

Testimony of Robert Latham
Executive Vice President
Associated Pennsylvania Constructors
Senate Transportation Committee
February 8, 2017

Mr. Chairman, thank you for the opportunity to provide testimony today regarding Modernizing Financial Statement Requirements. I am Bob Latham, executive vice president of Associated Pennsylvania Constructors. APC is a trade association with more than 400 members, including contractors, consulting engineers, material suppliers, manufacturers, and others with an interest in Pennsylvania's road and bridge construction industry. The association has been serving the industry for more than 90 years and represents the majority of active highway contractors in the state.

APC and its members strongly support the concept of providing more opportunities for small and minority-owned firms to bid work with PennDOT, either as subcontractors or directly to the Commonwealth as "prime" contractors.

Section 404.1 of the State Highway Law directs the Department of Transportation to consult with associations representing highway construction contractors to develop a system of "Prequalification of Bidders". Factors to be considered include: 1) equipment, 2) past record, 3) experience, 4) personnel of organization, 5) financial condition.

The Department is required, from time to time, to review the system with said associations and to discuss any need to modify such system.

The current system of Prequalification, Chapter 457, "Prequalification of Bidders", is currently under review by the Department's Bureau of Project Delivery. The Bureau has reached out to the Associated Pennsylvania Constructors for comment.

We have discussed the following concepts:

1. Renewal period – currently every two years
2. Consideration of company experience and reconsideration of current factors for evaluation
3. Generational transfer and reorganization of corporate structure
4. Impact of prequalification requirements on small businesses

Regarding impact of prequalification requirements on small businesses, we have discussed the concept of using current regulations to allow for more participation by allowing direct bidding by those firms prequalified as subcontractors to bid projects up to a certain limit (e.g. \$500,000) directly to PennDOT.

PennDOT has a "Small Business Element" which was finalized in July 2012. Under the Small Business Element, the Department produced a SBE special provision for use in selected municipal bid packages where prequalified subcontractors may bid as primes. Use of this specification will provide additional opportunities for SBEs to bid as a prime contractor. APC has recommended the Department consider extending this Small Business Element to PennDOT contracts in addition to municipal contracts.

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