



Case Study | Mackinac Bridge

Taking the Extra Steps to the Top of the Mackinac Bridge



THE CHALLENGE

A 26% bid spread meant surety underwriters could get cold feet.

OLD REPUBLIC SURETY'S APPROACH

Old Republic Surety's underwriters asked: What accounts for the bid spread, and are those factors a concern?

When it opened in 1957, the Mackinac Bridge connecting Lower Michigan with the Upper Peninsula of Michigan was the world's longest suspension bridge built between cable anchorages. Today, "Mighty Mac," at five miles long, is still the world's fifth-longest suspension bridge and the longest in the western hemisphere.

By 2017, the bridge towers needed a fresh coat of paint. Simple, right?

That meant painters, tools and supplies had to be suspended next to the 300-foot-high bridge towers for months so skilled painters could safely remove old lead-based paint and apply new paint.

But it almost didn't happen.

Seaway Painting was the contractor chosen to paint the bridge tower. The company's \$6.3 million bid in 2017 was 26% lower than the second-lowest bidder's.

That was a snag. Seaway's incumbent surety carrier on prior jobs backed away.

As many project owners, surety bond producers and contractors know, a "bid spread" of 10% or more is an automatic red flag to a surety bond underwriter. It raises questions as to whether a bidder has calculated all figures correctly or excluded any bid requirements. Significant bid spreads can lead to a declination of a bond request.

But **Gus Zervos, CEO of Seaway's long-term insurance partner, Zervos Group** of Southfield, Michigan, was not deterred.

"This was a complicated job, not a straightforward project at all," explains Zervos. "Painting bridges is not like regular painting. By EPA regulations, the painters can't let anything fall into the water. All the lead paint that is removed has to be contained."

Zervos believed in Seaway's unique approach to that mandate. His company, an NASBP member, has provided surety bonds for more than 50 years. He reached out to Old Republic Surety.

"They understand construction and they're good at it," Zervos says of Old Republic Surety. "The people we're dealing with are good people. The rapport you build with their underwriters, you realize they are thorough."

A CLOSER LOOK

In this case, Old Republic Surety's closer look showed that two key innovations gave Seaway both cost and operational advantages that accounted for the \$2 million bid spread:

1. Seaway Painting engineered a new, patented rigging system offering significant time and financial savings. The rigging was designed to hold and protect workers, to deliver equipment and supplies, and to protect everything from weather and winds. It was designed to contain the lead exposure from sandblasting 60-year-old paint off the tower. The rigging was also designed to be attached directly to the tower, rather than to a scaffolding system, as is typical. Zervos explains: "The patented system that Steve Vlahakis of Seaway Painting developed was created for these towers on the Mackinac Bridge. He designed it. He is there every day, and he controls every aspect of the painting project."
2. Seaway would create office space and housing for its skilled workers (many of them Native Americans from the Upper Peninsula of Michigan) by buying a rundown hotel on the southwest side of the bridge, then renovating it. Seaway also planned to buy a nearby laundromat, where it would have painters' work clothes cleaned daily to meet environmental regulations. It also added shower facilities for the workers.

The effort put into understanding the job completely, and a thorough evaluation of the risk components enabled Old Republic Surety to offer the contract bond to Seaway Painting for the north tower painting.

How Big Is the Mackinac Bridge?

Total bridge length:

26,372 feet (more than five miles)

Length of the suspension bridge (including anchorages):

8,614 feet

Height of the towers above their base:

552 feet

Annual traffic:

4.2 million (2019)

Later, Seaway's successful separate bid for the south tower painting in 2019 led to Old Republic Surety's providing surety coverage for that project too. Between the two projects, Old Republic Surety bonded \$15 million.

THE OUTCOME

With surety bonds provided by Old Republic Surety and guided by Gus Zervos of Zervos Group, Seaway Painting was able to complete two major bridge painting projects using \$15 million of coverage.

Reaching the top of the Mackinac Bridge north tower involves riding an elevator about halfway up the inside of the tower, then scaling ladders for another 150 feet. At the last platform, a manhole cover opens upward to allow access to an outside platform 10 feet wide, situated 552 feet above water level. On May 24, 2018, Huffman climbed the Mighty Mac to survey the completed north tower project from above.

From where he stood, views can range up to 30 miles. It takes a long view like that for a surety underwriter to see a risk a bit more clearly — and then help fulfill the ambitions of contractor clients.

