Daniel C. Brown



Dunnet Bay owners Doug Stuart, left, and Tod Faerber

Structural contractor Dunnet Bay Construction says one key to growth is to work with good subcontractors — and maintain the relationships.

Contractor Information

Dunnet Bay Construction

Location: Glendale Heights, Illinois

Established: 1989

Employees: 10 in office and shop; 150 in field at peak season

Market: Chicago metropolitan area

Customers: Illinois DOT, City of Chicago, Illinois Toll Highway Authority, Cook County and other public works agencies such as the Chicago Transit Authority

Annual Revenue: \$30 million to \$40 million

Equipment: Some 30 pieces of heavy equipment, including one large Liebherr crawler crane, three Grove hydraulic rough-terrain cranes, two rubber-tired Liebherr excavators, two tracked Liebherr excavators, three Link Belt tracked excavators, five Volvo rubber-tired loaders, two Komatsu dozers, one John Deere dozer, a Terex/CMI HVW SF 2204 concrete paver, a Terex/CMI 3503 Grade Trimmer, miscellaneous compactors and other machines

Owners: Tod W. Faerber and Douglas E. Stuart

Dunnet Bay Construction launched into business in 1989 as a subcontractor doing structural concrete work for various general contractors in the Chicago area. With just four employees, the firm's first jobs were small. A typical project consisted of building a \$10,000 junction chamber for a sewer project. "We even did a \$600 patio," says Tod Faerber, who is president and co-owner with vice president Douglas Stuart.

But the firm began to grow, and in 1992, Dunnet Bay netted its first job as a prime contractor for the state of Illinois. The \$130,000 contract entailed removal and replacement of a single-span bridge with steel beams and a concrete deck. "We made a little money on it," recalls Stuart with a smile.

"It took us some time to buy equipment and get our finances, bonding and insurances in place in order for us to perform the duties of a general contractor, but we've done it," says Faerber. One could add that it didn't take too much time.

Today, Dunnet Bay's revenues run between \$30 and \$40 million. In the past five years, Faerber says revenue has grown 30 percent. At the peak of the construction season, the firm employs some 150 people in the field and 10 in the office.

Virtually all of Dunnet Bay's work is structural and highway construction for public works agencies in the Chicago area. This past summer, the firm's backlog of work peaked at approximately \$40 million. The company recently completed a \$27-million pavement and bridge project in one of Chicago's far northern suburbs; work is just now beginning on a \$17-million bridge removal and replacement project for the city of Chicago.



Project Manager Mike Paine, left, and Doug Stuart confer over demolition of the Central Avenue Viaduct in Chicago.

Strategy for Success

What are the keys to this rapid growth? Faerber and Stuart attribute their success to four factors:

- Maintaining relationships with good subcontractors;
- Hiring and retaining good people in-house;
- Running late-model equipment that is technically advanced in the industry; and
- Controlling costs well and running a well-managed business.

As president, Faerber keeps a close eye on office matters. He handles contracts, financing, banking, bonding, insurance, accounting, estimating and cost reporting — while Stuart manages all field operations, including decisions about scheduling, manpower, equipment utilization, major purchases, cost control, execution of safety programs and quality initiatives. Two experienced estimators — Joe Arndt and John Hartmann — are always ready to discuss projects with subcontractors, especially at bid preparation time. Arndt and Hartmann know their projects well and can readily explain Dunnet Bay's approach to a given job. They also have project management responsibilities, including issuing purchase orders, preparing subcontracts and staying on top of job issues such as change orders and extras.

In a business that depends heavily on subcontractors, it's vitally important to be able to attract good subs and get good quotes from them, says Faerber. However, Dunnet Bay does not always select the low-bidding subcontractor. Past performance counts greatly when selecting a subcontractor.

"Good people and good communications are at the heart of success in our business."

**—Tod Faerber, co-owner,
Dunnet Bay Construction**

"There are a few subcontractors in the Chicago area that perform, say, steel erection, or rebar setting, or traffic control, electrical work, landscaping — a select few that are highly respected and do good work," says Faerber. "And they're very familiar with the specifications for public works agencies around Chicago, whether it's the city, the state DOT, or whomever."

The goal as a general contractor, says Faerber, is to manage projects so well that subcontractors really want to bid for the company's work, because they can make money working for that general contractor. And Dunnet Bay has achieved that status. "We always try to give subs plenty of notice about when they're needed — and we strive to achieve a lot of cooperation between the two of us," says Mike Paine, a project manager for Dunnet Bay.

