

**Testimony of Robert E. Latham, CAE
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***“The Delay and Delivery of State Road and Bridge Projects”*
PA Senate Transportation Committee
Tuesday, February 2, 2016**

Chairman Rafferty, Chairman Wozniak, and members of the Senate Transportation Committee, thank you very much for the opportunity to be here today and share our thoughts regarding the delay and delivery of state road and bridge projects. My name is Robert Latham and I’m the Executive Vice President of the Associated Pennsylvania Constructors—the statewide trade association representing over 400 companies engaged in the design, construction, and material production for the highway construction industry in the Commonwealth.

Again, thank you for your support in the passage of Act 89. We are seeing the tangible benefits of enacting an aggressive and much-needed increased investment in our state’s transportation infrastructure. APC’s members are committed to seeing Act 89 successfully achieving the state’s infrastructure goals. In 2015, PennDOT awarded \$2.6 billion in contracts and is scheduled to award almost the same in 2016. This is a nearly \$1 billion increase from 2013 when PennDOT awarded just over \$1.6 billion.

In terms of construction material quantities, there have been significant increases since 2013.

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Asphalt (Tons)	4.2 million	6.1 million	6.8 million
Structural Concrete (CY)	366,082	319,582	385,717
Concrete Paving (SY)	584,639	670,026	1,007,192
Aggregate (Tons)	7.6 million	9.6 million	11.6 million

As with any robust program, there are bound to be challenges and obstacles to overcome. The subject of your hearing today gets to the root of what we all—owner and contractor alike—want to accomplish, delivering quality projects that are on time, on budget and lasts for its designed duration.

There can be various reasons for a delay in a construction project. Often such delays are the result of project specific reasons and are typically on a case-by-case basis. APC, has many committees and working groups in place with our two main business partners (PennDOT and the PA Turnpike Commission) to work through issues and improve project delivery.

In 2014, both the industry and the Department agreed to address internal working issues so we can drive better quality and cost effectiveness. Today, I’ll discuss some of the most recent initiatives we have begun to put in place to achieve better quality projects delivered on time and on budget.

Improving Quality and Project Delivery – The Transportation Quality Initiative (TQI)

Background:

The Transportation Quality Initiative (TQI) is a joint initiative in Pennsylvania to improve the quality of transportation projects. This is a unique project that brings together senior leadership from PennDOT, the PA Turnpike Commission and private industry on a regular basis to identify key areas of need, and set specific goal commitments, to enhance project quality, deliver cost savings to taxpayers and improve transportation safety.

Actions to Date:

- **Involvement of senior leadership from PennDOT, Turnpike and Industry** sets this group apart from the others initiatives. Key issues can be brought to this team and quickly prioritized for action in relation to other efforts.
- **TQI** was founded following the passage of Act 89. Transportation construction partners and owners are seeking new ways to ensure projects are delivered better, faster, cheaper.
- **TQI** is working in concert with the Federal Highway Administration’s “Every Day Counts” program’s State Transportation Innovation Council (STIC) to better coordinate activities and avoid duplicate efforts.
- **Working groups** organized to focus on four areas of need:
 - **Joint leadership group** has senior leadership members from PennDOT, PTC and industry working to improve leadership culture, trust and working relationships. Senior stakeholders participate to set priorities, quickly address issues and remove bottlenecks.
 - **Workforce development group** is focused on ensuring the necessary people resources to support the transportation industry. This includes improving workforce diversity, minority recruiting and promotion of transportation careers. Training is being evaluated to improve both skills and opportunities for advancement with existing employees.
 - **Process improvement group** is improving project management and issue resolution practices. By examining areas, such as constructability and lessons learned, mistakes can be reduced and projects can be completed more quickly and safely.
 - **Technical improvement group** is examining the quality and durability of materials. Efforts are underway to reduce the variety of material formulations and define long-life specifications that will help to reduce cost for the taxpayer.

Specific Examples:

- Issue Resolution/Escalation Process: In heavy construction, issues and disputes are normal. Prompt and fair resolution keeps the project on schedule and moving smoothly.

Eliminating lagging decisions will improve the flow of the work and improve quality of construction.

- Processes to Ensure Projects are Designed with Field Situations in Mind: More complete constructability reviews should reduce the need for many extra work situations which can lead to failed negotiations and force account work both which create unneeded project cost and delays.
- Require the Contractor to Take More Responsibility for Quality Control: A standard specification revision is underway to add a bid item for the overall Quality Control Plan for the paving operations of the project. The specification would also require the contractor to submit a Safety Plan with the QC Plan. The bid item should include disincentives when the contractor does not follow the approved QC Plan. The bid item should also consider if incentives could apply to this type of specifications. The initial effort of this goal will focus on concrete and asphalt paving operations but could also be considered for other major items of work in the future.

Future Actions:

- The joint leadership group has planned to meet quarterly in 2016 to continue to improve the working relationship and hold the working groups accountable.
- Working groups have set specific goals for 2016 and will be meeting on a monthly basis to review progress and improve quality.

Future Challenges Facing the Highway Construction Program in PA

With regard to the Commonwealth's ability to deliver its current post-Act 89 highway program, the most difficult impediment to delivering projects will be the ongoing and increasing diversion from the state's Motor License Fund to fund the operations of the Pennsylvania State Police.

The Motor License Fund was created to receive revenue from state taxes on liquid fuels, license and registration fees, and some fines. By authority of the Pennsylvania Constitution, that revenue is required to be used only for highway purposes, including highway safety.

APC does not take issue with using Motor License Fund revenue to pay for highway patrol operations, which exist for the purpose of highway safety. However, the current state budget will divert a \$755 million from the Motor License Fund to a total State Police budget of just under \$1.2 billion. As proposed, that would be 65 percent of the State Police budget. The diverted amount has increased by an average of 8.8 percent annually since 2002. At that rate, it will grow to nearly \$1 billion per year within the next five years. The entire increase seen in Act 89 will evaporate over the next five years. We believe this is not a sound foundation for the efficient delivery of our state's highway program and will eventually lead to more delays as PennDOT and contractor alike try to do more with less resources.

Act 89 promised a Decade of Investment that would bring the state's transportation system up an acceptable standards. Without addressing this draining of highway dollars in the Motor License Fund, the state's ability to achieve the Decade of Investment will never materialize.

Attached is a chart produced by the Pennsylvania Highway Information Association (PHIA), which will testify more about this subject next week. You will see the rate of diversion from the MLF is by far more than what is has been from the General Fund over the same time period.

In summary, APC remains committed to delivering a quality highway program that enhances safety and quality of life for all Pennsylvanians. We are dedicated to working with our partners—PennDOT and the PA Turnpike Commission in improving quality and project delivery via the new Transportation Quality Initiative (TQI). I thank the members of the committee for their time and would be happy to answer any questions you may have.

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History of MLF and GF Payments to the PA State Police

