



U.S. Department
of Transportation

Federal Highway
Administration

Memorandum

Subject **ACTION:** Transportation Research (TR) Circular,
No. 386, December 1991
Innovative Contracting Practices

Date February 19, 1992

From Administrator

Reply to
Attn of HNG-22

To Regional Federal Highway Administrators
Federal Lands Highway Program Administrator

Attached for your further distribution and implementation are copies of the subject final report which culminated significant joint efforts by various representatives from the highway industry. Advance information was previously provided to you in memorandums dated February 13, 1990, when Special Experimental Project (SEP) No. 14 was announced and on July 2, 1991, when an update of innovative contracting practices initiatives was issued.

In January 1988, a Transportation Research Board (TRB) task force, A2T51, was formed to explore innovative contracting practices. Members on the task force represented all segments of the highway industry, including contractors, consultants, trade associations, surety and bonding agents, academia, SHA's, and the FHWA. The mission of the research was to solicit, study, and compile information on the practices under which both the U.S. and foreign agencies contract for construction as they effect quality construction, along with ways to improve them and to suggest methods for improving contracting processes. This report summarizes the information reviewed in each of the major areas addressed and provides both short and long term recommendations for consideration and implementation. Some of the same observations noted during this research effort were also identified for possible implementation during the joint industry European Asphalt Study Tour which occurred in the fall of 1990. Due to a significant amount of interest generated on the tour, guidance to the field has previously been provided on the subject of "lane rental," see Mr. Willett's memorandums of April 2 and November 18, 1991.

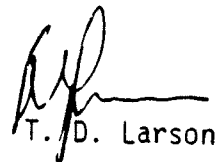
Because of the great potential now available to us under the recently enacted highway legislation, I am requesting that each of you take an active interest in promoting innovative contracting practices with the States and industry. I would like to set an objective goal of getting each State to undertake a minimum of one project utilizing a concept that, at least to the State involved, is new or innovative. Areas that were previously discussed as potential candidates for innovative contracting included: (1) factoring in such aspects as time and quality with cost to determine the lowest responsible bidder; (2) design/build contracts; (3) incentives for improved quality; (4) warranties/guarantees, and (5) development of specifications to instill innovation, enhance the final product, and balance risk with reward. Included in the TR Circular is a discussion on each of these concepts plus several others that are worthy of consideration.

In an effort to assure that innovative concepts undertaken are appropriately evaluated and results shared with others, I am requesting that State proposed projects containing innovative concepts be considered for inclusion as part of SEP No. 14. All innovative proposals felt worthy for evaluation under SEP No. 14 should be submitted to Headquarters for consideration. States' proposals should include a brief description of the concept being considered and be submitted through the regional office directly to the Office of Engineering, HNG-22.

Projects that are accepted and approved for SEP No. 14, may be eligible for limited funds to assist States in evaluating, documenting and reporting activities. Project construction costs will be eligible for reimbursement subject to normal Federal-aid eligibility policies. If you have any specific questions on innovative contracting practices, please call Mr. David Geiger or Mr. Allan Rockne at 366-0355.

I believe this document provides the FHWA and States an excellent opportunity to explore new methods of doing business in an industry that is now being challenged to build a better quality product. Copies of this document are being further distributed through TRB to help ensure that all participants in the industry are working together to try new methods intended to improve the highway program. Also, an article is included in the AASHTO Journal, dated January 24, which further highlights some of the significant aspects of the report and underscores the need for all parties involved to work together on innovation.

Attachment


T. D. Larson

cc: AASHTO
AGC
ARTBA
TRB