A current project, the \$17.5-million Central Avenue Viaduct Reconstruction being built for the city of Chicago, illustrates how Dunnet Bay and its subcontractors form a team. The job involves demolition of a four-lane, 17-span bridge over railroad tracks. Also included are the crushing and recycling of concrete for on-site fill, building two new bridges and erecting several mechanically stabilized earth retaining walls for new roadways. Dunnet Bay will do the demolition and the earthwork, but many phases are subcontracted.

Subcontractors on the job include:

- Civil Contractors and Becan Construction obtained the sewer work. Faerber and Stuart have long been associated with Civil and in fact worked for them in

Dunnet's formative years, says Faerber.

- Highway Safety Corporation got the traffic control; Dunnet Bay has known them since the early 1990s.
- Mega Steel Corporation is setting the rebar; Dunnet has known them for more than 10 years.
- S&J Construction is erecting the structural steel and pre-cast concrete, and Reyes Group will handle the concrete roadway paving. "We've known S&J since day one, and we've known Reyes for 10 years, but this is the first project they've done for us," says Faerber.
- Bigane Asphalt is doing all asphalt paving, and Hecker Electric is handling electrical work, lighting and traffic signals. "We've known Hecker and Bigane for a long time and worked with Hecker once before," says Faerber.

Peace of Mind

"If we run a job efficiently, it gives subcontractors a sense of comfort that the job is going to go well," says Faerber. "So you develop a reputation for running work well. That way, the subs want to work for us because they know when we call and say we're ready for them, that they can get in, get their work done efficiently, and get paid on a timely basis.

"You've got the reputation in the field for allowing subs to do work economically," Faerber continues. "If they can do the work economically, they can quote us lower on the next job."

Attracting quality subs requires good on-site management, say Faerber and Stuart. And Dunnet Bay has an experienced team of project managers and superintendents. All in the group, including Tom Lenahan, John Calacci, Kevin Collins, Mike Paine, Dan Tschiniak and Rich Palmer, have worked for Dunnet Bay for five years or more.

"I bet you our subs know those managers' names and want to work for them," says Stuart. To retain managers, the company offers a very competitive compensation package that includes salary, bonuses, profit sharing and a comprehensive health care plan. Bonuses are based on the year's profitability and are given for outstanding performance and attention to safety, says Faerber. Most superintendents are eligible for profit sharing as well.

Equipment Investment

"We've upgraded our equipment fleet to get the most efficient use of our labor," says Stuart. "We have a major investment in Liebherr equipment, with one large crawler crane, two rubber-tired excavators and two

track-mounted excavators." Stuart particularly likes the Liebherr 944 rubber-tired excavator, which he says is an efficiently sized piece that also has the mobility to navigate quickly around a city jobsite.

Recently, Dunnet Bay bought a SF-2204 HVW concrete paver from Terex Roadbuilding/CMI. The paver has the flexibility to pave various widths; in fact, it can change widths in minutes or even on the fly. Dunnet Bay also bought a parapet wall mold to go with the paver, which adds yet another aspect to its versatility.

That isn't all. "We've got a vibratory sheet pile-driving attachment for our excavators," says Stuart. Dunnet Bay also owns several NPK hydraulic hammers and various concrete processors for demolition work. "All these attachments for excavators keep things efficient," says Stuart.

In the office, Dunnet Bay uses Timberline job costing software to track project costs. Every project cost, from labor to equipment and materials, is entered into the firm's computer system according to a code number. As projects progress, management tracks actual hours spent or materials used and compares those numbers to the estimated quantities at the given stage of completion. If certain costs are running high, Dunnet Bay's project manager will make adjustments to lower costs for that item for the remainder of the project.

"Cost control is challenging," says Faerber. "But the earthwork and pile driving are probably the most challenging to control because of variable soil conditions and the weather." As a cost-control example, he cites projects on which Dunnet Bay, after analyzing concrete disposal costs, set up an on-site crushing operation and kept the recycled concrete on the job.

Good negotiations with customers not only save money, they help build business. "We are not claim-oriented and have always believed in informal partnering with the owner," says Faerber. "Good people and good communications are at the heart of success in our business. I think our people like the size of the company, the jobs they're getting and the work they're doing."

Adds Stuart: "We try to keep a steady volume of work going and keep our people challenged—which is a challenge for us." ■



Co-Owner Doug Stuart, Project Manager Mike Paine and Labor Foreman Tim Kovel

Daniel C. Brown is the owner of TechniComm, a Des Plaines, Illinois, communications business specializing in the construction industry.