

Performance Contracting for Construction

Sharing Risks, Sharing Rewards, Getting the Job Done

State and local Departments of Transportation (DOT) and the United States Department of Transportation (USDOT) Federal Highway Administration (FHWA) are facing two significant challenges: A large portion of the U.S. transportation infrastructure is reaching the end of its design life and needs to be reconstructed, and, at the same time, traffic levels and congestion levels are increasing steadily.

In response to these challenges, FHWA is developing, identifying and promoting new alternative contracting methods to build highways and bridges safer, faster and better. One promising method is performance contracting for construction.

What is Performance Contracting for Construction?

Performance contracting is an approach where a private contractor is responsible for achieving a defined set of goals and where performance goals — rather than methods — are specified. This approach has been successfully used in several related industries, including highway rehabilitation and maintenance.

Where project outcomes are clear and mutually understood, performance contracting saves time and money and improves contract management.

Using a performance contracting approach on suitable construction projects will allow State and local DOTs to better define and communicate to contractors specifically what they want to achieve in their projects and to hold contractors accountable for agreed-upon outcomes. Contractors will enjoy the flexibility of determining how to achieve the outcomes rather than using a specified method. This flexibility should enable them to perform profitably and competitively without compromising quality. They will also share the rewards from a project well done.



Potential Benefits

- **State and Local DOTs benefit** from the opportunity to clearly describe the desired outcomes the contractor must deliver.
- **Contractors benefit** from the flexibility to determine how best to accomplish the desired outcome in an innovative and competitive manner. Contractors also benefit from sharing the rewards from a project well done.
- **Everyone benefits** from innovations introduced by the contractor that may lead to improved safety and mobility, reduced costs, and faster project completion at equal or better quality.

For more information on the Performance Contracting for Construction Implementation Framework or to learn how to become a pilot state, contact:

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Performance Contracting for Construction Implementation Framework Available

Every Agency's needs and requirements are different. FHWA has developed an implementation framework that is flexible and scaleable to help State and local Agencies implement performance contracting.

The framework includes recommended processes, lessons learned, and sample materials that were developed with input and guidance from a team of public- and private- sector stakeholders.

Performance Contracting for Construction Pilot Initiative

FHWA is currently seeking up to six Agencies interested in piloting the Implementation Framework prior to its broader release, which is tentatively planned for Spring 2009.

Additional consideration will be given to states that are applying for Highways for LIFE funds that propose to use performance contracting to achieve the Highways for LIFE goals. In addition, pilot states will receive tailored technical assistance to help them implement this approach.

Contact Jim Sorenson (james.sorenson@dot.gov) or Mary Huie (mary.huie@dot.gov) of FHWA to learn more about becoming a pilot state.

Is Performance Contracting Right for All Construction Projects?

Performance contracting is not a "silver bullet" ideal for all contracts and circumstances. The illustration to the right will help you decide initially if a performance contract might be suitable for your unique situation.

Is Performance Contracting the Right Choice for Your Project?

